

3/99 Board Mtg Acquisitions

,V.¹ . Kentucky-American Water Company

NewProposals:



Id-Village Water District

- County District, 1436 water customers (primarily rural residential).
- 100% purchased water from City of Owenton (50 year contract) from Kentucky River source.
- 131 miles of main; 5 employees.
- Presentation Made 4/8/99; Discussions in process.



David Baker

0.. /09/99 04:30 PM

To: Pat Ballard/KAWC/AWWSC Coleman Bush, Edward J. Grubb/KAWC/AWWSC, Nick Rowe/KAWC/AWWSC, Herb Miller/KAWC/AWWSC, David Whitehouse/KAWC/AWWSC, **Barbara Brown/KAWC/AWWSC,**

cc:

Subject: Tri-Village WD

To Roy Mundy Via Pat Ballard

FYI - I presented our proposal to Tri-Village on Thursday. The proposal was very **well** received. On Tuesday, April 13, 1999, they will meet again. They told me that at this meeting they anticipate making a decision as to proceed or not. In a conversation with the Chairman and the Treasurer today, they told me that they are very much in favor and anticipate drafting a resolution to proceed with the sale. I will know for sure on Wednesday, and will let you **know**.

If they resolve to proceed, they will want our immediate assistance to help with media issues. They have some planned rate increase issues to deal with at the same time, so at my suggestion they have invited us to recommend a media strategy that will serve their purposes while preventing KAWC from being directly associated with the cause of the increase.

Barbara, I will phone you next week after the board decision. Thanks.

As a reminder I will be at the Economic Development Institute all next week in Indianapolis. Julie Decker can reach me. I will be in touch on Wednesday with you about Tri-Village.

D. Baker

~ ~ Kentucky-American Water Company

TENTATIVE AGREEMENT REACHED:

Tri-Village Water District (Owen County, Kentucky):

- Voted on 4-13-99 to accept KAWC tentative offer to purchase assets for \$1,659,233 (subject to due diligence)



- County District has 1436 water customers (primarily rural residential) with average monthly use of 4,700 gallons per customer.
- 131 miles of mains; 5 employees
- 100% purchased water from City of Owenton (Kentucky River source, downstream from Lexington)
- District to increase rates by 30% (to avg. \$34.09/mo) prior to acquisition. KAWC will decrease rates by 10% upon acquisition and request single-tariff pricing treatment from PSC.
- Final Agreement subject to KAWC Board approval, PSC approval and appropriate financial and asset quality due diligence by KAWC.

Kentucky American Water Company

Agreement Reached:

Tri-Village Water District (Owen County, Kentucky):

- Tri-Village board executed the KAWC purchase agreement on 10/13/99, assets being purchased for \$1,659,233 (subject to due diligence)

11.11 NNP-a

- County District has 1500 customers (primarily rural residential) with average monthly use of 4,700 gallons per month.
- 131 miles of main, 4 employees, 100% purchase water from City of Owenton (Kentucky River, pool 2)
- Water quality issues currently being studied in cooperation with the City of Owenton. Resolution of water quality issues is one of the key conditions precedent to closing.
- Rural Development required appraisal was received at \$1,610,000, just under the purchase price. Appraisal will be submitted to RD 10/99 for review. As no sale proceeds exist, it is anticipated that no grant repayment will be necessary; Tri-Village has indemnified KAWC with regard to grant repayment.

- Final agreement subject to KAWC Board approval, PSC approval and all appropriate financial, water quality and asset quality due diligence by KAWC.



David Baker
.5/28/99 02:44 PM

To: Dillard Griffin/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW, **Barbara**
Brown/KAWC/AWWSC@AWW, Edward J. Grubb/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Coleman Bush/KAWC/AWWSC@AWW, Pat
Ballard/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW, Kevin
Kennoy/KAWC/AWWSC@AWW
cc: Julie Decker/KAWC/AWWSC@AWW, John HiII/KAWC/AWWSC@AWW

Subject: TRI-VILLAGE TOUR - RELATED INFORMATION-SCHEDULE

CONFIDENTIAL

Thank you in advance for your assistance with this tour. Please find on the attached document some basic facts about Tri-Village District. Also listed below are the highlights of our proposal which you may want to familiarize yourself with prior to the tour on Wednesday, June **2**, 1999. I will be picking up the group at 12:30 at their office, and should arrive at the KRS by 2:15 PM. We will spend 1 hour at KRS touring the plant and the lab (if the weather is nice, and it wont take too much time, lets go down the side of the hill). I am sure there will be several questions concerning water quality and our plans to work with their supplier, Owenton, to improve that situation. I plan to have the group up to the Corp. Office at 3:45PM - we will meet in the 3rd floor area where we will have a meet and greet and a light supper. We should conclude approx. 5PM at which time I will take them home. Please call me or Julie Decker with any logistics questions.

Proposal Summary:

- Office at Tri-Village remains in place and customers served from present location
- Employees all remain (3 field, one office, one Manager), with wages comparable to KAWC - no anticipated collective bargaining)
- Continue to purchase water from Owenton, perhaps connect our system via Scott County at a later date
- Customer rates have not been finally decided
- Final contract has not yet been signed with the Board anticipate signing in late June
- Another bid is being accepted from an electric coop

Please find attached a word document that contains basic facts about the system. Thanks again.



Trvillagesummary.d

D. Baker


Summary For Tri-Village Water District

Background:

1. Owen County – Located 20 miles N. of Georgetown
2. Located on 127 Corridor, 15 miles south of High Growth Gallatin County (race track)
3. County Water District (only one in Owen County)
4. Elk Lake Water Company located in Owen Co. (inv. Owned, 350 cust)
5. Very Open to Sale of District, County Judge Supportive
6. City of Owenton will accept proposal from KAWC also, not as open (1000 Customers)
7. Purchases 100 % water from City of Owenton – source Ky. River, 289K/day
8. Water Purchase rate \$1.25/000, proposed increase to \$2.11 (rates will be adjusted accordingly following appeal), 2 master meters, 50 year contract (signed 1993!)
9. Line loss 17.6%
10. 1436 Customers, virtually all residential, serves approx. 200 cust. In Gallatin and Grant Counties in addition to Owen, avg. cons. = 4732 gal/mo., \$26.82/mo.
11. Normal Growth rate = 2%, high growth potential
12. Employees: Office Mgr., office clerk, 3 field employees

System Summary:

1. 131 Miles of Main, 6"/4"/3" transite, 3"/2" PVC
2. 707K storage – 7 tanks, 2 tanks need painting, one to be replaced this year
3. One Pump Station
4. Office Building, 2000 sq. feet
5. 5 Vehicles, \$10,000 NBV total
6. 1 JD Backhoe, 1 Ditchwitch Trencher, \$75,000 NBV
7. 2 main breaks per week, avg.
8. Wheatly Tank and lines to be replaced 8/99, cost of \$410,000 (grant and loan, RD)
9. New Columbus Project will add approx. 300 cust in SE quadrant of County, 12/99, \$1.4 million, approx. ½ RD Grant, ½ RD loan
10. All tank sites are owned or represented as secure leases/easements

 Nick Rowe
D6/01/99 08:06 AM

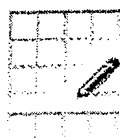
To: Dillard Griffin/KAWC/AWWSC@AWW
cc: Jan Rutt/KAWC/AWWSC@AWW, David Baker/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW

Subject: Re: TRI-VILLAGE TOUR - RELATED INFORMATION-SCHEDULE

CONFIDENTIAL _xm

I agree!! Violations of any type will not be tolerated within American!!! We should get to the DOW files and review their past performance!! Jan-please investigate.

Dillard Griffin



Dillard Griffin
86128/99 04:37 PM

To: David Baker/KAWC/AWWSC@AWW
cc: Jan Rutt/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW

Subject: Re: TRI-VILLAGE TOUR - RELATED INFORMATION-SCHEDULE

CONFIDENTIAL

David, I am sure that you have seen the article in the Lex Herald on Friday 5/28. In this article the Tri-Village system is listed as one of the persistent violators of water quality standards. When we were in Owenton, the Owentown folks talked a lot about how Tri-Village was consistently out of compliance because of Trihalomethanes. This could possibly be a high cost item to correct, because of the purchased water. We need to be sure that the cost of correction to this area is anticipated. Perhaps, our water quality folks have already looked at this and I simply am not aware. But, if they haven't looked at it we may want to get involved in that and really look at the historical WO data for both Owenton and Tri-Village. From my very base knowledge of the issue I think the problem could be more easily corrected if we were operating the treatment works, ie owning Owenton water.

On the specific issue of the Tour I have talked with Gurney and he will also be available for the tour. We will show them a good time. Do you want some refreshments at the plant? Soft drinks, coffee, cookies etc for after the tour. Or are you going to return directly to the office and then on to Owen Co.?

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David Baker
_06/01 /99 10:19 AM

d717L

To: Jan Routt/KAWC/AWWSC
cc: Nick Rowe

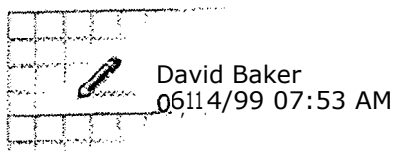
Subject: Re: TRI-VILLAGE TOUR - RELATED INFORMATION-SCHEDULE

CONFIDENTIAL

Jan - Thanks for your e-mail. As soon as a contractual agreement is reached with TV we will conduct the due diligece relating to water quality, so it will not be appropriate to discuss this with them tomorrow at the tour. We were already aware that there were wq issues. I am faxing to you in a few minutes the SDWIS listing of NOV's for both Tri Village and Owenton.

THanks for your assistance.

DBaker



To: Pat Ballard/KAWC/AWWSC, Coleman Bush/KAWC/AWWSC, Nick Rowe, Edward J. Grubb/KAWC/AWWSC, Herb Miller/KAWC/AWWSC,

cc:

Subject: Tri-Village

To: Roy via Pat Ballard

At their regular meeting on June 9, 1999, a rep. from Owen RECC informed the TV Board that they were not submitting a proposal. The Board resolved that they would not accept further proposals and to continue to negotiate with KAWC to reach final contract. Roy, Herb, Nick, Coleman should attend (I know Ed will be out of town).

Please mark your calendars for June 29, 1999 at 2PM for our Contract negotiation meeting with Tri-Village (at their office). We will need to leave here no later than noon. At this meeting, we will present a draft contract and finalize the last issues. A final contract will then be prepared and presented for execution within 2 weeks (the sooner the better). During that 2 week time, Herb has suggested that we conduct our water quality due diligence to insure that we are not placed in a position during the due diligence process to have to rescind our offer. This can be discussed at the BD meeting on Tuesday, June 15 at 9AM.

The final issues relate primarily to the rate increase needed to insure profitability, the scope of the New Columbus Project and, possibly, future system expansions. I will present to you this week a matrix of profitability/rate increase combinations. Herb mentioned prior to his vacation that Lindsey is working on a contract: I will contact him.

Thanks.

DBaker

/ David Baker

~:.._0.6/22/99 03:46 PM

To: Pat Ballard/KAWC/AWWSC, Coleman Bush/KAWC/AWWSC, Herb Miller/KAWC/AWWSC, Edward J. Grubb/KAWC/AWWSC, Nick Rowe/KAWC/AWWSC,

cc:

Subject: Tri-Village Contract Review Meeting, Thursday, 6/24/99, 9:30 AM

Lindsay Ingram dropped off to me today the draft contract for TV to be presented and negotiated on 6/29/99. A meeting has been set for 9:30AM on this Thursday to review and make changes and strategize for the meeting. (Lindsey will not be available after Thursday until next Wednesday). A copy of the draft will be delivered to you today with this e-mail attached.


Thanks.

DBaker

David Baker
Director — Business Development

7-1-99

To: Roy Mundy, Nick Rowe, Coleman Bush, Herb Miller
Edward J. Grubb

From: David Baker 

Subject: New Columbus Project – Tri-Village

In anticipation of our next negotiations meeting with the board, I ask that we continue toward making a decision as to our commitment of \$1.4 million for New Columbus. This meeting will be scheduled next week (most likely for the following week) following our meeting on Monday with Owenton (water quality).

Attached for your review is Kevin's preliminary summary of the costs of the Tri-Village following his meeting with Ron Gastineau. Kevin believes that the estimate is not as far off as originally thought – it appears to be approx. \$447,00 understated. One area of note is the land acquisition costs. Charlie Noel and Judge O'Banion feel that this can be accomplished at the lower price.

Kevin is reserving final report for the opportunity to speak with TV's other engineer, Bill Babbington, who will not be available to meet with him until 6/16/99.

We will need to finalize our position on this project as soon as possible.

Thanks.

C: Kevin Kennoy

Kevin W. Kennoy, P.E.
Operations Engineer

July 1, 1999

MEMORANDUM

TO: David Baker , Director of Business Development

RE: *Summary of Meeting w/ Gastineau & Associates
New Columbus Project
Tri- Village Water District, Owen County*

Dear Dave:

The following is a summary of the meeting that took place at the office of Gastineau & Associates in which the above referenced project was discussed.

Project Scope

The proposed project scope was confirmed to consist of " the construction of a 100,000 gallon standpipe, a booster pump station, 5,000 lineal feet of 6" water line, 181,000 lineal feet of 4" water line, and 56,200 lineal feet of 3" water line. The project will increase the District customer base by 287 customers," — according to the preliminary engineering report. Total construction cost was estimated at \$ 1,349,000 and total project cost is estimated to be \$ 1,730,000.

Project Cost Breakdown

Project Item	Gastineau & Associates	Kentucky-American Water	Difference
Estimated Construction Costs	\$ 1,349,000	\$ 1,500,000	- \$ 151,000
Engineering	\$ 128,000	\$ 142,000	- \$ 13,000
Resident Inspection	\$ 58,000	\$ 65,000	- \$ 7,000
Legal and Administrative	\$ 20,000	\$ 30,000	- \$ 10,000
Lands and Right of Way	\$ 5,000	\$ 250,000	- \$ 245,000
Interest During Construction	\$ 35,000	\$ 40,000	- \$ 5,000
Contingencies (10% ECC)	\$ 135,000	\$ 150,000	- \$ 15,000
Totals	\$ 1,730,000	\$ 2,177,000	- \$ 447,000

As seen in the above table, my opinion of the total project cost falls short about \$ 500,000. This is due to the following considerations:

- Cost of pipe and installation may as much as $\pm 10\%$ too low.
- The cost for purchasing a tank and pump station site is very low, unless TVWD is getting a really good deal on some property.
- Costs for private right-of-way purchase is lower than KAWC standards, depending on how much of proposed lone is in highway or private r.o.w..

To get a better understanding of the project, I think the other important meeting needs to be with Bill Babington who is the project manager who might be able to give more specifics on the project. I hope this information helps. If you need anything else please feel free to ask.

Sincerely,


7

Kevin W. Kennoy, P.E.

KWK

JAN
ROUTT

07/13/1999 06:32 PM

To: Richard H Moser/SYSENG/CORP/AWWSC@AWW
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW, John Hill/KAWC/AWWSC@AWW
Subject: Kentucky-American Water Company — Monthly Water Quality Report — June 1999

Memorandum

To: Richard Moser
From: Jan C. Routt
Subject: Kentucky-American Water Quality Report -- June 1999

Source water: Ky. River source conditions were fairly steady in terms of turbidity throughout June (turbidity ranged from 2 to 38 ntu). Ky. River TOC increased overall during the month (2-3mg/L in early June and 4-7 in later June). Zebra mussel monitoring of Ky. River showed no veligers again in June at, above, and just below, our intake. Veligers were detected at downstream intakes (Harodsborg-8,440 and Frankfort-16,500 veligers per cubic meter of water.)

By mid-June, KAWC issued voluntary water-use restrictions to customers, but river flows remained above the (withdrawal permit-related) in-stream monitoring trigger. However, water quality and production associates conducted in-stream river monitoring (DO, pH, conductivity, temp. measured in cross-sectional areas of our pool on June 11th) in preparation for possible required testing should river levels drop below 120cfs. in this monitoring, just above our intake, three of four mid-depth sample locations had dissolved oxygen levels which were consistent with high algal activity--subsurface low DO (3mg/L) and surface pH of 9. Temperature was 24 C at mid depth and 30 C at the surface which were more stratified than, but otherwise comparable to, in-stream temperatures in *August* 1998. This river cross-sectional monitoring was not repeated in June because river levels did not drop below 120cfs. By month-end rainfall had eased the situation somewhat, but voluntary use restrictions remained in place.

On June 28th KAWC received notice of a June 26 and 27 fish-kill in Ky. River pool 6 (about 40 miles downstream of our

intake). State Fish and Wildlife *officials* found no cause for the death of about 1000 larger fish (smaller ones survived) other than a temporary drop in dissolved oxygen followed by a significant rainfall. This fish kill created quite a media event and resulted in several customer calls. While this did not directly impact our source at our intake, we will certainly keep alert for any additional such occurrences to discern whether the low river flows may, indeed, cause low DO and fish-kills. This could further complicate our Ky. River withdrawal permit.

Treatment: The Ky. River source was used, primarily, for both treatment facilities, again, in June. This was to maintain maximum storage in the Jacobson Reservoir during our ongoing drought and to minimize reservoir-related T&O and chemical costs. The Jacobson reservoir source was used to supplement the Ky. River water by RRS during highest demand times (29 MG total on nine separate days) amounting to just under 6.7% of total raw pumpage at RRS for the month. No taste and odor occurred related to this blended use of the Jacobson reservoir.

The above-noted increasing TOC in the Ky. River, along with above-budget pumpage translated into 30 °A) increases in chemical and waste disposal costs in June. Despite the increased treatment demands, however, both the Richmond Road and Ky. River Stations met all applicable regulations. RRS met the Partnership turbidity goal of readings at, or below, 0.1 ntu 100% of the time and KRS had 98% of readings below 0.1 ntu. These two readings over 0.1 at KRS are typical of ferric chloride treatment at this facility. (It is noteworthy that *settled* turbidities and TOC removal were appreciably *better* with FeCl at KRS this month as compared as those typical with PACL). KRS operators raised polymer dosage and shortened filter backwash intervals to maintain good filter performance with FeCl. Ferric **use** will continue over coming weeks to avoid T&O from algae in the Ky River and, more importantly, to assess whether the KRS can meet TOC removal requirements of the new DDBPR.

KRS plant rated capacity was reviewed in context of CT in June when KAWC received word that a utility we have proposed to acquire had been granted an increased treatment capacity rating--seemingly arbitrarily. These investigations continue.

TOC and disinfection byproduct formation studies: TOC removal at KRS with ferric averaged 47% which met the

average removal requirement of 31% for the days tested. TOC removal at RRS with ferric chloride averaged 36%, which also was well above the average required level of 25% for days tested. At first glance, it might appear that, using ferric chloride, the KRS is removing TOC better than RRS--despite the fact that RRS has better sedimentation along with GAC filters. However, when we compared TOC removal on dates where both facilities were sampled (treating the same Ky. River water as on June 1st) the RRS removed 52% of the Ky River TOC and KRS removed 40%. Source and process sampling schemes are being revised in July to better compare the two facilities on the same dates, and same source water. We will also be assessing TOC in the Jacobson reservoir to project what might have been the treatment chemical demands were we to be using the reservoir with its higher (algae-related) TOC. Enhanced coagulation jar studies continue as well, but it seems apparent at this juncture that KRS will not qualify for "outs" to enhanced coagulation based on source characteristics. The writer reviewed the 1998 KRS DBP study draft report by O'Brien & Gere with the consultant on June 20th to incorporate KAWC comments. The final O & G DBP report is expected mid-late July.

Partnership for Safe Water Annual Reports: were submitted to Partnership Coordinators via email on June 30th. These reports have also been circulated in-house via email. For the 98-99 Partnership year KRS maintained 97% of 4-hour filtered turbidity readings below 0.1 mu and RRS maintained 99% of readings below 0.1 ntu. Full reports are available upon request.

Distribution System: There were no positive bacteriological samples within the distribution system in June, and all sites maintained required chlorine levels in the KAWC and Boonesboro systems. Tank monitoring on June 8th showed good chlorine residuals and no nitrification problems. Nineteen customer water quality calls were received during the month with five of these being information requests.

Residuals, Environmental, Etc.: Discharge monitoring under KAWC's KPDES drinking water permits met applicable limits. However, the Rockwell WWTP exceeded the ammonia limit on monthly permit monitoring (daily Max), again, in June and the Dissolved Oxygen was below permit limits on the daily minimum limit. With increased monitoring and treatment surveillance we were able to bring all parameters into

compliance on the monthly averages. Influent monitoring conducted by KAWC has shown that dry flows exceed plant design capacities and ammonia, and BOD loading rates from one industrial discharger appear excessively high. These studies continue. In June, KAWC WQ added equipment to sample and test for permit compliance and provided equipment and training for the ww plant operator. At this writing, all sampling had been done for July and, with only BOD data were yet to be received from the commercial lab, all other parameters are in compliance. KAWC is also setting up to do BOD and we hope to be doing this analysis in house soon.

Construction and New Equipment: KRS Aldrich unit number 1 remained out of service for painting during June, but has been returned to service at this writing. Meetings continued regarding the project to modify chlorine feeds at both KRS and RRS. Particle counter installations continued at KRS with troubleshooting of software still ongoing. The pre construction-bid meeting for the KRS residuals project was held June 10th.

Acquisitions: The writer was involved in two KAWC acquisition efforts in June-- ~~_____~~ and tours and site-evaluations for TriVillage (a purchaser system from the city of Owenton)] The latter is actively ongoing including our efforts to assist this facility in addressing chronically elevated DBP's received from their supplier (not a KAWC facility). System Engineering and Water Quality have been very helpful (Steve Schmidt, Rich Hubei, Richard Moser) in developing cost estimates and recommendations for comparative DBP removal and prevention technologies for the TriVillage/Owenton effort. At present we are researching/discussing the possibility of an aqua ammonia feed system for supplier facility-Owenton, which would convert of both systems to chloramines, hence lowering DBP's in both systems. Additional treatment optimization is needed in the Owenton system, such as enhanced TOC, T & O, and manganese removal, which may be defined later--or concurrent with chloramination.

Meetings, committee activities: On June 24th KAWC hosted the KY-TN AWWA Water Quality committee meeting. This has been a very active committee upon which KAWC'S KRS Water Quality Specialist, Beth Hamm, has served for some time. At this June meeting Beth was elected as committee chair

for the 1999-00 term. Congratulations to Beth. Undoubtedly, both KAWC and KY-TN AWWA will benefit from Beth's service in this capacity.

RRS Water Quality Specialist, Joe White, attended a meeting of the ORSANCO Water Users Committee, held in Huntington, WV on June 9 & 10. The writer attended the AWWA Annual Conference in Chicago (June 19-23) with most time there involved in committee & board meetings (AWWA Water Quality Division Board of Trustees--Sat. all day; Partnership for Safe Water Steering Committee--Sun pm; AWWA Disinfection Systems Committee--Tues am; AWWA Committee Chairs and WQD meeting--Wed. Am. Minutes of these meetings and trip reports, are available upon request.

The writer, along with other EPA Region IIUIV PEAC members, completed another Partnership for Safe Water Phase III review--via conference call--in June, with a recommendation that the utility (Grand Strand, S.C.) receive the Director's Award.

CCR's: KAWC's CCR's began circulation to customers via bill inserts as of June 1st. At this writing customer calls pertaining to CCR's have been minimal--only a few calls to date have required attention from water quality. Most comments have been related to the format of the report rather than related to actual water quality concerns or questions.

Plans for near future: Studies will continue toward further assesment of KAWC's ability to meet the pending M/DBP regulations--DDBPR & IESWTR. We hope to have the O&G report and the M/DBP guidance manuals reviewed (both the turbidity and enhanced coagulation EPA manuals are in our possession as of this writing), and to be ready for an in-house meeting to discuss short- and long-term M/DBP compliance plans by mid-late August.

Particle counting installations will continue at KRS with plans for August evaluations of various manufacturers' counters toward a 2000 fitting of all filters with online particle counters. This project will also, hopefully, include interfacing of existing turbidimeters which will help to assess our facilities compliance potential under the new individual filter monitoring requirments of the IESWTR.

Actions will continue toward improved chlorine residuals in Sadieville. At this writing the Sadieville tank was being flushed and returned to service. It had been removed from service for four months to see if this would improve water turnover (and chlorine residuals) in this area. ...It did not. Equipment gathering, site investigation and protocol development are ongoing as we proceed to set up supplemental chlorine feed (liquid sodium hypochlorite) in this area.

Communications and investigations are projected to continue toward TriVillage (and supplier Owenton) DBP minimization and process optimization. This work will be integrated with pending the TriVillage acquisition activities of all KAWC associates.

C: Nick Rowe, Roy Mundy, Dillard Griffin, Stan Stockton,
John Hill

Kentucky-American Water Company

Tentative Agreement Reached:

Tri-Village Water District (Owen County, Kentucky):

- Voted 4-13-99 to accept KAWC offer to purchase assets for \$1,659,233 (subject to due diligence)

10MP IMMIF

- County District has 1436 customers (primarily rural residential) with average monthly use of 4,700 gallons per month.
- 131 miles of main, 5 employees, 100% purchase water from City of Owenton (Kentucky River, pool 2)
- District to increase rates to meet current profitability shortfall (included in proposal). KAWC will decrease rates by 10% upon acquisition and request PSC approval of single tariff pricing.
- Owen Rural Electric is submitting a bid on 619/99.
- Board has assured KAWC that they still support our offer and will meet to complete negotiations by 7/15/99 with the intention of signing a contract.
- Final agreement subject to KAWC Board approval, PSC approval and appropriate financial, water quality and asset quality due diligence by KAWC.

Jan Routt
07/30/2004 01:49 PM

To: Coleman Bush/KAWC/AWWSC@AWW
cc:
Subject: Month end report--October 1999

Jan C. Routt
Director Water Quality
Kentucky American Water
6300 Cedar Creek Lane
Lexington, Ky 40515
(O) 1-859.335.3662
(C) 1- 859.537.0742
(F) 1- 859.263.3137
E jroutt@kawc.com

- - -Forwarded by Jan Routt/KAWC/AWWSC on 07/30/2004 01:50 PM - - -

**JAN
ROUTT**
11/15/1999 05:08 PM

To: Richard H Moser/SYSENG/CORP/AWWSC@AWW
cc: Nick Rowe/KAWC/AWWSC@AWW, John Hill/KAWC/AWWSC@AWW, Dillard
Griffin/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW
Subject: Month end report--October 1999

To: Richard Moser
From: Jan C. Routt
**Copies: Nick Rowe, Roy Mundy, John Hill, Stan Stockton,
Dillard Griffin**
**Subject: Kentucky-American Water Company-- Water
Quality Report October 1999**

Source waters and Treatment: Due to 3.3 inches of rainfall in October (most of which--2.65in.-- occurred on Oct. 9) and decreasing temperatures, Ky. River flows were improved by late October and demands were down. This allowed lifting of the outdoor water use restrictions on October 25th. Presentations and discussions continue pursuant to the LFUCG's pending recommendations for ultimate KAWC water supply alternatives. Source pumpage continued to be maximized from the Ky River this month (27 days) to keep the reservoir full and to Jacobson Reservoir-related minimize taste & odor. This combined with lower-than-budgeted RRS pumpage caused the RRS chemical cost to under budget by 40%. This included the amortized cost of GAC filters and the deferred cost of copper sulfate not needed for reservoir treatment.

Both treatment facilities met required disinfection CT through

the month. RRS & KRS provided 2.38 and 1.03 log removals of <3um particles, respectively. All RRS effluent samples were clear of bacterial growth. One KRS 100mL plant effluent sample, however, yielded one coliform colony in MF analysis on October 18th. KRS source or plant turbidities were not elevated, but this sample occurred 5 days after the source coliform levels had begun to return to low levels following the Oct. 9 rainfall event. A thorough investigation was conducted including records review and interviews with operation staff. There was no evidence that this was a lab contamination. The settled water bacteria testing had shown elevated background bacteria the same and previous shift, but there was no other evidence of change in chlorine demand or level through the plant as measured in two hour tests and CT calculations. There were no known interruptions in chlorine feed during, or just preceding the time of the positive sample.

Both plants met Partnership filtered water turbidity criteria of ≤ 0.1 ntu 100 % of time. The Ky River TOC averaged 3.4 mg/L and Jacobson Reservoir had 6.0 mg/L TOC in October. The Ky. River Station TOC removal ratio was 0.7 (less than the 1.0 required) with PACL and polymer. The Richmond Road TOC removal ratio was 1.2 treating primarily Ky. River Water with alum, ferric and polymer. When we calculated the weighted TOC removal taking into account both treatment facilities' pumpage (KRS-80%, RRS-20%) the total system TOC removal ratio for September was 0.85.

Distribution: All compliance bacteriological samples were clear, and acceptable chlorine residuals were attained in all samples October.

Compliance Trihalomethanes were monitored on October 18th with quarterly average was 67 ug/L which brings the four-quarter average to 53ug/L. in conjunction with this monitoring samples were collected in the Louisville system in the proximity of the proposed tie-in. The THM level at this Louisville site was 29ug/L as compared with 76ug/L at the Versailles Rd. surveillance site in the KAWC system nearest the proposed tie-in.

There were twenty customer water quality calls in October with ten of these being information requests (science fair projects, process trouble shooting) or requests for testing because of various concerns (from lead and illness to dish- and

appliance- residues). Others were routine discoloration and T&O (chlorine and in-house stagnation). Two sites were identified for routine flushing to minimize discoloration and T&O. None were related to treatment processes from the plants and all calls were all handled to the customers satisfaction.

A call was received from LGUCG Sewer Department inquiring about sulfate content of the water as they had noted that it has been elevated recently (over 100ppm as compared with the usual around 40ppm). We reviewed our records and noted that we have minimal sulfate data but that Ky. River source sulfate had increased--possibly related to low river flows. It was relayed to the caller that there is no health standard for sulfate and that we do not add appreciable sulfate through our treatment. The KRS Lab Analyst has however added sulfate analysis on a monthly basis to assess this further.

On October 5th a boil water advisory was issued for KAWC customers in northern Fayette County and southern Bourbon County following a main break and system depressurization. Check samples collected by WQ staff were clear and the advisory was subsequently lifted.

Tank monitoring indicated no problems with increased nitrification. Monitoring in Sadieville area showed similar results to prior months (low chlorine but HPC's within limits). FMSM studies are continuing to develop permanent flow improvements in this area.

KPDES: Rockwell Village Waste Water Plant--Again this month, all monitoring was conducted at KAWC labs and all parameters were within KPDES limits. All other KPDES monitoring was within limits as well.

Acquisitions: Work continued on the TriVillage acquisition. In-house meetings and conference calls, were held on October 5th (including outside legal counsel) and 11th (planning the 13th signing meeting and discussion). A purchase contract was signed between KAWC and TriVillage on October 13th with closing contingent on our satisfactorily addressing the water quality problems (THM's in the TriVillage system received, pre-formed, from their supplier, Owenton) KAWC staff also met with local officials from the TriVillage/Owenton area on October 20th for general discussion and interaction. At this

writing KAWC WQ and other staff had met again (Nov 11) with Owenton plant and city officials to present and discuss options to improve water quality. Response from Owenton is currently pending.

Administrative: Work continued on O& M budgets through October with plans to begin to address needed changes in pumpage and chemical treatment at treatment facilities to gear up for the pending DDBPR & IESWTR. Joe White, RRS WQ Specialist, and RRS Lab Analyst Mitzi Combs, provided input to the Item B Investment Project planning process. Lab Analyst, Dottie Johnson, has assumed responsibility for coordination of KAWC's Belleville and other compliance chemical monitoring in an effort to further enhance planning, tracking and communications in these areas.

Meetings, Presentations, Committee Activities & Tours: RRS Water Quality Specialist, Joe White, represented KAWC at the ORSANCO Water Users Committee in Louisville on October 19th and 20th. A main topic at this meeting was the Ohio River's T&O through this summer's low flow conditions. A report of this meeting has been circulated separately in-house and is available on request.

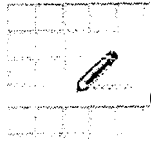
Jan Routt facilitated a successful Partnership Phase III review for Tennessee-American and participated in the unsuccessful review of another utility in October. This latter utility's followup correspondence and two new Phase III utility reviews are pending at this writing. In addition, a PEAC training session is being planned for January 10th which will prepare new Phase III reviewers. (This session is particularly needed to train additional officials from the Pennsylvania DEP due to their agreement to participate on all PA reports--and due to the expected onslaught of PAWC reports).

AWWA WQ Division business this month included review and ranking of 130 abstracts. The best abstracts were selected for presentation at the nine Water Quality Division sessions at next summer's Annual AWWA conference. It was noted that there was a preponderance of "consultant" studies (lots of membrane pilot studies) and a dearth of actual utility papers. These sessions were put together by the WQD at the annual planning meeting on October 31 st. Other accounts of this meeting, and of this year's WQTC, will be included in Jan Routt's trip report.

In October Jan Routt prepared and taught (Oct 19) an EARN class (for KAWC associates) titled "Water Quality 100" which covered basics of drinking water quality from the regulations to, basic treatment & engineering focusing on an overview of the general responsibilities of water quality working with all KAWC team members. This class will be offered again in Nov and Dec.

Personnel: A replacement the KRS WQ Specialist was selected from the 63 applicants for the position. The successful candidate, David Shehee, began his employment as of November 8th. David has many excellent qualifications including a masters in analytical chemistry and 9 years experience working in environmental consulting and project management. Welcome to David, and thanks to all who helped expedite the filling of this critically needed position. Also, thanks for all the help from those who have been, and will be, will be instrumental in his orientation here at KAWC.

Next month: We will shift some resources to assessing comparative water quality in waters provided by Nicholasville, Frankfort and Winchester (data request have already been submitted to the state) in that these systems have commiserated to offer to solve our supply problem by selling us water from their respective systems. We will also continue working with Owenton/TriVillage as opportunities materialize and we have begun initial site and data inquiries toward a possible acquisition of Pineville (2.25 hrs SE of Lex).



David Baker
08/03/99 08:26 AM

To: Pat Ballard/KAWC/AWWSC, Nick Rowe/KAWC/AWWSC, Coleman Bush/KAWC/AWWSC, Herb Miller/KAWC/AWWSC, Edward J. Grubb/KAWC/AWWSC,

cc:

Subject: Tri-Village

to Roy Mundy Via Pat Ballard

Per our conversation yesterday, I postponed our final negotiation meeting with the TV Board until the week of 8/16/99 to give us ample time to decide upon the final issues (ISTP and New Columbus). I spoke with each Commissioner and Billy O'Banion personally: I believe they all sounded concerned about this postponement, and all were aware of our recent news coverage of the BWP and Chattanooga. I assured them that we are simply needing additional time.

DB



David Baker
Q\$/10/99 09:00 AM

To: Nick Rowe/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, Pat Ballard/KAWC/AWWSC@AWW, Coleman
Bush/KAWC/AWWSC@AWW, Ed Grubb/KAWC/AWWSC@AWW

Subject: Water Quality Meeting - Owenton and Tri-Village

(to Roy Mundy via Pat)

Please plan on attending a meeting at Owenton on Monday, September 27 at 9:30Am - this is the first date available for all parties. We will,need to leave here at 8:00 AM at the latest. Jan and I need to attend, and I think it would be helpful if Nick can attend. Anyone else available is welcome to join us.

At this meeting, we will review the results of the second sampling (at the meter points) and our suggestion for conversion to chloramines and the cost estimates. I feel that Owenton's reaction will be that, as they are not required to lower their THMs until the regs apply for systems under 10,000 population, they will wait until that time to make any additional investment. We may have to be prepared (not necessarily at this meeting) to offer to make part of this investment - a good partnership move.

The RD appraisal report is to be completed and back to the TV Board by the last week in September - we will meet again with the Board shortly after that is received and I anticipate, after my conversation with Roy and Coleman yesterday, that we will go ahead and ask the TV Board to accept the contract.

Thanks

DBaker



Nick Rowe
_09/127/99 06:26 PM

To: David Baker/KAWC/AWWSC@AWW
cc: Pat Ballard/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW, Coleman Bush/KAWC/AWWSC@AWW, Ed Grubb/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW

Subject: Re: Tri-Village Water District - Contract signing dat

I would think that we would sign agreement upon agreement/commitment from Owenton on solving Water Quality issues. Herb- if we could work with Owenton on agreement-then we could move on! Sounds great!

David Baker



David Baker
_09/,27/99 02:58 PM

To: Pat Ballard/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Coleman Bush/KAWC/AWWSC@AWW, Ed Grubb/KAWC/AWWSC@AWW
cc: Jan Routt/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW

Subject: Tri-Village Water District - Contract signing date

(to Roy via Pat)

Please find attached the meeting outline document for the meeting that Jan and I had with Owenton and Tri-Village today. My thanks to Jan for her significant contributions to this process. Owenton seemed very receptive to further exploring converting to Chloramines - Jan and Dillard will visit their plant this week and refine the original estimates of the conversion costs. As Roy discussed with us, we may need to be prepared to absorb a portion of this expense as an acquisition cost - it will be a great way to begin our community involvement with such a win-win-win partnership.
Other pertinent updates:

Judge O'Banion asked that we meet with the TV board on October 13, 1999, 3 PM. (Pat has this date and time) He stated again today that we need to proceed with the contract signing at that time - "the other Judges are getting nervous" (Gallatin and Grant Counties). Herb, Charlie Carter will be calling you this week to discuss the contract changes discussed at the last meeting. Please let me know if you don't hear from him and I will follow up.

The RD appraisal report will be received by TV this week. I will give you an update as soon as it is received. If the appraisal is less than the system sale price, then there is no RD issue as no "proceeds" exist with which to repay grants.

I will keep you informed.

David

Tri-Village Water Quality.d

Tri-Village Water Quality Review — City of Owenton

Meeting Outline, September 27, 1999

Summary of Water Quality Activities to Date:

In anticipation of the sale of the Tri-Village Water District (TVWD) to Kentucky-American Water Company (KAWC), KAWC, as part of routine due diligence, conducted water sampling. Samples were taken at various points on June 25, 1999 and analyzed at KAWC's certified labs in Lexington as well as the AWWSC certified lab in Belleville, Illinois. A meeting was held with officials from TVWD, KAWC and Owenton on July 12 to review those results and discuss those indications with regard to the SDWA/Amendment requirements. On August 30, 1999, additional samples were taken at the 2 Master meters and other sites in the Tri-Village system.

In addition, we have reviewed current and pending disinfection by-product regulations in context of small systems and consecutive systems. We have attained very preliminary engineering estimates for costs of lowering DBP in Tri-Village and Owenton. Alternatives considered are:

- 1) Tri-Village's removal of pre-formed chlorinated disinfection byproducts (DBPs). Specifically, the removal of trihalomethanes (TTHMs) and haloacetic acids (HAA5s).
- 2) Compared with costs to convert Owenton to chloramines for distribution disinfection, which would minimize initial formation of DBPs.

Overview of current and near-term future requirements for TVWD and Owenton of the SDWA/Amendments:

- Chlorinated DBPs form when chlorine, used for disinfection, reacts with natural organic matter (such as decayed vegetation, animal wastes, alga substances) in source water. Generally, these DBPs increase with retention time in distribution systems, temperature, natural organics level and chlorine dose. HAAs are generally lower than THMs for a given water but may vary due to pH, biodegradation and other effects.
- The new DDBPR requires that treatment facilities meet percent total organic carbon (TOC) removal requirements as well as the new health-based maximum contaminant levels (MCLs) for THMs and HAAs in the distribution system.
- THMs are currently regulated in large systems (>10,000 population) not to exceed 0.100 milligrams (mg) per liter. Note that this regulatory requirement does not apply yet to Owenton (population 3,100) or Tri Village (population 3,600) based on population, but due to the State's late 1980's request that small systems monitor, these systems initiated monitoring.
- Since that time, the monitoring has continued and public notices have been issued upon exceeding the current large system MCL per State requirement. The State has clarified this in saying that once they became aware of the THM problem they were bound (under case law) to continue the monitoring and public notice requirements for affected systems. (i.e., once a problem is found they cannot ignore it)
- Pending regulations will apply to small systems at 80ug/L for TTHMs and 60ug/L for HAAs effective December 16, 2003. Current State guidance is that systems will be required to meet the new lower limits at the effective date of the regulation based on previous four quarters of monitoring if monitoring has been done. This applies here.
- The health-related basis for these regulations is carcinogenicity. Even lower limits are proposed for the future and may be based on new health effects.

Recommendations:

- In that treatment to remove pre-formed DBPs (in Tri-Village water purchased from Owenton) is cost prohibitive--GAC contractors estimated at \$2,000,000 capital investment and \$130,000 annual operations cost for bimonthly GAC replacement--we recommend that Owenton modify its water treatment practices to significantly minimize formation of chlorinated DBPs.
- Owenton may want to consider the conversion from free chlorine to chloramines. This could provide a significant improvement in disinfectant by-product levels in Owenton and TVWD. One way to accomplish this is by the addition of liquid aqua ammonia to finished water prior to introduction into the distribution system.
- An aqua ammonia feed system might consist of 10-gallon drums with redundant metering equipment. This conversion might cost as little as \$25,000. Currently, estimated ammonia costs would be approximately \$4 to \$6 per day (around \$2,000 annually). These costs assume use of existing chlorination equipment and buildings.
- Other process optimization by Owenton, such as varied coagulation to enhance removal of natural organic matter, might also significantly reduce DBPs.
- It is certain that Owenton needs to make changes to meet new DBP limits by the 2003 deadlines. In the interest of providing water currently that meets recognized health standards, we encourage Owenton to initiate changes now to decrease DBPs in their system and in the Tri-Village System.
- If Owenton would consider taking action to reduce chlorinated DBPs, KAWC would appreciate the opportunity to visit the Owenton Plant to assist Owenton in determining the feasibility of this conversion to chloramines, or other varied operations. Based upon our experience with plant set-up and operations for chloramines we could certainly assist with implementation of this process.

Analysis and Conclusions from both of these sampling events yielded the same basic results: (see attached spreadsheets)

Samples collected at the Master meters before re-chlorination had THM levels exceeding (1.25 to 2 times) the current THM MCL. Such levels, when re-chlorinated to maintain the State required residual, increase even further (3 to 5 times the MCL) through the Tri-Village System. HAAS levels also exceeded pending MCLs in both systems.

It is realized that averaging of these numbers (according to regulated schemes) with other sites in the Owenton system and over four quarters, allows Owenton to remain marginally in compliance with the existing large system regulatory THM limit. "Compliance" average typically is around 0.090 mg/L, but Tri-Village is persistently over the current THM limit with a compliance average typically around 0.110 mg/L. (Note that these numbers compare with 0.050 mg/L THMs in KAWC's much larger, chlorinating system.) Both Tri-Village and Owenton will likely exceed the new THM and HAA limits effective December 2003 if treatment changes are not made.

TOC levels in water purchased from Owenton are a factor of source organics levels and treatment. These levels are higher than optimal for DBP control. Coagulation process variations would likely improve TOC removal and minimize DBPs.

Tri-Village Water District

THM & HAA data

Collected on 6/25/99

	Total THM	HAA5
Current MCL	0.100	0.080
Pending MCL (Dec 2001,2003)	0.080	0.060
Proposed future MCL	0.040	0.030

Site	Chloroform mg/L	Dichlorobromo mg/L	Chlorodibromo mg/L	Bromoform mg/L	Total THM mg/L	HAAS mg/L	Chlorine Mg/L
Tri-Village Office	0.156	0.020	0.002	0.004	0.182	0.080	0.2
Tudor Res.	0.213	0.026	0.003	0.003	0.245	0.112	0.6
Glenco	0.315	0.030	0.004	0.002	0.350	0.078	0.1
Hessler	0.229	0.033	0.002	0.006	0.261	0.143	1.6

Tri-Village Water District

THM 8 HAA Data

Collected on 8/30/99

Site	Chloroform mg/L	Dichlorobromo mg/L	Chlorodibromo mg/L	Bromoform mg/L	Total THM mg/L	HAA5 mg/L	TOC	Chlorine mg/L
North Master Meter	0.176	0.031	0.002	0.000	0.209	0.106	4.27	0.4
Tri-Village Office	0.196	0.034	0.002	0.000	0.232	0.105		0.2
Glenco	0.473	0.046	0.003	0.000	0.523	0.083		1.0
South Master Meter	0.109	0.015	0.001	0.000	0.125	0.075	4.45	1.0
Hessler	0.351	0.040	0.001	0.000	0.392	0.187		2.0



David Baker
D9./28/99 07:52 AM

To: Nick Rowe/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW

Subject: Re: Tri-Village Water District - Contract signing date M

Thanks, Nick.... Herb and I will discuss this today - he already mentioned that we need to include as a condition precedent within the agreement that the WO issues from Owenton must be solved prior to closing.

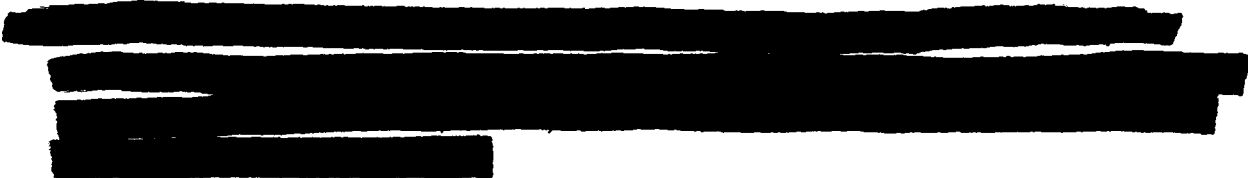
David

Kentucky-American Water Company

Agreement Reached:

Tri-Village Water District (Owen County, Kentucky):

- Tri-Village board executed the KAWC purchase agreement on 10/13/99, assets being purchased for \$1,659,233 (subject to due diligence)



- County District has 1500 customers (primarily rural residential) with average monthly use of 4,700 gallons per month.
- 131 miles of main, 4 employees, 100% purchase water from City of Owenton (Kentucky River, pool 2)
- Water quality issues currently being studied in cooperation with the City of Owenton. Resolution of water quality issues is one of the key conditions precedent to closing.
- Rural Development required appraisal was received at \$1,610,000, just under the purchase price. Appraisal will be submitted to RD 10/99 for review. According to the Kentucky State office of Rural for Development, Office of Management and Budget dictates that proceeds exist when the system is sold for an amount in excess of the book value, including contributed capital. When proceeds exist, then OMB/RD may require the payback of the unamortized portion of RD grants. As this sale generates no proceeds under that definition, it is anticipated that no grant repayment will be necessary. Tri-Village has indemnified KAWC with regard to grant repayment.

Kentucky-American Water Company

- Final agreement subject to KAWC Board approval, PSC approval and all appropriate financial, water quality and asset quality due diligence by KAWC.

**JAN
ROUTT**

10/15/1999 12:24 PM

To: Nick Rowe/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, Richard H Moser/SYSENG/CORP/AWWSC@AWW, John S Young/SYSENG/CORP/AWWSC@AWW, John Hill/KAWC/AWWSC@AWW
cc: Dorothy Johnson/KAWC/AWWSC@AWW, Joe White/KAWC/AWWSC@AWW, Mitzi Combs/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW
Subject: **Monthly WQ report Sept 99**

**Kentucky-American Water Company
Water Quality Report September 1999**

Source waters and Treatment: Drought continued through September keeping Ky. River flows *low* and further reducing reservoir stores. Ky. River use restrictions and instream monitoring continued under the DOW withdrawal permit. Again this month, Ky River source use has been maximized (to the allowable permit and pumping capacity limits) with maximum water withdrawn to feed *both* KAWC treatment facilities and to fill to the Jacobson Reservoir. This has allowed preservation of the reservoir supplies and minimized T & O related chemical treatment costs at Richmond Road.

On September 12th the Ky River Authority opened the valves in upstream Ky River dams to increase flows into our pool. The only effects we noted were a modest increase in chlorine demand and some visible color changes in the source water as it entered the plant. These changes were attributed to increased source manganese but no increases were seen in TOC or UV absorbance. These source quality changes *did not affect* the finished water quality.

Both plants met Partnership filtered water turbidity criteria of ≤ 0.1 ntu 100 % of time. The Ky River TOC averaged 4.0 mg/L and Lake Ellerslie and Jacobson Reservoirs averaged 7.9 and 6.3 mg/L TOC, respectively, in Sept. The Ky River station TOC removal ratio was 0.56 (less than the 1.0 required) with PACL and polymer. The Richmond Road TOC removal ratio was 1.2 treating primarily Ky. River Water with alum, ferric and polymer. (About 10% of the RRS source water came from Lake Ellerslie and lesser percent net from Jacobson Reservoir.) When we calculated the weighted TOC removal taking into account both treatment facilities' pumpage (KRS77%, RRS23%) the total system TOC removal ratio for September

was 0.7.

Over coming months we will be doing additional TOC related studies to develop revised operation schemes and costs to achieve the required TOC removals with existing facilities. Costs (power, chemicals and waste handling) and secondary impacts (increased filtered turbidity, manganese, increased wash water use and discharges) will be developed for using the Richmond Road Station for a larger percentage of the total treatment (still treating Ky River water) and for running the Ky River Station at reduced pumpage rates with ferric chloride.

Distribution: All compliance bacteriological samples were clear, and acceptable chlorine residuals were attained in all samples as well in September. There were ten customer water quality calls in Sept. with five of these being information requests. Others were routine discoloration and T&O (chlorine and in-house stagnation). These were all handled to the customers satisfaction. On September 3, the writer received a call from Toyota manufacturing inquiring about our corrosion inhibitor (phosphate) residuals. The caller indicated that these do require them to do some advanced treatment on their process waters. This was not reported as a large problem for but they would prefer that these inhibitors not be used.

Tank monitoring indicated no problems with increased nitrification. Cox Street tank had improved indicating that changes made to increase tank turnover had improved nitrification indicators in that tank. Monitoring in Sadieville area showed similar results to prior months (low chlorine but HPC's within limits). FMSM studies are continuing for permanent flow improvements in this area.

KPDES: Rockwell Village Waste Water Plant--Again this month, all monitoring was conducted at KAWC labs and all parameters were within KPDES limits. All other KPDES monitoring was within limits as well.

AquisitionsCWork continued on the TriVillage acquisition A meeting was held with KAWC and the Owenton and TriVillage Boards on September 27th and a plant visit to the Owenton facility was conducted by KAWC staff (Dillard Griffin, Rick Buchanan, Kevin Kennoy and Jan Routt) on September 30th. Information (and samples) were collected toward advising the Owenton system on THM related improvements. These

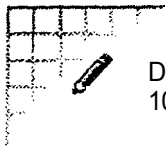
activities are ongoing.

Meetings, Presentations, Committee Activities & Tours: KRS

Water Quality Specialist, Beth Hamm, presented a summary of the 1998 KRS DBP study at the KY TN- AWWA section meeting in Louisville. The writer also attended this section meeting. The writer attended the AWWA Water Quality Directors meeting in Voorhees on Sept 14 & 15 and made a presentation on KAWC's ongoing TOC removal studies and plans.

Along with other AWWA WQDiv members, the writer reviewed a revised AWWA manual (M37) on "Operational Control of Coagulation and Filtration Processes." This manual was *not* approved for publication pending additional revisions. The writer also participated in the AWWA WQDiv selection of The 1999 Best Division Paper Award. Twenty three JAWWA papers were considered and winners will be announced at WQTC in Nov. (Top honors were in the area of new research publications on inactivation of cryptosporidium with pulsed UV light.) The PAWC Phase III review was completed in September, with this facility recommended by the Partnership PEAC to receive the Director's award.

Personnel: KRS Water Quality Supervisor, Beth Hamm, resigned September 14th, effective September 30th, to work for a local environmental engineering consultant. Beth was an excellent associate and she will be missed. Selection of her replacement is, hopefully, in the final stages at this writing,



David Baker
10/19/99 03:26 PM

To: Barbara Brown/KAWC/AWWSC,
cc:

Subject: Tri-village Q/A

Barbara: Please review the attached Q/A asap. We need the approved (O'Banion) copy to get to Patty Clark and to The TV office for bill stuffing by next Tuesday, 10/26, at the latest. Thanks.

DB



Q-AOctober99.d

Barbara — Please find attached the q/a we discussed. Please look this over and ask questions as necessary. I will not be here on Friday (I am moving that day, joy of joys). These mailers need to fit into an envelope (with their 10/29 bills) that measure 6.5 wide by 4.5 tall. They can fold them if we use 8.5 by 11 paper (our logo paper would be good). I need to deliver them by Tuesday, 10/26. Do you think that we should run this QA by O'Banion — we probably should Please advise. Thanks.

David

Questions and Answers — to be published in the Owen News Herald, target date 10/27/99. Should be released to Patty Clark by Tuesday, Oct. 26.

Who is Kentucky-American Water Company? KAWC is an investor-owned water utility company serving 280,000 people in Central Kentucky. KAWC is regulated by the Public Service Commission, just as Tri-Village is regulated by the PSC. KAWC employs over 150 associates who are experts in water quality, engineering, water production and distribution, customer service and finance and has been in business in Kentucky for over 100 years.

Will my water rates go up? KAWC will adopt the same rate tariff that is already in place at Tri-Village. Rates may go up in subsequent years due to system expansions, cost increases, etc., but in all cases the Public Service Commission must authorize rate increases.

Will I be still be able to pay my bill or make inquiries at the Owenton office of Tri-Village? Yes — the office will remain in its present location and will be staffed by the same employees. Customers will still be able to phone or stop by for service. Additionally, customers will be able to choose automatic bank draft to pay their bills.

Will the billing procedures change? The customer bills will look a bit different but bills will be mailed each month as they are now at Tri-Village.

When will Kentucky-American take ownership? Certain regulatory approvals must take place before the ownership is transferred. It is anticipated that this transfer will take place within 12 months at the latest.

What will happen to the current Tri-Village Employees? The current employees will all be offered employment by Kentucky-American at the Tri-Village location.

Will I experience changes in my service? Kentucky-American is dedicated to continuing to provide the same high level of service that Tri-Village customers have experienced. Kentucky-American is the national water industry leader in water production and distribution and employs the latest technology to better serve its customers. No changes in current services are anticipated.

What about Water Quality – we currently receive notices in the mail about this issue? Tri-Village, Kentucky-American and Owenton Water (the supplier for Tri-Village) have held recent meetings to discuss their common goal of providing the best water quality possible. Changes in water production techniques are currently being assessed to address this issue.

How can Kentucky-American Provide better water Quality? Kentucky-American employs 5 full time chemists/biologists and operates 2 certified laboratories in Kentucky. American Water's national laboratory is recognized by the EPA as a leading source of water quality solutions and technical innovations within the water industry.

Will Kentucky-American be able to expand the water lines to our neighbors in Owen County that don't have water? Just like Tri-Village, Kentucky-American's ability to invest in additional service lines and recover that investment is decided by Public Service Commission regulation. Kentucky-American, however, does not have to wait on the availability of federal grants and loans so qualified projects can be financed immediately.

As a large company, will Kentucky-American be a responsible member of our Community? Kentucky-American employees live and make an active contribution to the communities they serve. Kentucky-American values local business relationships and is active in civic and charitable organizations.

Tr -Village Water District

3700 Highway 127N
Owenton, KY 40359-9309
Phone 502-484-5774
1-800-443-9069 FAX 502-484-0966

FAX TRANSMITTAL * of Pages 2
i; .. David ~ ~ FROM ~ ~ Angie
1N-VILLAGE WATER
PHONE: (302) 484-5774
fAX# (502) 484-0r63
Coilibilfl3\$ Have fun omorro ! t

David,

Here are some questions that people have been asking. Carol said to fax these today.

Carol is sick, she said to tell you that she maynot make it tomorrow.

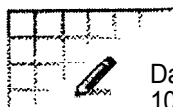
Thanks,

Tri-Village Water District

3700 Highway 127N
Owenton, KY 40359-9309
Phone 502-484-5774
1-800-443-9069 FAX 502-484-0966

QUESTIONS

1. *When will* the water bill go up ?
2. When will KY American take over ?
3. What about water quality ? Everyone is tired of *getting* notices in the mail, they think the water is not fit or safe to drink.
4. What about the employees ?
5. will more water line be ran ?
6. what do we have to do in order to get a water line to our house ?
7. What can KY American do differently than Tri_-Village, to improve the water quality ?
8. How will a small rural community fit into the large company ?
9. If Owenton's water is good, how does it get so bad by the time it gets to the Tri-Village customers .



David Baker
10/12/99 09:52 AM

To: Herb Miller/KAWC/AWWSC,
cc: Jan Dickson/KAWC/AWWSC, Lisa Helton/KAWC/AWWSC,

Subject: Tri-Village Contract Exhibits

Per our conversation yesterday, here is what I suggest for the exhibits for tomorrow's meeting:

1. Tangible asset list attached for inclusion
2. Carol will provide us with a list of the real estate and leases tomorrow for inclusion and copies of all deeds/docs
3. Legal proceedings - none disclosed
4. New Columbus - already included in contract
5. Contracts: Water Purchase (attached), service contracts for water lines installed and contributed by customers (7 or 8) will be provided by Carol Tudor tomorrow; no other contracts disclosed except for Computer Resource, a data services company with whom TV has a service contract
6. Employees: List attached
7. Employee Benefits: already included
8. Wheatley: Already Included

Thanks, Herb. If I understood correctly, you will provide 20 copies of the new contract form and attachments to take to TV....if you need assistance with this, call me or Lisa Helton. Thanks.

David



■ **O** **Herb Miller**
10/04/99 11:25 AM

To: Jan Routt/KAWC/AWWSC@AWW, David Baker/KAWC/AWWSC@AWW
cc: Nick Rowe/KAWC/AWWSC@AWW
Subject: TriVillage Water Quality Meeting
We will meet in the 2nd floor training room with the lawyers from Brown, Todd & Heyburn at 9am tomorrow, Tuesday, October 5th. Jack Cunningham is our contact. He will be bringing with him the attorney who knows about this kind of "stuff". I have updated them on the results of our testing.



David Baker
10/21/99 12:19 PM

To: Lisa Helton/KAWC/AWWSC@AWN
cc: Barbara Brown/KAWC/AWWSC@AWW

Subject: Tri-Village Q/A

Lisa - Please find attached the final draft of the Q/A. Please proof read carefully and make sure all capitalization /punctuation, etc. is consistent. When finished, email a final copy to Barbara and Leann. Then, make 2000 photo copies, keeping 100 here and the remainder to be shipped fex-exXt5r another approp. carrier) to Carol Tudor at Tri-Village. They need to arrive there by noon on Monday, Oct. 25. Include a count for Carol. They will fold and stuff them in the bills to be mailed on 10/29. Please make the copies

Thanks.

DB



QA1099.do

*original e-mail
not found - attachment
not provided*

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(hand)

JAN
ROUTT
10/22/1999 02:33 PM
AP'

To: Nick Rowe/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW
cc:
Subject: Re: October Operations Report for Parent Board

FYI

----- Forwarded by Jan Routt/KAWC/AWWSC on 10/22/99 02:35 PM -----

JAN
ROUTT
10/22/99 01:46 PM

To: June A Lowther/SYSENG/CORP/AWWSC@AWW
cc:
Subject: **Re: October Operations Report for Parent Board** [T]

June & Dick,

The only water quality related "events" for October so far are

1) A "boil advisory" was issued on October 5th for our customers in northern Fayette Co and Bourbon CO. This was the result of a main break which caused system depressurization. Bacteriological samples were collected per state guidance, which confirmed that there was no contamination and the advisory was lifted on the 7th. attachment is the news release.



Main Break - Bryan Station.do

2) On October 13th, KAWC signed a contract to purchase TriVillage water system--a purchaser from the City of Owenton (a non-KAWC facility). The contract closing is contingent upon improvement of TriVillage's water quality. Tri Village is a small system which purchases water from Owenton which is consistently over the THM limit. As a part of due diligence, we have already begun work with the supplier Owenton staff and the Ky-DOW to develop plans to lower both systems DBP's. Owenton is a fairly new treatment facility with most needed treatment capability already present. Most of our effort will be in giving guidance and onsite assistance in making some treatment changes. A step wise process is planned beginning with lowering TOC, then moving chlorination. Prices have also been developed for conversion to chloramines but it is hoped this option will not be needed. All these activities will be closely coordinated with Ky DOW. A followup meeting is scheduled with the supplier (Owenton) to discuss our options for getting these improvements underway. This will be a prime opportunity for American to use our expertise to improve water quality in a small system with well-known chronic water quality problems in that the state has been requiring this small system (TriVillage) to monitor and give quarterly public notice on THM's for years

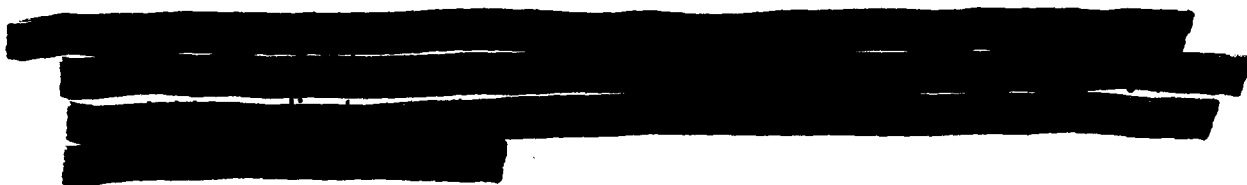
I'm glad to discuss as needed

Nab Kentucky-American Water Company

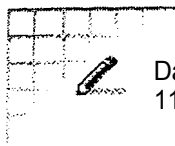
Agreement Reached:

Tri-Village Water District (Owen County, Kentucky):

- Tri-Village board executed the KAWC purchase agreement on 10/13/99, assets being purchased for **\$1,659,233** (subject to due diligence)



- County District has 1500 customers (primarily rural residential) with average monthly use of 4,700 gallons per month.
- 131 miles of main, 4 employees, 100% purchase water from City of Owenton (Kentucky River, pool 2)
- Water quality issues currently being studied in cooperation with the City of Owenton. Resolution of water quality issues is one of the key conditions precedent to closing.
- Rural Development required appraisal was received at \$1,610,000, just under the purchase price. Appraisal will be submitted to RD 10/99 for review. According to the Kentucky State office of Rural for Development, Office of Management and Budget dictates that proceeds exist when the system is sold for an amount in excess of the book value, including contributed capital. When proceeds exist, then OMB/RD may require the payback of the unamortized portion of RD grants. As this sale generates no proceeds under that definition, it is anticipated that no grant repayment will be necessary. Tri-Village has indemnified KAWC with regard to grant repayment.
- Final agreement subject to KAWC Board approval, PSC approval and all appropriate financial, water quality and asset quality due diligence by KAWC.



David Baker
11/03/99 01:30 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Pat Ballard/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Coleman
Bush/KAWC/AWWSC@AWW, Ed Grubb/KAWC/AWWSC@AWW, Kevin Kennoy/KAWC/AWWSC@AWW

Subject: Tri-Village Tank Site

(to Roy via Pat Ballard)

Herb, Billy O'Banion has had a request to purchase the Wheatley tank site. This is also known as the Dowd tank in the deeds, etc., that Carol Tudor provided to you at the last meeting. This tank is being replaced by another tank at another site as we speak and will be taken out of service and torn down shortly (via the "wheatley project"). Billy and Carol assure me that TV (and KAWC) will have no use for this site. Can you please review the legal issues involved in this sale decision? By copy of this to our management team and Kevin Kennoy, I am asking for their input also.

Thanks.

DBaker

Donna Taylor
11/04/99 08:54 AM

To: David Baker/KAWC/AWWSC@AWW
cc:

Subject: Tri-Village Computer

David,

I spoke with Mike Greavy regarding the Tri-Village computer.

The existing machine was purchased in August 1995 and it's ability to handle the Y2K issue is questionable. Mike stated that he had given a letter to Carol (I think) with Tri-Village that gave them three options:

They are:

- 1) Manually set the date each time the machine is turned on (not recommended)
- 2) Get a loaner PC from Mike's company
- 3) Purchase a new machine

I asked Mike if he would be willing to install a new machine and if so, to give me a quote for this process including a machine and transferring the existing software to the new machine.

When I get the quote I will give it to you and we can discuss.

Donna

**JAN
ROUTT**

11/17/1999 10:18 AM

To: Richard H Moser/SYSENG/CORP/AWWSC@AWW
cc: Roy Mundy/KAWC/AWWSC@AWW, John Hill/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW, David Shehee/KAWC/AWWSC@AWW, Joe White/KAWC/AWWSC AWW, Dorothy Johnson/KAWC/AWWSC@AWW, Mitzi Combs/KAWC/AWWSC AWW, Debbie Mireault/KAWC/AWWSC@AWW
Subject: Month end report—October 1999

Dick,
I had one item not addressed in the month end report (emailed to you on the 15th and recopied below for convenience *and so* I can send all this to others not copied previously) .

That item is, an update on our online particle counting and turbidity instrumentation/computer data collection installations:

At KRS this month we finally got the (software and electrical) "bugs" worked out of the online IBR particle counting system (installaion began in March and Oct made the fourth visit of IBR support). Lab analyst Dottie Johnson has been instrumental (no pun intended) in bringing this startup to completion and getting these instruments into full/reliable operation. We now have a fully operational "small-scale" KRS particle counting system (raw, two filters and filter comp) which operations staff can use for day to day treatment optimization. Note this system is *not* integrated with other filter monitoring instrumentation like turbidimeters, flow or headloss guages yet. We hope to do some of that as we install the rest of the individual filter counters in 2000. We also plan to ultimately integrate these counters with KRS SCADA when the filter monitoring and controls project is done in the future.

In addition, at this writing RRS WQ specialist Joe White has conveyed to me that the HACH computerized data collection software and network at RRS have been effectively brought on line (found the last loose wire today). We are now ready to work with the HACH rep to set up automated individual turbidity reports. This system will allow us to collect online turbidity readings from individual filters to begin getting report formats in place toward 2001 new filter monitoring and reporting requirements. This RRS turbidity computer system added minimal cost to a routine turbidimeter upgrade and will supplement our manual data collection and trending capabilities in the interim prior to full SCADA upgrade at RRS.

Thanks,
Jan

----- Forwarded by Jan RouWKAWC/AWWSC on 11/17/99 09:44 AM -----

**JAN
ROUTT**

11/15/99 05:08 PM

To: Richard H Moser/SYSENG/CORP/AWWSC@AWW
cc: Nick Rowe/KAWC/AWWSC@AWW, John Hill/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW
Subject: Month end report—October 1999

To: **Richard Moser**
From: **Jan C. Routt**

**Copies: Nick Rowe, Roy Mundy, John Hill, Stan Stockton,
Dillard Griffin**
**Subject: Kentucky-American Water Company-- Water
Quality Report October 1999**

Source waters and Treatment: Due to 3.3 inches of rainfall in October (most of which--2.65in.-- occurred on Oct. 9) and decreasing temperatures, Ky. River flows were improved by late October and demands were down. This allowed lifting of the outdoor water use restrictions on October 25th. Presentations and discussions continue pursuant to the LFUCG's pending recommendations for ultimate KAWC water supply alternatives. Source pumpage continued to be maximized from the Ky River this month (27 days) to keep the reservoir full and to Jacobson Reservoir-related minimize taste & odor. This combined with lower-than-budgeted RRS pumpage caused the RRS chemical cost to under budget by 40%. This included the amortized cost of GAC filters and the deferred cost of copper sulfate not needed for reservoir treatment.

Both treatment facilities met required disinfection CT through the month. RRS & KRS provided 2.38 and 1.03 log removals of <3um particles, respectively. All RRS effluent samples were clear of bacterial growth. One KRS 100mL plant effluent sample, however, yielded one coliform colony in MF analysis on October 18th. KRS source or plant turbidities were not elevated, but this sample occurred 5 days after the source coliform levels had begun to return to low levels following the Oct. 9 rainfall event. A thorough investigation was conducted including records review and interviews with operation staff. There was no evidence that this was a lab contamination. The settled water bacteria testing had shown elevated background bacteria the same and previous shift, but there was no other evidence of change in chlorine demand or level through the plant as measured in two hour tests and CT calculations. There were no known interruptions in chlorine feed during, or just preceding the time of the positive sample.

Both plants met Partnership filtered water turbidity criteria of ≤ 0.1 ntu 100 % of time. The Ky River TOC averaged 3.4 mg/L and Jacobson Reservoir had 6.0 mg/L TOC in October. The Ky. River Station TOC removal ratio was 0.7 (less than the 1.0 required) with PACL and polymer. The Richmond Road TOC removal ratio was 1.2 treating primarily Ky. River Water with alum, ferric and polymer. When we calculated the

weighted TOC removal taking into account both treatment facilities' pumpage (KRS–80%, RRS–20%) the total system TOC removal ratio for September was 0.85.

Distribution: All compliance bacteriological samples were clear, and acceptable chlorine residuals were attained in all samples October.

Compliance Trihalomethanes were monitored on October 18th with quarterly average was 67 ug/L which brings the four-quarter average to 53ug/L. In conjunction with this monitoring samples were collected in the Louisville system in the proximity of the proposed tie-in. The THM level at this Louisville site was 29ug/L as compared with 76ug/L at the Versailles Rd. surveillance site in the KAWC system nearest the proposed tie-in.

There were twenty customer water quality calls in October with ten of these being information requests (science fair projects, process trouble shooting) or requests for testing because of various concerns (from lead and illness to dish- and appliance- residues). Others were routine discoloration and T&O (chlorine and in-house stagnation). Two sites were identified for routine flushing to minimize discoloration and T&O. None were related to treatment processes from the plants and all calls were all handled to the customers satisfaction.

A call was received from LGUCG Sewer Department inquiring about sulfate content of the water as they had noted that is has been elevated recently (over 100ppm as compared with the usual around 40ppm). We reviewed our records and noted that we have minimal sulfate data but that Ky. River source sulfate had increased--possibly related to low river flows. It was relayed to the caller that there is no health standard for sulfate and that we do not add appreciable sulfate through our treatment. The KRS Lab Analyst has however added sulfate analysis on a monthly basis to assess this further.

On October 5th a boil water advisory was issued for KAWC customers in northern Fayette County and southern Bourbon County following a main break and system depressurization. Check samples collected by WQ staff were clear and the advisory was subsequently lifted.

Tank monitoring indicated no problems with increased nitrification. Monitoring in Sadieville area showed similar results to prior months (low chlorine but HPC's within limits). FMSM studies are continuing to develop permanent flow improvements in this area.

KPDES: Rockwell Village Waste Water Plant--Again this month, all monitoring was conducted at KAWC labs and all parameters were within KPDES limits. All other KPDES monitoring was within limits as well.

Acquisitions: Work continued on the TriVillage acquisitions. In-house meetings and conference calls, were held on October 5th (including outside legal counsel) and 11th (planning the 13th signing meeting and discussion). A purchase contract was signed between KAWC and TriVillage on October 13th with closing contingent on our satisfactorily addressing the water quality problems (THM's in the TriVillage system received, pre-formed, from their supplier, Owenton). KAWC staff also met with local officials from the TriVillage/Owenton area on October 20th for general discussion and interaction. At this writing KAWC WQ and other staff had met again (Nov 11) with Owenton plant and city officials to present and discuss options to improve water quality. Response from Owenton is currently pending.

Administrative: Work continued on O&M budgets through October with plans to begin to address needed changes in pumpage and chemical treatment at treatment facilities to gear up for the pending DDBPR & IESWTR. Joe White, RRS WQ Specialist, and RRS Lab Analyst Mitzi Combs, provided input to the Item B Investment Project planning process. Lab Analyst, Dottie Johnson, has assumed responsibility for coordination of KAWC's Belleville and other compliance chemical monitoring in an effort to further enhance planning, tracking and communications in these areas.

Meetings, Presentations, Committee Activities & Tours: RRS Water Quality Specialist, Joe White, represented KAWC at the ORSANCO Water Users Committee in Louisville on October 19th and 20th. A main topic at this meeting was the Ohio River's T&O through this summer's low flow conditions. A report of this meeting has been circulated separately in-house and is available on request.

Jan Routt facilitated a successful Partnership Phase III review for Tennessee-American and participated in the unsuccessful review of another utility in October. This latter utility's followup correspondence and two new Phase III utility reviews are pending at this writing. In addition, a PEAC training session is being planned for January 10th which will prepare new Phase III reviewers. (This session is particularly needed to train additional officials from the Pennsylvania DEP due to their agreement to participate on all PA reports--and due to the expected onslaught of PAWC reports).

AWWA WQ Division business this month included review and ranking of 130 abstracts. The best abstracts were selected for presentation at the nine Water Quality Division sessions at next summer's Annual AWWA conference. It was noted that there was a preponderance of "consultant" studies (lots of membrane pilot studies) and a dearth of actual utility papers. These sessions were put together by the WQD at the annual planning meeting on October 31st. Other accounts of this meeting, and of this year's WQTC, will be included in Jan Routt's trip report.

In October Jan Routt prepared and taught (Oct 19) an EARN class (for KAWC associates) titled "Water Quality 100" which covered basics of drinking water quality from the regulations to, basic treatment & engineering focusing on an overview of the general responsibilities of water quality working with all KAWC team members. This class will be offered again in Nov and Dec.

Personnel: A replacement the KRS WQ Specialist was selected from the 63 applicants for the position. The successful candidate, David Shehee, began his employment as of November 8th. David has many excellent qualifications including a masters in analytical chemistry and 9 years experience working in environmental consulting and project management. Welcome to David, and thanks to all who helped expedite the filling of this critically needed position. Also, thanks for all the help from those who have been, and will be, will be instrumental in his orientation here at KAWC.

Next month: We will shift some resources to assessing comparative water quality in waters provided by Nicholasville, Frankfort and Winchester (data request have already been submitted to the state) in that these systems have commiserated to *offer* to solve our supply problem by selling us water from their respective systems. We will also continue working with

Owenton/TriVillage as opportunities materialize and we have begun initial site and data inquiries toward a possible acquisition of Pineville (2.25 hrs SE of Lex).

David Baker
11/29/99 07:50 AM

To: Nick Rowe/KAWC/AWWSC, Herb Miller/KAWC/AWWSC, Coleman Bush/KAWC/AWWSC, Ed
Grubb/KAWC/AWWSC,
cc: Kevin Kennoy/KAWC/AWWSC, John Hill/KAWC/AWWSC, Pat Ballard/KAWC/AWWSC, Jan
RouWKAWC/AWWSC,

Subject: Tri-Village Due Dilligence

cc Roy via Pat

FYI - I had asked Kevin and John to consider what should be entailed in the engineering due dilligence process for Tri-Village and to expedite that process over the next 60-90 days. Kevin rightly recommends that the hydraulic model should be "field calibrated" and that the associated expense may run as high as \$30k to \$40K. In discussions with Nick last week, we decided that we will wait to perform this later, perhaps even after closing, for 2 reasons:

- 1) our confidence in our current knowledge of the system and our belief that there will be few "surprises", and,
- 2) our desire to secure the specific w.q. improvement plan with Owenton and to see incremental improvements in w.q. prior to incurring additional significant closing expenses

I feel confident that Owenton will cooperate and am meeting with Bill Gill this week to lay out the specifics of that plan. I will be meeting with him on Friday, 12/3.

DBaker



John Hill on 11/29/99 03:30:20 PM

To: David Baker/KAWC/AWWSC@AWW
cc: Kevin Kennoy/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Coleman Bush/KAWC/AWWSC@AWW, Ed Grubb/KAWC/AWWSC@AWW

Subject: Re: Tri-Village, Phase I Environmental Audit

David - As we discussed, I am not sure why we would want this type of study completed. Phase I studies are usually reserved for facilities that have handled hazardous materials or have "unknown" histories. The cost for a Phase I would likely be less than \$10,000 and take 3-4 weeks to complete.

One item that a Phase I would not likely address that we may want to look at is the tank coatings. If they are lead based, there would be remediation work when they are painted next time. We could get a local consultant to review this if we do not feel comfortable with information provided by Tri-Village.

Let me know if you need anything else.

John

David Baker

David Baker
11/29/99 12:01 PM

To: John Hill/KAWC/AWWSC@AWW
cc: Kevin Kennoy/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Coleman Bush/KAWC/AWWSC@AWW, Ed Grubb/KAWC/AWWSC@AWW

Subject: Tri-Village, Phase I Environmental Audit

John, Herb has suggested that we consider contracting for a Phase I environmental audit of the TV facilities. Can you please provide for me an approximate cost, scope and a time frame in which that can be completed? I will probably want to proceed with that as soon as we have an indication that Owenton will make the necessary WO process changes. I anticipate having an initial indication late this week. Thanks for your assistance.

DBaker

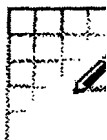
Roy Mundy
12/06/99 09:01 AM

To: David Baker/KAWC/AWWSC@AWW
cc: Coleman Bush/KAWC/AWWSC@AWW

Subject: **sEE** BELOW

wE'LL TRY TO GIVE eLLEN A CALL LATER TODAY--ROY

----- Forwarded by Roy Mundy/KAWC/AWWSC on 12/06/99 09:01 AM -----



Ellen C Wolf
12/04/99 10:15 AM

To: Roy Mundy/KAWC/AWWSC@AWW
cc: Daniel L Kelleher/ADMIN/CORP/AWWSC@AWW

Subject:

Roy,

I have just finished going through your pre board meeting package which I was dated November 19. I have a few questions regarding business development activities.

Tri-Village Water District - Generally I would like to see the financials associated with any acquisition. In particular, focus is on the main driver of value. In this case, I would like to know how much of the value is attributable to rate increases and how much of the value is in the terminal value. Also, does the second bullet point on your page suggest that the deal is accretive with or without a rate increase?

Southshore Water Works - I am unclear as to whether we are buying stock or assets and whether or not we are using cash of AWK stock. If we are buying stock, you will not only need your Board approval, but you will need AWK board approval.

Please feel free to call me to discuss prior to the meeting.

Ellen

cc: Dan Kelleher.

Pat Ballard
12/07/99 05:59 PM

To: Ellen C Wolf/ADMIN/CORP/AWWSC@AWW
cc: Daniel L Kelleher/ADMIN/CORP/AWWSC@AWW, Coleman Bush/KAWC/AWWSC@AWW, David Baker/KAWC/AWWSC@AWW

Subject: KAWC Acquisitions

Roy's memo response to E-mail messages of 12/7 and 12/4 re. Tri-Village and other business development activities:

Ellen, I was hopeful the Coleman, David Baker and I might have had a brief conference call with you this afternoon with regard to your question concerning our Tri-Village Water District acquisition. I also received your question regarding the PV calculation of capital expenditures.

Unfortunately, we were not able to coordinate our schedules together today. I will give you a call tomorrow morning to see if you will be available Wednesday afternoon to spend a few minutes discussing your questions and concerns.

The Tri-Village Water District acquisition is one that is very important to KAWC in that it is our first noncontiguous acquisition and is strategically located in a growth area that has just been approved to construct a NASCAR race track. The County Judge Executive which helped to orchestrate this process is also a very close friend of the Governor's and has been an ambassador for KAWC with his fellow co. judge executives throughout the state. We are starting to see even now some fruits of that effort in terms of building relationships.

We do want to do all we can to make sure our board of directors is comfortable with all the elements of the acquisition, and we do appreciate this opportunity to share with you any information that may be of a concern. I am sure you are aware that we have worked with Joe Hartnett on this issue for 6-8 months and he, as I understand from David Baker, and Coleman feel comfortable about our model and approach.

I would like to go ahead and address the other questions that you had in your 12/4 E-mail with regard to business development:

[REDACTED]

grMITaIMMMENEMONIMMIMMENEM^S

[REDACTED]

O **Herb Miller**
12/08/99 10:07 AM

To: David Baker/KAWC/AWWSC@AWW
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Coleman
Bush/KAWC/AWWSC@AWW

Subject: Tri-Village

After having reviewed the packet of information you gave me, I have some questions:

1. The boundaries of the District include the municipalities of Sparta in Gallatin County and Monterey and Gratz in Owen County. Are there existing franchises in these towns for the use of their rights-of-way? If not, we will have to discuss getting franchise agreements with them. This may result in franchise fees having to be paid.

2. A couple of the "agreements" submitted may need to have permanent easements drafted. We will need to talk to Carol to clear these up.

3. There is a folder called "disputes". In it is a reference to a 1960 bond issue. Do you know what this is about?

4. We will need to get a certified copy of the current and complete tariff of the T-V Water District.

5. TV has a number of separate agreements with customers for connection fees and construction reimbursements for lines laid by privatized parties. Some of these agreements call for the future maintenance by the T-V Water District. I can't tell if these lines are being actually transferred to T-V. Would Carol be able to tell us which of these lines are actually contributed to T-V? Also, are the fees in these agreements a part of the approved tariff of T-V?

6. SKP will have a paralegal copy every real estate record in the courthouses. This will tell us a lot (easements, mortgages, liens, etc), as well as form the basis for the assignment of interests to KAWC. The UCC filings will also tell us about any liens of personal property of the District.

At your convenience, we can go over these issues.

Herb Miller
11/30/99 03: 4



To: David Baker/KAWC/AWWSC@AWW
cc: John Hill/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW

Subject: Re: Tri-Village, Phase I Environmental Audit

Before taking fee simple title to commercial real estate, I have always advised clients to have a Phase I environmental survey performed. Not to so advise would, in my opinion, be legal malpractice.

If we consciously decide not to do so, then that is the company's prerogative. Perhaps we ought to decide if the risk is small or large, or whether there are specific properties which might warrant a Phase I, but not other properties. In any case, I would be glad to sit down with you, John and others to help make that decision. Perhaps the only site worth surveying is the Office property. The issue of possible lead paint at the tank sites is worth consideration, too.

From the stack of real estate document you gave me, I noticed that there are some initial concerns which I have:

- *Long Ridge tank site: no document found.
- *Sparta tank site: there is no deed to the actual tank site, only an easement.
- *New Wheateley Tank Site: Tri-Village only received a quitclaim deed, not fee simple title with a general warranty.

*Highway 22 Chlorine Station: the document we received only addresses an easement for a pipeline to the station.

*Master Meter Pit; This document is an permanent easement only.

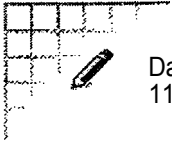
* Long Road Loading station: In 1984, the then-county judge of Owen County, granted a license to occupy the area of the loading station.

A paralegal from SKP will be going up to Owen County to search title documents. I will have that person try to get the outstanding documents of record in the Courthouse for Owen County. Are there any assets of Tri-Village in either of the other 2 counties?

Thanks.

0

3



David Baker
11/30/99 04:41 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc:

Subject: Re: Tri-Village, Phase I Environmental Audit R₁

THanks for Yes, there are water mains in the other two counties. If you need specifics (sizes, materials and lengths, etc.) I will find that out for you. There are approx. 300 customers served in the 2 additional counties, total, out of the approx. 1500 total customers.

David

J--
: ̣ ≈v--ṿ Herb Miller

08/23/1999 11:39 AM

To: Jan Routt/KAWC/AWWSC@AWW
cc: David Baker/KAWC/AWWSC@AWW
Subject: Re: Tri-Village

Confidential Memorandum: Attorney-Client Privileged

----- Forwarded by Herb Miller/KAWC/AWWSC on 08/23/99 11:39 AM -----

**JAN
ROUTT**
08/20/99 04:56 AM



To: Herb Miller/KAWC/AWWSC
cc: Nick Rowe

Subject: Re: Tri-Village

Confidential Memorandum: Attorney-Client Privileged

Herb, Some of these questions will need to be posed to TriVillage (and possibly state)--specifically 1,3,4, 5, 6,7,8 and some may be answered through a detailed records search at state. Are we free to call and ask more questions of the state and TV staff?

2. chlorine in Owenton must be 0.2 in 95% of samples and if Cl2 is less, HPC's must be less than 500. Current State and federal regulations of THM's do not cover systems the size of Qwenton or TruVillage. Current regulation for systems over 10,000 population -- systems must average <100micrograms per liter based on the 4-quarter running average of four sites in distribution system (1 maximum retention and 3 other).

5. Depends on how you describe "bad" aesthetically, I'd expect they might have some chronic and/or intermittent discoloration and T & O...but probably not likely that there are health violations under current regulations in Owenton... Records do not show persistent violations.

9. I'm not at my desk...I'll look for the earlier emails (forwarded to DBaker previously) comparing the two costs. I'd project about 100 to 200 K to get a pretty good start on fixing the THM/ chlorine problems if can be done through Owenton. If we have to fix by DBP removal costs were estimated a 2 million (maybe more) . Costs are exorbitant, and technology not generally considered "best available"...There is verbage in current state reg that may support state's requiring Owenton to resolve this for both systems (once both are regulated under pending regulation) ...don't know what legal recourse anyone (including state) really has until these smaller systems come under pending regulation (2003 I think...need to check this in MDBP regulation schedule...Owenton knows this schedule and realizes they must do something on this time line)... Then Owenton will likely have to do something...but not necessarily enough to "fix" TV.

Again, we need to approach the state on this, in my opinion...can we do this?...can we speak freely about the acquisition? Is the acquisition pending or complete?

What is your timeline? If you must have these answers today...see below.

I'll be on the river today but will be in and out of cell phone range a couple of time. If you need me today...leave a message on phone mail 262-1889, or try to page me 4612124 and I'll call you back...I can

also arrange to be in the office this afternoon if need be....but I won't come in or check this email unless you call or page me. I can be sent a short alpha (text) page by getting on the Airtouch paging web site and typing in a message and sending it to my pager number...don't know whether I can receive these down on the river...will test this out today.

Jan

Herb Miller

J y-
" ..
§ ————— **Herb Miller**

08/19/99 04:15 PM

To: Jan Rutt/KAWC/AWWSC@AWW, David Baker/KAWC/AWWSC@AWW, Kevin
Ke n n oy/KAW C/AW W S C @AW W
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Coleman
Bush/KAWC/AW W SC@AW W
Subject: Tri-Village

Confidential Memorandum: Attorney-Client Privileged

In doing the legal analysis on the issues surrounding Owenton's legal duties concerning water quality, I would like to find out the following information:

1. Was the water quality good when the contract was signed in 1993, but has deteriorated since then? If so, why?
2. What are the required levels for chlorine, THMs, etc., and what are the actual levels at the point of delivery and elsewhere in the Tri-Village system? At what points do the levels become unacceptable?
3. Has either Owenton or Tri-Village done anything differently since 1993 to affect the water quality?
4. Was the water quality better in 1993? If so, by how much?
5. Is the water quality bad anywhere inside the Owenton system?
6. Has Owenton been the subject of state enforcement actions?
7. When did Tri-Village begin to complain to Owenton about its water quality.
8. Was Tri-Village buying water from Owenton prior to 1993? What was the quality then? Did Tri-Village complain?
9. What are the estimated costs of fixing the problem?
10. If the legal conclusion is that Tri-Village must fix its own problems (although I'm not ready to conclude that yet),
is Kentucky-American ready to take on that expense and responsibility?,
Please let me know ASAP any answers any of you might have to these questions. Thank you.

Herb Miller

11/08/99 01:08 PM



To: David Baker/KAWC/AWWSC@AWW
cc: Pat Ballard/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Coleman
Bush/KAWC/AWWSC@AWW, Ed Grubb/KAWC/AWWSC@AWW, Kevin Kennoy/KAWC/AWWSC@AWW

Subject: Re: Tri-Village Tank Site

I took a look at the deed to this site as provided to me by Carol. It is a little difficult to read.

If TV wants to sell this 0.11 acres, then that is their business. The asset purchase contract requires KAWC approval prior to the disposal of any assets. Would we reduce the contract purchase price by the amount for which it sells? Are we assured a FMV sale? I presume it would be contingent upon the new tank being successfully put into service prior to the transfer.

Would the tank be sold with the real estate? If so, TV must be careful about the condition of the tank in terms of safety or ability to hold water, and what, if anything, it warrants to the buyer. If the tank does not go with the real estate, who will dismantle it? If there have ever been any environmental concerns at the site (such as a gasoline engine or tank to run pumps) then TV needs to be careful.

k
re-downman 511/1'r

Std

Jan Routt

07/30/2004 01:50 PM

To: Coleman Bush/KAWC/AWWSC@AWW
CC:
Subject: KAWC WQ report November 1999

Jan C. Routt
Director Water Quality
Kentucky American Water
6300 Cedar Creek Lane
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(F) 1- 859.263.3137
E jroutt@kawc.com

Forwarded by Jan Routt/KAWC/AWWSC on 07/30/2004 01:51 PM ----

JAN
ROUTT
12/14/1999 12:08 PM

To: Richard H Moser/SYSENG/CORP/AWWSC@AWW, John S Young/SYSENG/CORP/AWWSC@AWW
cc: Nick Rowe/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, John Hill/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW, David Shehee/KAWC/AWWSC@AWW, Dorothy Johnson/KAWC/AWWSC@AWW, Joe White/KAWC/AWWSC@AWW, Mitzi Combs/KAWC/AWWSC@AWW, Debbie Mireault/KAWC/AWWSC@AWW
Subject: KAWC WQ report November 1999

To: Richard Moser
From: Jan C. Routt
Copies: John Young, Nick Rowe, Roy Mundy, John Hill, Stan Stockton, Dillard Griffin & KAWC WQ
Subject: Kentucky-American Water Company-- Water Quality Report November 1999

Source waters and Treatment: Source conditions remained similar to October for the month of November --with relatively low rainfall and source turbidities—allowing KAWC to continued non-restricted uses and keeping pumpage under budget (-34.7MG) and chemical treatment costs under budget (KRS -\$6.735 & RRS -\$3,967). Both treatment facilities met required disinfection CT through the month. RRS & KRS provided 1.83 and 2.9 log removals of <3um particles, respectively and plants met Partnership filtered water turbidity criteria of <=0.1ntu 100 % of time. All RRS and KRS plant effluent samples were clear of bacterial growth.

The Ky. River TOC averaged 3.86 mg/L and Jacobson Reservoir had 5.24 mg/L TOC in November. TOC removal efficiencies in November were similar to previous months: The Ky. River Station TOC removal ratio was 0.7 with PACL and polymer and the Richmond Road TOC removal ratio was 1.2 treating primarily Ky. River Water with alum, ferric and polymer.

When we calculated the weighted TOC removal taking into account both treatment facilities' sources and high service pumpage ratios (KRS— all Ky R. source and 70% of system delivery; RRS—83% Ky. River source and 30% of total system delivery) the total system TOC removal ratio for November was 0.73—which is less than the 1.0 required.

Distribution: All 231 compliance bacteriological samples were clear, and acceptable chlorine residuals were attained in all samples in November. The average combined chlorine in the KAWC Lexington system was 2 mg/L. (All Boonesboro bacteriological samples were clear as well with that system averaging 0.9mg/L free chlorine). Lead/Copper Rule Water Quality Parameter samples were collected at distribution bacteriological sites in November with all parameters in compliance

There were eight customer water quality calls in November with one of these being an information request. Others were routine discoloration(3), T&O(1) and particles/sediment(2). One discoloration was associated with a main break. Four of these calls were narrowed down to in-house plumbing associated—including one apparent hot water heater dip-tube problem. None were related to treatment processes from the plants and all calls were all handled to the customers' satisfaction.

Tank monitoring indicated no problems with increased nitrification. Monitoring in Sadieville area showed similar results to prior months (low chlorine but HPC's within limits). FMSM studies are continuing to develop permanent flow improvements in this area.

Consumer Confidence Reports (Boonesboro Notice of Violation): On November 29th KAWC received a notice of violation from the Ky Division of Water for not providing the required CCR to its customers in Boonesboro Water Association (purchaser from Winchester). Follow-up revealed that these customers had been sent the CCR prepared for all Lexington area customers rather than information from their supplier, Winchester (which was not received from Winchester within the reporting deadline and inadvertently was forgotten). This has been corrected at this writing --via a separate mailing of the Winchester report including summary of 1998 KAWC monitoring in this system along with a newspaper ad (targeted at non-bill paying customers). Plans have been made to ensure that this oversight does not recur in subsequent years. Correspondence from the state on this matter indicates that while they will still, likely, record this as a violation in their February input to the federal database, they will be able to note also that this system has "returned to compliance" with that input. There is no public notice required for this violation.

KPDES: Rockwell Village Waste Water Plant--Again this month, all monitoring was conducted at KAWC labs and all parameters were within KPDES limits. All other KPDES monitoring was within limits as well with the exception of one accidental discharge of chlorinated finished water during a main tie-in. An estimated 180,000 gallons of water entered West Hickman Creek on November 18th when a main to be tied in was excavated finding that the valves had not been fully closed. Proper notifications were made by KAWC distribution supervision to water quality and samples were collected by distribution personnel onsite. KAWC water quality then notified state officials via phone on the date of the discharge. Total Suspended Solids levels (analyzed on November 24th) exceeded KPDES permit limits (568mg/L as compared with limit of 50mg/L) and chlorine was detected at 1.7 mg/L in the discharge water. (There is no chlorine "limit" on the permit but it is reported for "monitoring" purposes only). State officials noted via phone call that this discharge had been reported as required but that it was "low priority." Reportedly (according to contractors working in the vicinity) the state inspectors came on site the following day, apparently to discern any environmental damage. We have received no further contact from the state. KAWC distribution and water quality also inspected the area on the day of, and the day after, the discharge noting no evidence of fish kill (the writer actually saw a live minnow in the affected stream on the next day). Traditionally, exceedances of limits on this distribution permit have not resulted in notices of violation, but final outcome will not be known until after the KPDES monitoring report submittal for the 4th quarter (due January 28th).

Construction: Chlorine feed modifications at both plants continue to progress with training and final punch list items to be addressed in December.

Acquisitions: [Work continued on the TriVillage acquisition. [Background-- A purchase contract was signed between KAWC and TriVillage on *October* 13th with closing contingent on our satisfactorily addressing the water quality problems (THM's in the TriVillage system received, pre-formed, from their supplier, Owenton \On November 11th the writer and others from KAWC met with Owenton water system and local officials to present offers for possible KAWC acquisition (or contract management)of Owenton and to explain why Owenton was responsible for the majority of TriVillage's THM's as well as to review treatment options for Owenton to improve DBP's in Owenton and TriVillage. At this writing word has been received, verbally, that Owenton has declined our acquisition offers but is amenable to implementation of our recommended changes to improve water quality. Over the next few weeks we will lay out the plans for our providing assistance in these

efforts.

We have continued initial site and data inquiries toward a possible acquisition of Pineville water system (2.25 hrs SE of Lex). On November 15th Water Quality Specialist Joe White and other KAWC representatives visited this site and brought back a report that this is a well run system with good quality/quantity source. A separate trip report is available upon request. Further negotiations will continue toward possible acquisition over coming weeks.

Regionalization (Source of Supply Alternatives): The LGUCG Water Supply Committee continued its work toward recommendations to solve KAWC's source and treatment deficits throughout November. Council members visited the Ky. River station on November 2nd, went to Dam 10 on November 13th and heard presentations from various entities involved the water supply (including KAWC) at weekly committee meetings. A public forum was held on November 29th and the Council adopted it's resolution (to recommend pursuit of the river solution – upgrading dams 10 and 9 with funding solicited through the Ky Legislature in early 2000—but to reassess in June once it is known whether the Legislature will fund dam improvements. It was acknowledged that this resolution makes the LFUCG the "most responsible party" for making sure Lexington's supply problem is addressed because with this option there is no other single responsible entity. Other options considered were 1)the KAWC option to purchase finished water from Louisville Water, and 2) a "late-comer"--a conceptual proposal from a consortium of six neighboring water suppliers to sell water to KAWC through various interconnections (with Frankfort-through Versailles and Georgetown, and direct connection with Paris, Nicholasville and Winchester). All these facilities rely on the Ky. River source from pools other than the on KAWC uses.

There were no facts or figures with this later (multi-system regional) proposal but it did come out in the council inquiries that these entities would have to upgrade their facilities to provide the needed water capacity and that they hoped to attain supplementary funding through this regional agreement. Water quality was not openly an issue in these discussions other than the obvious incompatibility of chloraminated and free-chlorinated waters. However, we have begun to compile data on the various systems should water quality come into greater scrutiny. Early assessments show that Winchester, Paris and Nicholasville are free chlorinating and hence have THM's higher than KAWC's. This supports that these systems will have to modify processes to meet pending DBP reps. Frankfort and Nicholasville both have recently had filtered turbidity excursions over the pending 0.3ntu requirements and had a significant

percentage of readings over the Partnership criteria of 0.1ntu which would seem to indicate that treatment optimization (and perhaps capital renovation) is needed to meet new IESWTR reg.

Regarding the Louisville interconnection, there were no quality concerns raised by the Council, but there were a few public concerns voiced over the perceived contamination Louisville water (through Ohio River industrial spills, etc.—one commenter referenced news coverage of the '93 EDB spill—and reference was made to the past summer's algae T&O. In a continuing effort to be prepared to address these quality concerns should they move to the forefront we continue to gather data on the Louisville water and to be in communication with water officials there. We are maintaining our focus to finished water quality comparing actual analytical findings in our system to theirs in the proximity of the proposed tie-in and comparing our compliance data as recorded in annual CCR's (compiled from compliance data). When this comparison is made we find the that filtered turbidities and trihalomethanes are consistently lower in LWC water (better than KAWC); nitrate levels were similar in the two waters. Detected in LWC water and not KAWC water, were atrazine, simazine and di(2-ethylhexyl)phthalate (averaging <1ppb). The atrazine and simazine are hervicides used in corn growing and the phthalate may be a lab contamination as it is a common plastic component. Of significance with these trace organics detections is that these have not been detected in LWC's riverbank infiltration (RBI) pilot waters.

Also noteworthy is that LWC has recently received approval to proceed with full conversion of the Payne plant to RBI and this is the water which would be provided to KAWC's interconnection should the Lou/Lex pipeline come to fruition. These modifications to the Payne plant are projected to be complete in about three years barring unforeseen obstacles. We realize that this RBI treated water will have associated cost but we also understand that we must invest capital in our treatment processes just to keep existing treatment facilities (and capacity) in compliance with the longterm2 regulations. Louisville is already poised to meet these requirements with the RBI. KAWC has not been able to even determine what our source will be let alone how we might most effectively treat it. It has been conveyed to the council that we cannot incur design costs or begin construction for *added* treatment capacity without firm evidence that added Ky. River (or other) source of supply is available.

Administrative: Lab Analyst, Dottie Johnson, has assumed responsibility for coordination of KAWC's Belleville and other compliance chemical monitoring in an effort to further enhance planning, tracking and communications in these areas. The 2000 Belleville schedule was completed in draft in November and annual data summaries for use in CCR will be done during January.

Meetings, Presentations, Committee Activities & Tours: The writer attended the AWWA WQTC and AWWA Water Quality Division Board, AWWA Disinfection Systems, Partnership for Safe Water Steering committee and AWWA Distribution Systems committee meetings during October 30-Nov 4th in Tampa Fla. Minutes of these meeting and the WQTC trip report are available upon request and are being circulated separately. KAWC hosted the AWWA teleconference on the upcoming DBP & SWT regulations on Nov. 9th. There were about 50 attendees at this teleconference and most seemed only marginally familiar with these pending regulations.

There were no Partnership Phase III reviews in November, but the writer facilitated a successful Partnership Phase III review for PAWC-Hershey on December 2nd and three additional reviews are pending. Planning continued for a PEAC training session is for January 10th-13th which will prepare new Phase III reviewers--particularly needed to train additional officials from the Pennsylvania DEP due to their agreement to participate on all PA reports--and due to the expected onslaught of PAWC reports.

In November the writer another EARN class (for KAWC associates) titled "Water Quality 100" which covered basics of drinking water quality from the regulations to, basic treatment & engineering focusing on an overview of the general responsibilities of water quality working with all KAWC team members. This class was offered again Dec.2nd.

One tour was conducted at **RRS**.

Personnel: David Shehee began his employment as Water Quality Specialist—KRS on November 8th. He is quickly assuming his responsibilities and gaining needed experience. He is already a valuable asset.

Next Month: KAWC is sponsoring through Picadome Elementary a "celebration of the 25th birthday of the SDWA". Students are making posters and Susan Lancho and the writer will visit the school on Dec. 17 to thank the students and do a brief presentation about the importance of safe drinking water. Media will invited.

Final plans and discussions for the Y2K will occur. All water quality staff will be on hand on the evening of the 31st through the next morning and as needed thereafter to ensure that this transition goes well.

Non-Kentucky-American Water Company

Agreement Reached:

Tri-Village Water District (Owen County, Kentucky):

- Tri-Village board executed the KAWC purchase agreement on 10/13/99, assets being purchased for \$1,659,233 (subject to due diligence)



- County District has 1500 customers (primarily rural residential) with average monthly use of 4,700 gallons per month.
- 131 miles of main, 4 employees, 100% purchase water from City of Owenton (Kentucky River, pool 2)
- Water quality issues currently being studied in cooperation with the City of Owenton. Resolution of water quality issues is one of the key conditions precedent to closing.
- Rural Development required appraisal was received at \$1,610,000, just under the purchase price. Appraisal will be submitted to RD 10/99 for review. According to the Kentucky State office of Rural for Development, Office of Management and Budget dictates that proceeds exist when the system is sold for an amount in excess of the book value, including contributed capital. When proceeds exist, then OMB/RD may require the payback of the un-amortized portion of RD grants. As this sale generates no proceeds under that definition, it is anticipated that no grant repayment will be necessary. Tri-Village has indemnified KAWC with regard to grant repayment.
- Final agreement subject to KAWC Board approval, PSC approval and all appropriate financial, water quality and asset quality due diligence by KAWC.



Jan Routt

07/30/2004 01:24 PM

To: Coleman Bush/KAWC/AWWSC@AWW
cc:
Subject: KAWC December 99 Water Quality Report

Jan C. Routt
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E jroutt@kawc.com

-- Forwarded by Jan Routt/KAWC/AWWSC on 07/30/2004 01:25 PM --

**JAN
ROUTT**
01/16/2000 05:01 PM

To: Richard H Moser/SYSENG/CORP/AWWSC@AWW, John S Young/SYSENG/CORP/AWWSC@AWW
cc: Nick Rowe/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, June A Lowther/SYSENG/CORP/AWWSC@AWW
Subject: KAWC December 99 Water Quality Report

Dick,

*Sorry not to get this out Friday--computer failure--power
shutdown fried by docking station (and networking
capabilities)...and I.S. work yesterday took the server
down..hope they are back up today.*

See you in a few weeks.

Jan

*P.S. Is there any chance you might want to do your distribution
workshop tagged onto the Directors meeting...in Feb? Just a
thought... could save some bucks and time.*

To: Richard Moser
From: Jan C. Routt
**Copies: John, Young, Nick Rowe, Roy Mundy, Linda
Bridwell, Stan Stockton, Dillard Griffin**
**Subject: Kentucky-American Water Company-- Water
Quality Report December 1999**

Source waters and Treatment: Source conditions changed from previous months with 2.7 inches of rainfall over 10 days (slightly elevated TOC and turbidity --over most recent months but still lower than historical-- and continued lower demand allowed stores in Reservoir #4 to be replenished and TOC quality slightly improved. On December 1st depth analyses were conducted of Res # 4 quality (finding TON 2.0, total Mn 0.11, diss Mn 0.02). This, combined with adequate reservoir level (96%), supported turning off the river transfer line and returning to use of the reservoir as RRS supply. Pumpage at RRS has been held to a minimum (avg 6.3 MGD) and no T&O problems have occurred. Total pumpage was slightly under budget for December (-4.7%), but chemical treatment costs were over budget (KRS +12%, RRS +15.8%). Increases in chemical costs were attributed generally to needing more chemicals than budgeted (likely due, still, to source clarity at KRS and of Reservoir water at RRS) to meet produce good finished water quality. *And*, the dechlorination and residuals conditioning chemicals, included in the December chemical costs, were not included in the 99 budget.

The Ky. River TOC averaged 3.5 mg/L and Jacobson Reservoir had 5.03 mg/L TOC in December (based on three analyses dates). TOC removal efficiencies in December were better than previous months attributable primarily to varied source conditions. The Ky. River Station TOC removal ratio was 0.97 with PACL and polymer which is higher than the normal 0.7. This was largely attributable elevated source turbidity and TOC following rainfall and possibly assisted by the improved settled turbidities discussed later. The Richmond Road TOC removal ratio was 1.2 treating Reservoir # 4 with primarily with ferric and polymer. The weighted TOC removal taking into account both treatment facilities' sources and high service pumpage ratios (CRS--all Ky R. source and 80% of system delivery; RRS--all Res. # 4 source and 20% of total system delivery) the total system TOC removal ratio for December was 0.98--which is marginally below the 1.0 required (based on annual average). This brings the total system 6-month average TOC removal ratio to 0.86. These sorts of analyses will be used in 2000 to assess impacts of operations changes (using ferric 6 months at KRS and slightly enhancing ferric use at RRS) on TOC removal performance.

Both treatment facilities met required disinfection CT through the month. In fact KRS CT's were significantly higher than

required attributable to the Dec 9th conversion to all pre chlorine (from the normal combination of pre and intermediate) to allow for modifications to the intermediate chlorine feed lines. This also significantly increased KRS chlorine use and DBP formation. Since the contractor had not been able to begin this work at this writing (and since water temperatures have remained unseasonably high as well) we returned to pre & intermediate chlorine on January 14--and will continue this feed configuration until the contractor arrives on site). Operations goals we are seeking to meet with DBP's are keeping them below the 64/48 benchmark on the annual average. With the prechlorine only at KRS it was projected that the system annual average might be 61ppb which is too close for comfort considering also that CT's were well in excess of required. In January we are also revising RRS CT calculations to include the post filtration credit in the first clearwell and slightly decreasing the pre chlorine feed there to better optimize disinfection and minimize DBP's. Before we made these changes, the KRS and RRS effluent THM's were running about 60 and 30ppb, respectively. These disinfection optimization efforts will continue.

KRS and RRS provided 1.15 and 2.25 log removals of <3um particles, respectively, based on finished water analyses. Revised particle reporting (effective January for KRS with counters already installed and later in 2000 for RRS after completion of filter counter installations there) will show that online filtered particle counts and log removals are significantly better than these analyses on finished waters. Both plants met Partnership filtered water turbidity criteria of ≤ 0.1 ntu 100 % of time in December. Floc aid polymer feed system repairs at KRS allowed resuming this feed which significantly improved KRS settled turbidities and filter runs. All RRS and KRS plant effluent samples were clear of bacterial growth.

Source of supply SOC and VOC testing was conducted December 20 and 27 including intakes and upstream sites.

Two new online pH analyzers were installed on settled water at RRS. These replaced old malfunctioning units and will be useful in ongoing coagulation and disinfection optimization at this plant.

Distribution: All compliance bacteriological samples were

clear, and acceptable chlorine residuals were attained in these samples as well in December. The average combined chlorine in the KAWC-Lexington system was 2 mg/L. (All KAWC-Boonesboro bacteriological samples were clear with that system averaging 0.9mg/L free chlorine.) Tank monitoring indicated no problems with increased nitrification. Monitoring in Sadieville area showed similar results to prior months (low chlorine but HPC's within limits). FMSM studies are continuing to develop permanent flow improvements in this area. There have been some difficulties reported with the attempts to model flows in this area.

There were nineteen customer water quality calls in December with four of these being an information requests. Others were discoloration(4), T&O(1) and particles/sediment(4). One T&O may have been a customer particularly sensitive to the differences in water taste while using Reservoir # 4 but there were no other calls even noticing different taste with the source switch. One discoloration was associated with an area supplied by an old dead-end main which is slated for replacement in early 2000. Three were apparent hot water heater dip-tube problems. (This dip tube failure phenomenon may be a topic for further discussion as to whether we need to provide an informative mailing to customers, since this seems to be continuing despite the fact that the supposed faulty dip tubes used in the manufacture of heaters should not be in use in newer heaters. We have provided training materials on the to our customer service reps and continue to address with customers one-on-one). All calls were all handled to the customers' satisfaction.

Consumer Confidence Reports: Documentation was provided to the state of a December mailing of supplier-Winchester's CCR to KAWC's Boonesboro customers and an ad in the local paper announcing the availability of the Winchester CCR. This had been an oversight in previous KAWC CCR communications and resulted in a notice of violation which will be avoided in 2000 by assertive pursuit of Winchester data beginning in February. Also in December, KAWC sent Certifications of CCR delivery to the Ky. DOW per their guidance and the regulatory requirement. These were due by January 19, 2000.

State Correspondence/ Submittals: Contact was received from Ky. DOW regarding ICR HAA & THM data compiled and

emailed to them earlier at their request. The DOW Inquiry concerned one HAA value which appeared to be a high outlier. No reason was identified to invalidate this data. In response to another DOW request, work continued on a public water supply inventory update (consisting of system and process descriptions as well as projected compliance monitoring schedules). There is no compliance deadline on this latter request but our response should be complete soon.

KPDES: All permitted discharges were monitored as required and were within limits this month.

Acquisitions: EWork continued on the TriVillage acquisition. [Background-- A purchase contract was signed between KAWC and TriVillage on *October* 13th with closing contingent on our satisfactorily addressing the water quality problems (THM's in the TriVillage system received, pre-formed, from their supplier, Owenton. I (On November 11th the writer and others from KAWC met with Owenton water system and local officials to present offers for possible KAWC acquisition (or contract management) of Owenton and to explain why Owenton was responsible for the majority of TriVillage's THM's as well as to review treatment options for Owenton to improve DBP's in Owenton and TriVillage. At this writing a letter of agreement had been signed (January 3) between Owenton and KAWC detailing actions to be taken by Owenton to lower DBP's with assistance from KAWC. Onsite work is to begin January 18th.

A conceptual proposal was presented by KAWC to Pineville Mayor, Water Board and City officials on January 6th, and KAWC representatives (including the writer) described our company and answered questions. The proposal and discussions seemed well received. Response from Pineville is pending at this writing.

Regionalization (Source of Supply Alternatives): The LGUCG Water Supply Committee continued its work toward recommendations to solve KAWC's source and treatment deficits throughout November, and on December 6th the Council opted to endorse river solutions. This will entail asking the Legislature for funding to study and improve the dams under a defined timeline. The Council also agreed to review progress in six months and recognized that this resolution makes them primarily responsible for addressing central Ky.

supply problems.

Meetings, Presentations, Committee Activities & Tours: Y2K preparations continued through December with all WQ staff to be on site at plant sites from 10pm-2am New Year's eve/day. The New Year arrived without incident or technical failures.

Lab Analyst, Dottie Johnson, attended the Ky-Tn AWWA Lab Practices Committee meeting in Bowling Green Ky. on Dec 2. KAWC WQ Specialists, Joe White and David Shehee, and Lab Analyst, Dottie Johnson, visited WVAWC Huntington plant on December 13 to see and discuss their new TOC analyzer, SCADA-integrated online particle counters and recent process SCADA upgrades. This visit was helpful in our orientation and planning for similar projects [KAWC TOC analyzer demos and investigations continued in December with the selection to be made in January. Online particle counting will be expanded as well with selections to be finalized in early 2000 as well].

Two successful Partnership Phase III reviews were completed with Director's Awards recommended for PAWC-Hershey (Dec 2) and PAWC Milton (Dec 28). Additional PAWC reports have been received numbering about thirty, and one previous (non-PAWC report is pending. The writer is working the WQ secretary (located at another office location and shared among 19 other KAWC supervisors) to develop methods to expedite these Phase III reviews and associated phone calls, emails, correspondence and mailings. PEAC members across the country (three per review) are being very cooperative in completing these reviews. We hope to get schedules working to do one to two reviews a week and this is a significant escalation from one review a month as before.) Planning were finalized for a PEAC training session January 10th-13th to prepare new Phase III reviewers--particularly needed to train additional officials from the Pennsylvania DEP due to their agreement to participate on all PA reports--and due to the expected onslaught of PAWC reports. The good news is the PAWC reports have been, generally, concise and complete to date, which greatly facilitates the review completion.

In December the writer taught another EARN class (for KAWC associates) titled "Water Quality 100" which covered basics of drinking water treatment and quality control. Also, KAWC sponsored, with Picadome Elementary School, a "celebration of the 25th birthday of the SDWA". Students

made posters, and Susan Lancho and the writer visited the school on Dec. 17 to thank the students and have a brief interactive time with students about the importance of safe drinking water. Two local media representatives covered this activity which went very well—lots of great posters and insightful questions from the students.

Two tours were conducted at RRS in December.

Next Month: Year-end data and reports will be compiled and CCR drafting will begin. Plans will be finalized for CCR and Immunocompromized Message--CCR draft for purchaser systems by April 1st and mailings of both in May billings. Planning for related meetings with customer service associates, and local and state officials, particularly to explain the Immunocompromized brochure, will begin January and February as well.

Compliance THM's will be collected and analyzed in January. Process optimization toward future MDBP compliance will continue.

TOC analyzer replacement will be finalized with the retired analyzer to be donated to Berea College. Particle counter installations will be further planned and initiated.

Owenton/TriVillage onsite work will begin to revise their treatment/operations to improve DBP's. First step will be to add post caustic feed allowing lower treated pH. Communications with state in the matter are ongoing as well.

AWWA Disinfection Survey articles, co-authored by the writer, will be submitted to AWWA TEC and WQTD for review prior to submittal to JAWWA (already done and emailed in-house and to AWWSC for review as well at this writing). At this time the authors plan to use some photos from KAWC, and possibly other AWS systems to illustrate these articles—these will be copied, with captions, to AWS management for approval, prior to submittal to JAWWA. JAWWA final deadline is March 1.

The writer to "host" Partnership Phase III PEAC training in S.C. (done at this writing—this was a very interesting relatively new plant treating variable high organic source using ferric at low pH in plate settlers followed by 6 ft. GAC/1 ft. sand

declining rate filters, using prechlorine and post chloramines). Phase III report reviews will be scheduled as feasible. In addition a presentation will be prepared for the SC-AWWA section meeting on "How to Use Partnership in Ongoing Process Optimization: how to do well on Phase III and get ready for Phase IV"

AWWSC input will be solicited and assimilated for consideration at the Feb 2&3 AWWA-sponsored workshop to develop "criteria for maintaining water quality in the distribution system." This workshop will be attended by national utilities and consultant with various expertise and experience as well as EPA (Jim Westerick out of Cincinnati). Criteria developed will be provided for use in regulatory development.

Nick Rowe
06/20/2001 08:23 AM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Donna Braxton/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AW WSC@AW W
Subject: Re: Tri-Village Status

Once we get a listing of assets, Donna Braxton will get insurance coverage.
Herb Miller



Herb Miller
06/14/01 01:53 PM

To: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, ingramjr@skp.com
cc: Jim R Hamilton/WVAWC/AWWSC@AWW, Mike
Miller/VAWC/AWWSC@AWW, David K
Baker/LAWC/AWWSC@AWW
Subject: Tri-Village Status

I attended the Tri-Village Board Meeting yesterday and had two telephone conversations with Judge O'Bannion and Chairman Charlie Noel this morning.

As best as I can see, here are some of the legal issues that need to be addressed prior to Closing. The target Closing Date is still August 1, 2001. Business issues, such as employee matters, computer conversion, customer communication, etc., will be addressed at the June 27th meeting in Owen County.

First, Rural Development will get the exact loan pay-offs to Tri-Village in time for the Closing. This process started today after a call today from Judge O'Bannion to Gene Floyd (with the RD). Per diems will be obtained for each loan.

Second, the local state RD office will write the National office seeking permission to approve the sale of assets to KAWC. This approval is required by the PSC Order approving the transaction. Tri-Village want to commit that any leftover proceeds will be used to expand services in Owen County and that KAWC will commit to making this happen. We need to decide our exact course of action should there be no response from the national office. Go forward? Escrow the amount of the Wheatley grant funds for a period of time? Other thoughts?

Third, the Tri-Village Board will further discuss the issue of continuing personal liability for the RD grant money based upon a remark by its attorney Bruce Clark. This issue has made them nervous. I encouraged them to press their attorney on this to see how realistic this is. To me, if the District is dissolved, then there is no personal liability, absent fraud or malfeasance. But their attorney needs to step forward on this.

Fourth, Carol Tudor will arrange for continued insurance for Tri-Village through the Closing Date. She will also inquire about "tail" coverage for their directors for claims that might arise after the Closing but based on pre-closing conduct.

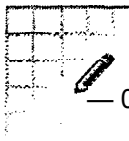
Fifth, upon Closing we will have to file our Mortgage Indenture, including all outstanding Supplemental Indentures, in all of the counties where we will have assets subject to these mortgages (Owen, Grant and Gallatin?).

Sixth, Lindsey Ingram's law firm will prepare the Closing Documents in a manner similar to the Boonesboro acquisition.

Seventh, within 10 days of the Closing KAWC must file its adoption notice of the Tri-Village tariff, and within 10 days after that, file its own rate schedule under KAWC's name.

Eighth, the Tri-Village Water district will be dissolved. The PSC Order states that the Commission must be notified when this happens.

Please let me know if any other legal issues need to be addressed. Thank you.



Kevin Kennoy
— 02/09/2000 05:04 PM

To: David Baker/KAWC/AWWSC@AWW
cc:

Subject: TVWD Connections

Dave:

I recalculated costs using \$ 6/ foot for six inch pipe and got the following:

Scenario 1- \$ 70,000 (Wheatley connection) - *L4-n d* **1**

Scenario 2 - \$ 85,000 (Sparta Connection)

Scenario 3 - \$ 23,400 (Glencoe Connection)

i would hate to go below these numbers.

hope this helps.

Jan Rutt
07/30/2004 01:25 PM

To: Coleman Bush/KAWC/AWWSC@AWW
cc:
Subject: KAWC WO Report January 00

Jan C. Rutt
Director Water Quality
Kentucky American Water
6300 Cedar Creek Lane
Lexington, Ky 40515
(O) 1-859.335.3662
(C) 1- 859.537.0742
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E jrutt@kawc.com

- - -Forwarded by Jan Rutt/KAWC/AWWSC on 07/30/2004 01:25 PM - - -

**JAN
ROUTT**
02/15/2000 01:11 PM

To: Richard H Moser/SYSENG/CORP/AWWSC@AWW
cc: John S Young/SYSENG/CORP/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW, David Shehee/KAWC/AWWSC@AWW, Joe White/KAWC/AWWSC@AWW, Dorothy Johnson/KAWC/AWWSC@AWW, Mitzi Combs/KAWC/AWWSC@AWW, June A Lowther/SYSENG/CORP/AWWSC@AWW
Subject: KAWC WO Report January 00

To: Richard Moser
From: Jan C. Rutt
Copies: John, Young, Nick Rowe, Roy Mundy, Linda Bridwell, Stan Stockton, Dillard Griffin
Subject: Kentucky-American Water Company--Water Quality Report--January 2000

Source waters and Treatment: The Kentucky River level remained adequate with lowest Lock 10 flow for the month at 383 cfs. River turbidity remained moderately low (avg 24.6 ntu) for month with one two day excursion over 100 ntu (Jan 7&8 at 119, 127 ntu). Ky River TOC averaged 3.3 mg/L in weekly analyses with only one date qualifying for TOC removal "out" (Jan 4 TOC 1.93mg/).

On January 28 KAWC was notified of a leak of about 900,000 gallons of crude oil from a transfer pipeline into surrounding underground rock/soil and ground and surface waters--including a tributary of the Ky. River 12 miles upstream of KAWC's intake (about 1 day travel time at flows during the spill). Oil Company (Marathon Ashland Petroleum), State and local responders were able to contain the oil preventing its entrance to the KY River. However, extensive monitoring and communications have

occurred between KAWC and onsite responders, as well as the Winchester drinking water (which supplies KAWC customers in Boonesboro) located immediately downstream of the affected creek. Winchester has used their offstream reservoir to eliminate possibility of oil contamination. KAWC has fed low doses of carbon as a precaution (at suggestion of oil company and state), and we have initiated in-plant fluorometer analyses (with set-up assistance from ORSANCO), and run benzene analyses through KAWC and Belleville labs as well having samples collected at our intake by the oil company. Thus far there has been no evidence of oil in the river at KAWC's intake.

The River Station used PACL and polymer coagulation all month at higher doses than historical for January (primarily due to early elevated source turbidities). Treatment met the TOC removal requirement with a removal ratio of 1.43. All filtered turbidities met Partnership for Safe Water <0.1ntu goal. Log particle removals averaged 1.17.

The Richmond Road Station continued to use the reservoir source through January with two calls likely to be reservoir related T&O. Reservoir TOC averaged 5.31 mg/L in weekly tests and turbidity averaged 5.1 ntu. and Ferric chloride was used for coagulation all month to achieve a 1.53 TOC removal ratio and 100% of turbidity readings below 0.1 ntu. Particle log removals at RRS averaged 1.93.

Efforts continued to optimize disinfection at both plants and minimize DBPs. KRS met the 1.0 log state inactivation specification all month. RRS fell below the 1 log (state specified) inactivation on several dates in January due to operators not understanding newly optimized the limits. This has been reviewed with operators and will be the subject of further training. The state of KY has historically only allowed 2 log *removal* credit for filtration (despite that KAWC's filtration processes are highly optimized at <0.1ntu) and this 2.0 log removal factor has been used in KAWC's log inactivation/removal calculations to date. This does seem provide a margin of safety enabling our facilities to support that proper disinfection has still been provided according to federal guidelines as long as we are providing the 0.5 log federally required. The state has not required any CT data submittals to date nor has the state has not made any formal onsite review of KAWC's disinfection practices. We have recently been notified that the state will be scheduling a routine disinfection profiling review in late March (even though profiling will not be required for KAWC due to sufficient historical DBP data which show levels below the triggers. At that time KAWC will formalize its CT training and calculation process concurrent with this state guidance. This is certainly an area where DCS automated CT calculation would be advantageous. This discussion is also of particular interest in current

engineering evaluations toward upgrading treatment capacity.

Distribution: All compliance bacteriological samples were clear, and acceptable chlorine residuals were attained in distribution. The average combined chlorine in the KAWC-Lexington system was 2.0 mg/L. (All KAWC-Boonesboro bacteriological samples were clear with that system averaging 0.9mg/L free chlorine.) Tank monitoring indicated no problems with increased nitrification. Monitoring in Sadieville area showed similar results to prior months (low chlorine but HPC's within limits). FMSM studies results are still pending.

KAWC's compliance THM's were collected on January 18 with quarterly average at 55ug1/L bringing annual 4-quarter average to 59ug/L.

There were eight customer water quality calls in January with one of these an information request and others included discoloration(2), T&O(1) and particles(3). One taste and one odor which likely were due to differences in water taste while using Reservoir # 4 but there were no other T&O. One discoloration was associated with an area supplied by an old dead-end main which is slated for replacement in early 2000. A temporary flushing program implemented in this area this month prompted customers in the area to call complimenting the improved water quality. Again this month three were apparent hot water heater dip-tube problems. (This dip tube failure phenomenon seems to be a topic for further discussion as to whether we need to provide an informative mailing to customers, since this seems to be continuing despite the fact that the supposed faulty dip tubes used in the manufacture of heaters should not be in use in newer heaters. We have provided training materials on the to our customer service reps and continue to address with customers one-on-one. The matter of an information bill insert will be suggested to community relations). All calls were all handled to the customers' satisfaction.

Consumer Confidence Reports and Immunocompromised Brochure:

1999 data are being compiled for drafting by mid March. Draft will be provided to bulk customers by the April 1st deadline and other CCR's will go out in May billings with the AWS Message to the Immunocompromised. Prior to that time (mid April after CCR's are finalized) meeting will be schedule with local and state health officials to explain the CCR's and the Immunocompromised Message Brochures.

State Correspondence/Submittals: At this writing verbal notice has been received from the state that KAWC will not have to formally do disinfection profiling under the new DDBP regs due to sufficient and low DBP data. The state is planning to come in to review the profiling process for our facilities in late March after they complete the required site visits with those KY facilities required to profile.

KPDES: All permitted discharges were monitored as required and were within limits this month.

Acquisitions: Work continued on the TriVillage acquisition. [Background-- A purchase contract was signed between KAWC and TriVillage on *October* 13th with closing contingent on our satisfactorily addressing the water quality problems (THM's in the TriVillage system received, pre-formed, from their supplier, Owenton.] KAWC onsite work is to began January 18 at Owenton. Through diligent and work, they have already started post caustic, lowered treated pH to 6.9 (doubling alum feed), started and optimized KmnO4 feed, run ferric and alum jar studies along with repeated source, treatment and distribution TOC and DBP testing, and compiled preliminary 1999 disinfection profile. These first treatment changes have produced about 15% increase in TOC removal through the plant and 15% reduction of THM's which is not sufficient to bring systems into "compliance." So we must expedite the remaining steps in the THM minimization plan. Within the next month we plan to apply to the state (with the disinfection profile) to stop prechlorinating (with optimized pre KmnO4) and will also request approval to do a plant trial and switch to ferric chloride since ferric bench studies show better TOC removal and turbidity. We will complete additional source studies as well, but at this time it appears, *preliminarily*, that this source may not be conducive to coagulation removal of TOC due to low SUVA (possible related to high content of Frankfort sewage effluent). This could mean that they will have to proceed to step three (with state approval) of switching to chloramines. We will know more once we have completed step two (also, pending state approval--turning off pre-chlorine and maybe switching to ferric--planned for mid/late March).

A conceptual proposal was presented by KAWC to Pineville Mayor, Water Board and City officials on January 6th, and KAWC representatives (including the writer) described our company and answered questions. The proposal and discussions seemed well received. Response from Pineville is still pending at this writing.

KAWC is currently (in cooperation with ASC) completing due diligence for a proposal to operate US Army drinking water facilities at Fort Knox Ky. Bids are due March 9th.

Regionalization (Source of Supply Alternatives): There was no activity in this area from a WQ perspective other than continued testing of Louisville Water for DBP's and SOC's this month. Analyses results are pending at this writine.

Meetings, Presentations, Committee Activities & Tours: RRS WQ Specialist, Joe White, attended the ORSANCO Water Users Committee on January 25 & 26 in Cincinnati. Jan Routt lead a Phase III PEAC training session in Charleston, SC on January 10-13.

Another two successful Partnership Phase III reviews were completed with Director's Awards recommended and scheduling was continued for additional reviews.

One tour was conducted at RRS in January.

**JAN
ROUTT**

03/13/2000 03:49 PM

To: Richard H Moser/SYSENG/CORP/AWWSC@AWW
cc: John S Young/SYSENG/CORP/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@JaWW, Dillard Griffin/KAWC/AWWSC@AWW

Subject:

To: Richard Moser
From: Jan C. Routt
Copies: John, Young, Nick Rowe, Roy Mundy, Linda Bridwell, Stan Stockton, Dillard Griffin
Subject: Kentucky-American Water Company-- Water Quality Report--February 2000

Source waters and Treatment: The Kentucky River level and supply remained ample in February as a result of heavy rains (Feb 13, 0.5 inches and Feb 18, 2.4 inches). The lowest Lock 10 flow for the month at 1930 cfs. River turbidity was much higher than historical for February (average 101 ntu) for month with one 6-day excursion over 200 ntu. A peak of 591 ntu occurred on Feb 19. Ky. River TOC averaged 3.14 mg/L in weekly analyses with none qualifying for TOC removal "outs." The River Station used PACL and polymer coagulation all month at higher doses than historical (due to high source turbidities, and to enhance settling, filtration and TOC removal). This doubled the budgeted chemical costs for KRS in February. Treatment met the TOC removal requirement with a removal ratio of 1.68.

On February 15 the KRS PACT feed was interrupted for about an hour due to an undetected DCS computer communication error. Once the operator detected the problem, feed was restored and measures were taken to minimize effects on finished water. These measures included reducing plant high service pumpage (while raising pumpage at RRS) , taking filters out of service, dosing tops of filters with cationic polymer, and wasting water from clarifiers to lagoons while maintaining high rate low service flows to hasten turnover. These measures kept KRS filtered turbidities under Partnership for Safe Water <0.1 ntu goal for all but one four-hour reading and this reading was 0.45ntu. So the plant was maintained in compliance with current and pending turbidity limits. Investigations of this incident underscored the need for reliable chemical feed, alarms and controls which wil, hopefully, be upgraded in the pending DCS modifications. And, it was emphasized that measures taken here to minimize compliance impacts, such as reducing KRS pumpage rates, would not be possible during intervals of high water demand. Lastly, this incident was used as an

opportunity to compile filter reports which would be required for the state under pending IESWTR regulations. An example of that report is attached here and would have to be included with monthly operations reports by the 10th of the following month along with explanations of filtered turbidity excursions. Similar excursions involving the same filters in consecutive

months could be basis for a required state audit. <sup>'State Filter
Repat.doc</sup> Hopefully problems of this nature this would not likely occur in subsequent months.

Follow-up on the January 28 leak *of* about 900,000 gallons *of* crude oil from a transfer pipeline in to surrounding underground rock/soil and waters including a tributary *of* the Ky River 12 miles upstream of KAWC's intake continued in February. Oil Company and State and local responders were able to contain the oil preventing its entrance to the KY River. However extensive monitoring and communications have occurred between KAWC and onsite responders, as well as the Winchester drinking water (which supplies KAWC customers in Boonesboro) and is located just downstream of the affected creek. Winchester has used their offstream reservoir to eliminate possibility of oil contamination. KAWC has fed low doses of carbon as a precaution—at suggestion of oil company and state—and we have initiated in-plant fluorometer analyses (with set-up assistance from ORSANCO), and run benzene analyses through KAWC and Belleville labs as well having samples collected at our intake by the oil company. Thus far there has been no evidence of oil in the river at KAWC's intake.

Filter media replacements (Aldrich Units 5&6) begun in late February have revealed that a large portion of the media was actually fused solid. (Note that the rates on these filters had been cut back significantly since noticing disrupted media in 1998. And the current media replacement was budgeted). Investigations of the nature of the binding substance and operations leading up to this problem are under way. At this point it has been determined that this has occurred only in these two units and may have been related to PACL and lime use and some increased deposition in these two fillers compared with others...but this is very preliminary at this time. Extensive review is being conducted *of* operations records for the years following these filters' installation (1993) up to the time that disrupted filter bottoms were observed (1998). Samples of the fused media are being analysed by Roberts Filters' contract lab and two different PACL manufacturers. Results are pending.

The Richmond Road Station used the river transfer line Feb 2-17 due to reservoir odor detected in early Feb. A switch was made back to the reservoir on the 17th due to high river turbidities. Ferric chloride was used

for coagulation all month with exception of one day of alum use during ferric pump maintenance. Reservoir TOC's averaged 6.42; SUVA 1.45. A source-weighted RRS TOC removal of 54% was achieved for a 1.55 TOC removal ratio. 100% of turbidity readings were below 0.1ntu.

Distribution: All compliance bacteriological samples were clear, and showed acceptable chlorine residuals. The average combined chlorine in the KAWC-Lexington system was 2.0 mg/L. (All KAWC-Boonesboro bacteriological samples were clear with that system averaging 0.9mg/L free chlorine.) Tank monitoring indicated no apparent problems with increased nitrification. This data is being evaluated however, to assess whether long term low level degradation may be occurring. Monitoring in Sadieville area showed similar results to prior months (low chlorine but HPC's within limits). FMSM studies results and recommendations are in preliminary review at this writing.

There were twenty-two customer water quality calls in February with three (3) of these information requests. Five (5) were routine discoloration resolved with flushing. Five T&O calls were received with two of these possibly related to reservoir use. Others were various Particulates related to in-house plumbing.

Consumer Confidence Reports and Immunocompromised Brochure:

1999 data are being compiled for drafting by mid March. Data will be provided to bulk customers by the April 1st deadline and other CCR's will go out in May billings with the AWS Message to the Immunocompromised. Prior to that time (mid April after CCR's are finalized) meetings will be schedule with local and state health *officials* and for KAWC Customer Service Reps. to explain the CCR's and the Immunocompromised Message Brochures.

KPDES: All permitted discharges were monitored as required and were within limits this month.

Acquisitions: LWork continued on the TriVillage acquisition. [Background-- A purchase contract was signed between KAWC and TriVillage on *October* 13th with closing contingent on our satisfactorily addressing the water quality problems (THM's in the TriVillage system received, pre-formed, from their supplier, Owenton.) KAWC onsite work began January 18 at Owenton. Through diligent hard work, they have already started post caustic, lowered treated pH to 6.9 (doubling alum feed), started and optimized KmnO4 feed, run ferric and alum jar studies along with repeated source, treatment and distribution TOC and DBP testing, and compiled preliminary 1999 disinfection profile. These first

treatment changes have produced about 15%-30% increase in TOC removal through the plant and 15% reduction of THM's which is not sufficient to bring systems into "compliance." So, we must expedite the remaining steps in the THM minimization plan. Within the next month we plan to apply to the state (with the disinfection profile) to stop prechlorinating (with optimized pre K m04) and will also request approval to do a plant trial and switch to ferric chloride since ferric bench studies show better TOC removal and turbidity. In February the disinfection profile was submitted to the state with a request to move the point of chlorination and to switch to ferric chloride coagulant. The state has verified receipt of the request and has preliminarily expressed reluctance to allow moving chlorination. As a result KAWC has requested a meeting with the state and awaits word back from the state as to when that meeting will transpire.

A conceptual proposal was presented by KAWC to Pineville Mayor, Water Board and City officials on January 6th, and KAWC representatives (including the writer) described our company and answered questions. The proposal and discussions seemed well received. Response from Pineville is still pending at this writing.

KAWC is currently (in cooperation with ASC) completing due diligence for a proposal to operate US Army drinking water facilities at Fort Campbell, Ky. Bids are due late March.

Regionalization (Source of Supply Alternatives): There was no activity in this area from a WQ perspective other than continued testing of Louisville Water for DBP's and SOC's last month. Analyses results of SOC revealed no contamination but will have to be resampled due to Belleville problems with standards recovery in the analyses.

Meetings, Presentations, Committee Activities & Tours:

Another three successful Partnership Phase III reviews were completed with Director's Awards recommended, and scheduling was continued for additional reviews. The writer attended the AWWA Distribution Workshop on Feb 3&4 and provided a summary to the AWWA Director's at their Feb meeting. The AWWA-Disinfection Committee Reports on disinfection practices were revised and approved by AWWA TEC and have been submitted to JWWA at this writing. On February 17th the writer judged a science fair at Mill Creek Elementary, and on February 22nd the writer set up a display booth at a Science Night at Lexington Traditional Middle School. The writer also attended a two-day LEAD program on "Supervising in Today's Workplace" on Feb 23 & 24.

Plans for March: The state is to notify when they will conduct an on-site

audit of KAWC's CT/disinfection profile procedures. Chemical lab State Certification inspection will occur on March 22. Hopefully, work in Owenton will proceed pending the approval meeting with State--to be scheduled. CCR's will be finalized and data sent to bulk customers. The writer will make a presentation on Partnership for Safe Water at the South Carolina Environmental Conference on March 20th. Comments will be provided on the AWWARF project interim report -- "Reactions of Polyelectrolytes with Treatment Chemicals"---(this report is timely in consideration of the "fused" filter media at KRS.) KRS filter media investigations will continue along with RRS GAC geosmin/MIB removal studies. Distribution nitrification data will be in review in context of long-term corrosion control and distribution disinfection practice recommendations. Review and comment will be provided on the final report of the project "Occurrence and Control of *Mycobacterium avium* Complex in Drinking Water" (KAWC was a primary research site for this project).



Jan Routt
07/30/2004 01:52 PM

To: Coleman Bush/KAWC/AWWSC@AWW
cc:
Subject: Newport and Elk Lake

Jan C. Routt
Director Water Quality
Kentucky American Water
6300 Cedar Creek Lane
Lexington, Ky 40515
(O) 1-859.335.3662
(C) 1- 859.537.0742
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E jroutt@kawc.com

-- Forwarded by Jan Routt/KAWC/AWWSC on 07/30/2004 01:53 PM



Herb Miller
06/08/2001 11:19 AM

To: David K Baker/ILAWC/AWWSC@AWW, Lisa
Helton/KAWC/AW WSC@AW W
cc: Jim R HamiltonNWAAC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW,
ingramjr@skp.com, (bcc: Jan Routt/KAWC/AWWSC)
Subject: Newport and Elk Lake

I will be sending up to Jim Hamilton information we have on these 2 systems.

For Newport, the information will include the 1999 proposal documents from the Northern Kentucky Water Service District.
For Elk Lake, the information will include the signed asset purchase agreement from July, 2000.

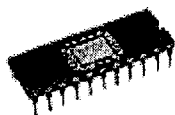
Regarding Elk Lake, there are some due diligence issues remaining and Lindsey has identified some of these. First, we need to begin the process of obtaining an easement across the lake for the existing line that serves lots on the far side. My understanding is that we are not buying either the lake or the dam. If this is correct, KAWC will need an easement across (under) the lake. Does Elk Lake have a description, or do we need to get it surveyed?

A second concern is the line from Tri-Village to Elk Lake. Do we have all the easements? Is the line ready to be used?

Because we will need to have Elk Lake to continue its treatment plant in operation for a short while until we are comfortable with the water from Tri-Village, we need to get the estimated costs for this limited period of operation, since we agreed to pick up the actual operating costs for this interim period.

Can anyone think of other issues? Jim will plan on coming down in the near future, and we can visit Elk Lake to review its files, etc.

The purchase contract requires a PSC filing within 60 days of the fulfillment of a number of contingencies, one of which is the actual Closing of the Tri-Village acquisition.



Jan Rutt
02/27/2001 02:39 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, David Baker/KAWC/AWWSC@AWW,
Linda Bridwell/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW, ingramjr@skp.com
Subject: Re: Tri-Village Filing

Herb, I addressed item 2 below (see the blue), Jan
Herb Miller



Herb Miller

02/27/2001 01:25 PM

To: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, David
Baker/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW, Jan
Rutt/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW
cc: ingramjr@skp.com
Subject: Tri-Village Filing

Lindsey will be drafting the application for filing. There are some matters which are still "in our court" to do.

1. Is the financial audit complete? Is it acceptable?
2. Has the water quality issue been resolved satisfactorily to KAWC? Yes or No? yes for the time being..we will need to keep close watch on the situation and to continue to encourage Owenton to proceed with moving their intake.
3. Are there any outstanding waivers, releases or approvals from RDA or anyone else which are necessary?
4. I assume no adverse environmental issues turned up. Correct?

These are issues that need addressing now in order to avoid unnecessary costs later.

I am sending a copy of the acquisition agreement to attorney Bruce Clark in Frankfort who will be representing Tri-Village.

Thanks.



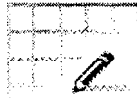
Herb Miller

04/18/2001 04:52 PM

To: David K Baker/ILAWC/AWWSC@AWW
cc: Roy Mundy/KAWC/AWWSC@AWW, Phil
McConathy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW
Subject: Re: Tri Villag 

Tim Pohl has warned the lawyers not to make any commitments which might adversely affect or be contrary to the AWWC pension plan. That's all.

Forwarded by Jan RouWKAWC/AWWSC on 07/28/2000 02:47 PM -----



David Baker
03/21/2000 04:43 PM

To: Coleman Bush/KAWC/AWWSC@AWW, Stacy Barker/KAWC/AWWSC@AWW
cc: Jan Routt/KAWC/AWWSC@AWW
Subject: Time to Owenton TriVillage

Coleman: I asked Jan to put together a schedule of the number of hours spent on acquisitions since the first of the year, in case you are considering deferring any of these labor expenses. Let me know if you need anything else related. THanks.

DBaker

----- Forwarded by David Baker/KAWC/AWWSC on 03/21/2000 04:56 PM -----

JAN
ROUTT
03/21/2000 03:53 PM

To: David Baker/KAWC/AWWSC@AWW
cc: David Shehee/KAWC/AWWSC@AWW, Joe White/KAWC/AWWSC@AWW, Mitzi Combs/KAWC/AWWSC@AWW

Subject: Time to Owenton TriVillage

As you requested;

Here is a summary of time by month to charge to Owenton/TriVillage

	Janurary	February	March
Dottie	10	2	10
David	6	2	6
Joe	8	6	8
Mitzi	2		
Jan	70	18	28

Please let me know if we need to change the way we record our time on timesheets etc.

Thanks, Jan

Kentucky-American Water Company

Proposals Outstanding, continued:

Elk Lake Water Company

- Located in Owen County, 60 miles north of Lexington, this investor owned utility is owned by the Elk Lake Homeowners' Association.
- Primarily a vacation area, Elk Lake serves 304 water customers; no WWTP.
- Elk Lake produces water from its own reservoir and has a back-up connection to Tri-Village.
- A conceptual proposal to purchase the assets of the system was presented 3/00 for \$115,427.
- Proposal included closing down the plant and using existing connection to Tri-Village to serve customers, taking only one employee to fill a current vacancy at Tri-Village.
- Proposal is contingent upon closure of Tri-Village.

Kentucky-American Water Company

Agreement Reached:

Tri-Village Water District (Owen County, Kentucky):

- Tri-Village board executed the KAWC purchase agreement on 10/13/99, to purchase the Tri-Village assets for \$1,659,233 (subject to due diligence)
- County District has 1500 customers (primarily rural residential) with average monthly use of 4,700 gallons per month.
- 131 miles of main, 4 employees, 100% of water purchased from City of Owenton (Kentucky River, pool 2)
- Water quality improvements in Phase I have been successful and KAWC/Owenton are currently seeking DOW approval to implement Phase II changes. Resolution of water quality issues is one of the key conditions precedent to closing.
- Rural Development required appraisal was received at \$1,610,000, just under the purchase price. Appraisal will be submitted to RD 10/99 for review. According to the Kentucky State office of Rural Development, Office of Management and Budget dictates that proceeds exist when the system is sold for an amount in excess of the book value, including contributed capital. When proceeds exist, then OMB/RD may require the payback of the un-amortized portion of RD grants. As this sale generates no proceeds under that definition, it is anticipated that no grant repayment will be necessary. Tri-Village has indemnified KAWC with regard to grant repayment.
- Final agreement subject to KAWC Board approval, PSC approval and all appropriate financial, water quality and asset quality due diligence by KAWC.

Jan Routh To: Coleman Bush/KAWC/AWWSC@AWW
07/30/2004 01:27 PM cc:
Subject:

Jan C. Routh
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(C) 1- 859.537.0742
(F) 1- 859.263.3137
E jroutt@kawc.com

-- Forwarded by Jan Routh/KAWC/AWWSC on 07/30/2004 01:28 PM --

**JAN
ROUTT**
04/14/2000 05:47 PM

To: Richard H Moser/SYSENG/CORP/AWWSC@AWW
cc: John S Young/SYSENG/CORP/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW
Subject:

To: Richard Moser
From: Jan C. Routh
**Copies: John Young, Nick Rowe, Roy Mundy, Linda Bridwell, Stan
Stockton, Dillard Griffin**
**Subject: Kentucky-American Water Company-- Water Quality
Report--March 2000**

Source waters and Treatment: The Kentucky River level and supply remained ample again in March as a result of significant rains on multiple days (2-3 inches mostly in the latter part of month). The lowest Lock 10 flow for the month at 1240 cfs. River turbidity for March averaged 17.4 ntu TOC averaged 2.53 mg/L in weekly analyses with two qualifying for TOC removal "outs." The River Station used PACL and polymer coagulation all month at higher doses than historical to enhance settling, filtration and TOC removal. This increase chemical use over the budget by a net \$3,459 mostly attributable to increased PACL and polymer. KRS treatment met the TOC removal requirement with a removal ratio of 1.9.

The Richmond Road Station used the Jacobson Reservoir source until March 7 when the river line transfer line was turned on due to T&O detectable in the plant effluent. Just prior to the source switch sample were taken for geosmin and M1B (analyzed by Louisville Water Company at

discount cost, to be covered covered by Calgon carbon per their agreement to assist us in studying comparisons of virgin and regenerated GAC filter media.) Data are presented below and are consistent with our historical T&O as caused by Geosmin primarily. Experts tell us that both of these constituents are detectable by the human senses at about 10 ppt-- Geosmin was passing even our newest GAC filters was higher than this level.

	Raw	Filter 19	Filter 21	Filter 22	Plant Effluent
samples collected March 6, 2000		regener-ated carbon)	virgin carbon	regener ated carbon	
		1 month	1 month	25 months	
Geosmin (parts per trillion)	82.4	11.2	31.3	72.5	
2-Methylisobornieol (parts per trillion)	25.2	<5	8.3	16.1	

Another attempt to use the reservoir source on March 23rd following rainfall when reservoir was overflow and odor samples at the intake were <2TON. After less than 24 hours of reservoir use T&O passing the plant was peaking again even with supplementary powdered carbon use. Additional geosmin & MIB samples were collected (results pending) and the river transfer line was turned on again. At this writing, the decision had been made to apply copper sulfate to the reservoir and this was carried out April 10th. Just prior to coppering, the odor level in the reservoir was 20TON and just after the odor level was 50 TON. The river source remains in use for the Richmond Road Station at this writing.

Richmond Road (reservoir) source TOC in on one testing occasion in March was 4.1 mg/L. and treatment TOC removal data was inconclusive in March due to only one sampling yielding data which appeared to be unreasonably low (removal ratio of 0.9 only which is exceptionally low for this facility).

Turbidity removal treatment was excellent at both plants in March with both maintaining all four-hour filtered turbidity readings below 0.lntu.

Follow-up on the January 28 leak of about 900,000 gallons of crude oil from a transfer pipeline in to surrounding underground rock/soil and waters including a tributary of the Ky River 12 miles upstream of KAWC's intake continued in March. Despite large volumes of unrecovered oil after the remediation, there has been no evidence of oil in the river at KAWC's intake to date.

Studies have continued regarding fused filter media found in KRS filters 5 & 6 earlier . Note this also caused peeling away of paint necessitating repainting of these units which progressed through March. Media testing by Roberts Filter and PACL manufacturers have been largely inclusive to date. PACL manufacturers have said that the binding substance is not calcium sulfate (from PACL-lime interaction). In-house bench tests are under way to try to simulate the filter cementing with various chemicals along with detailed records and operations review. At this time it appears the phenomenon could be a result of direct application of acrylamide polymer solutions (routinely applied to these units as filter aid in the past). Calgon chemical is currently working with us to look at this possibility.

In March results were received from February SOC resamples of both plant effluents following January detects of Dalapon. January detections were--KRS 3ppb and RRS 2ppm—both just above detection limit of 1ppb and well-below MCL of 200ppb. Resamples were clear. No reason could be found for this contamination in our sampling or handling and Belleville had no basis for lab error. Plants were using different source waters and samples were collected from different sites and shipped by different lab staff in different containers. Never-the-less, these detections *will* have to be reported on next year's CCR. There was no source water sampling at the time of these samples. We are revising our sampling program in future to collect such source and effluent samples simultaneously.

Distribution: All 295 compliance bacteriological samples were clear, and showed acceptable chlorine residuals. The average combined chlorine in the KAWC-Lexington system was 2.0 mg/L. (All KAWC-Boonesboro bacteriological samples were clear with that system averaging 1.0mg/L free chlorine.) Tank monitoring indicated no apparent problems with increased nitrification.. Monitoring in Sadieville area showed similar results to prior months (low chlorine but HPC's within limits). FMSM recommendations have been completed to include baffling the Sadieville tank and separating the influent and effluent as well as modifying PRV's on both sides of Sadieville. Modeling shows that this project will improve flow through Sadieville at cost of \$15,000. These improvements are scheduled to be complete in June which will us to assess through warmer water this year.

There were thirty-three customer calls which required water quality response in March. Ten (10) were routine discoloration resolved with flushing or trouble-shooting of customers' in-house plumbing. Seven T&O calls were received with two of these possibly related to reservoir use. Note additional T&O calls related to reservoir use were received by customer service but were not referred to water quality. WE are working on getting tallies of water quality calls handled by Customer Service but not needing referral to Water Quality. Again this month, we had several (5) calls which appear to be related to hot-water heater dip tubes. We are working on an informational section on the web site or other means, as customers are undoubtedly incurring cost and frustration resolving these problems which are covered by heater manufacturers if people know to contact them.

Consumer Confidence Reports and Immunocompromised Brochure: 1999 data and formats were compiled March and reviewed by the state with draft delivered to bulk purchaser suppliers on March 26th. CCR's will go out in May billings with the AWS Message to the Immunocompromised. Contacts have been made, and a meeting has been scheduled with local and state health officials on April 28th to review both bill inserts and to discuss Americans Cryptosporidium research as well as KAWC's ongoing process optimization. One training session has been provided Customer Service Reps. And other KAWC associates (April 11th) to explain the CCR's and the Immunocompromised Message Brochures. Another training session will take place on April 20th. We are also continuing to work with Winchester on their CCR development for our Boonesboro customers. They have provided us data and been very open to our suggestions and guidance including that they should run their final draft by the state before printing. We plan to use Winchester's CCR along with our page insert of data which we have conducted within the Boonesboro system and to provide this to Boonesboro customers in a separate mailing—by applicable deadlines but probably later in May or in June.

KPDES: All permitted discharges were monitored as required and were within limits this month with exception of one Richmond Road Station filter backwash discharge sample. This sample exceeded the 50mg/L daily TSS maximum limit with a solids level of 61mg/L. Procedure is being reviewed to determine the cause of this exceedance and to ensure no reoccurrence. Exceedances of this type have not historically resulted in notices of violation.

Acquisitions: Work continued on the TriVillage acquisition. [Background-- A purchase contract was signed between KAWC and

TriVillage on *October* 13th with closing contingent on our satisfactorily addressing the water quality problems (THM's in the TriVillage system received, pre-formed, from their supplier, Owenton.) KAWC onsite work began January 18 at Owenton. Through diligent hard work, they have already started post caustic, lowered treated pH to 6.9 (doubling alum feed), started and optimized $KmnO_4$ feed, run ferric and alum jar studies along with repeated source, treatment and distribution TOC and DBP testing, and compiled preliminary 1999 disinfection profile. These first treatment changes have produced about 15%-30% increase in TOC removal through the plant and 15% reduction of THM's which is not sufficient to bring systems into "compliance." So, we must expedite the remaining steps in the THM minimization plan. In February the preliminary disinfection profile was submitted to the state with a request to move the point of chlorination and to switch to ferric chloride coagulant.

Subsequent to our submittal and requests the state has done an onsite evaluation of the Owenton plant on Mar 17th and provided their preliminary CT evaluation. The state met with us on Owenton's proposed treatment changes April 24th where we presented our data and evaluations to date. The state relayed that Owenton is required to relocate their intake to the Ky River main stem and that further data (source and treatment microbials and chemical testing and further CT evaluation) will be needed prior to allowing us to move chlorination. Also a letter directly from the utility will be required requesting the changes. These additional analyses have begun in March and continue in April. A preliminary clearwell tracer has been conducted by KAWC engineering in cooperation with Owenton staff and the letter from Owenton to the state has been provided. Points to be reconciled will be the the KYDOW's practice to date of traditionally requiring prechlorination and allowing only 2 log removal credit for filtration treatment combined with extremely conservative baffling factors. It is hoped that we will be ready to meet with the state again in May and the state will agree to a followup meeting to review our data and further proposals.

A conceptual proposal was presented by KAWC to Pineville Mayor, Water Board and City officials on January 6th, and KAWC representatives (including the writer) described our company and answered questions. The proposal and discussions seemed well received. Response from Pineville is still pending at this writing.

KAWC is currently (in cooperation with ASC) completing due diligence for a proposal to operate US Army drinking water facilities at Fort Campbell, Ky. There has been no further water quality activity on this matter in March.

Administrative: Input continued to be provided as needed on the pending rate case and budgets pertaining to projected chemical treatment schemes and other operations to meet new regulations.

Regionalization (Source of Supply Alternatives): There was no activity in this area from a WQ perspective other than continued testing of Louisville Water for DBP's and LWC's assistance in our reservoir T&O monitoring.

Meetings, Presentations, Committee Activities & Tours:

Another four Partnership Phase III reviews were conducted in March with Director's Awards recommended for two and additional information needed on two (additional information must be requested, received and circulated to PEAC for review), and scheduling was continued for additional reviews. The writer made a presentation on Partnership for Safe Water "How to Succeed at Phase ID and Get Ready for Phase IV" at the South Carolina Environmental Conference (S.C. AWWA State Section meeting) on March 20th. These slides and presentation are available upon request.

The AWWA Distribution Workshop on Feb 3&4 draft workbook was circulated to AWS Water Quality and Directors for comment. Minimal comments have been received and have been provided to the workbook developer, due April 14th. The AWWA-Disinfection Committee Reports on disinfection practices are in final *JAWWA* printing at this writing to be published in the May issue. Comments were provided on the AWWARF project interim report -- "Reactions of Polyelectrolytes with Treatment Chemicals" in the form of a recommended PAC conference call (scheduled for April 28th). Review and comment were provided on the final report of the project "Occurrence and Control of *Mycobacterium avium* Complex in Drinking Water." KAWC was a primary research site for this project and *Mycobacterium* species were detected in KAWC's distribution waters but the pathogenic species was not. Neither was detected in plant effluents. My comments on this report were in the form of questions on sampling sites, etc., and significance of findings. Researchers tell us that findings are far from conclusive (as far as treatment or operations recommendations) due to minimal sites tested on minimal occasions and that health significance of findings is unknown also. This report will be available in final format soon.

KAWC Water Quality associates, David Shehee, Dottie Johnson, and Mitzi Combs, attended AWWA Taste and Odor teleconference hosted by KAWC on March 9th. KRS Lab Analyst, Dottie Johnson, attended the State-sponsored KY Water and Wastewater Operators conference in northern Ky on March 28th. The writer attended the AWWA Water Quality Division Trustee meeting in Salt Lake City, March 31-April 1, for

WQTC 2000 planning.

Three tours were conducted at RRS in March.

Plans for April: The state is to notify us when they will conduct an on-site audit of KAWC's CT/disinfection profile procedures (no contact at this writing). Chemical lab State Certification inspection was postponed by the state till April 26th. The bacteriological lab certification inspection occurred on April 12th. Work in Owenton (tracer studies, sampling, analyses), and on Owenton data analysis and communications, will proceed. CCR's will be finalized and sent to printer. Meetings will be held with health officials and associates on CCR's and Immuno Brochure. KRS filter media investigations will continue along with **RRS** GAC geosmin/MIB removal studies. Process optimization studies will continue at both plants. Finished water *cryptosporidium* testing will begin. Quarterly THM sampling will occur to include Boonesboro and Owenton. Rate case input will continue to be provided as needed.

Jan Routt
07/30/2004 01:28 PM

To: Coleman Bush/KAWC/AWWSC@AWW
cc:
Subject: Re: April Monthly--KAWC

Jan C. Routt
Director Water Quality
Kentucky American Water
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---Forwarded by Jan RouWKAWC/AWWSC on 07/30/2004 01:28 PM ---

**JAN
ROUTT**
05/12/2000 05:01 PM

To: June A Lowther/SYSENG/CORP/AWWSC@AWW
cc: John S Young/SYSENG/CORP/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW, David Shehee/KAWC/AWWSC@AWW, Joe White/KAWC/AWWSC@AWW, Dorothy Johnson/KAWC/AWWSC@AWW, Mitzi Combs/KAWC/AWWSC@AWW, David Baker/KAWC/AWWSC@AWW
Subject: Re: April Monthly--KAWC **J**

✉
KAWC WQ report 0400.do

sume

To: **Richard Moser** lk
From: **Jan C. Routt**
Copies: **John Young, Nick Rowe, Roy Mundy, Linda Bridwell, Stan Stockton, Dillard Griffin**
Subject: **Kentucky-American Water Company-- Water Quality Report-- April 2000**

Source waters and Treatment: The Kentucky River level and supply remained ample again in April. . Rainfall at the River totaled 2.5 inches for the month. The lowest river level to-date this year occurred on April 6th at 555.8 ft. which is 5.5 ft above pool. Minimum Lock 10 flow was 6,600cfs. River source turbidity for April averaged 49 ntu's, slightly above the historical average.

Turbidity removal treatment was excellent in April at KRS, maintaining all four-hour filtered turbidity readings below

0.1 ntu. KY River source TOC averaged 2.4 mg/L in weekly analyses with two of four samples qualifying for TOC removal "outs." The KRS TOC removal ratio for April was 1.7. Due to continued adequate source TOC removal the River Station continued to use PACL and polymer coagulation all month (at higher doses than historical to enhance settling, filtration and TOC removal) but did not begin the planned ferric chloride use. KRS system delivery was 15% under budget. This, combined with source turbidity 11% higher than budgeted resulted in chemical costs at 6.6% (\$3,484) over budget attributable to increased source coagulant demand.

The Richmond Road Station used the river line transfer line all of April for its primary source due to reservoir T&O encountered in March. Supplementation of river source water with Jacobson Reservoir, at a maximum of about 30% of total pumpage, avoided T&O problems this month. The reservoir level averaged 100% in April with 4.52 inches of rainfall on 9 days. Richmond Road (reservoir) source TOC on one testing occasion in April was 6.6 mg/L. Treatment TOC removal (using combined or only river source) on three testing occasions gave RRS a 1.8 TOC removal ratio in April. RRS experienced one four-hour filtered turbidity reading at 0.11 ntu related to a brief coagulant interruption resulting from a clogged pump strainer. To prevent reoccurrence, the ferric day tank was cleaned. Alum was used briefly during this maintenance activity. Use of river provided RRS source water with three times the seasonal turbidity, *and* copper sulfate was applied to the reservoir on April 10th. However, the lower coagulant demand and oxidant demand of the river source (compared with the higher TOC reservoir) allowed RRS chemical costs to be kept at near the budgeted amount for April (\$5,444 or 18% overage) despite RRS system delivery being 8% over budget.

Follow-up on the January 28 leak of about 900,000 gallons of crude oil from a transfer pipeline in to surrounding underground rock/soil and waters including a tributary of the Ky River 12 miles upstream of KAWC's intake culminated in April Marathon Ashland Petroleum's (MAP's) removal of the fluorometers from KAWC's intake water. This was with approval of ORSANCO and KyDOW due to the fact that there has been no evidence of oil in the river at KAWC's intake through continuous surveillance since the spill. Upstream monitoring through KYDOW and MAP will continue with

results forwarded to KAWC.

Refurbished KRS filters 5 & 6 were returned to service in April with excellent performance. Studies have continued regarding fused filter media found in KRS filters 5 & 6 during the aforementioned maintenance. Media testing by Roberts Filter and PACL manufacturers have been largely inclusive to date. PACL manufacturers have said that the binding substance is not calcium sulfate (from PACL-lime interaction). In-house bench tests are continuing to try to simulate the filter cementing with various chemicals along with detailed records and operations review. At this time it appears the phenomenon could be a result of direct application of acrylamide polymer solutions (routinely applied to these units as filter aid in the past). Ralph Coast of Calgon chemical indicated that high doses of acrylamide polymer could form a solid similar to that encountered. In addition, a fused-media sample has been sent to Dr. Audrey Levine, the researcher over the current AWWARF project "Interaction of Polyelectrolytes with Other Treatment Chemicals" as she expressed an interest during our April 28 project advisory committee call. She indicated that analyzing the sample via electron microscopy might be useful.

"Dry run" finished water *cryptosporidium* testing was conducted at both plants in April. No problems were reported related to this first testing round.

The following samples were collected to be shipped to Belleville for analysis in April:

- KRS/RRS Finished Water for SOCNOC/IOC
- Kentucky River Station Raw for *SOCNOC*
- J. Res. Raw for *SOCNOC*

Of these samples the following had to be resampled due to errors at Belleville:

- KRS Finished Water for Semi-Volatiles
- KRS Finished Water for PCB's
- KRS Finished Water for Diquat
- RRS Finished Water for Diquat
- Kentucky River Station Raw for Diquat
- J. Res. Raw for Diquat

Data still pending on the SOC's and VOC's for the raw samples. VOC data for both finished water samples had no detects.

Distribution: All 225 compliance bacteriological samples were clear, and showed acceptable chlorine residuals. The average combined chlorine in the KAWC-Lexington system was 2.0 mg/L. (All KAWC-Boonesboro bacteriological samples were clear with that system averaging 1.0 mg/L free chlorine.) Tank monitoring indicated no apparent problems with increased nitrification.. Monitoring in Sadieville area showed similar results to prior months (low chlorine but HPC's within limits). FMSM recommendations have been completed to include baffling the Sadieville tank and separating the influent and effluent as well as modifying PRV's on both sides of Sadieville. Modeling shows that this project will improve flow through Sadieville at cost of \$15,000. These improvements are scheduled to be complete in June which will us to assess through wanner water this year.

Ammonia was turned off at both plants on April 27th to convert to free chlorine during the spring flushing program. Additional testing was conducted by WQ staff of the following weekend to track the chlorine turnover. There were no problems related to this change. Distribution flushing began April 29th.

During April compliance samples were collected for Lead/Copper Water Quality Parameters and THM's for 2nd Quarter. All analyzed parameters were within compliance. The current four-quarter running average for THM's is 62ppb.

There were twenty-two customer calls which required water quality response in April. Two were referrals from outside agencies (1 from Ky DOW and one from Lex heath Dept). Four (4) were information requests. Five (5) were routine discoloration resolved with flushing or trouble-shooting of customers' in-house plumbing. Seven (7) taste and/or odor were received with none these possibly related to reservoir or chlorine/chloramine conversion. Four (4) reported milky water due to seasonal air in water. One call appeared to be related to hot-water heater dip tubes. All calls were handled to customers satisfaction. In fact two customers expressed that they were particularly pleased and surprised at the promptness and quickness of response from our water quality response.

Consumer Confidence Reports and Immunocompromised

Brochure: 1999 data and formats were compiled in March and reviewed by the state with draft delivered to bulk purchaser suppliers on March 26th. CCR's are going out in May billings with the AWS Message to the Immunocompromised. Three training sessions have been provided for Customer Service Reps. and other KAWC associates (April 11th, 20th and 27th) to explain the CCR's and the Immunocompromised Message Brochures. A meeting was held on April 28th with local (6 counties) and state health officials to review both bill inserts and to discuss American's Cryptosporidium research as well as KAWC's ongoing process optimization. Over 3000 letters with CCR and Immunocompromised brochures went out on April 28th and May 1st to area health care professionals, health- and housing-agencies as well as community leaders. The WQ department has received three calls to date, two just wanting clarification as to why they had received the mailing, and we have received two requests for extra copies of the Immuno Brochure—one HIV/Aids program in Fayette Co. and one physician at a rheumatology center. We did provide brochures to these.

We are also continuing to work with Winchester on their CCR development for our Boonesboro customers. They have provided us data and been very open to our suggestions and guidance including that they should run their final draft by the state before printing. We plan to use Winchester's CCR along with our page insert of data which we have conducted within the Boonesboro system and to provide this to Boonesboro customers in a separate mailing—by applicable deadlines but probably later in May or in June.

KPDES: All permitted discharges were monitored as required and were within limits this month.

Acquisitions: (Work continued on the TriVillage acquisition. [Background-- A purchase contract was signed between KAWC and TriVillage on *October* 13th with closing contingent on our satisfactorily addressing the water quality problems (THM's in the TriVillage **I**stem received, pre-formed, from their supplier, Owenton.] KAWC onsite work began January 18 at Owenton. Through diligent hard work, they have already started post caustic, lowered treated pH to 6.9 (doubling alum feed), started and optimized KmnO4 feed, run ferric and alum jar studies along with repeated source, treatment and distribution TOC and DBP testing, and compiled

preliminary 1999 disinfection profile . These first treatment changes have produced about 15%-30% increase in TOC removal through the plant and 15% reduction of THM's which is not sufficient to bring systems into "compliance." So, we must expedite the remaining steps in the THM minimization plan. In February the preliminary disinfection profile was submitted to the state with a request to move the point of chlorination and to switch to ferric chloride coagulant. In April these requests went to the state from Owenton, and the DOW replied with approval of the coagulant change and monitoring criteria to be conducted just before and following moving the chlorine. The "before" data have been submitted at this writing and onsite work is scheduled to commence on May 15th to move chlorine and possibly to begin a ferric trial. State approvals are received at this writing as well as communication that Julie Roney of DOW plans to visit on-site during the work.

A conceptual proposal was presented by KAWC to Pineville Mayor, Water Board and City officials on January 6th, and KAWC representatives (including the writer) described our company and answered questions. The proposal and discussions seemed well received. Response from Pineville is still pending at this writing.

KAWC is currently (in cooperation with ASC) completing due diligence for a proposal to operate US Army drinking water facilities at Fort Campbell, Ky. There has been no further water quality activity on this matter in April.

Lab Certification: KAWC's bacteriological and chemical labs and staff underwent state Certification inspections on April 12th and 26th respectively. Both reviews resulted in ongoing full certification. The WQ lab staff are currently involved in analyses of performance samples (THM's, TOC, metals and wet chemistry) for certification as well. These analysis results must be submitted by May 19th.

Administrative: Input continued to be provided as needed on the pending rate case and budgets pertaining to projected chemical treatment schemes and other operations to meet new regulations.

Regionalization (Source of Supply Alternatives): There was no activity in this area from a WQ perspective other than continued testing of Louisville Water for DBP's and LWC's

assistance in our reservoir T&O monitoring.

Regulatory Input: Comments were provided to KYDOW and AWS regarding the "minor" changes to the DDBPR & IESWTR which stand to significantly impact purchaser or consecutive systems. These comments will be incorporated into comments directly to EPA by KYDOW and AWS.

Meetings, Presentations, Committee Activities & Tours:

Two abstracts submitted for Ky-Tn AWWA section meeting in Nashville in September, 2000 have been accepted--David Shehee's paper describing KAWC's on-going DBP-related process optimization and regulatory compliance programs was accepted for oral presentation and Dottie Johnson abstract on KAWC's ongoing corrosion control studies and programs was accepted for poster presentation. The writers' abstract (co-authored with Nick Pizzi of EET) reviewing KAWC's work with "two contiguous small systems" to minimize DBP's was accepted for presentation at WQTC November 2000 in Salt Lake City.

Another five Partnership Phase m reviews were conducted in April with Director's Awards recommended and a Phase III Award was recommended for one utility which had been in process of submitting follow-up information for over a year. Three new Phase III reports were received and started through the review process. Input continued to be provided to the PSW Steering Committee pertaining to Phase IV application software development.

The AWWA-Disinfection Committee Reports on disinfection practices were in *JAWWA* print at this writing published in the May issue. Executive summaries are posted on the AWWA Web site. Comments provided on the AWWARF project interim report -- "Reactions of Polyelectrolytes with Treatment Chemicals"-- were reviewed in a PAC conference call on April 28th.

KAWC Water Quality associate Joe White attended a "Domestic Preparedness" seminar held on April 13th. Dottie Johnson attended the KY-TN Water Quality Committee meeting on April 25th. The writer attended a KAWC-sponsored leak detection seminar on April 19th. Three tours were conducted at RRS in March.

Plans for May: The state is to notify us when they will conduct an on-site audit of KAWC's CT/disinfection profile procedures (no contact at this writing). Onsite work in Owenton will continue with source, process and distribution sampling and operations changes to move chlorination and study ferric chloride as an alternate coagulant. CCR's and Immumo Brochure will be mailed in customer bills.. KRS filter media investigations will continue along with RRS GAC geosmin/MIB removal studies. Particle counter installations will continue at KRS with onsite manufacturer verification of counting and integration of turbidimeters.

Kentucky-American Water Company

Agreement Reached:

Tri-Village Water District (Owen County, Kentucky):

- Tri-Village board executed the KAWC purchase agreement on 10/13/99, to purchase the Tri-Village assets for \$1,659,233 (subject to due diligence)
- County District has 1500 customers (primarily rural residential) with average monthly use of 4,700 gallons per month.
- 131 miles of main, 4 employees, 100% of water purchased from City of Owenton (Kentucky River, pool 2)
- Water quality improvements in Phase I have been successful. KAWC/Owenton obtained DOW approval to implement Phase II changes and those have been implemented. Resolution of water quality issues is one of the key conditions precedent to closing.
- Rural Development required appraisal was received at \$1,610,000, just under the purchase price. Appraisal will be submitted to RD 10/99 for review. According to the Kentucky State office of Rural Development, Office of Management and Budget dictates that proceeds exist when the system is sold for an amount in excess of the book value, including contributed capital. When proceeds exist, then OMB/RD may require the payback of the un-amortized portion of RD grants. As this sale generates no proceeds under that definition, it is anticipated that no grant repayment will be necessary. Tri-Village has indemnified KAWC with regard to grant repayment.
- Final agreement subject to KAWC Board approval, PSC approval and all appropriate financial, water quality and asset quality due diligence by KAWC.

"iN1'6', Kentucky-American Water Company

- Meeting held with DOW 6/6/00 to facilitate Owenton Treatment Changes and to discuss NOV's relating to water quality. Another meeting with all parties is being arranged with the objective of establishing a consent decree/definitive plan to improve water quality.

Tentative Agreement Reached:

Elk Lake Water Company (Owen County, Kentucky):

- Located in Owen County, 60 miles north of Lexington, this investor owned utility is owned by the Elk Lake Homeowners' Association.
- Primarily a vacation area, Elk Lake serves 304 water customers; no WWTP.
- Elk Lake produces water from its own reservoir and has a back-up connection to Tri-Village.
- A proposal to purchase the assets of the system was presented 5/00 for \$89,084.
- Proposal was accepted, approved by the Elk Lake Board and a letter of intent has been received. Contract being prepared for signing, anticipated signing 6/15/00.
- Proposal included closing down the plant and using existing connection to Tri-Village to serve customers, taking only one employee to fill a current vacancy at Tri-Village.
- Proposal is contingent upon closure of Tri-Village.



Jan Rutt
07/30/2004 01:29 PM

To: Coleman Bush/KAWC/AWWSC@AWW
cc:
Subject:

Jan C. Rutt
Director Water Quality
Kentucky American Water
6300 Cedar Creek Lane
Lexington, Ky 40515
(O) 1-859.335.3662
(C) 1- 859.537.0742
(F) 1- 859.263.3137
E jrutt@kawc.com

Forwarded by Jan Rutt/KAWC/AWWSC on 07/30/2004 01:30 PM - - -

**JAN
ROUTT**
06/15/2000 06:27 PM

To: Richard H Moser/SYSENG/CORP/AWWSC@AWW
cc: John S Young/SYSENG/CORP/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Roy Mundy. Linda
Bridwell, Stan Stockton/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW, David
Shehee/KAWC/AWWSC@AWW, Joe White/KAWC/AWWSC@AWW, Dorothy
Johnson/KAWC/AWWSC@AWW, Mitzi Combs/KAWC/AWWSC@AWW, David A
Amick/INAWC/AWWSC@AWW, David Shehee/KAWC/AWWSC@AWW
Subject:

To: Richard Moser
From: Jan C. Rutt
**Copies: John Young, Nick Rowe, Roy Mundy, Linda Bridwell, Stan
Stockton, Dillard Griffin**
**Subject: Kentucky-American Water Company-- Water Quality
Report-- May 2000**

Source waters and Treatment: The Kentucky River level and supply remained adequate through May. Rainfall at the River totaled 2.5 inches for the month. Richmond Road saw 3 inches of rain on 13 days. The average river level in May was 552.6fl, which was three feet lower than April average. The lowest river level in May was 551.2ft. Minimum Lock 10 flow was 707cfs, significantly lower than April's minimum of 6,600cfs. River source turbidity for May averaged 13.6 ntu's. The TOC levels in the Ky River, Jacobson Reservoir and Lake Elerslie averaged 2.4, 6.0 and 6.5 respective mg/L. The river transfer provided most of the raw source for Richmond Road again this month to minimized T&O and to keep the Jacobson reservoir as near full as possible (averaged 98.3% full).

Turbidity removal treatment was excellent in May with both facilities maintaining all four-hour filtered turbidity readings below 0.1 ntu. KRS

and RRS settled turbidities averaged 3.5 and 1.0 ntu, respectively. Again in May a positive coliform sample was encountered on one KRS 1000ml sample. This has been investigated and no source or treatment explanations found. At this time it is thought it may have been sampling error due to close proximity of raw and finished water sample taps. Certified Lab Technician, Mitzi Combs, will be working the KRS water quality and operators to further assess and provide some operator training in this area.

Due to adequate source TOC removal, the River Station continued to use PACL and polymer coagulation all month (at higher doses than historical to enhance settling, filtration and TOC removal) but did not begin the planned ferric chloride use. KRS system delivery was 5% over budget in May. KRS chemical costs were 5.4% (\$2,803) over budget, attributable to this increased pumpage along with increased source coagulant demand and enhanced treatment. KRS PACL/polymer treatment of the Ky. River water in May yielded at TOC removal ratio of 1.5. RRS ferric chloride treatment of predominantly River source water--blended with Jacobson Reservoir at a maximum of about 30%--provided RRS a TOC removal ratio of 1.5 also. Overall, the lower coagulant demand and oxidant demand of the river source (compared with the higher TOC reservoir) allowed RRS chemical costs to be kept under the budgeted amount for May (-\$1493) despite RRS system delivery being 7% over budget.

In-house work to determine the nature of the filter caking has been concluded. With the mix of chemicals and dosages used, the Calgon 233 (nonionic polymer) did not appear to be the source of the solids. Upon drying, the Calgon 233 formed a solid; however, when re-hydrated, it went back into solution and formed a mudball on top of the sand. When the jars were stirred again and chlorine was added, some of the sand had collected on the side of a few of the jars, just like the filter beds; however, when the jars were drained, the sand on the side of the jar was found to be a mudball. All data are available for your review. No formal results have been received from Westchlor, Calgon, or SternPac; however, Calgon representative Ralph E. Coast confirmed that at higher dosages, the material taken from our filter could definitely form if the filters were allowed to dry completely. No word has been received from Dr. Levine regarding her examination of samples sent to her.

"Dry run" finished water *cryptosporidium* testing was conducted at both plants in April. No problems were reported related to this first testing round. Result of this testing were received in May with no detects at either plant. The second testing was done in May but results have not yet

been received.

On May 12th IBR technical support came in to review the installation of KRS particle counters. It has been noted that KRS filtered water particle counts are running normally very low (often <1 in the >2um size range). This was preliminarily reviewed by IBR and judged to be correct reading. KRS turbidimeters were interfaced, and software setup was reviewed as well. In late June the RRS installations, final RRS and KRS set-up & calibration verification will be conducted by IBR along with operator training.

During May compliance samples were collected for Lead/Copper Water Quality Parameters.. All analyzed parameters were within state-approved compliance. The following samples were collected during the month to be analyzed at Bellville:

- KRS Finished Water for Semi-Volatiles, Diquat
- KRS Finished Water for Diquat
- RRS Finished Water for Diquat
- Kentucky River Station Raw for Diquat, IOCs
- J. Res. Raw for Diquat, IOC's

Data was still pending on the SOC's and VOC's for the raw samples. VOC data for both finished water samples had no detects.

Distribution: All 198 compliance bacteriological samples were clear, and showed acceptable chlorine residuals. The average combined chlorine in the KAWC-Lexington system was 2.1 mg/L. (All KAWC-Boonesboro bacteriological samples were clear with that system averaging 0.9 mg/L free chlorine.) Tank monitoring indicated no apparent problems with increased nitrification. Monitoring in Sadieville area showed nitrite levels appear to be increasing to levels around 0.1mg/L along with HPC averaging about 50. These HPC numbers are within state limits for areas with low chlorine but combined with the nitrite may indicate increasing nitrification. Chlorine is slightly higher than previous with levels consistently low but detectable. FMSM recommendations have been completed to include baffling the Sadieville tank and separating the influent and effluent as well as modifying PRV's on both sides of Sadieville. Modeling shows that this project will improve flow through Sadieville at cost of \$15,000. These improvements are scheduled to be complete in June which will us to assess through warmer water this year.

Distribution flushing began April 29th ammonia was turned off at both plants on April 27th to convert to free chlorine. Flushing was completed in May and the ammonia turned back on as of May 8th. Additional testing was conducted by WQ staff of the following weekend to track the chlorine

turnover. There were no problems related to this change or system flushing.

A total of 41 water quality related calls were logged into EDIS by customer service. Eleven were referred to Water Quality for further followup. One discoloration and one chlorine call were referred to Water Quality and were related to system flushing. All these resolved with flushing. One customer lost fish following water replacement but onsite water testing and investigation brought forth no reasons to support the water itself as a cause of the fish loss. There was one lead inquiry from a family with a child with high blood lead. KAWC sampling at the customers tap yielded a result of 0.5ppb which is well below the action level. No taste or odor calls appeared to be associated with the reservoir use. All calls were handled to customers satisfaction.

Daily monitoring for free chlorine residual in the Boonesboro Water District continued during the month. Four samples from the Boonesboro area were collected and monitored for water quality parameters.

Consumer Confidence Reports and Immunocompromised Brochure: CCR's were going out in May billings with the AWS Message to the Immunocompromised.. Over 3000 letters with CCR and Immunocompromised brochures went out on April 28th and May 1st to area health care professionals, health- and housing-agencies as well as community leaders. The WQ department has received six calls to date, two just wanting clarification as to why they had received the mailing, and we have received two requests for extra copies of the Immuno Brochure—one HIV/Aids program in Fayette Co. and one physician at a rheumatology center. In May we received two customer calls, one wanting more information on bottled water and one transplant who had heard about our Immunocompromized brochure from his transplant support group and wanted. All these requests have been addressed.

By mid May we had received the Winchester final CCR copy and negotiated for them to have enough printed for KAWC's customers. These were to be to us by mid June. We will use Winchester's CCR along with out page insert of data which we have conducted within the Boonesboro system and to provide this to Boonesboro customers in a separate mailing—by applicable deadlines but probably later in May or in June. A letter has been drafted as well to explain these mailing to our Boonesboro customers.

KPDES: During May the following permitted discharge sites were sampled at the Kentucky River Station: 002-filter backwash water, 004-mixed storm water. Both samples were in compliance. Rockwell wastewater discharge was analyzed for the following compliance

parameters: D.O., Ammonia, BOD & Fecal Coliform with all parameters in compliance. Due to KAWC lab workload (Water Study, CG trouble-shooting, and Owenton optimization analyses) the wastewater samples were collected by KAWC water quality and the operator and were taken to a commercial lab for analyses.

Acquisitions: LWork continued on the TriVillage acquisition. [Background-- A purchase contract was signed between KAWC and TriVillage on *October* 13th with closing contingent on our satisfactorily addressing the water quality problems (THM's in the TriVillage system received, pre-formed, from their supplier, Owenton. KAWC onsite work began January 18 at Owenton. Through diligent hard work, they have already started post caustic, lowered treated pH to 6.9 (doubling alum feed), started and optimized KmnO_4 feed, run ferric and alum jar studies along with repeated source, treatment and distribution TOC and DBP testing, and compiled preliminary 1999 disinfection profile. These first treatment changes have produced about 15%-30% increase in TOC removal through the plant and 15% reduction of THM's which is not sufficient to bring systems into "compliance." So, we must expedite the remaining steps in the THM minimization plan. In February the preliminary disinfection profile was submitted to the state with a request to move the point of chlorination and to switch to ferric chloride coagulant. In April approval requests went to the state from Owenton, and the DOW replied with approval of the coagulant change and monitoring criteria to be conducted just before and following moving the chlorine. The "before" data have been submitted at this writing and onsite work is scheduled to commence on May 15th to move chlorine and possibly to begin a ferric trial. State approvals are received at this writing as well as communication that Julie Roney of DOW plans to visit on-site during the work.]

In May the Owenton "step two" treatment changes were made—moved point of chlorination and converted to ferric chloride. These changes went very well. The first round of "after testing" showed elevated organic nitrogen which may be of long term concern. TOC removal appears unchanged and THM's may have been lowered by as much as 50%. There is still question as to whether this will be sufficient to bring both systems into THM "compliance" due to TOC still persisting in finished water. Jar test support that acidified ferric may reduce TOC by another 0.5 to 1.0 mg. On May 11th KAWC staff (Joe White, Roger Hisel and the writer) sampled the Ky River pool 2 along with Owenton sources, Severn Creek and Thomas Reservoir, which showed that the Ky River at this location has much lower TOC and organic nitrogen. These tests appear to support that the Ky River would be a far superior source than the current. Testing continues along with discussions with state and local officials.

On May 12th. Joe White represented Water Quality at a proposal meeting for representatives of Elk Lake Water District (to be interconnected with TriVillage).

Lab Certification & Administrative: Water Study performance samples were analyzed in the TOC, GC, AA and both wet chemistry labs this month for ongoing state lab certification. Results were submitted Ultra Scientific by applicable deadline and results are pending.

At this writing the GC is in need of maintenance/repairs. The Thermoquest engineer will be on site the week of June 12th to check the instrument out. During the prior week a new column will be installed in the instrument. AA was running normally.

Lab Analyst, Dottie Johnson, participated in the Belleville Conference call on May 24th.

Input continued to be provided as needed on the pending rate case and budgets pertaining to projected chemical treatment schemes and other operations to meet new regulations.

Meetings, Presentations, Committee Activities & Tours:

On May 4th, the writer made a presentation to the Ky North-Central AWWA which met at KRS. The subject was CCR's. On May 8th the writer made presentation on the Ky River and general water quality to 120 sixth graders at Tates Creek Middle School.

Another four Partnership Phase m reviews were conducted in May with three Director's Awards recommended and a request for additional information from another. Input continued to be provided to the PSW Steering Committee pertaining to Phase IV application software development and Partership future visioning. The final Phase IV application is ready for testing and reviewer training (for PEAC vice-chairs) is tenatively to be scheduled once sites are determined. And, a program is being considered for small systems which has less rigorous assessment requirements than the current Phase III.

On May 31 st Joe White, David Shehee, and the writer accompanied KAWC engineering (Linda Bridwell and John Hill) on a tour of the WV Kanawha Valley Plant to become more familiar with SCADA installations there. This was for background in KAWC's pending SCADA upgrades. A followup visit is planned to other WVAWC SCADA installations later in the summer.

Joe White conducted department safety training on Process Safety Management.

Two tours were given at RRS in May.

Plans for June: Boonesboro CCRs will go out. Onsite work in Owenton will continue with source, process and distribution sampling and possible operations changes and meetings with state and local officials. Particle counter installations will continue at RRS and KRS with onsite manufacturer verification of counting and integration of turbidimeters and other auxiliary signals as feasible. The chemical bid process will begin in cooperation with AWS Southern Region facilities.



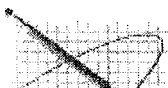
KAWC WQ report 0500.do

Kentucky American Water Company

Agreement Reached:

Tri-Village Water District (Owen County, Kentucky):

- Tri-Village board executed the KAWC purchase agreement on 10/13/99, to purchase the Tri-Village assets for **\$1,659,233** (subject to due diligence)
- County District has 1500 customers (primarily rural residential) with average monthly use of 4,700 gallons per month.
- 131 miles of main, 4 employees, 100% of water purchased from City of Owenton (Kentucky River, pool 2)
- Water quality improvements in Phase I have been successful. KAWC/Owenton obtained DOW approval to implement Phase II changes and those have been implemented. Resolution of water quality issues is one of the key conditions precedent to closing.
- Rural Development required appraisal was received at \$1,610,000, just under the purchase price. According to the Kentucky State office of Rural Development, Office of Management and Budget dictates that proceeds exist when the system is sold for an amount in excess of the book value, including contributed capital. When proceeds exist, then OMB/RD may require the payback of the un-amortized portion of RD grants. As this sale generates no proceeds under that definition, it is anticipated that no grant repayment will be necessary. Tri-Village has indemnified KAWC with regard to grant repayment.
- Final agreement subject to KAWC Board approval, PSC approval and all appropriate financial, water quality and asset quality due diligence by KAWC.
- Meeting held with DOW 6/6/00 to facilitate Owenton Treatment Changes and to discuss NOV's relating to water quality. A meeting with all parties was held on 7/5/00 with the objective of establishing a consent decree/definitive plan to improve water quality. Owenton is still unwilling to enter into a consent decree.



Phil McConathy

04/18/2001 03:53 PM

To: Herb Miller/KAWC/AWWSC@AWW

cc:

Subject: Re: Tri Villag

I had talked with David and our only committment to Tri Village is that after 5 years of service they would be covered by the AWS plan. Do you know why Lindsay Ingram would want to know the benefits for this group? I saw that the benefits were highlighted in the purchase agreement, although we will be making some modifications starting in June.



Herb Miller

04/18/2001 03:35 PM

To: David K Baker/ILAWC/AWWSC@AWW
cc: Phil McConathy/KAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW
Subject: Re: Tri Villag e]

Before monkeying around with the pension plan, you should get approval from Voorhees if we make any commitments.

David K Baker

David K Baker

.....
04/18/2001 02:40 PM

To: Phil McConathy/KAWC/AWWSC@AWW
cc: Roy Mundy/KAWC/AWWSC@AWW, Herb Miller, Nick Rowe

Subject: Re: Tri Village cz)

Hi, Phil and everyone. Hope all is well.

To answer your question, the Tri-Village folks are all on the County pension plan which is actually the same as or parallels closely the State's plan. I don't have a copy of the our Asset Purchase agreement, but I don't believe that we specifically negotiated any terms for the pension. I know that in verbal communications, I don't recall ever stating that they would receive vesting credit for years of service. How did we handle Boonesboro?

I would recommend that we give them immediate vesting with their benefitsbut start them "zero" years of service. What would you think of this?

David



Herb Miller
07/26/2001 11:29 AM

To: Nick Rowe/KAWC/AWWSC@AWW
cc: Barbara Brown/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW, Donna Taylor/KAWC/AWWSC@AWW,
ingramjr(a~skp.com, Jim R HamiltonNVAWC/AWWSC@AWW, Larry
Subject: Re: Tri-Village Closing: SET FOR AUGUST 2, 2001.

THE TRI-VILLAGE CLOSING WILL BE AUGUST 2, 2001.

1. The Kentucky Rural Development Authority will send us the pay-off information on all loans as of 8-2-01. This should be received today. Gene Floyd says he will fax to us, on Monday, a letter consenting to the transfer of assets to KAWC. If this arrives, it should satisfy the PSC Order.

2. Lindsey Ingram will coordinate with T-V attorney Bruce Clark all of the Closing documents required for the Closing. He will also address the time of day and location for the Closing (probably at Tri-Village). My guess is that Lindsey, Bill Bunch and I will attend.

3. The amount of the purchase price will be deposited into Stoll, Keenon & Park's Escrow Account on August 1st. At the Closing, Lindsey can write checks out of the account for loan pay-offs, deed recording fees and the like.

4. Carol Tudor will advise vendors, insurers and others on the T-V side that August 2d is the transfer date. Donna Braxton will advise Travellers that we have a new inventory of assets as of August 2d. Do we need to notify others?

5. We will meet on Monday (see e-mail from Bill Bunch) to make sure all systems are "GO" for the Closing.

6. The August 17th Celebration Date appears to be OK (cross your fingers that we receive the RD approval letter on Monday!).

7. Questions should be referred to Bill Bunch, Lisa Helton or me.

Thank you.

From: Nick Rowe on 07/25/2001 05:51 PM

From: Nick Rowe on 07/25/2001 05:51 PM
To: Herb Miller/KAWC/AWWSC@AWW
cc: Barbara Brown/KAWC/AWWSC@AWW, Bill Bunch/KAWC/AWWSC@AWW, Donna
Taylor/KAWC/AWWSC@AWW, ingramjr@skp.com, Jim R HamiltonNVAWC/AWWSC@AWW, Larry
Burns/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW, Phil McConathy/KAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW

Subject: Re: Tri-Village Closing: Is August 1st still reasonable?

WE have taken care of raises, and Donna is finalizing programming, etc.
Herb Miller

Herb Miller
07/24/2001 07:02 PM

To: Jim R Hamilton/WVAWC/AWWSC@AWW, ingramjr@skp.com
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, Barbara Brown/KAWC/AWWSC@AWW, Phil
McConathy/KAWC/AWWSC@AWW, Larry Burns/KAWC/AWWSC@AWW,
Stan Stockton/KAWC/AWWSC@AWW, Donna Taylor/KAWC/AWWSC@AWW,

Lisa Helton/KAWC/AWWSC@AWW, Bill Bunch/KAWC/AWWSC@AWW
Subject: Tri-Village Closing: Is August 1st still reasonable?

I spoke with Gene Floyd of Rural Development today. He said that the Lexington RD office sent a letter to Washington to determine whether the RD grant money would be "recaptured" in the event of a sale of assets to KAWC. We will get a copy of that letter next week. He does not predict if there will ever be any response. There has never been any response on the Boonesboro grant funds, and it has been over 2 years.

When he asked me if the Closing date was still August 1st, I replied that his office was a key factor in that decision.

I asked if his office could send Tri-Village a letter consenting to the transfer of assets to KAWC, yet keeping (unstated) the issued of the grant recapture separate from the consent letter. He said that he thought he could. I will talk to him tomorrow or Thursday about getting that done. This maysatisfy the condition in the PSC's approval Order.

At this point, we need to develop a closing checklist to determine whether the August 1 date is reasonable.

What is left to be done in terms of: Legal

- Personnel
- Programming
- Marketing
- Operations
- Financial
- Notifications

We need to combine our lists. Bill Bunch and Lisa Helton, can you help me with this???? Thanks.

Nick Rowe
07/26/2001 02:58 PM

To:
cc: Barbara Brown/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW, Donna
Braxton/KAWC/AWWSC@AWW, Donna
Subject: Re: Tri-Village Closing: SET FOR AUGUST 2, 2001.

Herb- I will be on vacation from noon on the 1st and all day on the 2nd. Are there any documents that i need to sign in advance?
Herb Miller



Herb Miller
07/26/2001 11:29 AM

To: Nick Rowe/KAWC/AWWSC@AWW
cc: Barbara Brown/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW, Donna Taylor/KAWC/AWWSC@AWW,
ingramjr@skp.com, Jim R Hamilton/NWAWC/AWWSC@AWW, Larry
Burns/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW,
Lisa Helton/KAWC/AWWSC@AWW, Phil
McConathy/KAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, Donna
Braxton/KAWC/AWWSC@AWW, Rachel Cole/KAWC/AWWSC@AWW
Subject: Re: Tri-Village Closing: SET FOR AUGUST 2, 2001.

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6. The August 17th Celebration Date appears to be OK (cross your fingers that we receive the RD approval letter on Monday!).
7. Questions should be referred to Bill Bunch, Lisa Helton or me.

Thank you.

From: Nick Rowe on 07/25/2001 05:51 PM

From: Nick Rowe on 07/25/2001 05:51 PM
To: Herb Miller/KAWC/AWWSC@AWW



"Bill and/or Kathy
Bunch"
<bkbunch@meginc.com>
>
To: <bbunch@kawc.com>
cc:
Subject: Fw: RD Approval for Tri-Village: Your attention to this e-mail please

07/30/2001 08:12 PM

- - - -Original Message - -

From: <lhelton@kawc.com>
To: <bkbunch@meginc.com>
Sent: Monday, July 30, 2001 4:51 PM
Subject: RD Approval for Tri-Village: Your attention to this e-mail please

>
>
> Forwarded by Lisa Helton/KAWC/AWWSC on 07/30/2001
> 04:49 PM - - - - -
>
>
> Herb Miller
> 07/30/2001 04:25 PM
>
> To: ingramjr@skp.com, Bill Bunch/KAWC/AWWSC@AWW, Lisa
> Helton/KAWC/AWWSC@AWW, David K Baker/ILAWC/AWWSC@AWW
> cc: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, ham1951@aol.com
>
> Subject: RD Approval for Tri-Village: Your attention to this e-mail
please

> We received a copy of the RD letter today and it is not quite what we
> expected. While Gene Floyd said he could write a letter saying "no
> objection" to the asset sale, what came out is a letter saying that RD has
> provided the loan pay-off figures, but that the grants may or may not be
> subject to recapture in the future.

> Lindsey, I have faxed you copies.

> However, the March 30th from the Kentucky Office to the RUS
> Administrator in Washington says that " , , , it is in the best interest of
the
> government to approve this sale." It further concludes that if the sale
is
> denied, that additional loans and grants would be needed and that these
> loans and grants would not likely get repaid in the future.

> The March 30th letter states that there are currently a total of
> \$810,100 in grants advanced to Tri-Village. This is much higher than the
> \$178,000 we have been talking about. Maybe only \$178,000 is outstanding.

> Gene Floyd won't return until Wednesday. Lindsey, can we treat the
> March 30th letter as meeting what we need or are we going to have to
> contact Gene Floyd again? Suggestions?



Jan Routt
07/30/2004 02:04 PM

To: Coleman Bush/KAWC/AWWSC@AWW
cc:
Subject: Elk Lake Property Owners Association

Jan C. Routt
Director Water Quality
Kentucky American Water
6300 Cedar Creek Lane
Lexington, Ky 40515
(O) 1-859.335.3662
(C) 1- 859.537.0742
(F) 1- 859.263.3137
E jroutt@kawc.com

---Forwarded by Jan Routt/KAWC/AWWSC on 07/30/2004 02:05 PM ---



Herb Miller
11/26/2001 03:55 PM

To: Nick Rowe/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW,
Richard C Svindland/KAWC/AWWSC@AWW
cc: Roy Mundy/KAWC/AWWSC@AWW, ingramjr@skp.com
jhamilton@amwater.com
Subject: Elk Lake Property Owners Association

Attached is a request from Elk Lake to make sure that KAWC removes the treatment plant once the lease is up and after we do not need it any longer. Can we comply with their request within the 60 days they ask for?

This particular gentleman is a resident at Elk Lake and a lawyer with the Greenebaum firm. He is not the "official" lawyer for Elk Lake but is trying to help the Board. I spoke with him about our concern for water quality issues related to the population statistics and some of the uncertainty of how long (or how short) a time the plant may have to remain in service. I shared with him our concern that we did not want to buy a system that would immediately put us out of compliance.

He understood our concern and said he would like for us to keep them advised of our progress, especially after we receive any guidance from the DOW. I said that I would do this. Our intent is to move ahead with this deal, I said, but we wanted to move cautiously.

He also made a remark that Carl Stich may be telling prospective lot buyers that they will be served by KAWC in the future. I advised him that he should remind Mr. Stich that the deal was not closed yet, and the agreement was still subject to a number of contingencies and that he should not be implying that this was a completed deal.

----- Forwarded by Herb Miller/KAWC/AWWSC on 11/26/2001 03:37 PM -----



"Withrow, Michael V." <MVW@GDM.com> on 11/26/2001 02:51:16 PM

To: ""hmliller@kawc.com"" <hmliller@kawc.com>
cc: ""cjs3l @earthlink.net"" <cjs3l @earthlink.net>, ""mommerbee@webtv.com"" <mommerbee@webtv.com>, ""kanerva@fuse.net"" <kanerva@fuse.net>, ""Mike.Finke@pyxis.com"" <Mike.Finke@pyxis.com>, ""ronaldcohen@dcr.net"" <ronaldcohen@dcr.net>, ""zoie2l @dcr.net"" <zoie2l @dcr.net>, ""edgrady@webtv.net"" <edgrady@webtv.net>, ""Tos@imsteel.com"" <Tos@imsteel.com>, ""vinceevers@aol.com"" <vinceevers@aol.com>, ""tbmch@earthlink.net"" <tbmch@earthlink.net>

Subject: Elk Lake Property Owners Association



Herb Miller
08/08/2001 02:09 PM

To: ingramjr@skp.com
cc: Rachel Cole/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AW W SC@AW W
Subject: Additional Payment to Tri-Village

Lindsey, would you please fax to me the handwritten addendum to the Tri-Village contract that was signed on August 8th?

Thank you.

----- Forwarded by Herb Miller/KAWC/AWWSC on 08/08/2001 02:06 PM -----

From: Bill Bunch on 08/08/2001 10:23 AM
To: Herb Miller/KAWC/AWWSC@AWW
cc: Rachel Cole/KAWC/AWWSC@AWW

Subject: Additional Payment to Tri-Village

I understand from Roy that the decision has been made to treat the additional \$26,334.92 payment to Tri-Village as additional purchase price. Rachel will need appropriate documentation to that effect to support the check request. Please provide something directly to Rachel for this purpose. Thanks.



"LINDSEY INGRAM"
<ingramjr@skp.com>

08/06/2001 04:54 PM

To: <bbunch@kawc.com>, <Hmiller@kawc.com>, <Nrowe@kawc.com>,
<Rwmundy@kawc.com>, <mmiller@wvawater.com>
cc:
Subject: Tri-Village

The PSC order of 6/8/01 requires us, within 10 days of the closing, to (1) advise the PSC of any change in the acquisition adjustment from the approved \$8,782, (2) ask permission if we intend to do anything other than write off the acquisition adjustment, (3) send them a copy of the USDA Rural Development approval, (4) file an adoption notice of the Tri-Village tariff and (4) incorporate into the KAWC tariff the appropriate portions of the Tri-Village tariff.

10 days after the closing will be 8/13 but I will be out of town from 8/13 until 8/23 so we need to tend to these matters so I can respond to the PSC order on Friday of this week, 8/10.

We made four changes to the original agreement at the closing which will impact our response. We agreed to pay \$26,334.92 more than the purchase price because the Commissioners "were told" that the purchase price would pay off all of the debt of the district. That will raise the acquisition adjustment to \$35,116.92 (\$8,782 plus \$26,334.92) and I do not believe there is any way the Commission will approve anything other than a write off for this amount. I suggest we so advise them.

The second change we made was the elimination of any monetary limit on the New Columbus project.

The third change we made was our agreement to indemnify and hold the present and former Commissioners harmless from any action that may be taken to recover USDA RU grants.

The fourth change we made was an agreement that the Commissioners dedicated and contributed any money they may have left over, after payment of all of their liabilities, to KAWC to fund additional projects that would serve more customers.

We can discuss these issues tomorrow when we gather to look at the future of Jacobson reservoir.



Herb Miller
08/01/2001 03:44 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Jim R
HamiltonNWAWC/AWWSC@AWW, Stan
Subject: Re: Tri-Village Issues: Attorney-Client Privileged and Confidential]

I can only comment on the issues about which I am familiar.

RD Payoff: The numbers will speak for themselves, and they are what they are despite anyone's expectation otherwise.

Vehicles: While I don't know the specifics, I do recall hearing KAWC officials encouraging T-V to shop for for new vehicles at local dealers.

Retention of Charlie Noel: This is news to me. I would not oppose a short consulting arrangement @ \$300/month as long as it does not cause ill will among other Commissioners.

Water Stations: The judge wants it all and paid for by KAWC. I don't blame him for this, but we have to inject reality into the situation. We can't fund New Columbus and do everything else, too. When I was there a month or so ago, he was talking about the Monterey problems. Perhaps they mistook our silence to commit to these ideas as acceptance. However, I thought we always said that we would have to scrtinize these projects carefully.

Outside Employment: We appreciate the predicament resulting from the Ethics Code application, but we cannot allow the Code to be violated. Perhaps this person can adjust his work to stay out of violation.

Wages: Again, I don't know the details. However, if the same wage scales as Lexington are applied, then I think the same level of work would be expected. The more similar the job as Lexington, the more likely that the bargaining unit could extended to include this group. I thought that they did not want union representation.

From: Bill Bunch on 08/01/2001 03:10 PM

From: Bill Bunch on 08/01/2001 03:10 PM

To: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW, Jim R HamiltonNWAWC/AWWSC@AWW, Stan Stockton/KAW C/AW W SC @AW W
cc: Pat Ballard/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW

Subject: Tri-Village Issues

Yesterday, Lisa and I had a productive lunch meeting with Judge O'Banion and Chairman Charlie Noel. The meeting was arranged to re-establish communication links that were perceived by some at Tri-Village to have broken down somewhat since David Baker left KAWC. Several issues were discussed which we committed to address and/or find answers to but nothing was discussed that would impact or delay either the scheduled closing on August 2 or the celebration on August 17.

As for the perceived breakdown in communication, I accepted complete responsibility personally and on behalf of KAWC. Both the Judge and Charlie were highly complimentary of KAWC, David Baker, and Lisa throughout the acquisition process. It is the result of David's excellent communication with them that they are now feeling somewhat uninformed. This change in frequency of communication was brought to a head last week as the closing date began to draw near. We committed to do a better job in communicating with them in the future.

Many of their current concerns are apparently fueled by changes from what they recall being told or promised during the negotiation process. Both Charlie and the Judge admit that all the issues are minor. With only one exception, it is our belief that all of the issues are coming from Charlie and not the Judge. I am most anxious to be responsive to the issues raised and hope to provide them with a quick response. Following are the issues:

1. RD Payoff - Charlie does not understand the difference between the purchase price and the RD payoff amount. He is looking at the difference of \$26,334.92 and thinking that it is interest on the RD loans since their last payment which he is certain could not be correct. He thought that RD had miscalculated the payoff amount. Actually, he is partially correct. Their last payment was June 30. The payoff amount consists of interest since that date in the amount of \$6,867.92 and principal in the amount of \$1,678,700 for a total payoff of \$1,685,567.92. The purchase price is based on asset value, not loan payoff. The remaining difference is due to the difference in calculation. I have a schedule that Carol is verifying today which will hopefully explain this issue to Charlie.

2. Vehicles - Charlie was under the impression that two new vehicles would be purchased and that staff had been told that new vehicles would be purchased and provided immediately upon closing. He asserts that KAWC encouraged him to see what could be purchased from local dealerships. He later learned that Carol would be getting a "used" vehicle instead of a new one. I recall discussion between Nick and Stan on this issue. I will discuss the issue with Nick/Stan.

3. Wages - Charlie indicates that the staff were expecting more of a wage increase than was given. This was news to us as we have heard nothing but positive comments from the folks at Tri-Village. Charlie says that there is disappointment, particularly with Paul, Lee, and Angie (he indicated that Carol was "pretty satisfied" with her adjustment). Charlie stated that he personally thought that the wage rates would be more because we "would like to see Tri-Village remain a non-union shop." He did not say that he knew the wage rates in Lexington but did allude to a big disparity between rates paid by Tri-Village and those paid in Lexington. It was his belief that Tri-Village employees would be paid close to, if not the same as, Lexington employees. In discussion with David yesterday, we confirmed that Tri-Village was never promised anything concrete regarding wage rates other than they would likely receive a significant increase over their current rates of pay. The dollar amount of what is a "significant increase" appears to be the item in question. In comparing the proforma prepared some months ago to the wage rates offered by KAWC, David found that KAWC offered equal to or better than the rates that he had included in his analysis. I will discuss this issue with Nick/Stan.

4. Retainer for Charlie - Charlie indicated that he had discussed with David the possibility of being retained by KAWC. This was news to Lisa and I. He said that he had attempted to call David earlier in the day to discuss it but was unable to get with David. In discussing the matter with David, we learned that Charlie had, in fact, contacted David again after lunch to talk with him about it. David indicates that he had discussed it with Charlie and that his thinking was that KAWC would retain Charlie for several months during a transition period at a rate not to exceed Charlie's current compensation as a water district commissioner which is \$300 per month. At the time, the rationale was that Charlie could help us out in the community and the retainer would give Charlie a little income after the district was dissolved for a few months. We now learn that the district will not be dissolved for 3-6 months after closing which, in David's mind at least, reduces the need for an arrangement with Charlie. However, Charlie feels promised something. He did not indicate what type of arrangement he was expecting nor did he indicate what level of compensation that would be expected. David indicates that he had discussed the matter with Roy and that Roy had consented to some type of arrangement. I will discuss with Roy/Nick/Stan.

5. Initial Meeting with Tri-Village - Apparently, our initial meeting with the Tri-Village staff fell short of our intended goals. Charlie indicates that the staff were very discouraged following that meeting, possibly being overwhelmed with the amount of change to come and the number of folks that we brought with us. Apparently, morale was quite low immediately following the meeting. This is not a current issue. I mention it so that we can learn from these comments for the next acquisition. We may want to brainstorm what we did right and what we did wrong with the whole process before implementing the acquisition of Elk Lake and others.

6. Accumulated Sick Time - This issue has now been solved by Tri-Village. Charlie was concerned about employees, particularly Carol and Paul, losing a significant accumulation of sick leave upon acquisition by KAWC. Their sick leave policy did not contemplate an acquisition. The Tri-Village board has revised their policy manual and paid the cash value of accumulated sick leave to the employees. Payment was made on July 30. Charlie indicated that he discussed the matter with Roy prior to taking action. No action required on this issue.

7. Call-Outs - Charlie questioned us on take-home vehicles and compensation for stand-by and call-outs. He said that Tri-Village provided the vehicle as partial compensation for being on stand-by/call-out and believed it to save the district money in the long run. I was not completely aware of what arrangements had been made by Nick/Stan on this and felt ill-equipped to address it. I committed to investigate and get back with Charlie. I will discuss it with Nick/Stan.

8. Water Stations - This is the one issue that Judge clearly had an opinion. Both he and Charlie are strongly in favor of constructing two new bulk water stations; one at Monterey and one at Hestler (sp?). Apparently, customers in those areas of the county are having to haul water quite a distance currently. The Judge is strongly in favor of this. They suggest that KAWC install those stations ASAP after closing. As discussion continued on this issue, Charlie indicated that the district might install the stations to our specifications with some of the remaining funds following closing. (Charlie remains committed to invest any remaining funds in distribution system improvements). It has been my experience that bulk water stations are problematic and expensive in terms of O&M. Since I did not know KAWC's position or how the matter might have been previously discussed, I committed to investigate and get back. I will discuss with Nick/Stan.

9. Outside Employment - Paul's outside business as a contractor continues to be an issue. Apparently, Paul earned approximately \$35,000 last year doing this work. We explained KAWC's ethics policy with regard to outside employment and its relation to the issue at hand. We also explained that Paul could continue doing this type of work outside of KAWC working hours and with his personal equipment on projects that would not be connected to the Tri-Village system or be inspected for same by Tri-Village staff. There may be a breakdown in communications with Paul on this issue. Not knowing exactly what had been discussed with Paul on this matter by Nick/Stan, I committed to investigate and get back with him on the issue. I will discuss with Nick/Stan.

As you can see, none of these issues are deal breakers but are significant in as much as they reflect upon what is perceived to be commitments by KAWC that may have not been followed through upon. We need to provide as quick and favorable a response to Charlie and the Judge as possible keeping in mind that this is a strategic acquisition with Owenton and possibly other rural systems looking to our performance as an indication of how we might deal with them in the future. Your thoughts would be most welcome.



Herb Miller

08/02/2001 08:42 PM

To: Daniel L Kelleher/ADMIN/CORP/AWWSC@AWW, Ellen C Wolf/ADMIN/CORP/AWWSC@AWW, Chris Jarrett/WVAWC/AWWSC@AWW, Jim R Hamilton/WVAWC/AWWSC@AWW, Mike Miller/NVAWC/AWWSC@AWW, Nancy Strickland/NVAWC/AW W SC@AW W
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, David K Baker/ILAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW, Bill Bunch/KAWC/AWWSC@AWW, Coleman Bush/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW, Phil McConathy/KAWC/AWWSC@AWW, Barbara Brown/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW, Richard C Svindland/KAWC/AWWSC@AWW, David Whitehouse/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW, Larry Bums/KAWC/AWWSC@AWW, Donna Taylor/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW, Pat Ballard/KAWC/AWWSC@AWW, Jan Dickson/KAWC/AWWSC@AWW, Peggy Slone/KAWC/AWWSC@AWW, Pamela Buehler/KAWC/AWWSC@AVVW, Susan Lancho/KAWC/AWWSC@AWW, Donna Braxton/KAWC/AWWSC@AWW, ingramjr@skp.com

Subject: Tri-Village Watrer District Closing

We closed today, and the assets of the Tri-Village system, with its 1600 customers, are now a part of the American Water family.

Kentucky-American increased its service area from seven Kentucky counties to ten counties.

Thanks to everyone who helped make this possible. I apologize if I omitted someone. We are looking forward to a great future in this growth area of the state.



Herb Miller
07/30/2001 04:25 PM

To: ingramjr@skp.com, Bill Bunch/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW, David K Baker/I LAWC/AW WSC@AW W
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, ham1951@aol.com
Subject: RD Approval for Tri-Village: Your attention to this e-mail please

We received a copy of the RD letter today and it is not quite what we expected. While Gene Floyd said he could write a letter saying "no objection" to the asset sale, what came out is a letter saying that RD has provided the loan pay-off figures, but that the grants may or may not be subject to recapture in the future.

Lindsey, I have faxed you copies.

However, the March 30th from the Kentucky Office to the RUS Administrator in Washington says that ".,,it is in the best interest of the government to approve this sale." It further concludes that if the sale is denied, that additional loans and grants would be needed and that these loans and grants would not likely get repaid in the future.

The March 30th letter states that there are currently a total of \$810,100 in grants advanced to Tri-Village. This is much higher than the \$178,000 we have been talking about. Maybe only \$178,000 is outstanding.

Gene Floyd won't return until Wednesday. Lindsey, can we treat the March 30th letter as meeting what we need or are we going to have to contact Gene Floyd again? Suggestions?

Nick Rowe
07/25/2001 05:51 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Barbara Brown/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW, Donna Taylor/KAWC/AWWSC@AWW,
ingramjr@skp.com, Jim R HamiltonNVAWC/AWWSC@AWW, Larry
Subject: Re: Tri-Village Closing: Is August 1st still reasonable?

WE have taken care of raises, and Donna is finalizing programming, etc.
Herb Miller



Herb Miller
07/24/2001 07:02 PM

To: Jim R HamiltonNVAWC/AWWSC@AWW, ingramjr@skp.com
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW,
Barbara Brown/KAWC/AWWSC@AWW, Phil
McConathy/KAWC/AWWSC@AWW, Larry
Burns/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW,
Donna Taylor/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW, Bill Bunch/KAWC/AWWSC@AWW
Subject: Tri-Village Closing: Is August 1st still reasonable?

I spoke with Gene Floyd of Rural Development today. He said that the Lexington RD office sent a letter to Washington to determine whether the RD grant money would be "recaptured" in the event of a sale of assets to KAWC. We will get a copy of that letter next week. He does not predict if there will ever be any response. There has never been any response on the Boonesboro grant funds, and it has been over 2 years.

When he asked me if the Closing date was still August 1st, I replied that his office was a key factor in that decision.

I asked if his office could send Tri-Village a letter consenting to the transfer of assets to KAWC, yet keeping (unstated) the issued of the grant recapture separate from the consent letter. He said that he thought he could. I will talk to him tomorrow or Thursday about getting that done. This maysatisfy the condition in the PSC's approval Order.

At this point, we need to develop a closing checklist to determine whether the August 1 date is reasonable.

What is left to be done in terms of: Legal
Personnel
Programming
Marketing
Operations
Financial
Notifications

We need to combine our lists. Bill Bunch and Lisa Helton, can you help me with this???? Thanks.



"LINDSEY INGRAM"
<ingramjr@skp.com>

05/17/2001 01:53 PM

To: <bridwell@kawc.com>, <hmill@kawc.com>, <nrowe@kawc.com>, <rwmundy@kawc.com>, <jhamilto@wvawater.com>, <miller@wvawater.com>

cc:

Subject: Tri-Village

After 3 phone calls with David Spenard of the AG's office, he finally agreed that he did NOT want a hearing in the Tri Village acquisition case and we confirmed that in a phone call with Doug Hendrix, the PSC lawyer assigned to the matter, who said there would be no hearing.

In the course of one of the conversations David said the AG had no "present intention" of appealing the rate case rehearing order. We need to address the issue of refunds in that matter, among other things. Hopefully a credit on bills will suffice for the refund but we ought to get Commission approval to do that. I suggest we wait until the appeal time runs before we do anything else.

I assume the increase in rates was put into effect on the day of the order but I have not heard that from anyone.



"LINDSEY INGRAM"
<ingramjr@skp.com>

05/02/2001 09:52 AM

To: Roy Mundy/KAWC/AWWSC
cc: Linda Bridwell/KAWC/AWWSC, Herb Miller/KAWC/AWWSC, Nick
Rowe/KAWC/AVVWSC,mmiller@vwwater.com
Subject: Tri- Village

You and I have gotten a letter from the PSC asking KAWC to file an adoption notice in the Tri Village matter pursuant to 807 KAR 5:011,, Section 11. That regulation requires the purchasing company to use the rates, classifications and administrative regulations of the former operating company unless authorized to change by the Commission. The adoption notice requirement, and the suggested form, include all of the rated, rules, classifications and administrative regulations of the former company. There is no administrative process for the adoption of a part of the tariff of the company to be acquire - a classic, governmental catch 22.

Tri Village has a 55 page tariff which I assume you have looked at. The only sheets we want to adopt are sheets 14 and 15, the ones that contain the rates.

I suggest the best way to respond to the Commission's letter is to timely write them and say that service in the Tri Village area will be made pursuant to the rules, regulations and tariff of KAWC with the single exception of rates and to that extent we adopt only sheets 14 and 15 of Tri-Village's tariff.

Please let me know if this proposed response suits you as we must respond by May 7, this coming Monday.

Someone should make sure that there are no KAWC regulations that would cause trouble in that geographical area.



"LINDSEY INGRAM"
<ingramjr@skp.com>

05/04/2001 03:44 PM

To: <mmiller@wvawater.com>
cc: <bridwell@kawc.com>, <hmiller@kawc.com>, <nrowe@kawc.com>,
<rwmundy@kawc.com>
Subject: Tri - Village

Michael - Attach are data requests propounded to KAWC and Tri Village by the PSC, to KAWC by the AG and to Tri Village by the AG. Apparently we have the responsibility for all of the answers.

In a phone discussion with David Spenard of the AG's office I told him I thought his questions 1,2, 10,11 and 12 to us were irrelevant to the proceeding. He took umbrage in our first conversation and then call me back and relented on 10, 11 and 12. Parenthetically, he said he and the AG wanted a copy of the PSC SOS report as made available in Roy's letter to the AG. The long and short of all of this is that you need to answer item 14 of the AG's request to KAWC and the rest of the answers that we will provide need to be generated locally.

Next item - the PSC requests to the applicants. MAM, my favorite cost of capital witness, needs to give me the answers to 2, 4, 7, some involvement in 9, 12, 13, 14, 20 and 38. All of the rest of the requests should be answered by local folks. Number 11 is interesting. We will need to discuss this one and decide on the best "political" answer.

PSC item 30 asks about Tri Village's implementation of the purchased water rate adjustment in Case 99-1777. I suspect that was in their rates prior to the increase in Case 99-274 which is the case referenced in their tariff.

I need to know who locally is going to pull the laboring oar on these answers as the PSC responses are due Monday, May 14, 2001.

I hope all have a good weekend.

D · 012 AG to TVWD Response.doc

D · 011 AG to KAWC Response.doc

j□- 010 PSC Response.doc

file - Tri-Village

STOLL, KEENON & PARK, LLP

201 EAST MAIN STREET, SUITE 1000
LEXINGTON, KENTUCKY 40507
(859) 231-3000
(859) 253-1093 FAX

FACSIMILE TRANSMITTAL SHEET

Client/Matter No:
(00101 010311/105501 (Local)

TO: Roy W. Mundy II

FAX NO.: 268-6327

FROM: Lindsey Ingram, Jr.

DATE: May 4, 2001

COMMENTS: This is my proposed response to Stephanie Bell's letter of April 23.

Please notice that there are six charges on the page stating tap-on fees which I have assumed you do not want to adopt.

Please examine Tri-Village's tariff to make certain there is nothing else therein KAWC wants to adopt although I cannot imagine what it would be.

This response needs to be delivered to the Public Service Commission on Monday.

This facsimile totals 4 page(s), including the transmittal sheet. If you have not received all pages as indicated, please call Sharon K. Lykins at (859) 231-3034 or (859) 231-3000.

HARD COPY TO FOLLOW: Yes No
 Via U. S. Mail Via Federal Express

The information contained in this transmission is privileged, confidential, and intended only for the use of the individual or entity named above. If you have received this communication in error, please notify Stoll, Keenon & Park, LLP, immediately by telephone, collect, and return the original message to us at the address shown above, via the U.S. Postal Service. You will be reimbursed for the required postage. Thank you.

S T O L L K E E N O N & P A R K L L P

201 EAST MAIN STREET SUITE 1000 LEXINGTON, KENTUCKY 40507-1390
(939) 231-3000 PHONE (606) 233-0933 FAX WWW.SKP.COM

INDSEY W. INGRAM, 7R.
59-231-3033
i, igramjr@skp.com

May 7, 2001

i

via Hand Delivery

Ms. Stephanie Bell
Secretary of the Commission
Public Service Commission
11 Sower Boulevard
Frankfort, Kentucky 40601

RE: Case No. 2001-094
Joint Application of Kentucky-American Water Company
and Tri-Village Water District

Dear Stephanie:

Your letter of April 23, 2001, asked that an adoption notice pursuant to 807 KAR 5:011, Section 11, be filed with the Commission.

After acquisition of the assets of Tri-Village Water District by Kentucky-American Water Company in conformity with the Agreement and as may be ordered by the Commission, Kentucky-American Water Company intends to adopt the rates of Tri-Village Water District shown on sheets 14 and 14A of its tariff, the tap-on fees for 5/8 by 3/4 inch meters and large meters shown on unnumbered sheet 27 and the Purchase Water Adjustment Clause shown on unnumbered sheet 52 although it is labeled P.S.C. No. 1, Original Sheet No. 6.

In order to avoid any possible confusion I attach copies of the sheets referred to above.

Other than the provisions explicitly described herein, service will be provided pursuant to the tariff of Kentucky-American Water Company on file with the Public Service Commission.

Ms. Stephanie Bell
May 7, 2001
Page 2

If you need anything further in this regard, please let me know.

Very truly yours,

STOLL, KEENON & PARK, LLP

By _____
Lindsey Ingram, Jr.

31
) ncs.
c w/encs.: Doug Hendrix, Esq.
Bruce F. Clark, Esq.
Carol F. Tudor, Manager
12\C:\worMlwi\lccwc\tri-Village\013be0.doc

P.S.C. KY NO. 99-274

SHEET NO. 14

TRI-VILLAGE WATER DISTRICT

CANCELLING P.S.C. KY NO. 99-177

SHEET NO. 14

CLASSIFICATION OF SERVICE

RATE
PER UNIT

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 99-274 DATED July 26, 1999.

The following rates and charges are prescribed for the customers
in the area served by Tri-Village Water District. All other rates
and charges not specifically mentioned herein shall remain the same
as those in effect under authority of the Commission prior to the
effective date of this order.

MONTHLY WATER RATES

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

First	2,000 gallons	June 26 1997	019.40	minimum bill
Next	4,000 gallons		6.22	per 1,000 gallons
Next	4,000 gallons		6.10	per 1,000 gallons
Next	10,000 gallons		5.98	per 1,000 gallons
Over	20,000 gallons		5.74	per 1,000 gallons

PURSUANT TO 807 KAR 5:011, SECTION 9(1)

BY: S & AOBA -0
SECRETARY OF THE COMMISSION

DATE OF ISSUE June 24, 1999 DATE EFFECTIVE July 26, 1999
 MONTH DATE YEAR
 SSQED Dt Charlca r. Nocl TITLE Chairman
 SIGNATURE OF OFFICER

issued by' authority of an Order of the Public Service Commission of Kentucky in Ca
40. 99-174 dated July 26, 1999

Form **bor filing Rate Schedules**

For Owen, Grant & Gallatin Co.
Community, Town or City

P.S.C. NO. _____

_____ SHEET NO. ~ qP

CANCELLING P.S.C. NO. _____ 9025

SHEET NO. _____ 1

TR1-VILLAGE WATER DISTRICT

Name of Issuing Corporation

CLASSIFICATION OF SERVICE

**RATE
PER UNIT**

1

BULK SALES 1.

\$6.00 per 1000 gallons

PUBLIC SERVICE COM
OF KEN
EFFECTIVE TUCUY
CTIVE

MISSION

03 1999

PURSUANT TO 807 KAI(SECTION 9 (1) 011,

SECRETARY OF THE COMMt S

D. TE + ► F ISSUE May 3, 1999

DATE EFFECTIVE ^{plune % r} 1999

ISSUED BY Carol F. Tudor TITLE Mariaaer
Name of officer

**Issue4 by authority of an Order of the Public Service Commission (f Kentucky
in Ca:e No. _____ dated _____**

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 93-073 DATED APRIL 13, 1993

The following rates and charges are prescribed for the customers in the area served by Tri-Village Water District. All **other rates and** charges not specifically mentioned herein **shall remain the same** as those in effect under authority of this **Conu,issidn** prior to alt **effective date of this** Order.

Tap-On Fees

5/8 x 3/4 Inch Meters	. \$530	
Lari.er Meters		Actual cost of installation
Service. Run	\$23 **	(refer below)
Collection of Delinquent Bill	\$23	
Reconnection Charge •	\$33	
Meter Test Request	\$29	
Returned Check	\$10	
Deposit for New Service	\$40	

**** This applies anytime the service men come to remove the meter for non-payment if the bill and the customer pays while they are there or tells them that they will come to the office to pay the bill.**

PUBLIC SERVICE COMMISSION
 OF KENTUCKY
 EFFECTIVE

JUN 25 1993

PURSUANT TO 07 KAR 5:011.
 SEC. 1(C)(1)

BY: _____
 PUBLIC SERVICE COMMISSION

P.5 . C. :NO.

Original SHEET NO. 6

CANCELLING P.S.C. NO.

SHEET NO.

-Village Water District
of ~~ssaing~~ Corporation

CLASSIFICATION OF SERVICE

	RATE PER UNIT
<u>PURCHASED WATER ADJUSTMENT CLAUSE</u>	
<p>ation Form to be used for purchased water adjustments in xdance with 007 KAR 5:007, Purchased Water Adjustment Clause, dopted by the. Public Service Commission.</p>	
<p>Volume of watei purchased for 12-month period ended—; which is within 3 months of effective date of supplier 's rate change) 1/</p>	M Gal.
Cost at new "rates	\$ _____
Cost at Base Rate	_____
fatal change in cost (Item 2 minus Item 3)	\$ _____
Volume sold for same period as in Item 1 ..	_____ M Gal.
PWA per M gallon sold (Item 4 divided ty Item 5)	_____
<p>1: Item 1 cannot, for this computation table, exceed Item 5 divided by .85.</p>	
<p><u>S'oplier</u> City of :wen ton</p>	<p>PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE Rate \$.79 per 1,000 gallons</p>
<p>PURSUANT TO 807 KAR 5:011, SE IONS 1 PY- <u>2=4- chief</u></p>	

OF J SS UE 5-4-82

DATE EFFECTIVE, 1-1-82,

7 BYJ))LMAN + Q-P
Name of "A" ter

TITLE Chairman

ied by **authority of an** Order of the Public Service **Commission** of **Kentucky**
ase No. 7604-1 **dated** 1-16-82



"Bill and/or Kathy
Bunch"
<bkbunch@meginc.com>
>
To: <bbunch@kawc.com>, <lhelton@kawc.com>
cc:
Subject: Fw: Elk Lake Application

04/03/2002 07:00 PM

- - -Original Message - -

From: <bridwell@kawc.com>
To: "LINDSEY INGRAM" <ingramjr@skp.com>
Cc: <hmilller@kawc.com>; <bkbunch@meginc.com>; <sstockto@kawc.com>;
<nrowe@kawc.com>
Sent: Wednesday, April 03, 2002 4:44 PM
Subject: Elk Lake Application

> Lindsey,
> As we discussed, I noticed that Item 4 of the application indicates that
> the system will be "operated by Kentucky-American under the
classifications
> and regulations of Kentucky-American as set forth in its tariff and under
> the rates of Elk Lake as set forth in Original Sheet No. 7 of its tarif,
> P.S.C. No. 3, effective June 17, 1994, and as may be changed from time to
> time hereafter."

> The purchase agreement, on page 5, Item 5, states that "The Seller's
> current customers shall after the Closing Date be charged at those rates
> and charges for such customer as from time to time are approved for use
for
> such customers by Buyer by the Kentucky Public Service Commission ("PSC").
> Provided, however, Seller agrees to take all necessary actions to
> terminate, effective as of the date of closing, the Seller's \$3.00 monthly
> fee charged to its customers under its current tariff."

> Sheet No. 7 of the Elk Lake tarif consists only of the meter charges and
> volumetric rates for water. Sheet 8 includes a penalty clause of 10%,
> returned check fee of \$10, reconnection charge of \$40, a meter removal
> charge of \$56, and a service run cost of \$40. Sheet 9 includes a \$360
> charge for meter installation, and a \$40 New Account set up fee.

> It is my understanding from Bill that it was our intention to continue to
> use all of their fees. Donna Taylor tells me we currently don't charge
the
> similar penalty fee on the Tri-Village customers even though it is in
their
> tariff that we adopted also. I guess the easiest thing to do would be to
> amend the application to incorporate sheets 8 and 9 of their tariff. Do
we
> want to eliminate the service run charge or penalty clause? Can we do
that
> at this juncture?

> Thanks.
> Linda

>
>

STOLL, KEENON & PARK, LLP

201 EAST MAIN STREET
SUITE 1000
LEXINGTON, KENTUCKY 40507-1380

(606) 231-3000

FAX: (606) 253-1093

*FRANKFORT OFFICE:
307 WASHINGTON STREET
FRANKFORT, KY. 40601-1823
(502) 875-6220

FAX: (502) 875-6235

**WESTERN KENTUCKY OFFICE:
201 C. NORTH MAIN STREET
HENDERSON, KY. 42420-3103

(502) 831-1900

FAX: (502) 827-4060

***LOUISVILLE OFFICE:

2650 AEGON CENTER
400 WEST MARKET
LOUISVILLE, KY. 40202-3377

(502) 568-9100

FAX: (502) 568-5700

INTERNET: www.skp.com

June 22, 1999

JAMES D. ALLEN
SUSAN BEVERLY JONES
MELISSA A. STEWART
TODD S. PAGE
JOHN B. PARK
PALMER G. VANCE II
RICHARD A. NUNNELLEY
WILLIAM L. MONTAGUE, JR.
KYMBERLY T. WELLONS
CHARLES R. BAESLER, JR.
STEVEN B. LOY
PATRICIA KIRKWOOD BURGESS
RICHARD B. WARNE
JOHN H. HENDERSON**
LINDSEY W. INGRAM III
JEFFERY T. BARNETT
AMY C. LIEBERMANN
ELIZABETH FRIEND BIRD --
MOLLY J. CUE
CRYSTAL OSBORNE
JOHN A. THOMASON**
DELLA M. JUSTICE
BOYD T. CLOERN**
DONNIE E. MARTIN
DAVID T. ROYSE

(OF COUNSEL)
JAMES BROWN**
DOUGLAS P. ROMAINE
JAMES G. STEPHENSON
GEORGE D. SMITH

WALLACE MUIR (1878 - 1947)
RICHARD C. STOLL (1876 - W49)
WILLIAM H. TOWNSEND (1890 - 1964)
RODMAN W. KEENON (1882 -1966)
JAMES PARK (1892 -1970)
JOHN L. DAVIS (1913 - 1970)
GLADNEY HARVILLE (1921 - 1978)
GAYLE A. MOHNEY (1906 - 1980)
C. WILLIAM SWINFORD (1921 - 1966)

OBERT F. HOULIHAN
SLIE W. MORRIS II
NOSEY W. INGRAM, JR.
ILLIAM L. MONTAGUE
OHN STANLEY HOFFMAN--
BENNETT CLARK
WILLIAM T. BISHOP III
RICHARD C. STEPHENSON
CHARLES E. SHIVEL, JR.
ROBERT M. WATT III
J. PETER CASSIDY, JR.
DAVID H. THOMASON**
SAMUEL D. HINKLE IV ***
R. DAVID LESTER
ROBERT F. HOULIHAN, JR.
WILLIAM M. LEAR, JR.
GARY W. BARR
DONALD P. WAGNER
FRANK L. WILFORD
HARVIE B. WILKINSON
ROBERT W. KELLERMAN*
LIZBETH ANN TULLY
J. DAVID SMITH, JR.
EILEEN O'BRIEN
DAVID SCHWETSCHENAU
ANITA M. BRITTON
RENA GARDNER WISEMAN
DENISE KIRK ASH
BONNIE HOSKINS
C. JOSEPH BEAVIN
DIANE M. CARLTON
LARRY A. SYKES
P. DOUGLAS BARB
PERRY MACK BENTLEY
MARY BETH GRIFFITH
DAN M. ROSE
GREGORY D. PAVEY
J. MEL CAMENISCH, JR.
LAURA DAY DELCOTTO
LEA PAULEY GOFF***
CULVER V. HALLIDAY--
DAVID E. FLEENOR

Via Hand Delivery

Mr. David Baker
Kentucky-American Water Company
2300 Richmond Road
Lexington, Kentucky 40502

RE: Tri-Village Water District

Dear David:

As you requested I enclose herewith a draft Asset Purchase Agreement between Tri-Village Water District and Kentucky-American Water Company.

There are two difficult concepts that I have tried to deal with in this agreement--single tariff pricing and the New Columbus project.

It is my understanding that you want to give a copy of the final agreement to representatives of Tri-Village next Tuesday, June 28. I will be in Louisville all day Monday and Tuesday of next week and will not be available Friday. I therefore suggest that if you want me to attend a review of this document that it be done no later than Thursday morning, June 24, so I will have an opportunity to implement any changes and get a final copy to you before next Tuesday.

8

t

Mr. David Baker
June 22, 1999
Page 2

With best regards, I am

Very truly yours,

STOLL, KEENON & PARK, LLP

By

Lindse Ingram, Jr.

/s/

Enc.

cc w/enc.: Coleman D. Bush
Herbert A. Miller, Jr., Esq.

312\C:\Work\I\KAWC\Tri-Village\003baker.ltr

i

David Baker
Director — Business Development

June 17, 1999

To: Herb Miller
From: David Baker
RE: Tri-Village Meeting Minutes

Please find attached the meeting minutes for the most recent meeting.

As you can see, the Board noted that RECC did not submit a proposal and again reiterated their intent to sell to us and continue contract negotiations. We spoke with Lindsey Ingram on Tuesday and asked him to prepare a preliminary contract form to be reviewed with the Board at the 6/29/99 meeting, 2 PM. Lindsey said he would have the contract prepared by mid-week.

Please call with questions. I will talk to Roy to schedule a run meeting to discuss our strategy, no later than mid week (week of 6/21/99). This will allow us to review the rate increase needed and the New Columbus Project issue.

Thanks.

C: Roy Mundy Nick Rowe Coleman Bush Edward Grubb

'Fri-Village Water District

3700 Highway 127N
Owenton, KY 40359-9309
Phone 502-484-5774
1-800-443-9069 FAX 502-484-0966

To "X TRANSMITTAL # of Pages 3..
mom: 0 ^{RI} to
TRI-VIUAGE WATER
PHONE (502) 484-5774
FAX ~~is~~ OG.335-FAX/ (502) 4840966
COMMENTS Pac Request

Sri-Village Water District

3700 Highway 127N

Owenton, KY 40359-9309

Phone 502-484-5774

1-800-443-9069 FAX 502-484-0966

COMMISSIONER'S MEETING - 6-9-99 Present - Charles F. Noel, Sidney Gullion, Carol Tudor, Gilbert England, Joe Peters and Chuck Gill representing Owen RECC.

Chuck Gill from Owen RECC met with the water board and he told them at this time RECC is not prepared to submit a bid for the purchase of Tri-Village Water District. Gill said he had talked with a number of people and at *this* time there were too many areas of concern for RECC to continue negotiations. They did feel that RECC could benefit Tri-Village because *they* could provide local control, but Gill had submitted a paper to the board and...he stated that this paper was Chuck Gill's opinions and concerns and he hoped that this would be of help to the Tri-Village board.

Sidney Gullion made the motion to approve the minutes of the last meeting seconded by Joe Peters with approval by all.

After reviewing the disbursements Sidney Gullion made the motion to approve seconded by Joe Peters with approval by all.

There had been some discussion of some people from Monterey wanting to put in a loading station at the firehouse in Monterey. Joe Peters said he didn't know where it came from because when he mentioned it at the fire meeting they didn't want it at the firehouse and didn't even want to discuss it.

There has been a considerable amount of overtime and at this time everybody's # is on the answering machine. The board proposed that only one pager # be put on the answering machine and one man carry that pager for a week at a time and if he has major problems he can call the others in as needed.

Garry Settles was to meet with the board about installing line extension on Hwy. 22 to serve 60 houses but he didn't show. The Board said at this time they felt that everything would be on hold until we see what is going to happen with the purchase proposals.

The state wants to remove 500 feet of water line and reinstall it on the Rosa Brewer property in Monterey. The Board approved as long as they get all written easements, Engineering and all permits and plans approved. One of Tri-Village men is to be there while the line is being laid. The motion was made by Joe Peters to approve seconded by Sidney Gullion with approval by all.

Page 2

Charlie asked if there was any more discussion of the Ky. Am. proposal and the non-proposal from RBCC, having none Chairman Charles Noel made the following motion: based *upon the* proposal presented by Kentucky American Water Company and the non-proposal of Owen RKCC I would like to make a motion that we enter into contract negotiations with Kentucky American company for the purpose of selling all assets, debts, *and* facilities to the Kentucky American Water Company; Sidney Gullion seconded after which Chairman Noel asked if there were *any* comments, Gilbert England said he was still not sure if we could legally sell Tri-Village; Charlie said if not we would soon find out because this would set the wheels in motion to get things started; Joe said he had *no* problem with the motion. Chairman Noel then asked for a call vote:

Charles Noel Yes	Joe Peters Yes
Sidney Gullion Yes	Gilbert England Yes

Chairman Noel then told the Board that Ky. Am. Water Co. would meet here at the office with the board on June 29th to discuss further procedures. Joe will be leaving for a trip on June 26th but he will **call** the day of the meeting.

Ben Flander says Tri-village owes him two \$1000 bonds from December 68 and **April** 70. Carol reported she had found the ledger sheets *and* check #'s showing he had indeed been paid, but she had no checks nor had the bonds been marked **paid**. The board said *to see* if he would accept these *and* if not check **with** Citizens Bank and pay them **to** research for the checks.

Meeting adjourned.

COPY

Kentucky-American Water Com_p_aitr

2300 Richmond Road • Lexington, Kentucky 40502 • (606) 269-2386 • Fax (606) 268-6327

David Raker
Director — Business Development

VIA HAND DELIVERY 6/16/99

June 15, 1999

To: Lindsey Ingram, Jr.
From: David Baker
Subject: Tri-Village Water District (County Water District)

Per our telephone conference call today, please find enclosed for your review the proposal made to Tri-Village Water District. We (our executive team, including Herb) will meet with the Tri-Village Board of Commissioners and County Attorney (Owen, Charlie Carter) on June 29, 1999 to work out several remaining issues and present a draft or shell contract for the board and the County Attorney to review. As discussed, we will need a shell asset purchase agreement to review at KAWC by mid-next week.

Please note the following items that are still open for negotiation or need to be added to the attached agreement:

Page 6: In section 5, the 30% increase amount is yet to be negotiated
Page 7: In section 7, KAWC has since committed to completing the referenced New Columbus Project for a cost of \$1.4 million
Page 9: All these and any other appropriate due diligence/contingency items; specifically, water quality

Please call me with any questions. Thanks.

C: Roy Mundy Nick Rowe Herb Miller
Coleman Bush Ed Grubb

Jan Routt
07/30/2004 01:31 PM

To: Coleman Bush/KAWC/AWWSC@AWW
cc:
Subject: Time to Owenton TriVillage

Jan C. Routt
Director Water Quality
Kentucky American Water
6300 Cedar Creek Lane
Lexington, Ky 40515
(O) 1-859.335.3662
(C) 1- 859.537.0742
(F) 1- 859.263.3137
E jroutt@kawc.com

-- Forwarded by Jan Routt/KAWC/AWWSC on 07/30/2004 01:31 PM --

**JAN
ROUTT**
07/28/2000 03:03 PM



To: David Baker/KAWC/AWWSC@AWW
cc: David Shehee/KAWC/AWWSC@AWW, Joe White/KAWC/AWWSC@AWW, Dorothy Johnson/KAWC/AWWSC@AWW, Mitzi Combs/KAWC/AWWSC@AWW
Subject: Time to Owenton TriVillage

David, below is what I come up with on hours allocated to TriVillage to date including time in 1999.

The costs for year 2000 hours through July only is estimated at \$12,684.08. Projected ongoing costs through end of year...barring anything unforeseen..are \$832.23 per month (July's costs are projected to be typical for future) ...which adds up to an additional \$4,993.38 to add onto the tota for 2000..

For your convenience I've recopied my early memo to show what hours you might have already charged against the project. If you need me to break this out any more please let me know.

Thanks Jan

	Jan	David	Joe	Dottie	Mitzi
Jun-99	2	2		3	TV samples & proposal
Jul-99	2				data analysis, meetings
Aug-99	8	2		8	8 meetings, samples, data analysis, con
Sep-99	8				plant reivew; samples
Oct-99	15				meetings; data review; presentations
Nov-99	7				Owenton proposal
Dec-99	4				meeting Owenton
Jan-00	70	6	8	36	2 Step one--treatment changes; monitor
Feb-00	18	2	6	8	sampling; analyses; communications;
Mar-00	28	6	8	16	11 sampling; analyses; communications;
Apr-00	5	8	4	8	28 sampling; analyses; communications;
May-00	63	16	6	30	29 Step two--treatment changes; monitor
Jun-00	5	2	3.5	4	12 sampling; analyses; communications;
Jul-00	11	2	3.5	2.5	13 sampling; analyses; communications;

\$14,743.50 total wage costs since beginning (99-2

KENTUCKY-AMERICAN WATER COMPANY
ENGINEERING DIVISION
PHONE: 859-268-6352
F A X : 5 y- 2 6 - 6 3 7 4

FACSIMILE TRANSMITTAL SHEET

Mr. David Baker

FR(,t.i.
Kevin .Kenno7-

KA C
NI:MEER: - -

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TaTA:NC'. C1F F',:-,f^v 1'T1. 'DiNiCOVER:

.....
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Yt:jR y,EFERR'

Estimate for (:C\\ "D Connection

LIRGE7 TOR REVIEW LJ PLEASE COMMENT Li PLEASE REPLY Li PLEASE RECt".C.IE

Please review and call i any Questions. be in m-? -pm

ALTERNATIVE ANALYSIS FOR M1-VILLAGE WATER DISTRICT

COUNTYWATER PURC.1-1A, SE OPTIONS

Potential Construction Costs

Item #	Description	Cost
1	installation of 6 inch fine to New Liberty (, Replace existing 4 inch)	\$ 1,90,000
2	US 127 Booster Pump Modifications	25,000
	install New tion KY35	30,00
e	Contingency	61,250
	Total Construction Costs	306,250

Potential Development Costs.

	Enginbellrio & Bladinp	39,812
	~bn~t jctit}n Aerninistrzticn	10,313
	Lane. anC Easments	20,000
	Yntaf Development Costs 3	75,125
1 owl	Potential Project Costa	381,375,

N.N . Kentucky-American Water Company

Agreement Reached:

Tri-Village Water District (Owen County, Kentucky):

- Tri-Village board executed the KAWC purchase agreement on **10/13/1999**, to purchase the Tri-Village assets for **\$1,659,233** (subject to due diligence)
- County District has 1650 customers (primarily rural residential) with average monthly use of 4,700 gallons per month.
- 131 miles of main, 4 employees, 100% of water purchased from City of Owenton (Kentucky River, pool 2)
- Water quality improvements in Phase I have been successful. KAWC/Owenton obtained DOW approval to implement Phase II changes and those have been implemented. Resolution of water quality issues is the key condition precedent to closing.
- Rural Development's required appraisal was received at \$1,610,000, just under the purchase price. According to the Kentucky State office of Rural Development, Office of Management and Budget dictates that proceeds exist when the system is sold for an amount in excess of the book value, including contributed capital. When proceeds exist, then OMB/RD may require the payback of the un-amortized portion of RD grants. As this sale generates no proceeds under that definition, it is anticipated that no grant repayment will be necessary. Tri-Village has indemnified KAWC with regard to grant repayment.
- Final agreement subject to KAWC Board approval, PSC approval and all appropriate financial, water quality and asset quality due diligence by KAWC.
- Meeting held with DOW 6/6/00 to facilitate Owenton Treatment Changes and to discuss NOV's relating to water quality. A meeting with all parties was held on 7/5/00 with the objective of establishing a consent decree/definitive plan to improve water quality. Owenton is still unwilling to enter into a consent decree.

1 Kentucky-American Water Company

- Owenton to hear a new proposal from KAWC to include IDB financing of new intake to resolve water quality issue. Proposal meeting on hold due to failing health of Mayor; proposal should be presented Oct. or Nov. 2000.

Tentative Agreement Reached:

Elk Lake Water Company (Owen County, Kentucky):

- Located in Owen County, 60 miles north of Lexington, this investor owned utility is owned by the Elk Lake Homeowners' Association.
- Primarily a vacation area, Elk Lake serves 304 water customers; no VWWfP.
- Elk Lake produces water from its own reservoir and has a back-up connection to Tri-Village.
- A proposal to purchase the assets of the system was presented 5/00 for \$89,084.
- Proposal was accepted and approved by the Elk Lake Board. The contract was signed 7/15/00.
- Contract included closing down the plant and using-existing connection to Tri-Village to serve customers, taking only one employee to fill a current vacancy at Tri-Village.
- Contract is contingent upon closure of Tri-Village, approval by KAWC Board of Directors and Kentucky Public Service Commission.



David Baker
10/12/2000 12:47 PM

To: Linda Bridwell/KAWC/AWWSC@AVVW, Kevin Kennoy/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW, Richard C Svindland/KAWC/AWWSC@AWW
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Barbara Brown/KAWC/AWWSC@AWW
Subject: Tri-Village

Thanks for the tons of hours that the engineering and water quality depts. have spent on our Owen County project. It is time for "the rubber to hit the road" on Tri-Village and Elk Lake. (Jan, am I correct in concluding that the water quality solutions to date, although showing improvement, do not position us to take this acquisition to our board in December with a solution to the THM problem? We need to quickly develop a concise public statement for the Owenton Paper and for Billy O'Banion that summarizes the progress thus far and projects what our work will do for the overall problem.) We must be in a position to take these acquisitions to our Dec. board meeting with a solution/plan for solving the THM problem via either buying Owenton or bringing water in from outside Owen County. As you know, Owenton is putting off our proposal presentation that will present them with an attractive option to buy them or IDB and SOLVE the THM problem. We have a deadline of Nov. 30 to weigh all of our options; after that, County Judge Billy O'Banion has stated that he will start looking at splitting up Tri-Village and giving it to the surrounding county districts. **What we need to do is make an all out effort to quickly look at every option for purchasing water from outside the county in case Owenton wont let us help them!** Here is what has been done to date:

1. Purchase water contracts are now in place with Gallatin County and Carroll County Districts to serve Glencoe, Wheatley, New Liberty and Sparta. This takes care of about 550 northern customers out of the 1600 total. Both of these contracts have "out clauses" for water quality. Jan, I know we have sampled for Gallatin, and need to Sample for Carroll County. (Jim Smith, Mgr., 502-347-9500). Carol Tudor has called Jim SMith to make the arrangements, and is awaiting your call to help you. **(Carol-502-484-5774)**. Construction will not begin until you tell us that WQ issues are OK, so we need your direction asap.

2. We need to serve the South end of the county (including Elk Lake and the New Columbus project, total of 1500 customers) via KAWC, via Purchased water from Georgetown, via a pipeline from Carroll or Gallatin Counties from the north end of the county, by building more plant at Elk Lake, whatever will work and be financially feasible. No Wild Ideas should be overlooked. The KAWC option of running a \$5million pipeline cannot be supported financially, in light of the fact that it presents no avoided construction opportunities for KAWC as I understand it.

I think we are more than justified in Spending some monies (I beleive they can be clearly justified in the TV acquisition adjustment in solving the water quality problems) for outside Engineering if necessary to quickly mobilize. Kevin points out that PDR has done the engineering for Carroll, Gallatin and Georgetown, and would be most knowledgable of their systems.

Let's convene a meeting very soon to discuss our options. Thanks.

c' i . l J

Kentucky-American Water Company

Agreement Reached:

Tri-Village Water District (Owen County, Kentucky):

- Tri-Village board executed the KAWC purchase agreement on 10/13/99, to purchase the Tri-Village assets for \$1,659,233 (subject to due diligence)
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- Water quality improvements in Phase I have been successful. KAWC/Owenton obtained DOW approval to implement Phase II changes and those have been implemented. Resolution of water quality issues is the key condition precedent to closing.
- Rural Development's required appraisal was received at \$1,610,000, just under the purchase price. According to the Kentucky State office of Rural Development, Office of Management and Budget dictates that proceeds exist when the system is sold for an amount in excess of the book value, including contributed capital. When proceeds exist, then OMB/RD may require the payback of the un-amortized portion of RD grants. As this sale generates no proceeds under that definition, it is anticipated that no grant repayment will be necessary. Tri-Village has indemnified KAWC with regard to grant repayment.
- Final agreement subject to KAWC Board approval, PSC approval and all appropriate financial, water quality and asset quality due diligence by KAWC.
- Meeting held with DOW 6/6/00 to facilitate Owenton Treatment Changes and to discuss NOV's relating to water quality. A meeting with all parties was held on 7/5/00 with the objective of establishing a consent decree/definitive plan to improve water quality. Owenton is still unwilling to enter into a consent decree.

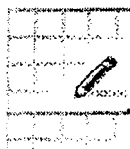
Kentucky-American Water Company

- Owenton to hear a new proposal from KAWC to include IDB financing of new intake to resolve water quality issue. Proposal meeting on hold due to failing health of Mayor; proposal should be presented Oct. or Nov. 2000.

Tentative Agreement Reached:

Elk Lake Water Company (Owen County, Kentucky):

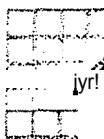
- Located in Owen County, 60 miles north of Lexington, this investor owned utility is owned by the Elk Lake Homeowners' Association.
- Primarily a vacation area, Elk Lake serves 304 water customers; no WWTP.
- Elk Lake produces water from its own reservoir and has a back-up connection to Tri-Village.
- A proposal to purchase the assets of the system was presented 5/00 for \$89,084.
- Proposal was accepted and approved by the Elk Lake Board. The contract was signed 7/15/00.
- Contract included closing down the plant and using existing connection to Tri-Village to serve customers, taking only one employee to fill a current vacancy at Tri-Village.
- Contract is contingent upon closure of Tri-Village, approval by KAWC Board of Directors and Kentucky Public Service Commission.



Dan Bickerton
1/19/2000 11:59 AM

To: David Baker/KAWC/AWWSC@AWW
cc:
Subject: & Tri Village/Elk Lake

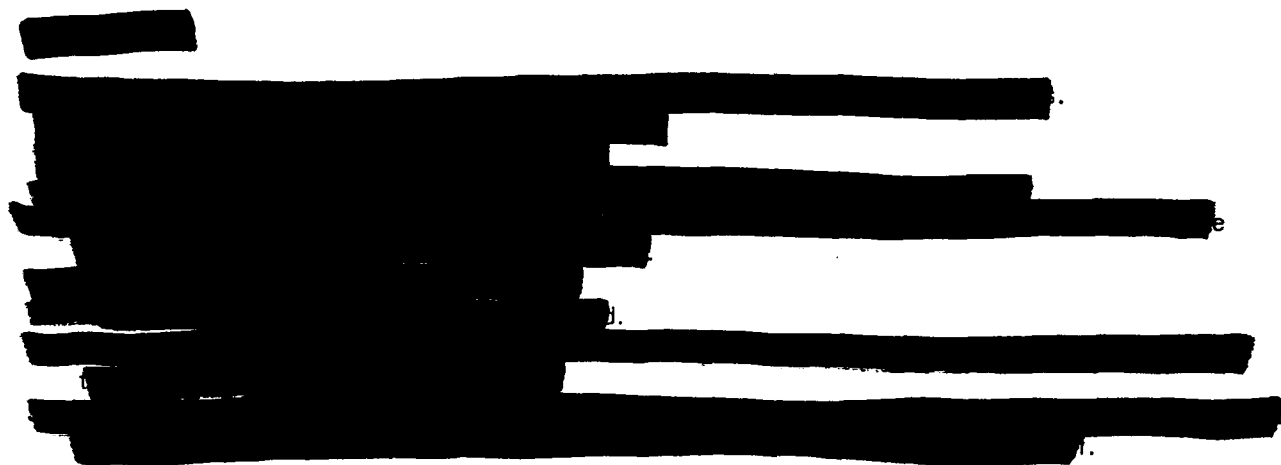
-----Forwarded by Dan Bickerton/WVAWC/AWWSC on 11/19/2000 11:56 AM -----



Dan Bickerton
1/19/2000 11:58 AM


To: Dan Bickerton/WVAWC/AWWSC@AWW, Mike Miller/WVAWC/AWWSC@AWW
cc:
Subject: **UMW&** Tri Village/Elk Lake

Some comments for your review and consideration.



Tri Village/Elk Lake

1. A cover sheet and letter from KY-Am should accompany analysis to Voorhees.
2. Line up titles with column entries page 2
3. Narrative: explain that while Ky-Am will be seeking approval to write down CIAC you have provided a scenario which doesn't reflect this.
4. Rate increase is reflected in year 3 while Tri Village rate increase is reflected in year 4. Does this represent the same calendar year?
5. Narrative: ... may wheel through; Georgetown as a future supply option.
6. Balance Sheet cash should be zero.
7. Does there still exist a grant with the New Columbus Project? If so, where is it reflected?
8. Graph: I'm not certain if the New Columbus investment is required as part of this acquisition, but if it is, then I would recommend we use forecast year 2 values for the graph.
9. Graph: I would use purchase price and purchase price plus committed cap ex as the other graphed line net of normal growth unless it is specifically part of the purchase agreement.
- 10.

 David Baker
1.1/27/2000 10:13 AM

To: Mike Miller/WVAWC/AWWSC@AWW, Dan Bickerton/WVAWC/AWWSC@AWW
cc:

Subject: final Packages for Acquisitions - nd EL/TV

Please find attached the packages with the changes that Dan Emailed to me on 11/19. I will need to get this sent off to Corporate today in order to accommodate the 12/12/00 board meeting. I believe that I made the changes as Dan outlined, with the exception of those listed below with comments:

SSWWI:

8. Rates at and Tri-Village will be on their independent tariffs and not on STP with KAWC. Rate increase for V is scheduled to follow the completion of the New Columbus Project (contractual agreement) in year 4.

TV/EL:

7. There is no Grant for New Columbus.



TriVillage-ElkLakeCombinedPre-BoardPresenta' ELKTRIVILLAGEBOARDGRAP



15 v u i p

Agreement Reached:

Tri-Village Water District (Owen County, Kentucky):

- Tri-Village board executed the KAWC purchase agreement on 10/13/99, to purchase the Tri-Village assets for \$1,659,233 (subject to due diligence)
- County District has 1650 customers (primarily rural residential) with average monthly use of 4,700 gallons per month.
- 131 miles of main, 4 employees, 100% of water purchased from City of Owenton (Kentucky River, pool 2)
- Water quality improvements in Phase I have been successful. KAWC/Owenton obtained DOW approval to implement Phase II changes and those have been implemented. Resolution of water quality issues is the key condition precedent to closing.
- Rural Development's required appraisal was received at \$1,610,000, just under the purchase price. According to the Kentucky State office of Rural Development, Office of Management and Budget dictates that proceeds exist when the system is sold for an amount in excess of the book value, including contributed capital. When proceeds exist, then OMB/RD may require the payback of the un-amortized portion of RD grants. As this sale generates no proceeds under that definition, it is anticipated that no grant repayment will be necessary. Tri-Village has indemnified KAWC with regard to grant repayment.
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decree/definitive plan to improve water quality. Owenton is still unwilling to enter into a consent decree.

- Owenton to hear a new proposal from KAWC to include I DB financing of new intake to resolve water quality issue. Proposal meeting on hold due to failing health of Mayor; proposal should be presented Oct. or Nov. 2000.

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- Located in Owen County, 60 miles north of Lexington, this investor owned utility is owned by the Elk Lake Homeowners' Association.
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- Proposal was accepted and approved by the Elk Lake Board. The contract was signed 7/15/00.
- Contract included closing down the plant and using existing connection to Tri-Village to serve customers, taking only one employee to fill a current vacancy at Tri-Village.
- Contract is contingent upon closure of Tri-Village, approval by KAWC Board of Directors and Kentucky Public Service Commission.

Nick Rowe
12/04/2000 06:32 PM

To: Jan Routt/KAWC/AWWSC@AWW
cc: Roy Mundy
Subject: Re: TriVillage Summary for Board

Thanks Jan!
JAN

**JAN
ROUTT**
12/04/2000 11:38 AM

To: Nick Rowe/KAWC/AWWSC AWW
cc: David Baker/KAWC/AWWSC@AWW

Subject: TriVillage Summary for Board

Nick and David,

Here is the requested brief summary of our activities to date and current Status in TriVillage.



TriVillage Board Summary Dec 2000

I have just proofed this once...in order to get this on to you. Please let me know if you need anything else or see any need of revisions.

I will be out for awhile this afternoon, attending Mitzi's Grandfather's funeral. (It's at 1:00).

Next item on my agenda is getting back to the review and comments relating to new and revised State reg.... followed by month-end reports.

Thanks,

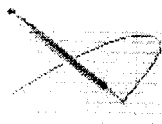
Jan

To: Nick O. Rowe
From: Jan C. Routt
Subject: TriVillage Status Summary
Date: December 4, 2000

The following very briefly summarizes our work with the TriVillage and Owenton systems pursuant to our acquisition of the TriVillage purchaser system. In mid-1999 KAWC was approached by owners of the TriVillage system to acquire their system which purchases finished water from the City of Owenton. TriVillage's water is purchased from Owenton via two master meters where TriVillage must apply booster chlorination to provide the state-required residual to system extremities. Early in KAWC's discussions with TriVillage was known that water in the TriVillage water had, historically, been high in trihalomethane (THM) disinfection byproduct levels—commonly above the large-system limit of 0.10 milligrams per liter. Note that neither the separate, nor combined, system populations are sufficient to place them in the currently regulated category for THM's. However, the systems have been monitored on a quarterly basis for THM's—and public notices have been issued per State requirement—since the "discovery" of these systems' elevated THM's in an newspaper expose in the 1980's. Recent testing by KAWC showed that THM levels were already elevated in the water entering the master meters to TriVillage so treatment changes would be needed in the Owenton plant to lower THM's in both systems.

Following initial onsite evaluations, and discussions with local and State officials, KAWC water quality and engineering staff have assisted the Owenton and TriVillage systems in ongoing sampling and process optimization efforts. These activities have included, 1)Owenton source water characterization which has supported that Owenton should proceed with the State-recommended relocation of their intake to the near-by Kentucky River mainstem from existing reservoir-impounded Ky. River backwater tributary; 2) Owenton plant treatment changes to enhance coagulation removal of natural organic TIM precursors (lower treated pH with ferric chloride followed by post caustic soda for distribution corrosion control) and optimization of chlorine disinfection in the treatment process (conversion to intermediate chlorination). 3)Both systems have, at KAWC's advisement, cleaned and inspected distribution storage tanks (including the Owenton plant clearwell) along with close monitoring of treatment and distribution to verify good disinfection and general water quality during and following changes. 4) TriVillage has also judiciously optimized their application of booster chlorination in concert with assuring good flushing and tank turnover in their distribution system.

As a result of these changes, and the ongoing cooperative effort of all involved, both systems have maintained THM levels below the limit for the last two calendars. Hence, no violations have been incurred and no public notices required through the last half of the year 2000. No doubt, the local citizenry is taking note of something missing in their water bills—the former THM health advisories. Through continued application of these optimized treatment and distribution practices, the Owenton and TriVillage systems are expected to continue to comply with the current TI-IM limit. Based on these experiences and successes, any further actions which may be needed to meet future regulations are expected to be undertaken in a similar spirit of cooperation between the utilities and State and local *officials*.



David Baker

02/14/2001 12:13 PM

To: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW
Subject: Tri-Village Engineering Projects

Thanks to Linda and Rich for all of the support that they lend to the Acquisition process. I know that looking at the various engineering projects of Tri-Village has been very time consuming, indeed. We are at a point where we need to provide Billy O'Banion some definite plans on New Columbus, Leaning Oak, and the Peaks Mill Projects. This will involve going proceeding with RFP's for these projects so that they can be proceed as soon as we close in approx. July. The issue of the IP for these projects needs to be addresses with regard to timing - should we present it at the April or July Board Meetings. You may want to plan on presenting it at the April Meeting and make the projects contingent upon the closing.

Linda may have already mentioned that the Georgetown Board will formally approve next week the wheeling of our water to Southern Owen County (Leaning Oak Project). This project needs to **be started** ASAP as the GMU water lines are being laid and will be finished in April. This issue is of tremendous political importance to B. O. and should be expedited.

Please find attached the letter that I will present to the TV Board at its meeting tomorrow. Thanks.

DB

BoardLetterFebruary152001 .dc

David Baker
Director – Business Development

February 15, 2001

Mr. Charlie Noel, Chairman
Commissioners of Tri-Village Water District
Owenton, Kentucky 40359

Dear Charlie:

Thank you for your association over the past 2 years. It has been a pleasure working with you, the Commissioners and the Employees of Tri-Village Water District. I have been made to feel a part of the "Tri-Village Family" and I will always appreciate this and will miss you all upon my relocation to Illinois next week.

I wanted to provide you with KAWC's assurance that our closing process is underway. Title search is being made on the real estate assets and the filing is being prepared. Tri-Village will, however, need to locate an attorney immediately to represent it in these proceedings.

We are directing our immediate attention to the expansion projects at hand – New Columbus, Leaning Oak and Peaks Mill. The Georgetown Utility Board meets on February 20 and will vote on the wheeling of the KAWC water and the wheeling charge for the Leaning Oak project. Linda Bridwell, our Director of Engineering, is issuing RFP's for the engineering design work for these projects within the next 2 to 3 weeks. These projects will be coordinated with regard to the timing of the KAWC Board of Director's meetings (Board approval will be required for these Investment Projects) and the approval by PSC/closing of the acquisition. Linda will be able to keep you informed of this process until my replacement is secured and can be reached at extension 373.

I will be very involved in the closing process from Illinois. I encourage you to call me at any time at 217-373-3243, or contact Lisa Helton at KAWC and she will assist you.

Thanks again for your association, your confidence in KAWC, and your friendship.

Sincerely,

David Baker

C: Hon. Billy O'Banion
Carol Tudor
Roy W. Mundy
Nick Rowe
Herb Miller
Linda Bridwell
Lisa Helton



David Baker

02/21/2001 11:20 AM

To: Roy Mundy/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW,
Pat Ballard/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, Jan
Routt/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW
Subject: Acquisition Activities List

Roy - As Friday is my last day here, I have attached a confidential summary of the projects that are high priority (with a brief description of action that needs to be continued, etc.) and a list of projects that need follow up. My phone number in Champaign is 217-373-3243, and my name should switch to my new location in Lotus Notes on Monday. Carol Williams will be my assistant. Lisa knows where all of the files are in my office.

TV, EL as well as the packages that our board approved 12/00. The above named acquisitions are also cataloged in binders with indices.

Thank you all for your support of the acquisition process and all of the hard work that you have put into it. I have appreciated your association and friendship, and I will miss you all. Stay in touch.

David Baker

List of Acquisition Activities.do.

CONFIDENTIAL

List of Acquisition Activities

Immediate Attention Required:
(please see details on subsequent sheets)

fa■OIIIN

2. Tri-Village
3. Elk Lake

[REDACTED]

[REDACTED]

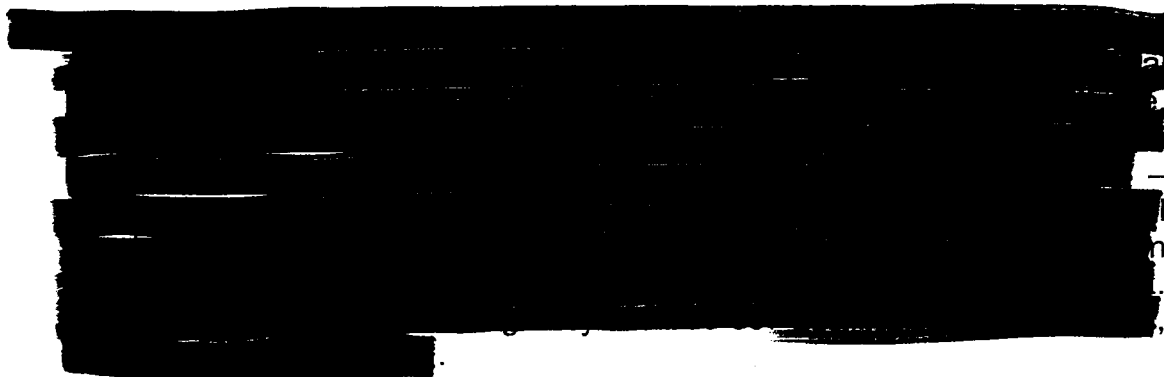
Pending Engineering Related Projects

1. Leaning Oak/Scott County Wheeling Project – Tri Village
3. Peaks Mill Loop – 127 Owen County Connection
4. New Columbus – Tri-Village
5. Closure of Elk Lake Plant vs. Using existing connection to Tri-Village
6. Carroll County Water Connection – Tri-Village
7. Pending Gallatin County Connection — Tri-Village

8. Corinth Water District vs. Tri-Village in Southern Owen/Eastern Grant Counties

Activities:

1. Couraty Judges Association — Exhibition
2. Kentucky League of Cities — Exhibition
3. Kentucky Rural Water Association — Exhibition
4. Kentucky Industrial Development Council
5. KIA Uniform System of Accounting — Cost Based Rates Committee



2. **Tri-Village** — Lisa has file for package approved by AWW Board in December, 2000. Filing with PSC should be top priority. As of today, paralegal (SKP) has finished title search. Raizor, Zapp and Woods (TV's CPA Firm) called me 2/21 to say they would email the 12/31/00 balance sheet. I will give you my opinion of the UPAA amount for the PSC filing. I will send this to Mike Miller for his review and he should give final approval before filing with PSC. You will be copied on this calculation. IT IS UNDERSTOOD BY ALL THAT THE FINAL PURCHASE PRICE, UPAA, ETC. WILL BE UPDATED TO THE DATE OF CLOSING AND THAT THERE ARE TO BE NO PROCEEDS TO TRI-VILLAGE THEY WANT ALL PROCEEDS, IF ANY, TO BE DEDICATED TO EXTENDING SERVICE IN THE COUNTY. Tri-Village, as of 2/21, has still not located an attorney to represent them, and Charlie Carter, Cnty. Attny., is calling Lindsey Ingram for suggestions. Billy O'Banion, Carol Tudor, and Charlie Noel Should be phoned weekly to show that we are still moving on with this.
3. **Elk Lake** — The plan is for Elk Lake to be filed with PSC as soon as possible. SKP's paralegal has finished the title search (I spoke with Lindsey today about it). Again, the 12/31/2000 PSC report is needed to calculate the exact UPAA and that will need to be approved by M. Miller, also. The critical issue

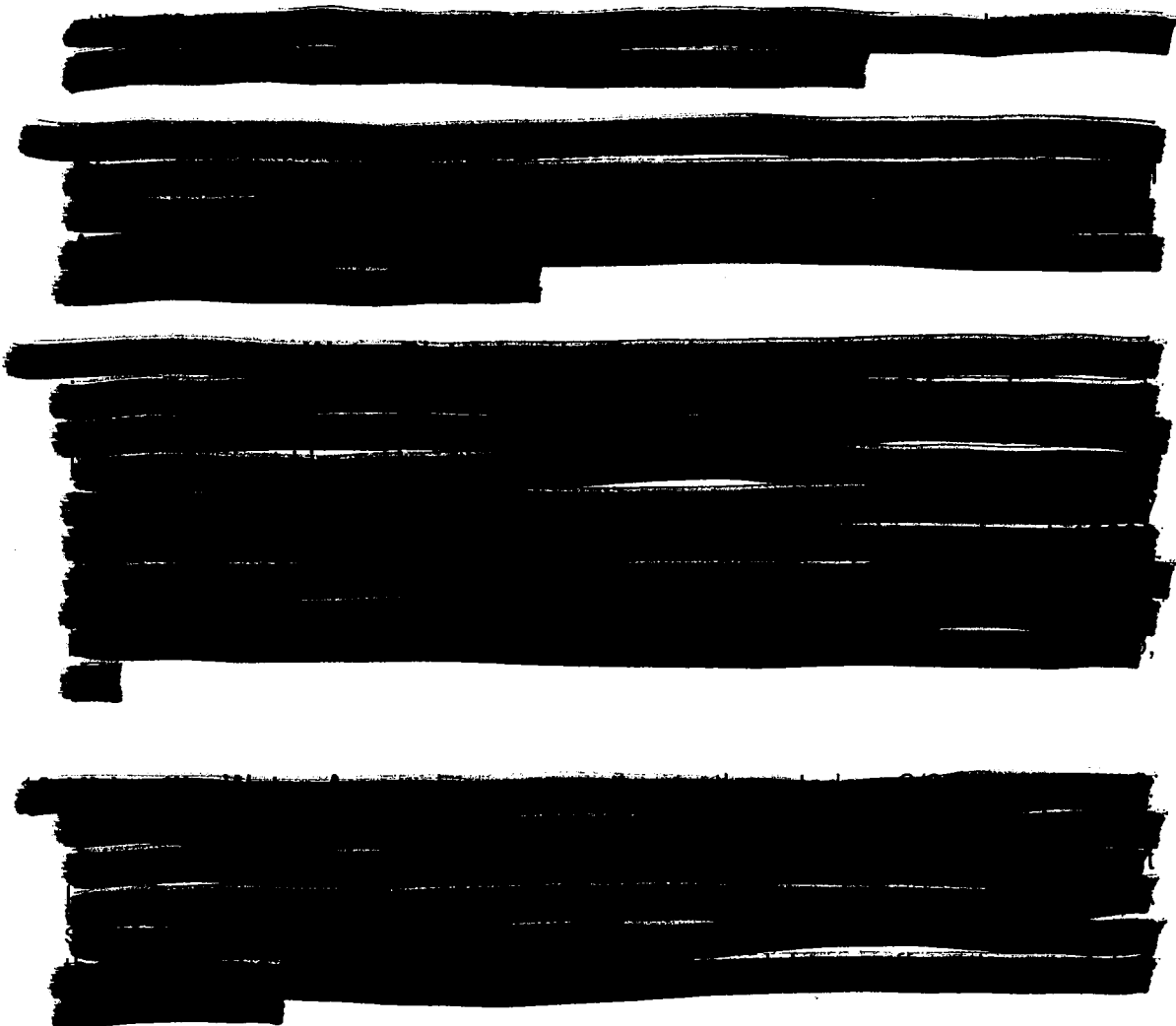
on Elk Lake is the operation of the water plant. We are not purchasing the plant, but will use the existing connection to Tri-Village for water. They are most anxious to close the plant down considering that they are one operator short. We should consider advising them on this. In any case, we need to again closely examine the connection/situation with regard to using the connection. Stan and Linda/Dillard/Jan should look at this asap. Carl Stitch is the administrator and is moving to Louisville from Elk Lake, but has agreed to stay on until the deal is closed, so there is added pressure to move quickly.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



11. Owenton — See my email of today. The new mayor and water chairman need to be contacted weekly to make sure we get the chance to present a proposal soon. The proposal for water and sewer are finished and Lisa has the files. Can be easily manipulated to vary the capital needed to move the intake, to fund a portion of the sewer connection to the new highschool, etc. Billy is still championing this process. New Mayor and I have had many conversations about the proposal — they wanted to wait until they had the system appraised. We need to call them weekly. Chuck Gill is the Chair and David "Milkweed" Wotier is the Mayor. Lisa can supply the phone numbers.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



David Baker

02/27/2001 03:15 PM

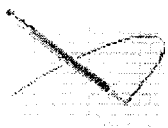
To: Roy Mundy/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW
cc: Nick Rowe/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AW W
Subject: Tri-Village Financials

On Feb. 22, I received, at last, the financial audit for TV for 2000. This inf. is needed to update the amount of the acquisition adjustment for the PSC approval filing. Please find that excel spreadsheet attached. Click on the purchase price tab in order to look at the newly calculated price/upaa vs. that which was approved by our Board 12/00. You will note that the amounts are very similar. I called Jerilyn at Raizor, Zapp and Woods today to verify that the entire Wheatley Project was completely booked - assets, debt and contributions - and she said it is all booked. Lisa, please call Carol Tudor and get a hard copy of the audit sent to you. Please call me with any questions. Thanks.

David



TriVillageRevisedWVa.xl



David Baker

02/28/2001 08:17 AM

To: Roy Mundy/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW, Nick ^{Rowe}/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW
Subject: Re: Tri-Village Filing

In response to your email about the Filing prerequisite questions, please note that we have not conducted an environmental audit (phase I). It was discussed with our engineering dept. and was not deemed necessary in light of the fact that there are no tanks, production facilities, etc. With regard to the RDA grants, there will be no "releases" per se. The RDA has been notified on 2 occasions by Judge O'Banion that the acquisition is closing, the last time was in December 2000. They received a copy of the appraisal when it was completed in 1999. The RDA has sent it off the OMB in Wash., DC. As with all acquisitions in KY to date that I am aware of, NO directive has been given one way or the other. As TV has contractually agreed to assume responsibility for any grant repayment, we should move on with the closing.

DB



David K Baker

04/18/2001 02:40 PM

To: Phil McConathy/KAWC/AWWSC@AWW
cc: Roy Mundy/KAWC/AWWSC@AWW, Herb Miller, Nick Rowe
Subject: Re: Tri Villager_]

Hi, Phil and everyone. Hope all is well.

To answer your question, the Tri-Village folks are all on the County pension plan which is actually the same as or parallels closely the State's plan. I don't have a copy of the our Asset Purchase agreement, but I don't believe that we specifically negotiated any terms for the pension. I know that in verbal communications, I don't recall ever stating that they would receive vesting credit for years of service. How did we handle Boonesboro?

I would recommend that we give them immediate vesting with their benefitsbut start them "zero" years of service. What would you think of this?

David

-- Lisa Helton

06/13/2001 08:09 AM

To: Phil McConathy/KAWC/AWWSC@AWW
cc: Jim R HamiltonNWAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW

Subject: Tri-Village Associates Pay Rates

Phil,
Here it is... If you need any additional information, please let me know.

----- Forwarded by Lisa Helton/KAWC/AWWSC on 06/13/2001 08:06 AM -----

~

Lisa Helton

06/12/2001 **03:55 PM**

To: dbaker@illinoisamerican.com
cc:

Subject: Tri-Village Associates Pay Rates

As discussed, here are the current rates of pay for the associates at Tri-Village:

Carol Tudor - \$15.75 per hour (\$32,760 annual salary)
Paul Tudor - \$13.00 per hour
Lee Castleman - \$10.00 per hour
Angie True - \$9.00 per hour

Per Jim Hamilton, the increases were:

Carol Tudor - \$19.33 per hour (\$40,200 annual salary)
Paul Tudor - \$14.50 per hour
Lee Castleman - \$12.25 per hour
Angie True - \$10.75 per hour

Thanks for your help with this, David. I'll talk to you soon.

- ~,~¹ Lisa Helton

06/13/2001 08:10 AM

To: Nick Rowe/KAWC/AWWSC@AWW
cc:

Subject: Re: Tri-Village Associates Pay Rates

FYI

----- Forwarded by Lisa Helton/KAWC/AWWSC on 06/13/2001 08:08 AM

David K Baker

06/12/2001 04:00 PM

To: Lisa Helton/KAWC/AWWSC@AWW
cc: Jim R HamiltonNWAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, Phil McConathy

Subject: Re: Tri-Village Associates Pay Rates gl

Lisa, per your inquiry this morning, I checked my model to see what wages that Phil and I had approved for the original financial model. Although my verbal description on the OM sheet of the final model omits Paul's wages, the formula in the spreadsheet indicates that Paul was put in at \$14.50 per hour. These wages may need to be adjusted upward to reflect the time that has passed since the wages were put in the model (the model is about 20 months old) and to insure that we are not going to have differences significant enough to raise the union question. (of course, Owenton is a lower paying town, overall, so that is a consideration also) Let me know if you need anything else.

David Baker

David Baker
10/11/99 04:11 PM

To: Phil McConathy/KAWC/AWWSC@AVVW
cc: Herb Miller/KAWC/AWWSC@AWW, Pat Ballard/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Coleman Bush/KAWC/AWWSC@AWW, Ed
Grubb/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW

Subject: Tri-Village Employee Benefits

Phil: I have reitreated below some basic benefit inf. for Tri-Village employees that we reviewed earlier this year. We are meeting to sign the contract on Wednesday, 10/13/99. If you will confirm this inf. right away I will certainly appriate it.

1. Seniority: We had agreed that this non-union shop will retain its current seniority list. I.E., employees will not compete for seniority with KAWC.
2. For the purposes of certain employee benefit eligibility, the T.V. associate's benefits will accrue from each employees original T.V. employment date. For calculation of sick leave and vacation time this means that they will fall under our plan with their past seniority credited to their eligibility.
3. For group insurance, they will wait the 30 days from the closing date (I am sure the closing will be on the first day of a month). We will want to offer to pay for one month's COBRA coverage, if necessary, to eliminate any lapses in coverage.
4. The normal waiting period will apply to the 401K plan. These employees should be eligible for paid holidays with no waiting period.
5. Employees will begin service credit toward the pension plan upon their first day of KAWC employment.
6. Job Descriptions: New descriptions will be devised for the non-union hourly personnel; Carol Tudor, as Manager, should be able to fit into an existing Management Description (or will this be changed to reflect her "site-manager" status?) Angela True will be serving in an office "generalist" capacity, having both billing and c/s responsibilities. The two field employees will both have all-around responsibilities for all field work as well.

Thanks again.

Emp. Name	Address	Emp. Date	Age	SS
Carol F. Tudor	3935 Jonesville Road Dry Ridge, Ky. 41035	1/1/80	[REDACTED]	[REDACTED]
Lee E. Castlemari l i`	730 Maddox Ridge Rd. Glencoe, Ky. 41046	8/24/98	[REDACTED]	[REDACTED]
Angela K. True	20 Beverly Lane Glencoe, Ky. 41046	11/25/96	[REDACTED]	[REDACTED]
Paul E. Tudor	3935 Jonesville Rd. Dry Ridge, Ky. 41035	9/12/94	[REDACTED]	[REDACTED]



Bill Bunch
06/14/2001 08:12 AM

To: Rachel Cole/KAWC/AWWSC@AWW
cc: (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Tri-Village Meeting

A meeting of the Tri-Village working group was held on Wednesday, June 13, at 2:00. Those in attendance were: Lisa Helton, Larry Burns, Donna Taylor, Stan Stockton, Candice Deininger, Park Tackett, and me. In your absense, the primary focus of discussion at a rating was information technology, customer service, and distribution issues that need to be addressed prior to closing. Following are some notes from the meeting....

Donna had prepared a list of items that she had identified as IT department concerns which she distributed and discussed with the group. A copy of this list is in your "IN" basket. Other discussion centered around customer service issues and meter reading; nothing of particular concern us. The group is still planning for an August 1 or July 31 closing date; however, Herb indicated to me privately that the schedule may be too agressive and could easily be delayed beyond August 8 per the terms of the agreement. Stan had spoken with Lindsey about the need for collecting' meter reading&on a single day. Lindsey indicated that this was not necessary. The current plan is for readings to be done by Tri-Village personnel according to their normal schedule which is over 4-5 days. KAWC would then refund a prorated amount to Tri-Village any revenue due them from the reading date to the closing date.

Donna is planning a visit to Tri-Village sometime next week and has asked that Lisa accompany her to address and learn more about customer service issues. Several customer service issues are unclear at the moment.

Of concern to the accounting department: It was discussed that Tri-Village would be set up as a separate district under KAWC with a separate revenue summary and separate 329 report. Three municipality codes will be needed one each for Owen, Grant and Gallitin counties. I pointed out that Tri-Village would need to be set up such that separate reporting would be easily available. We will need to maintain a separate rate base, income statement, balance sheet, etc. in order to support a separate regulatory entity. Likewise, Tri-Village numbers would need to be excluded from other KAWC numbers easily for things like the KAWC PSC reports, etc.

They suggested that you proceed with obtaining board approval for a Tri-Village bank account. They currently use First Farmer's Bank. They will continue to accept walk-in payments and will be making deposits daily. Mail-in payments will go to our lock box. Approximately 33% of their business is walk-in.

Tri-Village will need to have two credit cards. One for Carol and one for Paul. Vendor accounts may need to be established in advance for vendors that do not use credit cards. Coordinate with Stan for this list of vendors to establish.

Petty cash will also need to be set up for Tri-Village.

Everyone is to keep Peggy updated about things that they are doing regarding Tri-Village. No date was set for a future meeting.



Rachel Cole

06/22/2001 12:34 PM

To: Bill Bunch

cc:

Subject: Re: Triv-Village visit at Elk Lake

I won't be at the meeting on Tues. 8:15. Please let my issues know as listed below. It may already be on someone's list.

----- Forwarded by Rachel Cole/KAWC/AWWSC on 06/22/2001 12:32 PM -----

From: Peggy Slone on 06/22/2001 11:26 AM

To: Rachel Cole/KAWC/AWWSC@AWW

cc: Nick Rowe/KAWC/AWWSC@AWW

Subject: Re: Triv-Village visit at Elk Lake **b**

Rachel, you are on the list the go. With all the areas of concern you're dealing with, I think I would make it a point to be there.

Rachel Cole

Rachel Cole

06/22/01 11:15 AM

To: Peggy Slone/KAWC/AWWSC@AWW

cc: Sheila ValentineNWAWC/AWWSC@AWW, Crystal SandersNWAWC/AWWSCic
Helton/KAWC/AWWSC@AWW, Bill Bunch, Nick Rowe/KAWC/AWWSC@AWW,
Larry Burns/KAWC/AWWSC@AWW

Subject: Triv-Village visit at Elk Lake

Who's supposed to go to this? I thought it was everyone, then I heard it wasn't. Really, I just need to know about me.

Areas of concern for Tri-Village from Accounting's perspective:

Chart of accounts

Cash handling of payments

Record keeping of their books-g/l, cash, bank accts, rev sum, financial statements, etc

extension deposits (if any?)

fixed asset records

depreciation records

tarriffs

cold ck handling

misc fees charged to customers

PSC filings, etc....

work orders?

tax filings (ie. Sales & Use tax, Property Taxes, etc...)

List of employee names to add to our system

What benefits are they signing up for?

I assume Phil's area will get the 4 associates set up in our system.

Will we key in their timesheets? They can fax to us.

I'm sure there's more, but it'll have to be when I think of it.

Does Jim Hamilton have a checklist of transition issues?

Jan Routt
07/30/2004 01:53 PM

To: Coleman Bush/KAWC/AWWSC@AWW
CC:
Subject: Today's meeting

Jan C. Routt
Director Water Quality
Kentucky American Water
6300 Cedar Creek Lane
Lexington, Ky 40515
(O) 1-859.335.3662
(C) 1- 859.537.0742
(F) 1- 859.263.3137
E jroutt@kawc.com

-- Forwarded by Jan Routt/KAWC/AWWSC on 07/30/2004 01:53 PM ----


Pat Ballard
06/26/2001 03:21 PM

To: KAWC - Senior Leadership Team
CC:
Subject: Today's meeting

A short recap of some of the items from today's meeting -

TVWD: Reviewed the meeting on Wednesday - starts at 9:30 am at the Elk Lake Lodge. Lisa has made arrangements w/lodge folks. Everyone emailed their discussion items to Peggy S./Nick R. for the Wednesday meeting. A copy was distributed to everyone.

- Donna, Mike and Lisa visited TVWD on Monday; associates attending Wednesday will be Nick, Stan, Park T., Larry, Lisa, Phil, Susan, Rachel and Jan.
- Herb Miller/Donna B. will discuss insurance requirements.
- Stan & Park Tackett will check on numbers/condition of fire hydrants, etc.
- Phil will discuss benefit package
- Susan will attend and discuss any Community Relations and plans for celebration, etc.
- Barbara has proceeded with stationery needs, etc. which will have their current address; billing-related items will have the 2300 Richmond Road address.
- Nick & Stan have discussed vehicle needs and will be addressing that.

Above is just a few of the items we covered today.

Elk Lake & South Shore: Roy needs to call Jim Hamilton and discuss proposed filing dates for these two
- Elk Lake should be right behind Tri-Village and then South Shore sometime later.

2002 Budget: Bryan thought we were in good shape; those that have items remaining are working on them and will have to Bryan by end of week. Roy, Nick, Larry & Bryan will need to look at revenues by Friday so they can be finalized before sending to W.Va.

Newport: Bill Bunch reminded everyone of the email he sent out for any questions and information needed on the Newport location. He will check w/Jan Routt re. any water quality issues that we might need, etc. There is a meeting on July 3rd in Newport. Discussed the five companies that we knew would be submitting a bid - No. Ky, Cincinnati, Louisville & Consumers Ohio Water Co. (Walter Pishkur is President). He needs this information by Thursday 6/28. July 3 & 24th are scheduled conference dates.

Harrison County: AG has filed to intervene in this. Usually this is just a matter of filing the contract with the PSC. Harrison Co. is anxious for the tie-in and want to start immediately purchasing water -- approx. two weeks away. Linda B. will discuss contract & PSC case with L. Ingram who will be here this afternoon.

Linda B. visited Fleming County last week and discussed their capacity and possible alt. source of supply.

Rachel discussed how payroll conversion is going .. no major problems at this point. There was some discussion re. direct deposit but again those were worked out as well. No one took advantage of the loan program.

Herb discussed briefly the American Water Resources pilot program w/PAWCo's Service Line Protection Plan. AWS is now reviewing the effect of state regulations etc., implications of affiliated transactions and non-regulated services.

Code of Ethics has been reviewed and is being updated. Will likely have an 800# for associates to call and report possible discrimination, sexual harassment issues, etc.

Donna Taylor

07/23/2001 11:24 AM

To: KAWC - Notes Users
cc:
Subject: Tri-Village AS400 Program Changes

FYI,

We have now put the programming for the Tri-Village acquisition into production on the AS400 (EDIS) system. You may notice changes on some of the screens regarding specifically District Codes or Penalties. These apply only to Tri-Village customers and do not apply to our current customer base. If you experience any problems with these codes please notify Larry or me.

Donna

American Water Works Service Company, Inc.
Southeast Region

1600 Pennsylvania Avenue • P.O. Box 1906 • Charleston, West Virginia 25327 • (304) 353-6300

Jim Hamilton
Director Business Development
(304) 353-6380
Fax (304) 340-2091
jhamilto@wvawater.com

Memorandum

July 16, 2001

Roy Mundy, President
Kentucky-American Water Company
Acquisition Update

KAWC currently is pursuing a number of acquisition efforts in and around its service area, which are a direct result of the positive climate in Kentucky encouraging larger water suppliers to expand their facilities and absorb smaller water systems that are incapable of meeting the rising cost of providing quality water service. The Public Service Commission has encouraged Kentucky-American to become a regional supplier. The Kentucky Legislature in its passage of SB409 has further enhanced the positive climate.

Tri-Village Water District and Elk Lake Water Company

The Board previously approved these acquisitions. Elk Lake Water Company serves customers in Owen County only, while Tri-Village Water District serves customers in Owen, Grant, and Gallatin counties. The two acquisitions are presented as a single package, and upon closing will be incorporated into one contiguous system serving 1,939 customers.

Application for the Approval of the Transfer of the Ownership of the Assets of TVWD to KAWC was filed with the Kentucky Public Service Commission April 10, 2001. Recent order by the Kentucky Public Service Commission approved the transfer and closing is scheduled in August of 2001. Upon closing we will immediately follow with the filing for the approval of the Elk Lake Water Company piece.

Noteworthy to our filing was the positive treatment that the PSC allowed regarding the restatement of accumulated depreciation. Generally, since the public systems approach the rate making process differently as it relates to depreciation, we made a request to adjust the accumulated depreciation recorded on the books of TVWD. Simply stated they had recorded on their books depreciation on contributed property.

KAWC requested that the commission recognize this adjustment. KAWC adjusted Tri-Village's accumulated depreciation from \$1,213,482 to \$783,572 there by eliminating \$429,910 of depreciation claimed by Tri-Village on contributed property. KAWC's position was that this is consistent with the manner in which it is regulated by the commission with regards to contributed property. KAWC requested that the depreciated original cost of the property acquired in this transaction to be recorded on KAWC books at closing should be \$1,650,451 and not \$1,220,542 as reflected on the books of Tri-Village. Commission approved this request in the Order. The effect of this treatment reduced the potential UPAA from approximate \$438,000.00 to \$8,000.00.



"Bill and/or Kathy
Bunch"
<bkbunch@meginc.com>
>
To: <bbunch@kawc.com>
cc:
Subject: Fw: Tri-Village Closing

07/24/2001 04:16 PM

- - -Original Message - -

From: <lhelton@kawc.com>

To: <hmiller@kawc.com>

Cc: <rwmundy@kawc.com>; <jhamilto@wvawater.com>; <bkbunch@meginc.com>;
<jdickson@kawc.com>

Sent: Tuesday, July 24, 2001 3:53 PM

Subject: Tri-Village Closing

> Herb,

> Jim Hamilton called today & requested that you give him a call upon your
> return to Lexington. He needs to know the status of the closing for
> Tri-Village. He also wondered if you had received the information that he
> had sent a couple of weeks ago re: the filings that were similar in West
> Virginia?

> Thanks alot,
> Lisa



Rachel Cole
07/25/2001 10:52 AM

To: Bill Bunch/KAWC/AWWSC@AWW
cc:
Subject: Re: Tri-Village ClosingI

Thanks, Bill.

From: Bill Bunch on 07/25/2001 10:42 AM

From: Bill Bunch on 07/25/2001 10:42 AM

To: Herb Miller/KAWC/AWWSC@AWW

cc: Lisa Helton/KAWC/AWWSC@AWW, Rachel Cote/KAWC/AWWSC@AWW

Subject: Tri-Village Closing

Accounting and Business Development appear to be on-track for an August 1 closing. A new chart of accounts has been established for Tri-Village. Accounting for the transaction will be handled in August books which gives time beyond August 1 to verify the details. Signature cards for the new bank account will need to be circulated internally and sent or delivered back to the bank prior to August 1 in order for us to have full access to the new bank account. Jan has the signature cards pending Board approval of the new account which should have occurred yesterday, July 24. Lisa will be in Tri-Village Thursday, Monday, and Tuesday, assisting them with data entry of service and customer information. We hope to have this completed before closing. An interim financial statement as of July 31 will be needed from Tri-Village auditors in order to determine the actual purchase price, debt payoffs, and transaction journal entry amounts. Has this been requested? Lisa needs to know ASAP who will be attending the closing in order to communicate with the folks at Tri-Village and for coordination of the closing.

Bill Bunch
07/25/2001 01:56 PM

To: Pat Ballard/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Re: TVWD[J]

Will do! I will get with Herb ASAP on details. Lisa is attempting to set up a lunch with the TV board chairman and possibly Judge O'Banion for Monday (the earliest available date as I will be in Charleston Thursday pm and Friday). I will communicate with the other board members as well, relying on direction received from the chairman and judge. I spoke at length with Jim Hamilton earlier today about the closing process in general. I'll keep you informed.

Pat Ballard

ALL
Pat Ballard
07/25/01 01:24 PM

To: Bill Bunch/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW
Subject: TVWD

MESSAGE FROM ROY

Bill, can you get with Herb Miller, preferably this afternoon. Herb can review with you all the issues in terms of the legalities of where we are with closing, who's going to have to be there, etc. Also, Bill, if you can get with Barbara and review with her the proposed celebration plans. Also let TVWD know that we will look to them in terms of who to invite, etc. to the Celebration.

Also, Bill I would like for you to get up to TVWD asap -- I know Lisa is going up and maybe you could go up together. Or in lieu of going up there you could contact the board by phone individually after you have all this information. I guess what we need is to pamper them a little bit at this point. I would appreciate it Bill if you could just take charge of the TVWD.

Herb, you and I have already talked about this so you know what we're looking for here.

(Bill, Roy will be out of town the rest of the week. If you have any urgent items I can leave a message for him to call me.)

Bill Bunch
07/26/2001 11:33 AM

To: Lisa Helton/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Tri-Village

Tri-Village Update: Herb and I met this morning to go over Tri-Village issues, particularly the issues surrounding the closing. Following is a summary....

We called Gene Floyd of RD. His office is calculating the loan payoff for TV and will fax same to TV and Herb later today. The payoff information will be addressed to TV, copied to KAWC. His office is also preparing a letter which will give RD approval for the transfer of TV assets to KAWC. This letter will not be available until Monday. It too will be addressed to TV and copied to KAWC. The letter will be faxed to both on Monday. We need to ensure that Floyd and his boss are invited to the TV celebration. Please call RD in Shelbyville at (502) 633-0891 to get Floyd's title and the name/title for the top person at Shelbyville so that they can be added to our invitation list.

The closing is now set for August 2. Lindsay is handling the preparation of the closing documents for KAWC and is coordinating closely with Bruce Clark of TV. We called Lindsay to coordinate with him. At this point, we believe the closing will likely be at 10:00 am in the TV office. Attending from KAWC will likely be Lindsay, Herb, me, and perhaps a paralegal from Lindsay's office. These details may change - Lindsay will set time and place and will let us know. Lindsay is to speak directly with Bruce today to coordinate the legal details. Lindsay will be in contact with Herb regarding anything that we may need to do or provide.

We called Carol to let her know just where we are. She had several concerns regarding termination of insurance, final filings with government agencies, termination of CERS retirement, etc. We instructed her to contact Bruce ASAP with her list of concerns so that he could coordinate them with Lindsay. She was going to contact her board members to give them an update as well. We told her that her board was not required to attend the closing, but could if they so desired. Only the chairman is required at the closing.

We identified several items that we were unsure about as to whether they would be ready for August 2. Those items are: (1) does TV have a supply of KAWC customer service apps, (2) does TV have a supply of KAWC customer service info and promo materials, (3) has the name of the company been changed with the phone company so that someone calling for KAWC in the TV area will be connected with TV, (4) status of the bank accounts, and (5) does TV need posters for such things as wage and hour law, their current tariff, etc. To compare notes on these and other issues, a meeting of all the KAWC players will be held Monday morning (see separate memo). I scheduled it early so that you can attend before leaving for TV. I am requesting that people RSVP to you as I will not be in the office tomorrow. If a significant number cannot attend at the requested time, you may need to reschedule. If so, please coordinate with Herb.

I received a memo from Barbara Brown about the current plans for the August 17 celebration. A copy is on your desk. I have also sent one to Herb for his info. With this info, and info from the meeting, we should be well prepared for our lunch date with the judge and chairman. I am available also on Tuesday and Wednesday to be at TV, if necessary, to meet with other board members. We may end up taking each of them out to lunch at various times to make them feel comfortable. We will need to be careful not to have more than two at a time, however, to avoid having a quorum and trampling on the Ky. Open Meetings law.

Will keep you posted as I learn more.

Jim R Hamilton
07/27/2001 04:31 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc:
Subject: Tri-Village Closing

Attached Tri-Village file has asset information for Bill of sale Etc. Call wth any questions

TriVillageRevised3WVa.xl



"Bill and/or Kathy
Bunch"
<bkbunch@meginc.com>
>
To: <bbunch@kawc.com>
cc:
Subject: Fw: Tri-Village Closing Check

07/28/2001 03:38 PM

- - -Original Message - - -

From: <lhelton@kawc.com>
To: <bkbunch@meginc.com>
Cc: <jhamilto@wvawater.com>
Sent: Friday, July 27, 2001 10:39 AM
Subject: Tri-Village Closing Check

> (Jim - Please pass on to Bill. Thanks!)

> Bill,

> I spoke with Lindsey. He said that the check should be for the exact
> amount that was listed in the PSC order, \$1,659,233.00. We will get it
out
> on Monday & make sure that it gets directly to him.

> We do have several participants for our meeting on Monday morning. Stan,
> Larry, Donna Taylor & Rich have all committed to being there. Did you
> want Rachel or Susan Lancho there? (Barbara thought that you wanted her
> dept. represented, although when I read your e-mail I thought that you
were
> just copying her on it...) Phil & Donna Braxton are both on vacation
> through today, so I am not sure if they will be able to attend or not.

> I will have directions for O'Charlies in Frankfort for you on Monday.

> Lisa

Bill Bunch
07/31/2001 10:26 AM

To: Lisa Helton/KAWC/AWWSC@AWW
cc: (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Tri-Village Bank Account

Herb is out of the office today and will not have the Tri-Village bank information ready. Jan reports that he hopes to have it ready on Wednesday. If necessary, I can run it up there Wednesday afternoon. Worst case, we can stop by the bank on Thursday while we are there for the closing although I would like to have the account set-up completed prior to closing.

The bank requires that someone come into the bank to complete this process. Can that person be anyone or must it be a signatory on the account?

Bill Bunch
07/31/2001 08:47 AM

To: Nick Rowe/KAWC/AWWSC@AWW
cc: Rachel Cole/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Re: Tri-Village Closing: SET FOR AUGUST 2, 2001.

We are working with Carol Tudor to obtain the necessary information. We should have something today.

Nick Rowe

Nick Rowe
07/30/01 04:39 PM

To: Donna Braxton/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, Rachel
Cole/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW
Subject: Re: Tri-Village Closing: SET FOR AUGUST 2, 2001.

Should be the same as budgeted. Bill- can you help donna with this?
Donna Braxton

Donna Braxton
07/30/2001 04:32 PM

To: Herb Miller/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, Rachel
Cole/KAWC/AWWSC@AWW
cc: Nick Rowe/KAWC/AWWSC@AWW
Subject: Re: Tri-Village Closing: SET FOR AUGUST 2, 2001.

I have faxed the information that was provided to me regarding insurable values. Rachel is trying to get some additional information for me that Frenkel & Co. need. See the following. Perhaps you or Stan can help supply this info.

Donna, I received the information and will update values accordingly. I will also need the estimated additional payroll/sales/gallons pumped for the acquisition. Thank you.


Bill Bunch

07/31/2001 03:08 PM

To: Richard C Svindland/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Tri-Village Info

Tri-Village revenues for the year ended December 31, 2000 were \$701,502.

The combined property tax rate for Owen County is \$8.81 per \$1,000.

 Lisa Helton
----- 07/31/2001 03:30 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc:
Subject: Re: Tri-Village Acquisition Check[?]

Thank you.

From: Bill Bunch on 07/31/2001 10:30 AM

From: Bill Bunch on 07/31/2001 10:30 AM
To: Lisa Helton/KAWC/AWWSC@AWW
cc:

Subject: Tri-Village Acquisition Check

Rachel indicates that the check for the TV acquisition will be ready on Wednesday. I asked her to see that either you or I get the check. We will need to hand-deliver it to Lindsay.



Lisa Helton
07/31/2001 03:30 PM

To: Rachel Cole/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW
Subject: Tri-Village Bank Account

Rachel,

Please let us know the answer to this one. Thanks. (Who needs to sign for this account?)

----- Forwarded by Lisa Helton/KAWC/AWWSC on 07/31/2001 03:27 PM -----

From: Bill Bunch on 07/31/2001 10:26 AM
To: Lisa Helton/KAWC/AWWSC@AWW
cc:

Subject: Tri-Village Bank Account

Herb is out of the office today and will not have the Tri-Village bank information ready. Jan reports that he hopes to have it ready on Wednesday. If necessary, I can run it up there Wednesday afternoon. Worst case, we can stop by the bank on Thursday while we are there for the closing although I would like to have the account set-up completed prior to closing.

The bank requires that someone come into the bank to complete this process. Can that person be anyone or must it be a signatory on the account?



Herb Miller

08/02/2001 08:42 PM



To: Daniel L Kelleher/ADMIN/CORP/AWWSC@AWW, Ellen C Wolf/ADMIN/CORP/AWWSC@AWW, Chris Jarrett/WVAWC/AWWSC@AWW, Jim R Hamilton/WVAWC/AWWSC@AWW, **Mike** Miller/WVAWC/AWWSC@AWW, Nancy Strickland/WVAWC/AWWSC@AWW

cc: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, David K Baker/ILAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW, Bill Bunch/KAWC/AWWSC@AWW, Coleman Bush/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW, Phil McConathy/KAWC/AWWSC@AWW, **Barbara** Brown/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW, Richard C Svindland/KAWC/AWWSC@AWW, David Whitehouse/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW, Larry Burns/KAWC/AWWSC@AWW, **Donna** Taylor/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW, **Pat** Ballard/KAWC/AWWSC@AWW, Jan Dickson/KAWC/AWWSC@AWW, Peggy Slone/KAWC/AWWSC@AWW, **Pamela** Buehler/KAWC/AWWSC@AWW, **Susan** Lancho/KAWC/AWWSC@AWW, Donna Braxton/KAWC/AWWSC@AWW, ingramjr@skp.com

Subject: Tri-Village Water District Closing

We closed today, and the assets of the Tri-Village system, with its 1600 customers, are now a part of the American Water family.

Kentucky-American increased its service area from seven Kentucky counties to ten counties.

Thanks to everyone who helped make this possible. I apologize if I omitted someone. We are looking forward to a great future in this growth area of the state.

Bill Bunch
08/03/2001 07:52 AM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Tri-Village USDA Payoff

The Tri-Village bonds have been paid. I obtained a letter of receipt from them acknowledging our payment. Unless instructed otherwise, I will provide this receipt to Lindsay to be included with the other official papers of the transaction. The payment will be processed by USDA and the bonds marked paid in full will be returned to Tri-Village in a week to 10 days.

Nick Rowe
08/03/2001 10:53 AM

To: Bill Bunch/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, Jim R
Hamilton/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW, Pat Ballard/KAWC/AWWSC@AWW,
Subject: Re: Tri-Village Issues

While these issues are of concerns, i believe that most are Charlie's concerns based on what David may have promised. The diappointment in the initial meeting may of been because they were looking for pay raises that day and i wanted Stan to be the one to deliver that message. Also the Ethic issue may of been an eye opener. As for other promises made, Coleman and i were very cautious to all involved during the early stages to inform the Tri-Village folks early on of realities and making no promises . I can't really address the issue of retaining Charlie, etc. as Roy and David handled all negotiations. Upon Roy's return, maybe we can sit down and address the concerns. I truly believe we have been fair in all areas and i don't want KAWC to be held hostage or taken advantage of because of these minor issues. I think the ethic issue is very clear.

Thanks for your work in these areas. As we go forward, may i suggest that most of the concerns be funneled through Stan from the associates as I don't want them thinking that anytime something doesn't quite feel good they can go around their supervisor. I understand the circumstances before closing, but would like to operate in that fashion from here forward unless they are non-operational concerns. thanks again!
Bill Bunch

Bill Bunch
08/01/2001 03:10 PM

To: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW,
Jim R Hamilton/WAWC/AWWSC@AWW, Stan
Stockton/KAWC/AW WSC@AW W
cc: Pat Ballard/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW
Subject: Tri-Village Issues

Yesterday, Lisa and I had a productive lunch meeting with Judge O'Banion and Chairman Charlie Noel. The meeting was arranged to re-establish communication links that were perceived by some at Tri-Village to have broken down somewhat since David Baker left KAWC. Several issues were discussed which we committed to address and/or find answers to but nothing was discussed that would impact or delay either the scheduled closing on August 2 or the celebration on August 17.

As for the perceived breakdown in communication, I accepted complete responsibility personally and on behalf of KAWC. Both the Judge and Charlie were highly complimentary of KAWC, David Baker, and Lisa throughout the acquisition process. It is the result of David's excellent communication with them that they are now feeling somewhat uninformed. This change in frequency of communication was brought to a head last week as the closing date began to draw near. We committed to do a better job in communicating with them in the future.

Many of their current concerns are apparently fueled by changes from what they recall being told or promised during the negotiation process. Both Charlie and the Judge admit that all the issues are minor. With only one exception, it is our belief that all of the issues are coming from Charlie and not the Judge. I am most anxious to be responsive to the issues raised and hope to provide them with a quick response. Following are the issues:

1. RD Payoff - Charlie does not understand the difference between the purchase price and the RD payoff amount. He is looking at the difference of \$26,334.92 and thinking that it is interest on the RD loans since their last payment which he is certain could not be correct. He thought that RD had miscalculated the payoff amount. Actually, he is partially correct. Their last payment was June 30. The payoff amount consists of interest since that date in the amount of \$6,867.92 and principal in the amount of \$1,678,700 for a total payoff of \$1,685,567.92. The purchase price is based on asset value, not loan payoff. The remaining difference is due to the difference in calculation. I have a schedule that Carol is verifying today which will hopefully explain this issue to Charlie.

2. Vehicles - Charlie was under the impression that two new vehicles would be purchased and that staff had been told that new vehicles would be purchased and provided immediately upon closing. He asserts that KAWC encouraged him to see what could be purchased from local dealerships. He later learned that Carol would be getting a "used" vehicle instead of a new one. I recall discussion between Nick and Stan on this issue. I will discuss the issue with Nick/Stan.

3. Wages - Charlie indicates that the staff were expecting more of a wage increase than was given. This was news to us as we have heard nothing but positive comments from the folks at Tri-Village. Charlie says that there is disappointment, particularly with Paul, Lee, and Angie (he indicated that Carol was "pretty satisfied" with her adjustment). Charlie stated that he personally thought that the wage rates would be more because we "would like to see Tri-Village remain a non-union shop." He did not say that he knew the wage rates in Lexington but did allude to a big disparity between rates paid by Tri-Village and those paid in Lexington. It was his belief that Tri-Village employees would be paid close to, if not the same as, Lexington employees. In discussion with David yesterday, we confirmed that Tri-Village was never promised anything concrete regarding wage rates other than they would likely receive a significant increase over their current rates of pay. The dollar amount of what is a "significant increase" appears to be the item in question. In comparing the proforma prepared some months ago to the wage rates offered by KAWC, David found that KAWC offered equal to or better than the rates that he had included in his analysis. I will discuss this issue with Nick/Stan.

4. Retainer for Charlie - Charlie indicated that he had discussed with David the possibility of being retained by KAWC. This was news to Lisa and I. He said that he had attempted to call David earlier in the day to discuss it but was unable to get with David. In discussing the matter with David, we learned that Charlie had, in fact, contacted David again after lunch to talk with him about it. David indicates that he had discussed it with Charlie and that his thinking was that KAWC would retain Charlie for several months during a transition period at a rate not to exceed Charlie's current compensation as a water district commissioner which is \$300 per month. At the time, the rationale was that Charlie could help us out in the community and the retainer would give Charlie a little income after the district was dissolved for a few months. We now learn that the district will not be dissolved for 3-6 months after closing which, in David's mind at least, reduces the need for an arrangement with Charlie. However, Charlie feels promised something. He did not indicate what type of arrangement he was expecting nor did he indicate what level of compensation that would be expected. David indicates that he had discussed the matter with Roy and that Roy had consented to some type of arrangement. I will discuss with Roy/Nick/Stan.

5. Initial Meeting with Tri-Village - Apparently, our initial meeting with the Tri-Village staff fell short of our intended goals. Charlie indicates that the staff were very discouraged following that meeting, possibly being overwhelmed with the amount of change to come and the number of folks that we brought with us. Apparently, morale was quite low immediately following the meeting. This is not a current issue. I mention it so that we can learn from these comments for the next acquisition. We may want to brainstorm what we did right and what we did wrong with the whole process before implementing the acquisition of Elk Lake and others.

6. Accumulated Sick Time - This issue has now been solved by T6-Village. Charlie was concerned about employees, particularly Carol and Paul, losing a significant accumulation of sick leave upon acquisition by KAWC. Their sick leave policy did not contemplate an acquisition. The Tri-Village board has revised their policy manual and paid the cash value of accumulated sick leave to the employees. Payment was made on July 30. Charlie indicated that he discussed the matter with Roy prior to taking action. No action required on this issue.

7. Call-Outs - Charlie questioned us on take-home vehicles and compensation for stand-by and call-outs. He said that Tri-Village provided the vehicle as partial compensation for being on stand-by/call-out and believed it to save the district money in the long run. I was not completely aware of what arrangements had been made by Nick/Stan on this and felt ill-equipped to address it. I committed to investigate and get back with Charlie. I will discuss it with Nick/Stan.

8. Water Stations - This is the one issue that Judge clearly had an opinion. Both he and Charlie are strongly in favor of constructing two new bulk water stations; one at Monterey and one at Hestler (sp?). Apparently, customers in those areas of the county are having to haul water quite a distance currently. The Judge is strongly in favor of this. They suggest that KAWC install those stations ASAP after closing. As discussion continued on this issue, Charlie indicated that the district might install the stations to our specifications with some of the remaining funds following closing. (Charlie remains committed to invest any remaining funds in distribution system improvements). It has been my experience that bulk water stations are problematic and expensive in terms of O&M. Since I did not know KAWC's position or how the matter might have been previously discussed, I committed to investigate and get back. I will discuss with Nick/Stan.

9. Outside Employment - Paul's outside business as a contractor continues to be an issue. Apparently, Paul earned approximately \$35,000 last year doing this work. We explained KAWC's ethics policy with regard to outside employment and its relation to the issue at hand. We also explained that Paul could continue doing this type of work outside of KAWC working hours and with his personal equipment on projects that would not be connected to the Tri-Village system or be inspected for same by Tri-Village staff. There may be a breakdown in communications with Paul on this issue. Not knowing exactly what had been discussed with Paul on this matter by Nick/Stan, I committed to investigate and get back with him on the issue. I will discuss with Nick/Stan.

As you can see, none of these issues are deal breakers but are significant in as much as they reflect upon what is perceived to be commitments by KAWC that may have not been followed through upon. We need to provide as quick and favorable a response to Charlie and the Judge as possible keeping in mind that this is a strategic acquisition with Owenton and possibly other rural systems looking to our performance as an indication of how we might deal with them in the future. Your thoughts would be most welcome.

Bill Bunch

08/03/2001 01:02 PM

To: Roy Mundy/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW, Rachel
Cole/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Additional Tri-Village Payment

We need to think about the accounting for the additional amount of \$26,334.92 that was paid in the acquisition of Tri-Village. If it is accounted for as an addition to the purchase price, the amount will likely be unrecoverable in perpetuity. However, as all excess funds from the transaction will be invested by the Tri-Village board in system improvements, it would appear to me that the payment could be viewed as a KAWC investment in those improvements. Accounted for as such, it would eventually be recoverable as a ratebase asset. An opportunity for creative accounting.

I have discussed this issue with Rachel. She is awaiting discussion of this matter and appropriate backup for our check to Stoll, Keenon & Park which was issued today.



Rachel Cole

08/06/2001 10:34 AM

To: Lisa Helton/KAWC/AWWSC@AWW
cc: Donna Taylor/KAWC/AWWSC@AWW, Bill Bunch
Subject: Re: Payroll time charged to Tri-VillageD

If you have labor time, charge it to their business unit and the same labor account.

If we have invoices, charge it to their business unit and the appropriate object account depending on the purchase. Do not charge anymore to the acquisition account.

Lisa Helton

Lisa Helton

08/06/2001 08:19 AM

To: Rachel Cole/KAWC/AWWSC@AWW

cc:

Subject: Payroll time charged to Tri-Village

Rachel,

Now that the acquisition has taken place, should I still be charging time to the work order or to the new business unit?

Also, what about invoices that come in? I know that Donna Taylor has alot of things that she has purchased for them.

Thanks,

Lisa

Bill Bunch

08/07/2001 07:49 AM

To: "LINDSEY INGRAM" <ingramjr@skp.com>
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW,
Mike Miller/W .WC/AWWSC@AWW, (bcc: Bill
Subject: Re: Tri-Villag 

With regard to the additional \$26,334.92 paid, I continue to assert that KAWC merely paid in advance for new distribution facilities to be constructed by the Tri-Village Board since all remaining funds will be invested into facilities. KAWC has already committed to paying for certain facilities including a waterline and related appurtenances to serve the new high school. Can we not do something creative with the additional payment instead of reporting it as additional purchase price for which there will likely be no recovery?

"LINDSEY INGRAM" <ingramjr@skp.com>



"LINDSEY INGRAM"
<ingramjr@skp.com>
08/06/01 04:54 PM

To: <bbunch@kawc.com>, <Hmiller@kawc.com>, <Nrowe@kawc.com>,
<Rwmundy@kawc.com>, <mmiller@wvawater.com>
cc:
Subject: Tri-Village

The PSC order of 6/8/01 requires us, within 10 days of the closing, to (1) advise the PSC of any change in the acquisition adjustment from the approved \$8,782, (2) ask permission if we intend to do anything other than write off the acquisition adjustment, (3) send them a copy of the USDA Rural Development approval, (4) file an adoption notice of the Tri-Village tariff and (4) incorporate into the KAWC tariff the appropriate portions of the Tri-Village tariff.

10 days after the closing will be 8/13 but I will be out of town from 8/13 until 8/23 so we need to tend to these matters so I can respond to the PSC order on Friday of this week, 8/10.

We made four changes to the original agreement at the closing which will impact our response. We agreed to pay \$26,334.92 more than the purchase price because the Commissioners "were told" that the purchase price would pay off all of the debt of the district. That will raise the acquisition adjustment to \$35,116.92 (\$8,782 plus \$26,334.92) and I do not believe there is any way the Commission will approve anything other than a write off for this amount. I suggest we so advise them.

The second change we made was the elimination of any monetary limit on the New Columbus project.

The third change we made was our agreement to indemnify and hold the present and former Commissioners harmless from any action that may be taken to recover USDA RU grants.

The fourth change we made was an agreement that the Commissioners dedicated and contributed any money they may have left over, after payment of all of their liabilities, to KAWC to fund additional projects that would serve more customers.

We can discuss these issues tomorrow when we gather to look at the future of Jacobson reservoir.

Bill Bunch
08/08/2001 07:16 AM

To: Rachel Cole/KAWC/AWWSC@AWW
cc: (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Re: Tri Village check[

There has been some e-mail discussion on the matter but no decision that I am aware of. I understand that Lindsay will be here sometime today and that Tri-Village closing issues will be discussed at that time. Roy, Nick, Herb, and Lindsey are each aware of the need to discuss accounting for this item. I'll keep you posted as I learn anything.

Rachel Cole



Rachel Cole
08/07/01 02:50 PM

To: Bill Bunch
cc: Stacy Owens/KAWC/AWWSC@AWW
Subject: Tri Village check

Do we have any documentation for the Tri-Village \$20,000?

Bill Bunch
08/08/2001 10:23 AM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Rachel Cole/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Additional Payment to Tri-Village

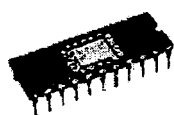
I understand from Roy that the decision has been made to treat the additional \$26,334.92 payment to Tri-Village as additional purchase price. Rachel will need appropriate documentation to that effect to support the check request. Please provide something directly to Rachel for this purpose. Thanks.

Jan Routt
07/30/2004 01:53 PM

To: Coleman Bush/KAWC/AWWSC@AWW
cc:
Subject: TriVillage name and ownership change

Jan C. Routt
Director Water Quality
Kentucky American Water
6300 Cedar Creek Lane
Lexington, Ky 40515
(O) 1-859.335.3662
(C) 1- 859.537.0742
(F) 1- **859.263.3137**
E jroutt@kawc.com

- - -Forwarded by Jan Routt/KAWC/AWWSC on 07/30/2004 01:54 PM - - -



Jan Routt
08/08/2001 04:53 PM

To: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Pat Ballard/KAWC/AWWSC@AWW
cc: Mary Ellen Pugh/KAWC/AWWSC@AWW, David
Shehee/KAWC/AWWSC@AWW, Joe White/KAWC/AWWSC@AWW,
Dorothy Johnson/KAWC/AWWSC@AWW, Mitzi
Combs/KAWC/AWWSC@AWW, Dillard
Griffin/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW,
Linda Bridwell/KAWC/AWWSC@AWW, Richard C
Svindland/KAWC/AWWSC@AWW, PAWC - Notes Admin
Subject: TriVillage name and ownership change

Hello All,

As followup to previous discussions and emails on the subject of the TriVillage transition, I contacted Vicki Ray yesterday regarding TriVillage's name and ownership change effective August 1st..

She stated that we need to send her a letter on letterhead, signed by Carol Tudor and us, stating that this change has transpired.

I have drafted this letter and it is attached. TriVillage name and ownership change.c

While Vicki did not specify such, it seems this should go out under Roy's name. So, I guess this means Pat will need to type, have Roy sign, and send the original to Carol Tudor for her signature. Carol can then make copies for herself and us and mail the original to Vicki.

This needs to be done before next reporting date (1st of Sept).

Please let me know if we need to discuss or if you see a need to do this another way.

Thanks Jan

PS a note of concern is that when I checked SDWIS fo verify the PWSID number of TriVillage, I sorted on Owenton CO and found the following system populations

Elk Lake 1089
Owenton 4084

TriVillage **5055**

10,228 total population

= over 10K, which would put this combined system under the new DBP rule effective in 2002 if all combined. I know Chuck Gill has done some population estimates which came out lower than this, but may need another look and may need to verify further. We discussed this in our last meeting with the state. What is the status of Elk Lake?

Ms. Vicki Ray
Kentucky Department for Environmental Protection
Division of Water, Drinking Water Branch
18 Reilly Road
Frankfort, Kentucky 40601

Dear Ms Ray:

This correspondence is to formally inform you that TriVillage Water District (PWSID 0940430) became a subsidiary of Kentucky-American Water Company as of August 1st, 2001. Therefore we request that the name of TriVillage Water District be changed to "Kentucky-American Water Company — TriVillage District" for all future records, reports and correspondence. We understand that TriVillage's PWSID Number will remain unchanged.

Unless we receive direction otherwise from you, reports submitted for TriVillage will reflect this name change, beginning with the August 2001 monthly reporting period.

Thank you for your attention to this matter. Please notify us if there are additional actions needed regarding this.

Sincerely,

Roy Mundy

Carol Tudor

Lisa Helton
08/09/2001 11:43 AM
To: Bill Bunch/KAWC/AWWSC@AWW
CC:
Subject: Re: Tri-Village[]

I took care of it.

From: Bill Bunch on 08/09/2001 11:21 AM

From: Bill Bunch on 08/09/2001 11:21 AM
To: Lisa Helton/KAWC/AWWSC@AWW
cc:

Subject: Re: Tri-Village

Lisa, Can you provide Bryan with the requested info?

— Forwarded by Bill Bunch/KAWC/AWWSC on 08/09/01 11:18 AM --



Bryan Siler
08/09/01 10:31 AM
To: Bill Bunch/KAWC/AWWSC@AWW
cc: Phil McConathy/KAWC/AWWSC@AWW
Subject: Re: Tri-Village

Bill,

Can you provide all the employee information for Tri-Village? I need to get them in our Labor Plan.

I will need the following:

- Name
- JDE Address Number (can be input later)
- Business Unit (120300 - proposed)
- Department
- Position
- Classification (I have a report that will help clarify this)
- Supervisor
- Hourly Wage
- Accounts where their time will be charged (Probably similar to other employees here)
- Overtime Estimate

I have some forms that might help with this - just let me know when you have a few minutes.

Thanks,

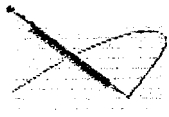
Bryan

----- Forwarded by Bryan Siler/KAWC/Amsc on 08/09/2001 10:21 AM -----

From: Nick Rowe on 08/09/2001 10:21 AM
To: Bryan Siler/KAWC/AWWSC@AWW
cc:

Subject: Re: Tri-Village [7

It is final. We should add employees, wages, etc. Bill Bunch can give you details!



Jim R Hamilton

08/09/2001 02:14 PM

To: Mike Miller/NWAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW,
Bill Bunch/KAWC/AWWSC@AWW

cc:

Subject: Re: Tri-Village Water District report[ji

In your absence I have taken care of this with Lindsey. He will not be referencing the amount of the acquisition adjustment in this report to the commission, which is what I suggested. He is simply going to say we will provide the amount in a later report once we receive the interim Financial Statements of Tri-Village as of the date of closing, (July 31,2001), which we need to calculate the actual UPAA.

Bill Bunch will be following up with Tri-Village on getting the information so we can record the Acquisition on our books.

Bill Bunch
08/09/2001 02:29 PM

To: Lisa Helton/KAWC/AWWSC@AWW
cc: Nick Rowe/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Tri-Village Rate Tariff

Please make a copy of Tri-Village's complete tariff for Nick ASAP. I believe that we have a complete copy in book 2 of our file. Put the document in a 3-ring binder of appropriate size and label the spine. He keeps current tariff info on his shelf for quick, easy reference. Thanks.



Rachel Cole

08/09/2001 03:00 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc:
Subject: Re: Tri-Village Financial Statementsrj

Will you be sending these financial statements to W. Va? It was my understanding that they would do the journal entry.

From: Bill Bunch on 08/09/2001 01:59 PM

From: Bill Bunch on 08/09/2001 01:59 PM

To: Lisa Helton/KAWC/AWWSC@AWW


cc: Jim R HamiltonNWAWC/AWWSC@AWW, Rachel Cole/KAWC/AWWSC@AWW

Subject: Tri-Village Financial Statements

We need financial reports for Tri-Village Water District as of 8/2/01 (or as of 7/31/01, if the August date is unavailable) ASAP. It is my understanding that their accountants would be preparing these statements. Please follow-up on these reports to determine when we might be receiving them. We need the information to prepare the journal entry to record the acquisition and for notification of the PSC of what the final numbers were. Given PSC deadlines, we will not be able to wait until the district is closed out for these statements.



Lisa Helton
08/09/2001 06:09 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc: Rachel Cole/KAWC/AWWSC@AWW, Jim R
HamiltonNVAWC/AWWSC@AWW
Subject: Re: Tri-Village Financial Statement 


I have e-mailed Carol Tudor to request these for us. I'll let you know as soon as I hear from her.

From: Bill Bunch on 08/09/2001 01:59 PM

From: Bill Bunch on 08/09/2001 01:59 PM
To: Lisa Helton/KAWC/AWWSC@AWW
cc: Jim R Hamilton/WVAWC/AWWSC@AWW, Rachel Cole/KAWC/AWWSC@AWW

Subject: Tri-Village Financial Statements

We need financial reports for Tri-Village Water District as of 8/2/01 (or as of 7/31/01, if the August date is unavailable) ASAP. It is my understanding that their accountants would be preparing these statements. Please follow-up on these reports to determine when we might be receiving them. We need the information to prepare the journal entry to record the acquisition and for notification of the PSC of what the final numbers were. Given PSC deadlines, we will not be able to wait until the district is closed out for these statements.

 Lisa Helton
08/09/2001 06:11 PM

To: Bill Bunch/KAWC/AWWSC@AWW, bkbunch@meginc.com
cc: Nick Rowe/KAWC/AWWSC@AWW
Subject: Re: Tri-Village Rate Tariff[5]

No problem, Bill. I'll get it to him tomorrow.

From: Bill Bunch on 08/09/2001 02:29 PM

From: Bill Bunch on 08/09/2001 02:29 PM
To: Lisa Helton/KAWC/AWWSC@AWW
cc: Nick Rowe/KAWC/AWWSC@AWW

Subject: Tri-Village Rate Tariff

Please make a copy of Tri-Village's complete tariff for Nick ASAP. I believe that we have a complete copy in book 2 of our file. Put the document in a 3-ring binder of appropriate size and label the spine. He keeps current tariff info on his shelf for quick, easy reference. Thanks.

memo

Phone: 269-2386
Fax: 268-6327
2300 Richmond Road
Lexington, KY 40502

to associates

Kentucky American Water Company

FROM: Roy W. Mundy
DATE: August 13, 2001
SUBJECT: Tri-Village Acquisition

I'm pleased to advise you that Kentucky-American Water Company completed the acquisition *of* water system assets of Tri-Village Water District on August 2, 2001.

Attached is a copy *of* the news release, along with a revised version of Kentucky-American's service area for your review.

This addition of 1,600 new customers to the American family is a result *of* 18 months of relationship building and focused commitment by the associates of Kentucky-American.

Thanks to all who made this acquisition a reality. Your dedication is appreciated. Keep up the good work!

Attachments

Kentucky-American Water Company

2300 Richmond Road • Lexington, Kentucky 40502 • (606) 268-6332 • Fax (606) 268-6327

DEWS

For Immediate Release

Thursday, August 2, 2001

Contact: Barbara K. Brown
Director - Communications
Phone: 859-268-6332

Susan Lancho
Communications Specialist
Phone: 859-335-3422

Web Site: www.kawc.com

Acquisition of Tri-Village Water Assets Complete

Lexington, KY (8/2/01) —Effective August 2, 2001, Kentucky-American Water Company has completed the acquisition of water system assets of Tri-Village Water District, a system that serves 1,600 customers in portions of Owen, Grant, and Gallatin counties. The finalization of the acquisition completes the purchase negotiations ongoing since November 1999 between Kentucky-American and the Tri-Village District Water Board of Commissioners.

Customers of Tri-Village Water District will experience a seamless changeover over the next few weeks as the acquisition process is completed. Customers previously served by Tri-Village Water District are now Kentucky-American Water Company customers, billed through Kentucky-American Water Company. The local Tri-Village Water District office will remain open and staffed by existing local associates. The customers of Tri-Village Water District will continue to pay the same rate for their water service, separate from rates paid by other Kentucky-American Water Company system customers.

-more-

KAWC News Release
August 2, 2001
Page 2

In June 2001, Kentucky-American Water Company received an Order from the Public Service Commission authorizing the purchase.

Kentucky-American provides reliable, quality service to more than 290,000 customers throughout the state. Kentucky-American, with the support of its parent company American Water Works Company, has the technical capabilities of a nationwide network and the local knowledge to provide the highest quality water with personal service.

With annual revenues of \$1.35 billion, American Water Works Company is the nation's largest publicly traded enterprise devoted exclusively to the water and wastewater business. Its 5,000 associates provide water, wastewater and other water resource management services to more than 10 million people in 1,300 communities throughout the U.S. More information can be found on the Web at www.amwater.com.

- end -

Forward looking statements in this report, including, without limitation, statements relating to the Company's plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. These factors include, among others, the following: the success of pending applications for rate increases, inability to obtain, or to meet conditions imposed for, regulatory approval of pending acquisitions, weather conditions that tend to extremes of temperature or duration; availability, terms and development of capital; business abilities and judgment of personnel; changes in, or the failure to comply with governmental regulations, particularly those affecting the environment and water quality; competition; success of operating initiatives, advertising and promotional efforts; existence of adverse publicity or litigation; changes in business strategy or plans; quality of management; general economic and business conditions; and other factors described in filings of the Company with the SEC. The Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise.

Kentucky-American Water Company Service Area Map August 2001

