

David Baker
12/15/99 07:58 am

TV

Some interesting scenarios! Let's discuss in upcoming meeting you plan to schedule

soy 12/17

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

cc:

Subject: Elk Lake Water Company

(to Roy via Pat)

FYI - You may recall that I have had ongoing discussions with Elk Lake Water Company about acquisition and that we have waited until we were "sufficiently down the path" with Tri-Village/Owenton to proceed. That time has come, and I am providing you with some "food for thought". I would appreciate a call or email to discuss this issue.

Elk Lake:

- investor owned, private lake/source of water for production
- already connected to Tri-Village w/4" line, (don't typically buy any water), which initially appears to be adequate to serve all the customers
- 330 customers, Owen County

Their main water plant operator is moving away and this is causing them to want to go ahead and make the decision about selling or shutting down the plant. They would like to go ahead and make an agreement with Tri-Village to shut down their plant and buy all the water from Tri-Village. (Kevin and I met with them and TV Chair. last week and he is preparing his thoughts on this possibility). I believe they are very interested in selling and I will be preparing the package for your review.

I ask that you think about our strategy: If we allow TV to enter into this agreement before we have Elk Lake under contract to sell to us, then they may NOT want to sell to us since they have solved their plant problem. In this case, we should enter into a contract now that is conditional upon our closure of TV and not allow TV to sell them water directly in the meantime. HOWEVER, if we allowed them to purchase their water from TV, then can we make profit under that scenario without the investment? (no acquisition)

I will come to you as a group soon with the numbers. Please call me with your thoughts when you get a chance. Thanks.

DBaker

KAWC ENGINEERING DIVISION MEMORANDUM

TO: DAVID BAKER
FROM: KEVIN W. KENNOY
SUBJECT: ELK LAKE WATER COMPANY
DATE: 01/05/00
CC: HERB MILLER

Background & Existing System

According to conversations with ELWC's operator (Vernon Minch), administrator (Carl Stitch) and DOW Water Quality Branch executive (Vickie Ray) the following are comments regarding the proposed acquisition:

- The existing system produces 22,000 gallons per day (average) and 77,000 gallons per day (peak).
- The system includes one 100,000 gallon standpipe.
- The system produces & supplies water to its customers via (144,000 gallons per day) package water treatment plant. The plant has a permit to withdraw water from Elk Lake reservoir. The plant discharges its sludge into the lake. The plant is manually controlled to shut off when the storage tank is full.
- Elk Lake reservoir has surface area of 17 acres.
- The distribution system has 2" post hydrants at the end of lines for flushing purposes and maintaining water quality. Mains consist mostly of 4, 3 & 2 inch pvc. The system is connected to Tri-Village via 4 inch connection.
- There seemed to be no reports of water quality problems in distribution system. Pressure from Tri-Village WD at the connection point is reported to be in the 90 — 95 psi range.

Pump Station

Proposed Capital Improvements

The following is a summary of tasks or items needed to acquire the system:

- It is recommended, by KAWC engineering, to take the existing package water treatment plant out of **service once the water quality issues in Owenton have been resolved.**
- The existing tank should stay in service since there were no water quality problems reported and tank "turn-over" was not an issue. However, it could be advantageous to install a tank altitude valve vault to control the draw/fill dynamics of the tank. **Installation Price could be \$ 5 — 10,000.**
- Minimal engineering costs could be figured for installing valve vault and bidding. This would be around \$ **2 — 3,000.**

Kentucky-American Water Company

Discussion of Potential

Business Partnerships

Elk Lake Water Co., Inc.

Kentucky-American Water Company

February, 2000

Kentucky-American Water Company

Discussion of Potential Business Partnerships:

1. Background Information – Kentucky-American and American Water Works Co., Inc.
2. Partnership Option – Water System Sale

This conceptual proposal is presented to Elk Lake Water Company for its consideration of possible business partnerships with Kentucky-American Water Company. Should Elk Lake Water Co. decide to pursue this option, Kentucky-American reserves the right to further negotiate this proposal. All proposals and subsequent offers and closings are subject to all due diligence and approvals by all legal authorities including but not limited to the Public Service Commission and the Kentucky-American board of directors. Additionally, this proposal and/or any subsequent contracts that both parties enter into will be subject to the successful closing of the KAWC acquisition of the Tri-Village Water District.

All costs are estimates based on existing KAWC information. Final cost figures are subject to further inspection and other due diligence. Statements made herein are for initial discussion purposes only. Such statements should not be relied upon by any person or entity at this time until after complete due diligence by KAWC. No relationship between Elk Lake Water Co. (ELWC) and KAWC is created by the statements herein. This is not an offer and should not be relied upon as such. If ELWC indicates that it intends to participate in the partnership option discussed, KAWC will prepare and submit for approval the appropriate offers, contracts or other documents.

t~ Kentucky-American Water Company

1. **Background Information, Kentucky-American and American Water Works Co., Inc.**

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	AWW:	\$1 Billion

Taxes Paid:	Federal, State income Taxes:	\$4,526,093
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Number of Employees:	KAWC:	155
	AWW:	4000 +

Statistics:	93,391 Customers served
1998	1364 miles of main
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AWW Serves over 7,000,000 in 22 states

Kentucky-American Water Company

KAWC

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Coleman Bush, Vice-President and Treasurer
Nick Rowe, Vice-President – Operations
Herb Miller, Secretary – Corporate Counsel
Edward J. Grubb – Comptroller
David Baker – Director – Business Development
Barbara Brown – Director – Communications
Donna Braxton – Director - Loss Control
Linda Bridwell – Director – Engineering
Larry Burns - Director Customer Service
Phil McConathy – Director – Employee Relations
Jan Routt – Director – Water Quality
David Whitehouse – Director – Gov. Relations

Advantages of Business Partnership with KAWC/AWW:

KAWC and AWW have the highest level of Expertise:

- In Kentucky, KAWC has a staff of 5 chemists/biologists and 2 certified labs to insure the highest water quality. Our national laboratory facility in Belleville, Illinois and our water quality team assist in developing the latest industry technologies and regulatory measures
- We have 4 Professional Engineers on staff in Kentucky
- We have a complete rate, financial, accounting and management staff in Kentucky

L~KentuckyAmerican Water Company

- We have over 100 years experience in Kentucky, and well established relationships with regulatory agencies
- We have the ability to finance projects internally without the delay and uncertainty of federal funding, and the resources of a corporation with over \$1 billion in revenues

We have the experience of facilitating over 75 water and wastewater system acquisitions within the American System over the past 10 years

- Kentucky American employees live and are actively involved in the Communities in which they work
- We are helping to lead the process in regionalization/consolidation within Kentucky, serving on the Governor's Water Resources Development Commission
- Kentucky-American is an active and responsible corporate citizen, supporting projects within the communities we serve. Our employees are actively involved in their communities.
- Rate Regulation under the Public Service Commission (for acquisition options only) – PSC controls rates and the KAWC rate of return

Kentucky-American Water Company

2. Partnership Option — Systems Sale

AWW has successfully facilitated over 75 value added water system acquisition/partnerships over the past 10 years ranging in size from 50 to 500,000 customers. Kentucky-American proposes to purchase the water distribution system, with the following details: (all figures estimated from the 12/31/98 ELWC PSC Report — subject to further update, negotiation and verification by KAWC and all due diligence and approvals)

Estimated System

Purchase Price	\$115,427
(Book Value less AID,	
Contributed Capital=	
PSC Allowable price,	
plus \$95,777 premium)	

**Est. Proceeds/Residual to
 ELWC, after**

Payoff of debt and:	\$ 39,247
Collection of receivables	

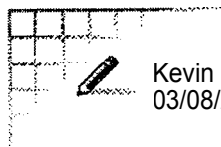
- KAWC could purchase the assets of the distribution system and completely own and manage in the future
- The current Rates would remain in place initially
- All rates and service will be regulated by the Public Service Commission
- Customer service will be maintained at the highest possible level

~~NI-16~~ Kentucky-American Water Company

- State of the Art procedures for water quality, distribution, production will be used under the AWW Company Standards
- A representative from Elk Lake Water Co. may serve on the Owen County Advisory Council, established to provide input into system issues to KAWC
- Preliminary estimates indicate that the existing Tri-Village system connection will serve as the supply
- Proposal includes approximately \$10,000 for tank improvements (altitude valve vault to control the draw/fill dynamics of the existing tank) at KAWC expense
- Proposal assumes that KAWC will pay ELWC not take ownership of the water treatment plant, buildings, land or equipment; all equipment, lines, tanks, hydrants, etc. associated with the distribution and storage systems will be purchased.
- An environmental assessment of the facilities may need to be conducted
- 24 hour emergency customer response will be provided
- customers billed monthly with the convenience of paying bill at the Owenton Office or by mail, or by automatic bank draft
- customers will be served by Kentucky-Americans Owen County Staff

Kentucky-American Water Company

- Employee of Elk Lake will be offered employment at Tri-Village Water District (dependent upon closing and qualifications) with excellent benefits, including medical/dental insurance, 401k, pension, vacations, etc.



Kevin Kennoy
03/08/2000 03:28 PM

To: David Baker/KAWC/AWWSC@AWW

cc:

Subject: Elk Lake Water District

Dave:

In analyzing the situation regarding the filling of the Elk Lake tank, I have come up with some recommendations based on the following assumptions.

1. The overflow elevation of the Elk Lake, 100,000 gallon standpipe is 960'.
2. The water system is served by a 3 inch diameter connection from TVWD.
3. The water pressure at the connection point is reported to be between 90-95 p.s.i..
4. The tank should fill within an eight hour cycle based upon an average day demand of 22,000 gpd (45 gpm and be able to accommodate a peak flow rate of 77,000 gpd or 60 gallons per minute.

The analysis showed that the existing 3 inch line is marginally adequate enough to fill the tank at an adequate rate however it would be ideal to have a 4 to 6 inch line if possible.

Call me to discuss.

*So - pump to tank or replace line - and how much
line*

David Baker
Director — Business Development

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February 15, 2000

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To: Roy Mundy, Coleman Bush, ^{Nick} Rowe, Herb Miller -7.?.3~°
Ed Grubb

From: David Baker

RE: Elk-Lake Water Company

I am presenting the attached conceptual proposal to Elk Lake on 2/24/00. Coleman and I are meeting Friday, 2/18/00 at 8AM to review the financials. Please call me with any questions or concerns you may have or if you desire further information. A summary sheet is included as the first page. Note that the purchase price includes a small premium (approx \$14,000) to provide Elk Lake with approx. \$40,000 residual that they desire to set aside for their road work fund. (this was a hint I got from their chairman to help sway their entire board) They may ask for more.

Herb, this is the typical conceptual proposal document. Will you please give it your specific review and call me prior to Tuesday, 2/22/00? Thanks.

Summary of Facts about Elk Lake Water Company

- Located in Owen County, serving 304 customers with water produced from the Elk Lake and Resorvoir
- Investor owned by the Elk Lake Association, managed by a board, Carl Stitch as Board Chair and Manger
- Currently has a 3" line connection to Tri-Village (used for emergencies only), but that line and the existing 100,000 standpipe will supply the customers following the sale — plant will be shut down and taken out of service
- No transfer of the water rights or acreage will occur
- Capital expenditures needed include the addition of a tank altitude control valve/vault at approx. \$15,000 (includes some minimal costs for plant closure expenses)
- All customers will be served from the Tri-Village office with no additional staffing required; 16.8% of the Tri-Village operations expense has been allocated (on a customer count basis) to ELWC
- A member of the ELWC board will serve on the Owen County Advisory Board
- Proposed purchase price is \$116,180 —

Book Value	\$372,380
AID	(160,086)
Contributions	(109,830)
Purchase Price	\$102,464
Acquisition Adj.	13,726

Adjusted Price \$116,180

Adj. Price	\$116,180
Plus, current Assets	14,247
Less: payoff debt	(92,427)

Proceeds \$40,000

- Provides DCF NPV of \$297,704

Kentucky-American Water Company

DRAFT

Discussion of Potential

Business Partnerships

Elk. Lake Water Co., Inc.

Kentucky-American Water Company

February, 2000

DRAFT

Kentuc American Water Company

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DRAFT

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DRAFT

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DRAFT

Kentucky-American Water Company

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Kevin Kennoy
03/16/2000 04:45 PM

To: David Baker/KAWC/AWWSC@AWW

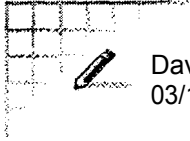
cc:

Subject: Elk Lake System Analysis

David:

I have completed my analysis of the availability of flow and system pressure to fill the Elk Lake tank. I have come up with the following observations and improvement recommendations.

1. There seems to be adequate pressure to fill the tank at a rate 3 times the average daily demand. This assumes flow being supplied from the Hesler Tank pressure zone at a 1055 hydraulic grade and the Elk Lake Tank overflow elevation is at 960. From my analysis, the flow required to fill the tank in eight (8) hours is around 45 gpm. The available flow which can be supplied is 64 gpm. The peak recorded daily flow was 77,000 gpd or 54 gpm. Therefore, the available pressure can provide the flow to the Elk Lake Tank for proper filling.
2. Also, it seems after talking with Carl and Cheri Fredelake that there are some customers at low points around the lake below elevations of 800 amsl and would see pressures of 85 psi or more. These older homes will not be able to handle that pressure. Therefore, a pressure reducing valve will have to be installed at the connection point. A discharge pressure of around 35 psi will be set to protect the those lower elevation services. The additional cost for this installation will be \$ 10,000 to \$ 15,000.
3. I also spoke with Cheri Fredelake and she will give residual chlorine samples of their system to us now and in the warmer months to give us an indication of the water quality.



David Baker
03/17/2000 07:59 AM

To: Kevin Kennoy/KAWC/AWWSC

cc:

Subject: Re: Elk Lake System Analysis

THanks for the inf. Please send me another email to confirm or correct the following assumptions that I will put in the model based upon your conclusions (keep me straight on this, K? haha):

1. The 3" line that connects to TriVillage is adequate for supply, with no need for additional pumping, etc.
2. The previous report you sent called for \$15000 in capital, and the current report calls for \$15,000, so I am putting in a total of \$30,000 in capital improvements.

Please send me a confirmation.

THanks

DB

KAWC ENGINEERING DIVISION MEMORANDUM

TO: DAVID BAKER
FROM: KEVIN W. KENNOY
SUBJECT: ELK LAKE WATER COMPANY
DATE: 03/17/00
CC: HERB MILLER

Background & Existing System

According to conversations with ELWC's operator (Vernon Minch), administrator (Carl Stitch) and DOW Water Quality Branch executive (Vickie Ray) the following are comments regarding the proposed acquisition:

- The existing purchases 22,000 gallons per day (average) and 77,000 gallons per day (peak).
- The system includes one 100,000 gallon standpipe.
- The system produces & supplies water to its customers via (144,000 gallons per day) package water treatment plant. The plant has a permit to withdraw water from Elk Lake reservoir. The plant discharges its sludge into the lake. The plant is manually controlled to shut off when the storage tank is full.
- Elk Lake reservoir has surface area of 17 acres.
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Proposed Capital Improvements

The following is a summary of tasks or items needed to acquire the system

- It is recommended, by KAWC engineering, to take the existing package water treatment plant out of service **once the water quality issues in Owenton have been resolved.**
- The existing tank should stay in service since there were no water quality problems reported and tank "turn-over" was not an issue. However, it could be advantageous to install a tank altitude valve vault to control the draw/fill dynamics of the tank. **Installation Price could be \$ 5 — 10,000.**
- Minimal engineering costs could be figured for installing valve vault and bidding. This would be around \$ **2 — 3,000.**
- In addition, a pressure reducing vault should be installed at the connection point in order to protect resident services (maximum pressures should be below 85 psi). This **can be done** for \$ 10,000 to 15,000.

Kentucky-American Water Company

1

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 VVWTP.
- 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.

▪ David Baker
05/15/2000 03:23 PM

To: Dan BickertonMNAWC/AWWSC@AWW
cc: Coleman Bush/KAWC/AWWSC@AWW

Subject: Elk Lake

Dan, thanks to you and Mike for your assistance on Elk Lake. Please find the spreadsheet package attached. I believe that I made all of the changes that we discussed with Mike and Coleman last week. As you mentioned, I have presented this exactly as your Holly Hill Example is presented with the duplicative/supporting schedules. Please look this over and call me when you have a chance. Thanks.

DB



ElkLakeRevisedWV

1 > Kentucky-American Water Company



**Proposal For Water System
Asset Purchase**

Elk Lake Water Co., Inc.

Kentucky-American Water Company

May, 2000

Kentucky-American Water Company

Proposal for Asset Purchase:

1. Background Information — Kentucky-American and American Water Works Co., Inc.
2. Partnership Option — Water System Sale
3. Purchase Contingencies
4. Procedures to Close Transaction

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- Rate Regulation under the Public Service Commission (for acquisition options only) – PSC controls rates and the KAWC rate of return

Kentucky-American Water Company

2. Proposal to Purchase Water System Assets

AWW has successfully facilitated over 75 value added water system acquisition/partnerships over the past 10 years ranging in size from 50 to 500,000 customers. Kentucky-American proposes to purchase the water distribution system, excluding the plant, cash in bank, accounts receivables, water resources and the majority of the land, with the following details: (all figures estimated from the 12/31/99 ELWC PSC Report – subject to further update, negotiation and verification by KAWC and all due diligence and approvals)

Proposed Purchase Price:

Book Value of Water Distribution, Storage systems, related land And easements:	\$379,075
Less: Accumulated Depreciation	(177,103)
Plant and Land, exc. \$5000	(74,843)
Contributions in Aid of Const.	<u>(102,719)</u>
 PSC Purchase Price Indicated :	 \$ 24,410
 Plus: Purchase Price Premium	 64,674
 Total Purchase Price Offered	 \$ 89,084
 Less: Debt Payoff at Closing	 (65,603)
Plus: Current Assets	<u>16,519</u>
Estimated Remaining Funds:	\$ 40,000**

** KAWC will not purchase nor collect Elk Lake's A/R, but will remit any funds belonging to Elk Lake after closing that are submitted with KAWC payments

Kentucky-American Water Company

- KAWC is offering to purchase certain assets of the distribution system and completely own and manage in the future
- Absent unexpected events, the current Rates would remain in place initially
- All rates and service will be regulated by the Public Service Commission
- Customer service will be maintained at the highest possible level
- State of the Art procedures for water quality, distribution, production will be used under the AWW Company Standards
- A representative from Elk Lake Water Co. may serve on the Owen County Advisory Council, established to provide input into system issues to KAWC
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- Proposal assumes that KAWC will not take ownership of the water treatment plant and related buildings, land and equipment. However, all equipment, lines, tanks, hydrants, etc. associated with the distribution and storage systems will be purchased.
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- Elk Lake will be responsible for collecting all Elk Lake A/R

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- customers will be served by Kentucky-American's Owen County Staff
- Employee of Elk Lake will be offered employment (dependent upon closing and qualifications) with competitive wages and excellent benefits, including medical/dental insurance, 401 k, pension, vacations, etc.

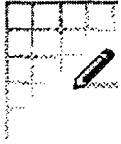
 **Kentucky-American Water Company****KAWC Contingencies Relating to Purchase of Elk Lake Water Company:**

- Verification and approval of financial, water sales and all other information
- Updating and KAWC approval of this proposal at the time of closing to reflect changes in financial position
- Public Service Commission Approval
- Approval by KAWC's Board of Directors
- Closure of the Tri-Village Water District Asset Purchase
- This proposal assumes that KAWC will not be responsible for repayment of any grant monies, other contributed capital and liabilities. Transfer of assets and rights to future revenue streams (except A/R) must be unencumbered
- All other appropriate due diligence regarding the quality of assets to be purchased, business and legal risks, accuracy and approval of financial condition, execution of an asset purchase agreement, etc., all of which are subject to KAWC approval
- No material changes in the financial condition and in the assets to be purchased or obligations to be incurred without KAWC approval
- Recommendation and support of the KAWC asset purchase agreement, and all legal, regulatory and other requirements necessary to effect this transaction
- KAWC approval of any Environmental Assessment Conducted

"N, Kentucky-American Water Company

Procedural Steps to Closure:

1. Elk Lake Board Votes to negotiate with the intent to reach a final purchase agreement
2. KAWC begins detailed due diligence
3. KAWC drafts agreement, presents to Elk Lake for execution
4. KAWC assists Elk Lake in member education, public information sessions
5. Agreement submitted to KAWC Board for approval
6. Agreement then submitted to PSC for approval
7. Closure of Tri-Village Asset Purchase
8. Closure of contract following final due diligence



David Baker
06/ 000 10:43 AM

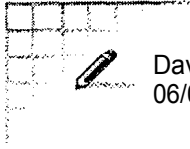
To: Herb Miller/KAWC/AWWSC@AWW

cc:

Subject: Re: Elk Lake Asset Purchase Agreement

I have reviewed the proposed agreement, and I am ready to discuss. I will ask Jan to go ahead and begin typing up a document. Will you be able to provide us with the Exhibits (asset list, employees, contracts, litigation, etc.)? Thanks.

Herb, I have asked Elk Lake to begin gathering the inf. for the exhibits - some of it is being mailed today. Can we meet tomorrow morning early or Wednesday morning to review the contract? I can go ahead **and** send the draft contract to Elk Lake's attorney for review, without all of the complete exhibit inf. BTW - The attorney is Mark Cobb, 137 W. Seminary St., Owenton, **40359 PH 502-484-2119. Thanks.**



David Baker
06/07/2000 07:55 AM

To: Jan Routt/KAWC/AWWSC, Dillard Griffin/KAWC/AWWSC, Stan Stockton/KAWC/AWWSC, Linda
Bridwell/KAWC/AW WSC,
cc: Herb Miller/KAWC/AWWSC, Nick Rowe/KAWC/AWWSC, Roy Mundy/KAWC/AWWSC, Kevin
Kennoy/KAWC/AWWSC,

Subject: Elk Lake Water Company

I need your input on some questions. As you are aware, Elk Lake has agreed to sell to us and I will be presenting the contract to them for execution within a week or so; closure is contingent upon the closure of Tri-Village. Elk Lake will retain ownership of its treatment plant and water source and we will purchase the distribution system, purchasing water through the existing connection to Tri-Village. Kevin has reviewed the engineering aspects of this plan.

The question is this: What actions do we need take with the DOW (or what advise do I need to give Elk Lake for its action) to inform them of the plant closures and conversion to purchase water from Tri-Village/Owenton?

Your feedback is needed by Monday, June 12. Thanks a lot!

DB

Kevin Kennedy
07/11/2006 11:08 AM

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

Subject: Elk lake Water

Dave:

I looked at the pressure at the connection point for Elk Lake and I believe we can eliminate the pump station. It will take some valving and a closer look at the booster station line that serves the houses that Cherie told us about.

Let me know if you need anything else.

Kentucky-American Water Company

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.

Ken tuc American Water Company

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Roy Mundy
06/08/2001 02:54 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc: David K Baker/ILAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW, Jim R HamiltonNWAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, ingramjr@skp.com

SuNect: Re aand Elk Lake lgi

I'd like to get Elklake filed ASAP after PSC order(today) on Tri-Village is issued
Herb Miller



Herb Miller
06/08/2001 11:19 AM

To: David K Baker/ILAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW
cc: Jim R HamiltonNWAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, ingramjr@skp.com

Subject: '.bnd Elk Lake

[REDACTED]

[REDACTED]

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.

David K Baker

06/11/2001 10:42 AM

To: Jim R Hamilton/VWAWC/AWWSC@AWW
cc: Lisa Helton

Subject: Elk Lake

Per our conversation this am, please find attached the EL file that breakdowns the WT plant and land items that we are not purchasing and the calculation of the purchase price. The tabs "purchase price" and "depreciation", I believe, are what you need. On the \$50,000 land, we made the assumption that \$45000 was with the plant, and the remainder we would purchase with the dist. system. The accts can give updated inf. on these items. Call if this is not what you need and I will look further.

David



ElkLakeRevisedWV

~~IN 11.11h.~~ 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@mawater.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.



Herb Miller
08/20/2001 11:44 AM

To: Jan R0utt/KAWC/AWWSC@AWW
cc: Nick Rowe/KAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Joe White/KAWC/AWWSC@AWW,
(bcc: Bill Bunch/KAWC/AWWSC)
Subject: Re: populations[

Jan, my understanding is that the Elk Lake system will be connected to the T-V system after we close on Elk Lake. In the asset purchase contract for Elk Lake there is language that acknowledges that Elk Lake's plant may have to continue in operation until the connection is acceptable, before the plant is discontinued. If something else is happening, we need to know. Thanks.

JAN

**JAN
ROUTT**
08/20/2001 09:05 AM

To: Nick Rowe/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, Joe
White/KAWC/AW WSC@AW W

Subject: Re: populations

Well this is really confusing.

Joe was under the clear impression that from what he was told when he, Kevin and David B went to Elk Lake to do a presentation (about 18 months ago?) that they had moth-balled their plant since interconnecting with TriVillage (about 2 years ago).

Carol says they (TriVillage) have noticed some explained high useage, but have been told by Sherice that they (Elk Lake) are not using water from Tri Village.

I hope that they are not for the aforementioned population reasons.

This came up when the state fluoride officer called Joe recently inquiring about the Elk Lake system due to the fact that he had no recent fluoride reports from them.

Has anyone from here ever been to the Elk Lake plant? (Have spoken with Park today and have calls in to Lisa and David B).

Dottie and I will be going tomorrow (might even go today if can get arranged) to sample the whole system in Owenton and TriVillage to see the effects of recent and will try to get arrangements to visit the Elk Lake plant and sample in that system.

I will call Chuck Gill and tell him that the current interconnection of Elk Lake appears to be a misunderstanding. Joe will call the state fluoride officer to clarify based on what we determine as well.

Jan

From: Nick Rowe on 08/20/2001 07:50 AM

From: Nick Rowe on 08/20/2001 07:50 AM
To: Jan Routt/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW
Subject: Re: populations [j]

Elk Lake doesnot purchase from Tri-Vilage yet, but will upon our purchase. This may put owenton over the 10,000 customers **threshold**.
Jan Routt

Jan Routt
08/17/2001 10:12 AM

To: cgill@owenelectric.com
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Herb Miller/KAWC/AW WSC@AW W
Subject: **populations**

Chuck's orig/ha/ elm/ to me:

"cgill@owenelectric.com" <cgill@owenelectric.com>

To: "jroutt@kawc.com" <jroutt@kawc.com>

cc:

Subject: Numbers for Owenton

The initial numbers I have rounded up are 1200 owenton, 1600 trivillage. Multiplying by 3.3 it comes to 9240. Our 1990 census data said Owen county averaged 2.6 per household which would make the total 7,280. Let me know what numbers you are comfortable with. Thanks Chuck

Response from Jan today:

Chuck, it has just come to my attention that it appears that Elk Lake needs to be included in this tabulation and that formal correction need to be made in the state and federal databases in this information.

Below is the information copied directly from the EPA web site where this can be searched. From recent conacts from the state it appears that they do not show Elk Lake as purchasing from TriVillage.

I am glad to discuss.

Jan

List of Water Systems in SDWIS

Information about water systems in KENTUCKY is maintained by DW, DIV OF WATER, DEPT FOR ENV PROT

For a detailed Violation and Enforcement History, click on the underlined Water System Name. To obtain additional info

Community Water Systems: Water Systems that serve the same people year-round (e.g. in homes or businesses).

Water System Name	Principal County Served	Population Served	Primary Water Source Type	System Statu
ELK LAKE WATER COMPANY	OWEN	1089	Surface water	A
OWENTON CITY WATER WORKS	OWEN	4084	Surface water	Ac
TRI-VILLAGE WATER DISTRICT	OWEN	5055	Purchased surface water	Acti'

Non-Transient Non-Community Water Systems: Water Systems that serve the same people, but not year-round (e.g. si

No systems were found.

Transient Non-Community Water Systems: Water Systems that do not consistently serve the same people (e.g. rest stop)

No systems were found.

Bill Bunch
08/30/2001 02:39 PM
To: Nick Rowe/KAWC/AWWSC@AWW
cc: (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Re: Personnel Change at Elk Lake[

I am not planning to be here on Friday unless absolutely necessary. I would recommend that the group continue with the meeting without me and have someone relay the findings to me so that I can respond to Carl Stitch. He is anxious to know our direction. Please advise if you would rather that I come in for this meeting. Otherwise, I will be available by cell phone or e-mail.

Nick Rowe

Nick Rowe
08/30/2001 02:34 PM
To: Richard C Svindland/KAWC/AWWSC@AWW, Jan
Routt/KAWC/AWWSC@AWW, Bill Bunch/KAWC/AWWSC@AWW,
Stan Stockton/KAWC/AWWSC@AWW
cc:
Subject: Re: Personnel Change at Elk Lake[

Let's attempt to discuss Friday morning at 8:00 a.m.
Richard C Svindland

Richard C Svindland
08/28/2001 11:55 AM
To: Bill Bunch/KAWC/AWWSC@AWW
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW,
Linda Bridwell/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW, Jim R
Hamilton/KAWC/AWWSC@AWW, Pat
Ballard/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW
Subject: Re: Personnel Change at Elk Lake[j

Bill, Nick: I have reviewed Kevin Kenroy's notes for the connection between TVWD and Elk Lake. In order to avoid over pressurization of lower elevation folks in Elk Lake a PRV is required on the existing connection, and I assume a meter will also be needed until the system is acquired. If my info. is accurate, Elk Lake's max day is 77,000 gpd and the connection is a one mile of 3" PVC main. Depending on growth and usage this main will have to be increased in the future. In order to insure proper turnover in Elk Lake's tank the PRV will need to be operated on a batch mode (timer basis). We will also need state DOW approval to make the connection. A 2" Meter and PRV should work. Construction could be quick depending on DOW position.

Jan: Could you check with DOW and see what is needed to open existing connection?

Rich S. - KAWC

From: Bill Bunch on 08/28/2001 10:32

From: Bill Bunch on 08/28/2001 10:32
To: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW, Richard C Svindland/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW, Jim R Hamilton/KAWC/AWWSC@AWW, Pat
Ballard/KAWC/AWWSC@AWW

Subject: Personnel Change at Elk Lake

I received a call this morning from Carl Stitch of Elk Lake. He informed me that his plant operator, Cheri Fredelake, has accepted a position with Toyota Manufacturing. Apparently, she applied for employment some two years ago and is just now getting a favorable response. Her tentative start date is September 10. She is trying to get that date pushed back a bit. Carl plans to work something out with Cheri where she can begin her new position with Toyota while still producing water for Elk Lake. Alternatively, he knows of a previous operator who may be able to help out in the interim.

*Carl asked if there would **be** any way to accelerate **the** connection of Tri-**K1/age and Elk Lake so that Elk Lake could begin purchasing water from KAWC before September 10.***

Alternately and depending upon how critical Cheri is to future KAWC operations in the area, we may want to approach Cheri with a counter offer of some type. Also, we might be able to supply an operator on a contract basis until the deal is closed. Just ideas to consider.

Please respond ASAP with your ideas and solutions. I have committed to speak again with Carl on Thursday morning regarding our position and direction on this issue.



Lisa Helton
08/31/2001 08:11 AM

To: Bill Bunch/KAWC/AWWSC@AWW
cc:
Subject: Re: Elk Lake PSC Report[

We do have the 2000 report. I will put it in the binder.
Thanks for letting me know about the filing!

From: Bill Bunch on 08/30/2001 03:27 PM

From: Bill Bunch on 08/30/2001 03:27 PM
To: Lisa Helton/KAWC/AWWSC@AWW
cc:

Subject: Elk Lake PSC Report

Please obtain a 2000 PSC report for Elk Lake. It appears that 1999 is the most recent in our binder.

FYI: Lindsay is hoping to have the Elk Lake acquisition filing ready for Roy's signature on Friday, 8/31.

- Lisa Helton
08/31/2001 11:09 AM

To: ingramjr@skp.com, bkbunch@meginc.com, Jim R
HamiltonNWAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW
Subject: Elk Lake Info

1 /

I spoke with Carl Stitch this morning.

1. We have a copy of the Articles of Incorporation that I faxed to Lindsey earlier today.
2. Carl said that the only depreciation schedule that he has is included in the 2000 PSC report. (He said that he had already spoke with Jim Hamilton about it)
3. He said that the \$3.00 charge is in their tariff and is for "availability of water service". He didn't think that it would be something that we would continue to charge for due to lack of ability to monitor future property owners at the resort. (There are about 1325 lots available at the resort, but only 300 - 400 with water meters/service)

If we have any further questions, Carl will be available at his home numbers today. He was in Owen County (502-484-5113) when I spoke to him, but may be at his Louisville home later today (502-231-4356).

----- Forwarded by Lisa Helton/KAWC/AWWSC on 08/31/2001 10:55 AM -----

From: Bill Bunch on 08/30/2001 04:05 PM
To: Lisa Helton/KAWC/AWWSC@AWW
cc:

Subject: Elk Lake Info

I have been unable to reach Carl Stitch today.

Please try to contact him. We need the following for the filing:

1. A copy of the Articles of Incorporation
2. Updated depreciation schedules. Year 2000 detailed schedules will be ok.
3. The asset purchase agreement references a \$3.00 monthly charge on Elk Lake customer bills. I do not find it referenced in their tariff. What is the \$3.00 charge for??

If/when you get the info, please pass along to Lindsay.

FYI: Our folks are meeting on Friday, 8/31 to talk about connecting Tri-Village with Elk Lake and other issues related to Cheri's resignation. I will be in touch with him about this just as soon as I know what we are doing.

W~~z
11,tee'l^N

From: Bill Bunch on 08/30/2001 04:05 PM
To: Lisa Helton/KAWC/AWWSC@AWW
cc:
Subject: Elk Lake Info

'h,' nr-),- lLe

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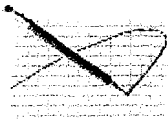
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saz- t{^q 4-dolq

73(01:EI i t.d 4 +

Rich
Jan
Nick

O



Roy Mundy
08/31/2001 04:40 PM

To: Nick Rowe/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW, Jim R
Hamilton/KAWC/AWWSC@AWW, Linda
Subject: Re: Personnel Change at Elk Lake

Nick, thanks for getting on top of this issue. I think @ this point it would be prudent to try and hire the existing operator at Elk Lake. I'm fairly certain she is in the model. Need to talk to Phil re her position & pay--ROY

From: Nick Rowe on 08/31/2001 04:22 PM

From: Nick Rowe on 08/31/2001 04:22 PM
To: Bill Bunch/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, Jim R Hamilton/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, Richard C Svindland/KAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW

Subject: Re: Personnel Change at Elk Lake []

We met on this issue Friday a.m. It looks like we won't have everything ready by the 10th. It also seems that our original, quick and dirty assessment of just turning water on from Tri-Village may be incorrect. Kevin and David made quick judgments and now we need more analysis! That's why I like to do a good due-diligence before we get too far with commitments!!! Stan and Park are going to Elk Lake on Tuesday along with C.B. Construction to see if we how quickly we can install PRV and Metering from Tri-Village. Also, Stan is looking into watering stations that Judge wants.

We may trial the connection from Tri-Village if everything works out, but will most likely continue to need the plant water from Elk Lake during high weekend demands. Mr. Stitch will need to make arrangements to have someone monitor his system usage and tank levels as he fills from the Tri-Village system. Rich is not comfortable that we can supply all his needs from the 2" PVC line from Tri-Village. We may need to run 1.5-2.0 miles of pipe from Tri-Village to Elk Lake before closing. Again, an unplanned expense and additional costs. Are we planning on rolling all costs for both systems into one tariff? We may want to offer the operator a job with KAWC if we have her in the model to keep as an employee?

Jan is checking with the DOW to see if they will allow the connection on a trial basis and permanently later! We can discuss upon your return!

Bill Bunch

Bill Bunch
08/28/2001 10:32 AM

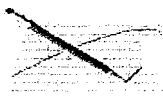
To: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW, Richard C Svindland/KAWC/AWWSC@AWW, Lir
Bridwell/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW, Jim R Hamilton/KAWC/AWWSC@AWW,
Ballard/KAWC/AWWSC@AWW
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Please respond ASAP with your ideas and solutions. I have committed to speak again with Carl on Thursday morning regarding our position and direction on this issue.



Jim R Hamilton
09/04/2001 03:56 PM

To: ingramjr@skp.com
cc: Mike MillerMNAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW
Subject: Elk Lake

The attached is the excel file as we discussed for the PSC filing relating to the Elk Lake Filing.

ELKLAKE.xls

Lindsey,

Please review and if you have any questions please give me a call. You may also want to discuss the requested treatment of the write down of the acquired contributions with Mike Miller.

Please note that the file contains 3 work sheets all of which are based on DEC 2000 numbers and would require some minor adjustment at closing for addition depreciation claimed to the date of closing an any additional amortization on the CIAC.

1. The first worksheet tab reflects the proposed journal entry to record this acquisition as of the 12/31/00 Balance sheet. The Top of the scheduled reflects the following key items

Purchase price	89084.00
Acquisition cost	<u>50000.00</u>
Total	139084.00
Gross Plant	269103.00
Accum Depr	<u>156765.00</u>
Net Plant	112338.00
Acquired Contr	95044.00
Resulting UPAA	121790.00

The Bottom of scheduled reflects the same information with our request to write down the acquired contributions against the acquisition adjustment which results in a UPAA of 26746.00. See comment below for the filing.

"The Company believes that a match of rate base and purchase price for acquired systems is proper for ratemaking purposes. The Company has agreed to pay a reasonable price for the Water utility assets being purchased negotiated in an arms length transaction. The Commission has been aware of and approved adjustments to per books depreciation (when per books depreciation included depreciation taken on contributed property). The Company Purchase price includes both contributed **and** non contributed property and as such the Company proposes to write down the acquired contributions at purchase against the calculation of the acquisition adjustment. The write down of the contributions acquired effectively creates a match of rate base and purchase price resulting a proper ratemaking match. The Company further proposes to write off in the year of acquisition any resulting UPAA determined under this treatment."

or we may want to request amortization of the UPAA ove a longer period of time ??

Lindsey you may want to refer to the commission treatment under a troubled water system deal of some nature.

2. The second worksheet tab reflects the proposed Purchase price calculation of this acquisition as of the 12/31/00 Balance sheet and at the agreed price of \$89084.00.

3. The third worksheet tab reflects the Depreciation schedule of this acquisition as of the 12/31/00 Balance sheet and reconciles the depreciation as reflected in the annual PSC report , the bottom of the schedule reflects a reconciled depreciation schedule to the assets being acquired as approved in the IP approved by our board.

Jim H

Bill Bunch
09/04/2001 07:40 AM

To: Nick Rowe/KAWC/AWWSC@AWW
cc: (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Re: Personnel Change at Elk Lake

In answer to your questions, the Elk Lake file indicates that we did plan to retain the Elk Lake employee. That is very clear in the model, the narratives and in the agreement. Although not quite as clear, it is apparent that KAWC planned to acquire Elk Lake and continue to charge Elk Lake's current tariff, less the current \$3.00 per month charge for "availability of water." Except for the minimum bill for 2000 gallons, the Elk Lake tariff is significantly lower than Tri-Village's (i.e. for an average bill of 6000 gallons, Elk Lake bill is \$15.23 less than Tri-Village). Both systems were to be served out of Tri-Village's office. It would seem to me that we would want to move all customers under the same tariff at some point in the near future, although I do not see evidence in the file of that being discussed. Given the differences in tariff, this change requires some strategic thinking - surely it has been discussed before now. Interestingly, the narrative does also state that the existing connection between Elk Lake and Tri-Village is adequate to serve Elk Lake without significant capital expenditures; thus, the need for a more detailed analysis in the due diligence phase particularly where investment decisions are relying on the assessments being made.

Nick Rowe

Nick Rowe
08/31/2001 04:22 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, Jim R
HamiltonN/AWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, Richard C
Svindland/KAWC/AWWSC@AWW, Roy
Mundy/KAWC/AW WSC@AW W
Subject: Re: Personnel Change at Elk Lakej

We met on this issue Friday a.m. It looks like we won't have everything ready by the 10th. It also seems that our original, quick and dirty assessment of just turning water on from Tri-Village may be incorrect. Kevin and David made quick judgements and now we need more analysis! That's why I like to do a good due-diligence before we get too far with commitments!!! Stan and Park are going to Elk Lake on Tuesday along with C.B. Construction to see if we how quickly we can install PRV and Metering from Tri-village. Also, Stan is looking into watering stations that Judge wants.

We may trial the connection from Tri-village if everything works out, but will most likely continue to need the plant water from Elk Lake during high weekend demands. Mr. Stitch will need to make arrangements to have someone monitor his system usage and tank levels as he fills from the Tri-Village system. Rich is not comfortable that we can supply all his needs from the 2" PVC line from Tri-Village. We may need to run 1.5-2.0 miles of pipe from Tri-Village to Elk Lake before closing. Again, an unplanned expense and additional costs. Are we planning on rolling all costs for both systems into one tariff? We may want to offer the operator a job with KAWC if we have her in the model to keep as an employee?

Jan is checking with the DOW to see if they will allow the connection on a trial basis and permanently later! We can discuss upon your return!
Bill Bunch

Bill Bunch
08/28/2001 10:32 AM

To: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW,
Richard C Svindland/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW, Jim R
HamiltonN/AWC/AWWSC@AWW, Pat

Ballard/KAWC/AW WSC@AW W
Subject: Personnel Change at Elk Lake

I received a call this morning from Carl Stitch of Elk Lake. He informed me that his plant operator, Cheri Fredelake, has accepted a position with Toyota Manufacturing. Apparently, she applied for employment some two years ago and is just now getting a favorable response. Her tentative start date is September 10. She is trying to get that date pushed back a bit. Carl plans to work something out with Cheri where she can begin her new position with Toyota while still producing water for Elk Lake. Alternatively, he knows of a previous operator who may be able to help out in the interim.

Carl/ asked if there would be any way to accelerate the connection of Tri- Village and Elk Lake so that Elk Lake could begin purchasing water from KAWC before September 10.

Alternately and depending upon how critical Cheri is to future KAWC operations in the area, we may want to approach Cheri with a counter offer of some type. Also, we might be able to supply an operator on a contract basis until the deal is closed. Just ideas to consider.

Please respond ASAP with your ideas and solutions. I have committed to speak again with Carl on Thursday morning regarding our position and direction on this issue.

Nick Rowe
09/04/2001 12:29 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc: Stan Stockton/KAWC/AWWSC@AWW
Subject: Re: Elk Lake ConnectionEJ

I assume we can meet tri-Village's and Elk lake's demand with the 500,000 gallon /day!
Herb Miller



Herb Miller
08/30/2001 12:09 PM

To: Roy Mundy/KAWC/AWWSC@AWW, ingramjr@skp.com, Nick
Rowe/KAWC/AWWSC@AWW
cc: Pat Ballard/KAWC/AWWSC@AWW
Subject: Elk Lake Connection

Carol Tudor raised a question to Roy today about whether the City of Owenton needed to approve the Elk Lake connection. There are 2 provisions in the Owenton/Tri-Village contract that are relevant.

The first is in Section A.1. which limits the total amount of water obligated by Owenton to be sold to 500,000 gallons per day, at rates of 225 gallons per minute at Highway 127 and 122 gallons per minute at Highway 227. The contract is silent as to what happens if this is exceeded.

The second provision is in Section C.2. which requires Tri-Village to give Owenton at least 30 days notice prior to completion of any new construction serving more than 50,000 gallons per month. Only notice is required, not approval.

Please let me know if we need to discuss this further. Thank you.

Bill Bunch
09/06/2001 03:15 PM

To: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW,
Jim R Hamilton/NWAWC/AWWSC@AWW, Stan
cc: Lisa Helton/KAWC/AWWSC@A Pat
Ballard/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Elk Lake Update

I spoke earlier today with Carl Stitch of Elk Lake. Following is a summary of our conversation:

As far as he knows, Cheri is still planning to join Toyota on September 10. He has worked out a deal with her to continue operation of the plant after hours from September 10 to our closing date. He has also spoken with a former operator who has agreed to back up Cheri in the event she is unavailable for any reason. Thus, the plant will continue in operation to the closing date. Carl will contact me should this plan change in any way.

Carl was very happy to learn that the interconnection with Tri-Village will be operable as a backup plan. However, it does not appear that it will be necessary to supply Elk Lake via that connection prior to closing. I explained the operation of the interconnection, etc. for his future reference. Carl will contact me should water supply from Tri-Village be necessary. We did not discuss the purchased water cost issue as it does not appear to be relevant at this time.

We spoke at length about the merits of KAWC acquiring the treatment plant; both for Elk Lake and KAWC. He sees this as a win/win situation for Elk Lake and KAWC and will discuss it with his board at their next meeting on Saturday, September 15. He expects approval by the board and will contact me with their decision first thing on Monday, September 17. He understands that we cannot proceed with the PSC filing until we receive their decision, amend the agreement, etc.

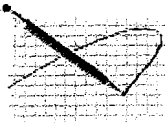
I told Carl that KAWC would be sending some operations/production folks up to look at the plant in anticipation of acquiring the property.

The acquisition of the treatment plant will likely be done with no change in acquisition price. Carl is very aware that they have paid down their debt significantly from our 1999 basis figures and is expecting proceeds of approximately \$60,000 rather than the \$40,000 originally assumed in our model. He was not receptive to reducing the agreed-upon acquisition price.

Carl did ask if we were interested in acquiring the lake as well. I explained that our discussion had centered on acquisition of the plant as backup treatment until such time as our transmission main was upgraded and that we had not discussed acquiring the lake. I cannot envision any reason that we would want to acquire the lake since we do plant decommission the plant. If I am missing something here, please let me know.

Carl was very appreciative of the efforts by KAWC to assist Elk Lake, in getting the interconnection ready, etc.

I will keep you informed as these issues develop.



Roy Mundy

09/20/2001 09:20 AM

To: Bill Bunch/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, Jim R
HamiltonMNAWC/AWWSC@AWW, ingramjr@skp.com, Jan
Dickson/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW,
Subject: Re: Elk Lake Plant Assets and Closing

LET'S MAKE SURE WE STAY ON ALL THESE ISSUES SO WE CAN HAVE EVERYTHING READY TO
CLOSE VERY FIRST THING IN JAN!!!!

From: Bill Bunch on 09/20/2001 09:14 AM

From: Bill Bunch on 09/20/2001 09:14 AM

To: Herb Miller/KAWC/AWWSC@AWW, Jim R HamiltonNNAWC/AWWSC@AWW, ingramjr@skp.com, Roy
Mundy/KAW C/AW W SC@AW W

cc: Jan Dickson/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW, Pat
Ballard/KAW C/AW WSC@AW W

Subject: Elk Lake Plant Assets and Closing

Elk Lake has now agreed to transfer its treatment plant assets, including the land, to KAWC. This will be done at the agreed-upon purchase price of \$89,084. Elk Lake has plans to convert the treatment plant site into a parking area for fishing at the lake after the plant is decommissioned. If at all possible, we need to find a way to transfer ownership of the property back to Elk Lake at no cost to them after the plant is decommissioned. The plant property is part of a much larger tract of land. We will need to have the property associated with the plant surveyed, a plat prepared, etc.. Elk Lake has recently had survey work done. To keep our costs to a minimum, I recommend that we use the same surveyor to do the plant area survey. Joe Justice, Jr., telephone (502) 875-2169, did the work for Elk Lake. Carl understands that a contract amendment will be necessary. He requests that we provide a draft of the proposed amendment to their attorney, Mark Cobb, as soon as possible.

Elk Lake is now interested in closing this transaction after the first of the year for tax purposes. It would appear that closing in early 2002 works well with the schedule that we are now on.

Herb - I need direction on these issues so that I can let Carl Stich know how we are proceeding.

Bill Bunch

09/27/2001 02:05 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Jim R HamiltonNWAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW,
ingramjr@skp.com, Pat Ballard/KAWC/AWWSC@AWW, (bcc: Bill
Subject: Elk Lake Contract Amendment and Survey

Where do we stand with regard to the Elk Lake contract amendment and survey of the treatment plant property? The attached file contains my thoughts with regard to the contract amendment. With regard to the survey, shall I contact the surveyor or do we have another plan? I (or we) need to get the contract amendment to Carl Stitch and the Elk Lake attorney ASAP for their review and approval. They are ready and anxious to move forward. We need to file this application with the PSC soon, hopefully within the next week or two, in order to meet our closing schedule of January 1 and to avoid having multiple active items at the PSC at the same time (Elk Lake, South Shore, Pineville, AWR Service Line Protection, and possibly others). Please advise.

Elk Lake Contract Amendment.d

1. This is the pertinent paragraph in the original agreement related to the treatment plant:

17. TREATMENT PLANT OPERATION: Buyer and Seller acknowledge that Seller's treatment plant may be needed to stay in operation until such time as the water service connection to the existing Tri-Village Water District (or its successor) becomes operations to Buyer's satisfaction. In such event, Seller agrees to continue to operate its water production and treatment facilities in compliance with all laws and regulations, in a sufficient manner to adequately serve the needs of the existing customers of Seller. Buyer agrees to pay Seller for the direct and actual operating costs of Seller during this period, excluding charges for Sellers' metered monthly rates and other charges in Seller's tariff. Following the completion and operation of the connection with Tri-Village Water District (or its successor), Seller agrees to terminate the operation of its water treatment facilities at no cost to Buyer.

The amendment needs to eliminate paragraph 17.

2. The water treatment plant needs to be added to Exhibit No. 1, the exhibit listing assets to be acquired. The exhibit title and references in the introductory paragraph to distribution system assets need to be changed to reflect water system assets. I would suggest that we add a statement referencing the assets as listed and reported to the Public Service Commission in the Annual Report for the period ended December 31, 2000 as being the assets to be acquired.

3. The water treatment plant real estate needs to be added to Exhibit No. 2, the exhibit listing real estate assets being acquired. References to the distribution system in paragraph 4 need to be changed to reference the water system. We do not have a lot number reference for this real estate and will not until the property is surveyed.



"Bill and/or Kathy Bunch" <bkbunch@meginc.com> on 11/01/2001 08:39:17 PM

To: <hmler@kawc.com>, "Jim Hamilton" <jhamilto@wvawater.com>, <rwmundy@kawc.com>, <ingramjr@skp.com>
cc: <jdickson@kawc.com>, <lhelton@kawc.com>

Subject: Re: Proposed Amendment to Elk Lake Asset Purchase Agreement: Please review and comment ASAP.

Following are my comments per my review and prior conversations with Carl Stitch:

1. There was to be no change in the consideration amount. The price was to stay at the current contract price of \$89,084.
2. KAWC was to take ownership of the plant at closing and assume operation of same. Elk Lake was to have no plant responsibility after closing. KAWC was to decommission the plant as necessary after closing. References to continued operation of the plant by Elk Lake need to be removed. Also, the connection with the former Tri-Village system is already in place, although possibly inadequate to supply peak demands. That reference should be word-smithed or eliminated as well.
3. The lease concept is relatively new and I have not discussed it with Carl. Carl and the board should find it acceptable as it removes the question of how to transfer ownership of the property back to Elk Lake after the plant is decommissioned.

Lisa - I do not have Mike Miller's external e-mail address. Please forward this e-mail to him for me.

Bill

- - Original Message - -

From: <lhelton@kawc.com>
To: <bkbunch@meginc.com>
Sent: Thursday, November 01, 2001 8:24 PM
Subject: Proposed Amendment to Elk Lake Asset Purchase Agreement: Please **review** and comment **ASAP**.

> FYI -

>
>

Forwarded by Lisa Helton/KAWC/AWWSC on 11/01/2001

> 08:20 PM - - - - -

> Herb Miller
> 11/01/2001 05:30 PM
>

> To: Jim R Hamilton/WVAWC/AWWSC@AWW, Mike Miller/WVAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, ingramjr@skp.com
> cc: Jan Dickson/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW

> Subject: Proposed Amendment to Elk Lake Asset Purchase Agreement: Please

S

> review and comment ASAP.

> THIS AMENDMENT TO ASSET PURCHASE AGREEMENT, dated November _____, 2001, by
> and between ELK LAKE PROPERTY OWNERS ASSOCIATION, INC. ("Seller"), and
> KENTUCKY AMERICAN WATER COMPANY ("Buyer").

> That for good and valuable consideration, including the consideration
> stated herein, the Asset Purchase Agreement ("Agreement") between the
> Seller and Buyer dated July _____, 2001, is hereby amended as follows:

> I. Section 2 of the Agreement is amended to increase the
> consideration paid for the Seller's assets from \$89,084.00
> to \$_____, said increase being the additional consideration paid
> for the Seller's water treatment plant, to be purchased by Buyer as
> provided in Section 17 of the Agreement, as amended below.

> 2. Section 17 of the Agreement is amended in its entirety to read as
> follows:

> At Closing, Buyer agrees to purchase, and Seller agrees to sell,
> the Seller's water treatment plant,
> along-with-all equipment,--fixtures pipes, valves, machinery, supplies,
> inventory and any other appurtenance or accessory of any kind used in the
> operation of said plant. After the Closing, Seller agrees to continue to
> operate the plant in compliance with all laws and regulations, in a
> sufficient manner to adequately serve the needs of the existing customers
> of Seller, until such time that Buyer completes its connection to the
> former Tri-Village Water District (now owned by Buyer) and directs Seller
> to terminate operation of the plant. Seller agrees to then terminate the
> operation of the water treatment plant at no cost to Buyer. During the
> time of operation by Seller, Buyer agrees to pay Seller for the direct
> and
> actual operating costs of Seller to operate the plant, excluding charges
> for Seller's metered monthly rates and other charges in Seller's tariff.
> The water treatment plant shall be included in the Assets purchase as
> referenced in Section 1 of the Agreement.

> After the Closing, and until Buyer directs tha Seller should
> terminate the operation of the plant, the Seller agrees to lease to Buyer
> the land upon which the plant is located (including rights of reasonable
> access) at no additional cost to Buyer. Upon termination of the plant's
> operation, the lease for the land will terminate and Buyer shall not be
> further obligated to Seller. Following the termination of the lease and
> for a reasonable time thereafter, Seller shall give Buyer reasonable
> rights
> of access to the plant for Buyer's business purposes, including closing
> the
> plant, removal of property from the location, and other matters in Buyer's
> discretion.

>
>
> Agreed, this _____, of November, 2001.

>
>
> ELK LAKE PROPERTY OWNERS ASSOCIATION, INC. KENTUCKY-AMERICAN WATER
> COMPANY

>

> By: _____

By:

> Title:

Title:

> Witness: _____

Witness:

Herb Miller

7 11/16/2001 01:37 PM



To: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW
cc: ingramjr@skp.com
Subject: Elk Lake

Today I spoke with Carl Stitch as he wanted an update for his Board meeting tomorrow. I explained to him that we still needed to do an inspection of the plant before we signed a contract amendment to purchase. If the inspection was acceptable, we could move quickly ahead with a PSC filing.

I agreed to send him (with a copy to their attorney) a copy of the proposed amendment. That way, he could get his board's approval, and we could sign it as soon as we were satisfied with the plant inspection.

He was agreeable to this and seemed very friendly once he felt comfortable that we were still going forward.



Jan Routt
X1:59 PM

To: Coleman Bush/KAWC/AWWSC@AWW
cc:
Subject: Re: Elk Lake/Due Dilligence

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 02:00 PM --

Nick Rowe
11/16/2001 09:57 AM

To: Stan Stockton/KAWC/AWWSC@AWW
cc: Linda Bridwell/KAWC/AWWSC@AWW, Roy Mundy, Richard C
Svindland/KAWC/AWWSC@AWW, Dillard
Griffin/KAWC/AWWSC@AWW, PARK
TACKETT/KAWC/AWWSC@AWW, Jan
Routt/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW
Subject: Re: Elk Lake/Due Dilligence

Could you please take the Lead on these issues. The Elk Lake question may be one that we really won't know until the summer months unless we can get an Engineers opinion on the hydraulics. My other concern is that we really won't have a certified operator for that plant so we must discuss the possibility of using someone with an operators license as a permanent employee at Elk Lake. We need to make this decision very soon so you might want to consider putting together a team to review the plant.

Pat Ballard

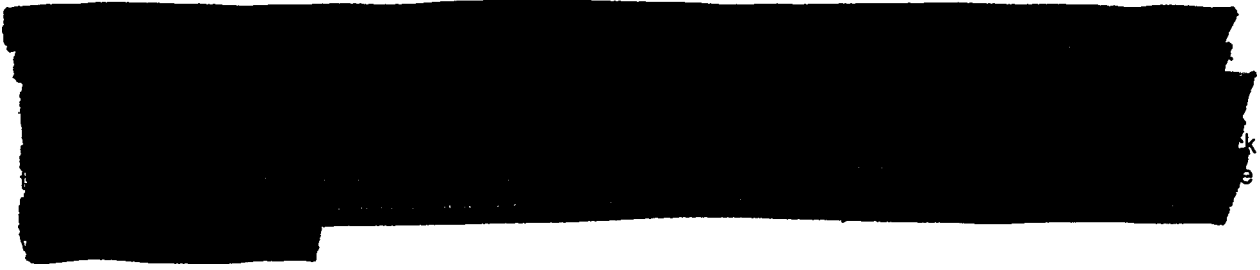
Pat Ballard
11/14/2001 11:06 AM

To: Nick Rowe/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, Phil
McConathy/KAWC/AW WSC@AW W
Subject: Elk Lake/Due Dilligence

RE: Elk Lake/Due Diligence/Employee Situation

Nick, I know you have probably seen Herb's emails regarding our attempt to move forward quickly in getting an application filed with the PSC for Elk Lake. Even though we are attempting to make a better "financial deal" by accepting the plant as part of the property, we must make sure that we are in a position to run the plant and therefore must do a due diligence asap. From Bill Bunch's notes it appears as though we may need to run the plant to supplement summer months anyway or increase some of the pipe size that is coming from Tri-Village. Again this is the due diligence that needs to be taken care of. Maybe we could incorporate some services from PEH who is already in Owen County working if we are short-staffed. On the issue of the current operator at Elk Lake, I got the opinion from Bill Bunch we really haven't made a direct effort or attempt to keep Sherry on as an associate of KAWC. I know Stan has had some discussions with her but I would like for you to verify that we have attempted to make her an offer that

would be competitive with Toyota and that she truly feels that we would like to have her as part of the team and not maybe as a passing process I'll let you be the judge but again we do need to have another discussion with her in light of Bill Bunch's comments.



Thanks,
Roy

Jan Routh

07/30/ :07 PM

To: Coleman Bush/KAWC/AWWSC@AWW
CC:
Subject: Note from Nick -- Elk Lake / Owen County Projects

Jan C. Routh
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 Routh/KAWC/AWWSC on 07/30/2004 02:07 PM --



Peggy Slone

01/15/2002 01:04 PM

To: Stan Stockton/KAWC/AWWSC@AWW
cc: Richard C Svindland/KAWC/AWWSC@AWW, PARK
TACKETT/KAWC/AWWSC@AWW, Jan
Routh/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW,
Herb Miller/KAWC/AWWSC@AWW
Subject: Note from Nick -- Elk Lake / Owen County Projects

Note from Nick:

1. Jan is in process of finalizing population numbers for Elk Lake with the DOW. Assuming we file application with the PSC, we need to be in position to develop a contingency plan for operating the Elk Lake 'system during summer months.
 - What distribution system improvements would be needed to deliver more water to the Elk Lake system?
 - Can we contract out an operator (Marshall from Owenton) to run the Elk Lake plant this summer if necessary, or will Cherie be available to perform that task for us?
2. What is status of New Columbus and the remaining Owen County projects?

Would like a status report by **Monday, January 21st.**

Jan Routt
X2:09 PM

To: Coleman Bush/KAWC/AWWSC@AWW
cc:
Subject: Elk Lake / Owen County Projects

Jan C. Routt
Director Water Quality
Kentucky American Water
6300 Cedar Creek Lane
Lexington, Ky 40515
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E jroutt@kawc.com

-- Forwarded by Jan Routt/KAWC/AWWSC on 07/30/2004 02:09 PM

Stan Stockton
01/22/2002 10:24 AM

To: Nick Rowe/KAWC/AWWSC@AWW
cc: Richard C Svinland/KAWC/AWWSC@AWW, PARK
TACKETT/KAWC/AWWSC@AWW, Jan
Routt/KAWC/AWWSC@AWW, Bryan Siler/KAWC/AWWSC@AWW,
Carol F Tudor/KAWC/AWWSC@AWW, Fred
White/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW
Subject: Elk Lake / Owen County Projects

This past Friday, the following individuals met to discuss

Rich Svinland
Park Tackett
Jan Routt
Brian Siler
Carol Tudor
Fred White

- > Ground breaking for first 40,000 ft. in March
- > Total of 40 miles, predominantly pvc SDR 21
- > One Tank
- > Engineering, construction etc. on track - several issues need to be resolved/discussed
- > Rich is meeting with Georgetown this week to discuss purchasing/wheeling water for south end of Owen County - approx. 125 potential customers would be served

Discussed the following topics:

- > - Progressing on electric to all tanks Problems at Glencoe and Monterey
 - Monterey - property owner issue
 - Glencoe - property owner issue and whether we are going to leave this tank in service
 - Carol is to provide more info. to Rich concerning customer base, usage, etc.
 - Mainly a Fire flow issue
- > Everyone in agreement we do not need to be taking over the treatment plant
- By Feb. 15th, Rich to have modeling complete to confirm if both plant and tank can be eliminated and what Distribution improvements are required (if any) to make this happen.

>

Carol to become familiar with our main extension policies. Tri-village to be same as the way we do here. Any customer inquiries to come through Carol, if she does not know the answer she is to contact Fred. Carol is then to advise customer. Customers should not be contacting Fred directly.

Nick -

> Do we want Tri village board to purchase material this would eliminate sales tax of approx. \$30,000 (an additional 24,000' of pipe) Since KAWC will ultimately own - will this pass a "smell test"

> KIA Tri village applied received authorization for a grant \$900,000 Is this still an option since Tri Villiage is now KAWC or would we have to consider this a loan and pay back funds? How do we go about acquiring funds?

Another "smell test" issue

> Monterey pressure problem - customer still complaining to PSC To resolve problem need to replace approx. 5000 ft. of PVC with 6" Ductile approx. \$90 - 100 k Do we go ahead and do this on our own or roll into New Columbus project costs? (My opinion is we really need to go ahead with this - it has to be done to provide adequate service to existing customers - handled in next rate case - maybe just do less of New Columbus if rate increase is going to be too much)

> Rate increase issue - 20-25% What should our game plan be for making this issue known - do something now or wait until later? It's not going to go away!

> Elk Lake - purchase price - no need to purchase plant, use those funds for system improvements.

Jan Routt
x: 11 PM

To: Coleman Bush/KAWC/AWWSC@AWW
cc:
Subject: Re: TriVillage/Owenton Population and future DBP requirements

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

- - -Forwarded by Jan Routt/KAWC/AWWSC on 07/30/2004 02:11 PM - - -

Jan Routt
01/30/2002 02:20 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Carol F Tudor/KAWC/AWWSC@AWW, David Shehee/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW, Dorothy Johnson/KAWC/AWWSC@AWW, Joe White/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW, Mitzi Combs/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, PARK TACKETT/KAWC/AWWSC@AWW, Richard C Svindland/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW, Barbara Brown/KAWC/AWWSC@AWW, Susan La ncho/KA W C/AW W S C@AW W
Subject: Re: TriVillage/Owenton Population and future DBP requirements

Herb,

I agree it will be good to have DOW letter in hand before proceeding with filing Elk Lake with PSC.. Hopefully that won't be too long.

Gee's, that means we'll have to do their 2001 CCR too...maybe if we get the system off the books, we can avoid that..not likely.

It means we'll have to find and compile all their 2001 compliance data...including possibly, unregulated data collected quarterly by the State under a special pre-regulation arrangement this past year.

We'll be taking care of that from here I hope, but may need to go through records up there, so let's be sure to take custody fo the "old" paper when we take the rest.

When do we anticipate closing on Elk Lake?

I don't think I saw Nick's question on retiring the plant???

Jan
859/335-3662 office
859/263-3137 fax
jroutt@kawc.com



Jan Routt

2 PM

To: Coleman Bush/KAWC/AWWSC@AWW
CC:
Subject: Re: Elk Lake acquisition

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 02:12 PM --



Jan Routt

02/07/2002 07:11 AM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, ingramjr@skp.com, Linda
Bridwell/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW,
Richard C Svindland/KAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Stan
Stockton/KAW C/AWWSC@AW W
Subject: Re: Elk Lake acquisitio n

Herb, See my response below in blue..Jan
859/335-3662 office
859/263-3137 fax
jroutt@kawc.com
Herb Miller



Herb Miller

02/06/02 10:41 AM

To: Bill Bunch/KAWC/AWWSC@AWW, Stan
Stockton/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, Linda
Bridwell/KAWC/AWWSC@AWW, ingramjr@skp.com
Subject: Elk Lake acquisition

Bill, Rich and I will attend an Elk Lake Board Meeting at 9 am, Saturday, February 16th. We need to be able to explain the status of the deal and the timeline and remaining events for a filing and a closing. Here are the questions I have:

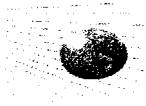
1. Jan -- what do we need to do to get the letter from DOW approving the population figures? I'll call Vicki on this again on Thurs to see where this is.. If it's not in the mail already, I'll ask Vicki about going ahead and sending this in a separate letter right away, so we can proceed with the filing. (She said she was going to try to address several things in one letter to several KY systems--this and the new requirements on DBP monitoring). Seems our population analysis needs to be addressed separately anyway.

2. Stan/Rich -- if we buy the plant (it appears we will in order to reduce the acquisition adjustment), can we just dismantle and haul away? Do we need to fill in lagoons or otherwise need to remediate the property? I have seen a figure of about \$15,000 to do all of this. Is this correct? How long will it take to get rid of the plant and what will the property look like after its gone?

3. Lindsey -- once we file, how long (based on the Tri-Village transaction) might we guess it will take for the PSC to act? Once a nonappealable order is entered, and all conditions are met, we have 60 days within which to close.

4. Bill -- do we have all the latest financial info from them and it is acceptable?

We need to avoid any of the last minute issues as we saw with Tri-Village. If anyone sees this as a potential, please speak up loudly now. Thanks.



Jan Routh
02/08/2002 10:34 AM

To: Bill Bunch/KAWC/AWWSC@AWW, ingramjr@skp.com, Linda
Bridwell/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW,
Richard C Svindland/KAWC/AWWSC@AWW, Roy
cc: Herb Miller/KAWC/AWWSC@AWW
Subject: Re: Elk Lake acquisition update from DOW

Meant to reply to all.. here it is.

Jan

Jan C. Routh
Director Water Quality
Kentucky-American Water Company
859/335-3662 office
859/263-3137 fax
jroutt@kawc.com
-- Forwarded by Jan Routh/KAWC/AWWSC on 02/08/02 10:24 AM



Jan Routh
02/08/02 10:31 AM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Mary Ellen Pugh/KAWC/AWWSC@AWW
Subject: Re: Elk Lake acquisition

Thanks, Herb, for this information...

I left a phone message for Vicki yesterday that we need the Owenton/TriVillage population revision letter in hand prior to filing Elk Lake with the PSC and to please call me on that if needed.

I spoke with Ann Workman (the DOW DWB district supervisor for Owenton Co). She said the letter has been drafted today (by herself...she said they had a little mix up as to who was drafting the letter), and Vicki is reviewing it now. Ann expects it to go out today, and it does address the population revisions. I suggested that she might fax it to me as well if okay with Vicki.

I will let you know as soon as I see anything and will make arrangements to get it to you. I too want to see the letter to be sure that it adequately addresses the issues.

Mary Ellen, will you watch for this original letter to come through from Vicki Ray about population in the TriVillage/Owenton system, and call me as soon as you see it please?

Thanks, Jan

Jan C. Routh
Director Water Quality
Kentucky-American Water Company
859/335-3662 office
859/263-3137 fax
jroutt@kawc.com
Herb Miller



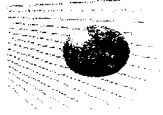
Herb Miller
02/08/02 08:18 AM

To: Jan Routh/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, ingramjr@skp.com, Linda
Bridwell/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW,
Richard C Svindland/KAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW
Subject: Re: Elk Lake acquisition

I saw Vicki Ray at the KIA meeting yesterday and told her that the only remaining item needed before we

file with the PSC on Elk Lake was her letter. I told her we are to visit with the Elk Lake Board on the 16th and they will want to know the status.

I also joked with her about trying to keep Judge O'Bannion off her back. I could not get a good read from her as to when her letter would be ready.



Jan Routt
02/08/2002 05:01 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, ingramjr@skp.com, Linda
Bridwell/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW,
Richard C Svindland/KAWC/AWWSC@AWW, Roy
Subject: Re: Elk Lake acquisition

Herb Miller



Herb Miller
02/08/02 03:57 PM

To: Jan Routt/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, ingramjr@skp.com, Linda
Bridwell/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW,
Richard C Svindland/KAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW
Subject: Re: Elk Lake acquisition

Great Letter! Thanks, they did do a good job on these didn't they.

What is the significance of a "Warning Letter" as opposed to an NOV? This would have no real consequences except to advise the utility of pending non-compliance if something is not done to correct when new regs take effect for the smaller systems. No public notice will be required

Is this reportable to the EPA? No, actually the previous NOV's have not been reported to EPA either...Vicki just formally stated that to me...before, she has always suggested that they might be..they have not shown up on SDWIS to date. Actually since systems have redone sample site plans they will not even run the 4-quarter averages to see if systems are exceeding the former 100 limits. At least that is what I remind Vicki of in our last conversation and she said that they would indeed have to start over on THM compliance...no new 4-quarter averages till end of 2002.

I do think that if some system was grossly out of compliance based on new and old data..that this interpretation could change so it will still be important for us to keep THM's under control in the combined TriVillage/Owenton system..and we will have to report the highest numbers (with health language) in the CCR's next year...

FYI -- We are currently working up last year's CCR ..which will not show violations.. just highest THM numbers along with the health language.

How is it treated internally? no precedent that I know of, so don't know really.

Why would we be cautioned about a standard that will not be in place until 2004? I suspect. so that we can get ready,,, and probably this will be in place of their previous NOV/public notice requirement...acknowledging that they know it is a problem and have notified us. I think the quickly pending reg for the smaller systems is probably the main reason they feel comfortable not making us give acutal quarterly public notice based on higher than 80 THM averages in the interim. Now there is a more formal federal and state plan (regulation process) to address all of this in a defined and fairly quick time-frame. That really hasn't been the case until just recently.

Jan Routt

JanRioutt / 02/08/2002 02:57 !

To: Herb Miller/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, ingramjr@skp.com, Linda Bridwell/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Richard C Svindland/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW

Subject: Re: Elk Lake acquisition [j]

Herb, and All...

The faxed letters from DOW on Owenton and Elk Lake are on their way to Herb's fax from mine. They look fine to me. Please let me know if you have any questions or concerns.

Please keep me posted on construction and tie-ins in the Owenton and TriVillage/Elk Lake,, & New Columbus because we will need to let the state know via letter in advance of these and we will need to keep our monitoring and reporting correct.

Thanks,

Jan
859/335-3662 office
859/263-3137 fax
jroutt@kawc.com
Herb Miller

Herb Miller
02/08/02 08:18 AM

To: Jan Rount/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, ingramjr@skp.com, Linda Britho
Rowe/KAWC/AWWSC@AWW, Richard C Svindland/KAWC/AWWSC@AWW,
Stockton/KAW C/AW W SC@AW W
Subject: Re: Elk Lake acquisition[j]

I saw Vicki Ray at the KIA meeting yesterday and told her that the only remaining item needed before we file with the PSC on Elk Lake was her letter. I told her we are to visit with the Elk Lake Board on the 16th and they will want to know the status.

I also joked with her about trying to keep Judge O'Bannion off her back. I could not get a good read from her as to when her letter would be ready.

Bill Bunch
02/12/2002 02:21 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc: (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Re: Elk Lake MeetingD

Thanks. I'll do some research prior to our meeting on Saturday.

Herb Miller



Herb Miller
02/12/2002 02:17 PM

To: Bill Bunch/KAWC/AWWSC@AWW, Jim R
HamiltonNWAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW
Subject: Re: Elk Lake Meetingb

I do not know what the plans are other than to keep current rates in effect for some unknown period. This apparently includes some kind of winter minimum that is in place. There is also a \$3 monthly fee referenced in the asset purchase agreement that Elk Lake agrees to remove from its tariff prior to closing. I am not sure what this is for. The people who might know are Jim Hamilton and David Baker. Its a pretty darn good question though!

From: Bill Bunch on 02/12/2002 09:30 AM

From: Bill Bunch on 02/12/2002 09:30 AM
To: Herb Miller/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW

Subject: Re: Elk Lake Meeting [j]

What is the current plan with regard to rates? It would seem that there are three options. (1) Maintain the existing tariff until interconnection with Owenton is complete and Elk Lake plant is decommissioned and then file for rate adjustment based on cost of service, i.e. Owenton purchased water costs. (2) Maintain the existing tariff until resolution of the current proposal to acquire Owenton and then going for a single tariff rate with Owenton/Elk Lake or Owenton/Elk Lake/Tri-Village(this would mean holding rates as they are for 2-3 years, as is proposed to Owenton). (3) Maintain current rates indefinitely. The most recent written proposal to Elk Lake, dated May 2000, states that "absent unexpected events, the current rates would remain in place initially."

Herb Miller

Herb Miller
02/12/2002 09:16 AM

To: Bill Bunch/KAWC/AWWSC@AWW
cc: Richard C Svindland/KAWC/AWWSC@AWW, Carol F Tudor
Subject: Re: Elk Lake Meeting[]

Bill, Rich and I will meet at the office at 7:30 this Saturday morning and drive together to Elk Lake. If anyone wants to drive separately, that's OK, just let me know ASAP. Carol Tudor will meet us there at 9 am.

My guess is that most of the questions will be about the timing of the deal. The goal is to file with the PSC next week. But, we should be ready for questions about rates, service calls, new connections, billing, removal of the plant, water quality and pressure, etc.

Thanks for your flexibility in being able to do this on a Saturday. I doubt it will last more than an hour.



Jan Routt
'9W-30/2004-02:13 PM

To: Coleman Bush/KAWC/AWWSC@AWW
cc:
Subject: Re: Elk Lake Update

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 02:14 PM - - -

Nick Rowe
02/18/2002 08:18 AM

To: Stan Stockton/KAWC/AWWSC@AWW, Richard C
Svindland/KAWC/AWWSC@AWW, Jan
Routt/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW
cc:
Subject: Re: Elk Lake Update1 '

Just to let everyone know, we plan on filing Elk lake and taking ownership, within 60 days. Rich/Stan- we must be raedy to open connection at that point.

Bill Bunch

Bill Bunch
02/18/2002 07:44 AM

To: Jim R HamiltonNVAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Coleman
Bush/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW, Richard C
Svindland/KAWC/AWWSC@AWW, Carol F
Tudor/KAWC/AWWSC@AWW
Subject: Elk Lake Update

FYI: Herb, Rich, Carol and I met with the Elk Lake board on Saturday. The meeting went well. We obtained their signature on the contract amendment regarding acquisition of the treatment plant property, answered several of their questions, and provided them with an update on status and timeline. We plan to file the joint application with the PSC this week. We advised them that without intervention by outside parties, we expected PSC approval within 60 days and closing as soon as legally possible thereafter. They seemed comfortable with our responses to their questions and in the proposed timeline.



Jan Rutt
S 2,994-A314 PM

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

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

-- Forwarded by Jan Rutt/KAWC/AWWSC on 07/30/2004 02:14 PM



Herb Miller
02/20/2002 12:55 PM

To: ingramjr@skp.com
cc: 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, Jan Rutt/KAWC/AWWSC@AWW,
Richard C Svindland/KAWC/AWWSC@AWW, Jim R
Hamilton/WVAWC/AWWSC@AWW, Mike
Miller/WVAWC/AWWSC@AWW
Subject: Elk Lake Acquisition

We met with the Elk Lake Board this past Saturday morning to update them on our progress. We shared with them the recent letter from the DOW recognizing the population numbers that we had established to make sure that the new water quality regs do not apply until January 1, 2004.

The Amendment to the Asset Purchase Agreement that adds the treatment plant to the assets purchased has now been signed by Elk Lake and Roy will sign it tomorrow. After he does, we will give you a complete set to attach to the PSC Application to send to the Elk Lake President for his signature on the Application. Following that we can file with the Commission.

The Elk Lake Board wanted a commitment in the contract on when the plant would be removed. We told them that we could not put such a time limit in the contract because we needed to see what happened to the summer peak usage before the plant could be removed. Also, critical to doing this was the installation of a new main being run for New Columbus and from the southern part of the County. In all likelihood, this would not be done until Fall, 2002 at the earliest.

I will be sending a letter to the Elk Lake attorney explaining this. Rich has been looking into some alternatives that might work regarding then plant.

Jan Routt

00 4 PM

To: Coleman Bush/KAWC/AWWSC@AWW
cc:
Subject: KAWC monthly WQ Report January 2002

Jan C. Routt
Director Water Quality
Kentucky American Water
6300 Cedar Creek Lane
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E jroutt@kawc.com

-- Forwarded by Jan Routt/KAWC/AWWSC on 07/30/2004 02:15 PM --

Jan Routt

02/20/2002 05:03 PM

To: Richard H Moser/WQ/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, Tom
Holbrook/WVAWC/AWWSC@AWW, David
Shehee/KAWC/AWWSC@AWW, Joe White/KAWC/AWWSC@AWW,
Dorothy Johnson/KAWC/AWWSC@AWW, Mitzi
Combs/KAWC/AWWSC@AWW
Subject: KAWC monthly WQ Report January 2002

To: Richard Moser
From: Jan C. Routt
Copies: John Young, Nick Rowe, Roy Mundy, Linda Bridwell, Stan Stockton, Dillard Griffin, Tom
Holbrook
Subject: Kentucky-American Water Company- Water Quality Report- January 2002

Central Division (Lexington, Boonesboro)

Source **water conditions:** January rainfall was normal early on, but two inches on the 23rd and 24th caused a surge in river source turbidity. This elevated source turbidity continued over the last week of the month peaking at 1200 ntus (daily average 733) on the 25th and was still elevated with 100ntu daily average on the 31st. The monthly average river turbidity was 89.6 ntus was higher than the 5 year historical average of 60.5ntus. River flow at Lock 10 averaged 6117cfs for the month in January, and Pool 9 level averaged 554.9. TOC levels in the Ky. River, Jacobson Reservoir and Lake Elerslie were 2.2, 2.1 and 6.3mg/L, respectively. The River transfer line remained on all month providing most of the raw source water for Richmond Road. The Jacobson Reservoir averaged 58.2% full in January due to drawing it down via the valve in the dam to facilitate ongoing sewer crossing construction. Through the first three weeks of January RRS did not treat any reservoir water, due to the inability to feed permanganate while the drain valve is open. During high river turbidities January 26th -29th, the river line was throttled back allowing blended RRS use of the lower turbidity Jacobson reservoir. This cut coagulant demand and improved treatment at RRS during this interval, but did necessitate addition of permanganate and PAC. By month end RRS had returned to full Ky River source.

Treatment performance **and assessments:** The above-described source conditions caused a chemical cost overage of \$11,179 at RRS and \$8,966 at RRS for a total overage of \$20,145 for the month or January. Analysis of the budgets showed that these overages due to increased coagulant, chlorine and caustic as expected with high source turbidities. KRS and RRS settled turbidities were 3.4 and 2.7 ntu's, respectively. Note this is elevated for RRS still due mainly to sludge buildup in the basins needing to be manually cleaned. KRS settled turbidities were elevated on monthly average for two reasons: 1)river

turbidities were elevated during the last week of the month; 2) the first stage Kty River Station rapid mix was out of service after January 18th when its support beam failed allowing it to fall into the mix chamber. This necessitated plant shut-down for 4.5 hrs to have a crane extract the mixer and to restore pre-chemical feed lines which had to be removed to allow the mixer extraction. The overall effect on treatment without the mixer is a slower forming (smaller, poorer settling floc) which has necessitated more frequent filter washes. One KRS filter exceeded the trigger of 1.0 ntu for two 15-min readings on the 23rd of January. This was due to filter 5 draining down below the media prior to restarting the filter after backwash. (This was due a valve malfunction which has since been repaired). Aldrich Unit 6 remained out of service through January awaiting repairs subsequent to the December valve-house flooding. This also stressed operations somewhat by further increasing the filter use (and washes needed) on the nine units remaining in service. Despite these equipment and source challenges in January, all four-hour filter composite turbidity readings at KRS and RRS were ≤ 0.1 ntu.

The January TOC results for both plants and source were submitted to the state with the other monthly compliance reports, for the first time in February, in accordance with new DDBP regulations in effect in January. The KRS TOC removal ratio (using PACL coagulation) was 1.1. RRS achieved a TOC removal ratio of 1.8 using ferric chloride and polymer (and GAC filters) to treat the same river source water. The Delpac 2500 continues to perform well...better than the previous Sternpac 70...at KRS. At this writing a plant trial of Delpac 2500 PACL at RRS has begun (February 19th start) in hopes of maintaining good overall water quality while decreasing solid residuals and treatment costs at that plant. Based on preliminary jar studies this will reduce the TOC removal by about 0.5 milligram and will also increase effluent pH slightly at RRS. The DBP formation effects will be studied over time along with any impacts on distribution chloramine stability and nitrification, given that turbidity performance remains satisfactory.

Distribution compliance monitoring, assessments & plans: All 215 KAWC-Lexington system compliance bacteriological samples were clear in January and showed acceptable chlorine residuals (average 2.5mg/L). All KAWC-Boonesboro (Ford Hampton) bacteriological samples were clear of coliforms with that system averaging 0.6 mg/L free chlorine for the month. Routine monitoring of KAWC tanks indicated good tank turnover and no new problems with tank nitrification in January (all tanks ≤ 0.003 mg/L nitrite and with ample chlorine and acceptable HPC's). The Sadieville tank remains out of service. The Church St. main in downtown Sadieville less nitrification (0.0007 mg/L) in January with 0.7 mg/L chlorine. HPC's remained satisfactory in this area at 2cfu/mL. This apparent improvement could be related to cold temperatures. Subsequent analyses will determine. The Tates Creek tank remains out of service, as well, pending disinfection following detection of nitrification in June. This tank will remain out of service till contracted tank improvements are complete. In January KAWC completed installation of online monitors (chlorine, pH and turbidity) at tank & booster sites to increase distribution monitoring for security reasons. In addition, (pending the completion of the distribution online monitor installations) a plan has been kept in place to have routine surveillance testing done at compliance distribution sites on weekends and at associate homes. No unusual results have been reported to date in this added testing.

Customer inquiries & response: There were sixteen customer contacts to water quality for follow-up in January. One of these came via the web site with the remaining via telephone. Six discolored water calls were handled by customer service directly with the remainder referred to WQ. Two calls were due to particles stopping up strainers related to the hot water tank dip tube failure. Five calls were related to taste and/or odor in the water, three of which were attributable to in-house plumbing problems, and one dissipated on its own. Two appeared to be routine air in water. Two were possibly hardness related--one about film on dishes in dishwasher and one about precipitates in boiled water. The other calls were inquiring about general water quality or information requests. All were handled to customers' satisfaction. Two WQ calls were pending at month end.

KAWC & Wastewater KPDES: KRS and RRS KPDES discharge sites analyzed in January were in compliance. Rockwell wastewater discharge results were in compliance with the exception of fecal coliforms. Negotiations continue toward annexing the Rockwell collection system to the neighboring Winchester Municipal Utility WWTP as per State directive. In keeping with this, letters of notification went to the industrial customers in December that Rockwell would no longer accept their sewage as of March 2002. The Rockwell plant will be taken off line by June with the remainder of customers connected

with the WMU system.

Northern Division (TriVillage)

KAWC has continued to conduct and submit State-required supplementary monitoring in Owenton following Owenton's May 2000 conversion to intermediate chlorination. In December we implemented a program to have this sampling done by Owenton and TriVillage staff with analyses and reports, only, to be done by KAWC/Lex WQ staff. This has continued in January in an effort to manage ever-increasing demands on WQ staff time. KAWC, again in January, prepared submitted TriVillage operations and bacteriological reports. All TriVillage samples were free of coliforms, and free chlorine residuals averaged >1.0 mg/L, with all sites at, or above, 0.2mg/L.

On January 14th we submitted to the State the 2000 Census-based population for the combined Owenton/TriVillage systems (including proposed future annexations of Elk Lake and New Columbus which show the combined system to be less than 10,000 population. This will postpone the effective date of the DDBP rule for these systems under Ky Law and will also greatly reduce monitoring required under future regulation. At this writing the State has accepted these revised population numbers and has specified continued interim monitoring for this combined system for THM's only at five sites for the "joint system" (one Owenton raw, three Owenton average distribution sites and one TriVillage maximum retention site). This system, and others just under 10,000 population in KY, will be required to continue THM testing and will be issued "warning letters" if the 4-quarter average THM level exceeds 80ppb. This will not constitute a violation or require any public notice other than inclusion in the CCR...until 2004 when the new THM (and HAA and TOC removal) requirements will apply to the smaller systems. The interconnection was nearing completion for water purchase from Gallatin Co for the Glencoe area of TriVillage in January. We have contacted State on this, and we will be still monitoring this area as a part of the TriVillage "joint system," with Gallatin County as an alternate source, once this connection is finalized.

Acquisition summary: The above-noted acknowledgement of the population in the Owenton/TriVillage area has allowed moving forward with the acquisition of the Elk Lake system to be annexed to TriVillage. The PSC filing for Elk Lake is to be the third week of February, expected to be finalized in May. On February 4th, KAWC made a proposal to the Owenton Water and Sewer Board to purchase those facilities. Reportedly this was well-received. Response is awaited at this writing.

Effective January 1, 2002, a five-year operations agreement between KAWC and Pineville Water (2.5 hours south-east of Lexington). Under this arrangement RRS Operations Supervisor, Rick Buchanan, has worked in Pineville for the majority of the time from October to-date. Candidates for a full-time manager there are under consideration at this time. WQ is assisting with RRS plant supervisory and administrative work in the interim during Rick's reassignment, and will provide support in Pineville as needed (we have already provided input into the new monitoring plan as required by the State under new regs effective 2002 and are currently reviewing their monitoring for 2002 and will likely be involved the their new treatment facility start-up in March. Previously absent online individual filter turbidimeters have been installed at this writing in compliance with new regs. KAWC will also be taking on Pineville's monitoring and reporting to the extent that staffing and accounting processes will allow

At this writing, at the system's and the State's request, KAWC continues to provide supervisory and operator assistance for a distressed water system in Martin Co (Inez,Ky) about 2.5 hours away also. A KAWC Operations supervisor and operator have been temporarily reassigned in this effort. Water Quality is involved here as well in increased operator assistance for those covering of the absence of the regular KRS "8-4" operator.

Southshore acquisition continues to be subject to renegotiations. This is a groundwater system with concerns as to continuing long-term classification as groundwater due to wells being in very close proximity to the Ohio River.

Meetings, Presentations, Regulatory and Committee Activities & Tours: RRS WQ Specialist Joe White, participated in an ORSANCO conference call on January 24th. The writer participated in a Partnership for Safe Water Steering Committee conference call on January 16th and provided an article

about the team efforts to improve water quality in Owenton/TriVillage for the Ky-Tn AWWA Section newsletter. The writer also participated in a Science Night at Julius Marks Elementary on January 8th to talk with parents and students about potential science fair projects.

Work began on 2001 CCR's for various KAWC systems, and we continue working with the AWS contractor on getting these ultimately printed and mailed. These will include, but not necessarily be limited to, KAWC Lexington/Boonesboro, New Boonesboro (smaller purchaser from Winchester effective April 2001), TriVillage and possibly Elk Lake. These will be particularly tedious due to their changing source of supply and/or ownership during 2001.

Conversion to SSC accounting, continuing in January, has required significant familiarization, training, study and communications.

2001 Water Quality Retrospectus and Residuals information was compiled in January (and early February) and has been submitted to AWS at this writing.

Plans for February: Work will continue to assess and optimize KAWC facilities and systems (including new and pending acquisitions) for compliance with new and developing regs, particularly new disinfection and filtration regulations in effect in January 2002. Efforts will likely continue to keep the Reservoir 4 level low for the sewer crossing construction as well as repairs to the fishing club docks. Water Quality will continue to work with local and System Engineering and Production staff on the SCADA upgrade in progress. Work will progress on instrumentation upgrades at both plants and in the distribution system. The RRS trial of Delpac 2500 PACL at RRS will continue. Work on CCR's will continue. Water Study samples will be completed for ongoing certification. Investment budget needs will be finalized. A presentation on Partnership Phase IV will be made by the writer at the AWS Water Quality Directors mtg (complete at this writing with summary to be provided). And, we will be working up a WQ service expense summary for new acquisitions and operations contracts.

The writer has been asked by Steve Hubbs of Louisville Water Company to co-author a paper to be presented by Mr Hubbs at the November 2002 WQTC on the analysis of treatment performance turbidity data under current and pending regulations as well as Partnership for Safe Water Phase IV. Pending internal approvals, we will be willing collaborate on this paper because it will be of value to us and to the industry. Abstracts are due February 25th, so this will be quickly coming forth for review.

Bill Bunch

02/21/2002 07:16 AM

To: Jan Routt/KAWC/AWWSC@AWW
cc: (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Elk Lake

The Elk Lake plant has been included in the purchase_

Bill Bunch

02/21/2002 01:09 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW, Jim R
HamiltonNWAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Elk Lake Filing

Are we still on track to file the joint application for the Elk Lake acquisition with the PSC this week?
Please let me know if I can do anything to facilitate the process.

Bill Bunch
02/26/2002 09:54 AM

To: Lisa Helton/KAWC/AWWSC@AWW
cc: (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Elk Lakej

Elk Lake was not filed last week. Herb mailed to Lindsay everything that he would need to file on Wednesday, February 20. Lindsay was to prepare the documents and send them to Tom McHugh of Elk Lake for signature. Once Tom's signature is obtained, the filing will be made. Hopefully, that will be this week.

Lisa Helton

Lisa Helton
02/26/2002 09:46 AM

To: Bill Bunch/KAWC/AWWSC@AWW
cc:
Subject: Re: Updated KAWC Target InformationE

Have you heard whether or not Lindsey filed Elk Lake this week?

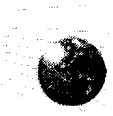
Bill Bunch

Bill Bunch
02/26/02 09:42 AM

To: Jim R HamiltonNWAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW
Subject: Updated KAWC Target Information

The attached file contains the requested information.

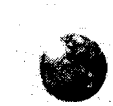
BD Target Information 022602.



Jan Routt
02/26/2002 12:36 PM

To: Bryan Siler/KAWC/AWWSC@AWW, Carol F Tudor/KAWC/AWWSC@AWW, Fred White/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW, PARK TACKETT/KAWC/AWWSC@AWW, Stan Stockton/KAW C/AW WSC@AW W
cc: Richard C Svindland/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW
Subject: Re: Elk Lake / Owen County Projects

Below FYI, meant to "reply to all."Jan - - -Forwarded by Jan Routt/KAWC/AWWSC on 02/26/02 12:24 PM - -



Jan Routt
02/26/02 12:34 PM

To: Richard C Svindland/KAWC/AWWSC@AWW
cc:
Subject: Re: Elk Lake / Owen County Projects

Rich,

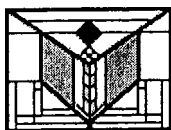
Regarding your statement....

"but for this summer, I would like to fill the clearwell of the old plant with Tri-Village Water and have it available for peak hour use, basically converting the clearwell of the old plant to a pump storage facility. The capacity of the clearwell is approx. 44,000 gallons which at 130 gpm is approx. 300 min worth of supply."

.... is this enough to just keep the clearwell and HS pumps in service as pumped storage and retire the rest of the plant immediately? THIs would be really preferred and would elimiate the need for a local plant operation...etc...and all the vulnerabilites pertaining thereto.. We might want to leave the capability to "booster chlorinate" here if at all feasible. Could this be an option?...

Jan

Jan C. Routt
Director Water Quality
Kentucky-American Water Company
859/335-3662 office
859/263-3137 fax
jroutt@kawc.com
Richard C Svindland



Richard C Svindland
02/26/02 11:15 AM

To: Nick Rowe/KAWC/AWWSC@AWW
cc: Bryan Siler/KAWC/AWWSC@AWW, Carol F Tudor/KAWC/AWWSC@AWW, Fred White/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW, PARK TACKETT/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AW WSC@AW W
Subject: Re: Elk Lake / Owen County Projects[

We will need the plant for the short term until a second line off of 845 (Breck Road) can be constructed into Elk Lake. The reason for the plant is that the max. day of record is 77,000 gpd which equates to 53 gpm. Our existing connection 3" and 4" main from 227 has a capacity of approx. 55 gpm. This means we can provide the total water for the day but more than likely cannot meet the max. hour demand. Normally the tanks provide the max. hour demands for most systems, but considering the layout of Elk Lake (plant on NW side and tank on SE side) the tank may not be able to sustain max. hour flows throughout the

entire system.

When the plant is operating it puts out about 130 gpm on the NW side of the system and the tank is serving the SE side. Using DOW criteria of 10 times the sq. ft of no. of customers we need to be able to have 173 gpm available for peak hour. With the second connection this is possible, but for this summer, I would like to fill the clearwell of the old plant with Tri-Village Water and have it available for peak hour use, basically converting the clearwell of the old plant to a pump storage facility. The capacity of the clearwell is approx. 44,000 gallons which at 130 gpm is approx. 300 min worth of supply.

Let me know what you think.

Richard C. Svindland, P.E.
Senior Operations Engineer
Kentucky-American Water Company
2300 Richmond Road
Lexington, Kentucky 40502
(859) 335-3833

Nick Rowe

Nick Rowe

02/13/02 03:45 AM

To: Stan Stockton/KAWC/AWWSC@AWW
cc: Bryan Siler/KAWC/AWWSC@AWW, Carol F
Tudor/KAWC/AWWSC@AWW, Fred White/KAWC/AWWSC@AWW,
Jan Routt/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, PARK
TACKETT/KAWC/AWWSC@AWW, Richard C
Svindland/KAWC/AWWSC@AWW
Subject: Re: Elk Lake / Owen County Projects(-

Herb and I can meet on the Tri-Village issues. Rich- do we have an answer on the Plant yet? I had assumed we could do without plant.
Stan Stockton

Stan Stockton

01 /22/02 10:24 AM

To: Nick Rowe/KAWC/AWWSC@AWW
cc: Richard C Svindland/KAWC/AWWSC@AWW, PARK
TACKETT/KAWC/AWWSC@AWW, Jan
Routt/KAWC/AWWSC@AWW, Bryan Siler/KAWC/AWWSC@AWW,
Carol F Tudor/KAWC/AWWSC@AWW, Fred
White/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AW W
Subject: Elk Lake / Owen County Projects

This past Friday, the following individuals met to discuss

Rich Svinland
Park Tackett
Jan Routt
Brian Siler
Carol Tudor
Fred White

IMEEMMIMMI

- > Ground breaking for first 40,000 ft. in March
- > Total of 40 miles, predominantly pvc SDR 21

- > One Tank
- > Engineering, construction etc. on track - several issues need to be resolved/discussed
- > Rich is meeting with Georgetown this week to discuss purchasing/wheeling water for south end of Owen County - approx. 125 potential customers would be served

Discussed the following topics:

- >
 - Progressing on electric to all tanks Problems at Glencoe and Monterey
 - Monterey - property owner issue
 - Glencoe - property owner issue and whether we are going to leave this tank in service
 - Carol is to provide more info. to Rich concerning customer base, usage, etc.
 - Mainly a Fire flow issue

- >
 - Everyone in agreement we do not need to be taking over the treatment plant
 - By Feb. 15th, Rich to have modeling complete to confirm if both plant and tank can be eliminated and what Distribution improvements are required (if any) to make this happen.

> [REDACTED]

Carol to become familiar with our main extension policies. Tri-village to be same as the way we do here. Any customer inquiries to come through Carol, if she does not know the answer she is to contact Fred. Carol is then to advise customer. Customers should not be contacting Fred directly.

Nick -

- > Do we want Tri village board to purchase material this would eliminate sales tax of approx. \$30,000 (an additional 24,000' of pipe) Since KAWC will ultimately own - will this pass a "smell test"
 - > KIA Tri village applied received authorization for a grant \$900,000 Is this still an option since Tri Villiage is now KAWC or would we have to consider this a loan and pay back funds? How do we go about acquiring funds?
- Another "smell test" issue
- > Monterey pressure problem - customer still complaining to PSC To resolve problem need to replace approx. 5000 ft. of PVC with 6" Ductile approx. \$90 - 100 k Do we go ahead and do this on our own or roll into New Columbus project costs? (My opinion is we really need to go ahead with this - it has to be done to provide adequate service to existing customers - handled in next rate case - maybe just do less of New Columbus if rate increase is going to be too much)
 - > Rate increase issue - 20-25% What should our game plan be for making this issue known - do something now or wait until later? It's not going to go away!
 - > Elk Lake - purchase price - no need to purchase plant, use those funds for system improvements.

Lisa Helton
02/28/2002 10:46 AM

To: Bill Bunch/KAWC/AWWSC@AWW
cc:
Subject: Elk Lake Task Order

FYI

- - Forwarded by Lisa Helton/KAWC/AWWSC on 02/28/02 10:43 AM ---

Rachel Cole
02/28/02 10:43 AM

To: Mary Ellen Pugh/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW, Jan R0utt/KAWC/AWWSC@AWW, Myra Meetze/KAWC/AWWSC@AWW
cc:
Subject: Elk Lake Task Order

When charging labor or anything else prior to the settlement of the contract for Elk Lake, charge the work order of 50007983. Your object account will remain the same, 120205.186711 50007983 "W".



"Bill and/or Kathy
Bunch"
<bkbunch@meginc.com> To: <lhelton@kawc.com>
cc:
Subject: Fw: Forwarded KAWC Mail - Elk Lake
>

03/01/2002 03:12 PM

FYI:

- - - Original Message - - -

From: <bbunch@kawc.com>
To: <bkbunch@meginc.com>
Sent: Friday, March 01, 2002 12:31 PM
Subject: Forwarded KAWC Mail

> Herb Miller
> To: tbmch@earthlink.net,
mvw@gdm.com
> 03/01/2002 cc: Roy Mundy/KAWC/AWWSC@AWW,
Nick
> 12:29 PM Rowe/KAWC/AWWSC@AWW, Richard C
> Svindland/KAWC/AWWSC@AWW, Bill
> Bunch/KAWC/AWWSC@AWW
> Subject: Elk Lake PSC
Application
> Process

> Dear Tom McHugh and Mike Withrow:

> I realize that the PSC application papers should have been in your
> hands (and to Mark Cobb) by now. Our outside regulatory counsel has been
> in New Mexico since last weekend (on business). He says he will work on
it
> this weekend with a goal of getting it to you next week.

> As for the existing plant, it looks like we can dismantle it once the
> second water line off of Highway 845 gets in place. Our goal is for that
> to be by the end of this year, but we all know that unanticipated things
> could affect this. We need to make sure that we can meet the peak hour
> demand of Elk Lake customers in the summer.

> Again, I apologize for the delay, but I wanted you to be aware of
what
> is going on.

Jan Routt
0 01 4 02 6 PM

To: Coleman Bush/KAWC/AWWSC@AWW
cc:
Subject: KAWC WQ Report--February 2002

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 02:17 PM --



Jan Routt
03/13/2002 04:10 PM

To: Richard H Moser/WQ/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, Tom
Holbrook/MAWC/AWWSC@AWW, June A
Lowther/WQ/CORP/AWWSC@AWW
Subject: KAWC WQ Report--February 2002

To: Richard Moser
From: Jan C. Routt
Copies: John Young, Nick Rowe, Roy Mundy, Linda Bridwell, Stan Stockton, Dillard Griffin, Tom Holbrook
Subject: Kentucky-American Water Company- Water Quality Report- February 2002

Central Division (Lexington, Boonesboro)

Source **water** conditions: The elevated source turbidity in January, subsided in February to result in raw turbidities for the month averaging 29 ntu's--lower than budgeted for KRS and about as budgeted for RRS. Rainfall totaled 0.8 inches over 5 days. River flow at Lock 10 averaged 3467cfs for the month in February, and Pool 9 level averaged 553.4 (pool = 550.6). The River transfer line remained on all month providing all but 1.31 MG (0.5%) of the raw source water for Richmond Road. The Jacobson Reservoir averaged 50% full in February due to drawing it down via the valve in the dam to facilitate ongoing sewer crossing construction. The reservoir drain valve was open till February 22nd when the level reached the 40% low for where it remained through month end. TOC levels in the Ky. River, Jacobson Reservoir and Lake Elerslie were 2.1, 4.4 and 3.2mg/L, respectively.

Treatment performance and **assessments**: Chemicals were \$2,106 over budget in February. Chemical costs at KRS were \$6,935 over budget, half of which can be attributed to KRS pumpage being 8% over budget. The remaining KRS overage may be due to less-than-optimal pre-coagulation mix energy (requiring more PACL) with the first stage of the rapid mix still non-functional, and the floc aid feed system remains out of service also awaiting repairs. RRS chemical costs were \$4,829 under budget, which can be attributed to the plant pumpage being low by 28%, along with a successful conversion to a less expensive coagulation treatment scheme (PACL vs former ferric chlorine/caustic). The KRS and RRS settled turbidities were 4.7 and 2.1 ntu's, respectively, with sedimentation improved markedly at RRS following conversion to PACL, along with completion of manual basin cleanings.

The RRS plant maintained all filter composite four-hour turbidity readings below 0.1 ntu, during February but still had twelve state-reportable individual filter trigger exceedances. All of these were related to switching sed basins in and out of service related to manual basin cleanings. KRS experienced one four-hour filter

composite reading at 0.33ntu--in excess of the new 0.3ntu regulation--for 99.4% <0.3ntu in February but still in compliance with the 95% requirement. Seven filter trigger exceedances occurred at KRS due to a coagulant feed failure on Feb 5th. Two of these were filters over 1 ntu for longer than 15 minutes and four were filters remaining over 0.5 ntus for longer than 4 hours and 15 minutes after backwash. The elevated turbidity at KRS occurred when the coagulant feed was either off for about 2.5 hours in the early morning of February 5th. The operator, being relatively new, did not notice the SCM deflection when it occurred at **5:35** am at the time of the coagulant loss, but did note diminished filter performance when returning a filter to service after wash at 6:35 am. At that time the utility person verified that the coagulant pump was not pumping and that the plant was already on the stand-by coagulant feed pump while the regular feed pump was out for repairs. While it turned out that the pump had apparently been repaired it did not function when turned on by the operator. The Operations Supervisor was ultimately successful in getting the pump to function, but this took another hour. Fortunately, the Ky River turbidity had dropped to 55 ntu, and the secondary cationic polymer feed was operational. These factors likely prevented the plant's exceeding the acute turbidity Treatment Technique requirement of 1.0 ntu on the filter composite, despite the primary coagulant loss. Additional operator training has been provided on using the SCD to see coagulant losses earlier.

The TOC results for both plants and source were submitted to the state with the other monthly compliance reports, for the second time in February, in accordance with new DDBP regulations in effect in January. The KRS TOC removal ratio (using PACL coagulation) was 1.1. RRS achieved a TOC removal ratio of 2.0 using ferric chloride and polymer (and GAC filters) to treat the same river source water. The Delpac 2500 continues to perform well at KRS. A plant trial of Delpac 2500 PACL at RRS (begun February 19th) is going well with overall water quality, improved settled water and decreasing solid residuals and treatment costs at that plant. TOC removal continues to be adequate as well, based on early March testing. The DBP formation effects will be studied over time along with any impacts on distribution chloramine stability and nitrification, given that turbidity performance remains satisfactory.

Distribution compliance monitoring, assessments & plans: All 188 KAWC-Lexington system compliance bacteriological samples were clear in February and showed acceptable chlorine residuals (average 2.5mg/L). All KAWC-Boonesboro (Ford Hampton) bacteriological samples were clear of coliforms with that system averaging 0.6 mg/L free chlorine for the month. Routine monitoring of KAWC tanks indicated good tank turnover and no new problems with tank nitrification in February (all tanks < or = 0.003mg/L nitrite and with ample chlorine and acceptable HPC's). The Sadieville tank remains out of service. The Church St. main in downtown Sadieville less nitrification (0.0003 mg/L) again in February with 1.2 mg/L chlorine. HPC's remained satisfactory in this area at 2cfu/mL. This apparent improvement could be related to cold temperatures. Subsequent analyses will determine. The Tates Creek tank remains out of service, as well, pending disinfection following detection of nitrification in June and now related to tank painting. This tank will remain out of service till contracted tank improvements are complete. In January KAWC completed installation of online monitors (chlorine, pH and turbidity) at tank & booster sites to increase distribution monitoring for security reasons. These have continued to function well in February. In addition, a plan has been kept in place to have routine surveillance testing done at compliance distribution sites on weekends and associate homes. No unusual results have been reported to date in this added testing.

Compliance THMs and HAA5s were collected and analyzed in January were submitted in February for the first time under the new regulations and monitoring plan. The new monitoring plan took the number of sample sites tested per quarter from 19 to 10 which did not significantly affect the quarterly or 4-Q running averages due to chloramination. The current 4-Q running average for THMs and HAA5s are 53 and 33 ppb, respectively. This reduction in sample sites will only last until the next round of DDBP regs when it will increase again to as high as twenty samples every two months during IDSE. It is noteworthy, however, that per our recent data analysis, the historical max HAA site is not the same site as the THM max as expected due to GAC filters at RRS. The max HAA5 and THM historical sites are both included in the current sample scheme however.

In February, compliance LCR WQ parameters were analyzed and were in compliance. Compliance radiologicals were collected and submitted to a contract lab for analysis. Results are pending. Results of

UCMR samples collected, and analyzed through Belleville, in January were received in February. UCMR analytes were perchlorate, MTBE, 2,4-dinitrotoluene, 2,6-dinitrotoluene, 4,4'-DDE, EPTC, Terbacil, Acetochlor, Molinate, DCPA (acid metabolites) and all were non-detect. In February, we also registered via the EPA web site for purposes of UCMR data review and approval as required under this new program.

Water Study samples (QC samples required for ongoing chemical lab certification) were completed by WQ staff in and submitted in February. Results are pending. The Lab Analyst also prepared and administered Operator chemical parameter samples for their training as well as QA/QC assessment. Operator participation in this analysis and feedback was approved for two hours of continuing education for Operator Certification.

Customer inquiries & response: There were nine customer inquiries referred to water quality for follow-up in February. Seven discolored water calls were handled by customer service with no referral to WQ with the remainder referred to WQ. Two calls were due to particles in or on faucet strainers, one was related to the hot water tank dip tube failure and the other calcium deposits. Three customers requested assistance in determining the source of leaks. One customer called inquiring about the need to boil water while on chemotherapy. The customer was advised to consult their physician, but that boiling was the only way to eliminate microbial risk from water. All calls referred to WQ were handled to customers' satisfaction. Toward helping to ensure that WQ calls do not fall between the cracks, we have initiated a practice of following up on any that appear to need further action based on EDIS print outs. Two calls that appeared to fit this description at month included one from a health care facility reporting brown slimy water and one caller (Spring St) appears to have called back six times on three separate days about discolored water. It looks like this area was referred for flushing at least twice. Further investigation of these two scenarios is in progress.

KAWC & Wastewater KPDES: KRS and RRS KPDES discharge sites analyzed in February were in compliance. Rockwell wastewater discharge results were noncompliant for fecal coliforms and BOD. Work continues toward annexing the Rockwell collection system to the neighboring Winchester Municipal Utility WWTP as per State directive. Letters of notification went to the industrial customers in December that Rockwell would no longer accept their sewage as of March 2002. The Rockwell plant will be taken off line by June with the remainder of customers connected with the WMU system by that time.

Northern Division (TriVillage)

KAWC has continued to conduct and submit State-required supplementary monitoring in Owenton following Owenton's May 2000 conversion to intermediate chlorination. In December we implemented a program to have this sampling done by Owenton and TriVillage staff with analyses and reports, only, to be done by KAWC/Lex WQ staff. All TriVillage samples were free of coliforms, and free chlorine residuals averaged >1.0 mg/L, with all sites at, or above, 0.2mg/L.

In February, a positive response was received from our January 14th submittal to the State of 2000 Census-based population for the combined Owenton/ TriVillage systems (including proposed future annexations of Elk Lake and New Columbus which show the combined system to be less than 10,000 population. This will postpone the effective date of the DDBP rule for these systems under Ky Law and will also greatly reduce monitoring required under future regulation. The State has accepted the revised population numbers and has specified continued interim monitoring for this combined system for THM's only at five sites for the "joint system" (one Owenton raw, three Owenton average distribution sites and one TriVillage maximum retention site). This system, and others just under 10,000 population in KY, will be required to continue THM testing and will be issued "warning letters" if the 4-quarter average THM level exceeds 80ppb. This will not constitute a violation or require any public notice other than inclusion in the CCR, until 2004 when the new THM (and HAA and TOC removal) requirements will apply to the smaller systems. The interconnection was nearing completion for water purchase from Gallatin Co for the Glencoe area of TriVillage in January. We have contacted State on this, and we will be still monitoring this area as a part of the TriVillage "joint system," with Gallatin County as an alternate source, once this connection is finalized.

KAWC collected and analyzed state-required THM samples collected from the TriVillage/Owenton in

February under the new "joint" system monitoring scheme. The quarterly average was 87 ppb, which is similar to the results for the first quarter last year (81 ppb).

Customer inquiries & response: On February 14th, KAWC's TriVillage office was contacted by a KY DOW Northern District office inspector stating that they had received calls reporting line breaks in TriVillage's Glencoe area and that there was concern that the water may be contaminated and needing a boil advisory. The breaks were reportedly associated with contract sewer line construction and had not been reported to the state, nor had the contractor conducted any follow-up sampling. The writer made contact with the State inspector and suggested that she (Gretchen Bartley) might contact the utility responsible for the construction (Carrollton Utilities, Bill Osborne, supervisor) and inquire of the exact circumstances as well as advising them of the need for sampling and boil orders following breaks. We (KAWC) checked our records for breaks and they were only four, which we'd been involved in. The state inspector initially wanted the Glencoe area on boil water, but since we had no active breaks at the time, we offered that we would expedite sampling the entire area just as a precaution and would then take appropriate action based on those results. All results were negative and the inspector was pleased with our quick response to resample.

Acquisitions & Operations contracts summary: The above-noted acknowledgement of the population in the Owenton/TriVillage area has allowed moving forward with the acquisition of the Elk Lake system to be annexed to TriVillage. The PSC filing for Elk Lake is to be the third week of February, expected to be finalized in May. On February 4th, KAWC made a proposal to the Owenton Water and Sewer Board to purchase those facilities. Reportedly this was well received. Response is awaited at this writing.

Effective January 1, 2002, a five-year operations agreement was entered between KAWC and Pineville Water (2.5 hours south-east of Lexington). Under this arrangement RRS Operations Supervisor, Rick Buchanan, has worked in Pineville for the majority of the time from October to-date. A full-time manager for this system has been hired and is to start as of April 1st. WQ is assisting with RRS plant supervisory and administrative work in the interim during Rick's reassignment, and will provide support in Pineville as needed. Online individual filter turbidimeters have been installed at this writing in compliance with new regs. KAWC WQ has prepared a preliminary 2001 CCR for Pineville, which they will use for local printing and distribution

At this writing, at the system's and the State's request, KAWC continues to provide supervisory and operator assistance for a distressed water system in Martin Co (Inez,Ky) about 2.5 hours away also. A KAWC Operations supervisor and operator have been temporarily reassigned in this effort. Water Quality is involved here as well in increased operator assistance for those covering of the absence of the regular KRS "8-4" operator.

Southshore acquisition continues to be subject to renegotiations. This is a groundwater system with concerns as to continuing long-term classification as groundwater due to wells being in very close proximity to the Ohio River.

The Elk Lake acquisition is to go to the PSC by mid March. The acquisition will include the treatment facility, but, quickly, the plant will be decommissioned and the distribution system tied into TriVillage for permanent supply. Toward this completion we have already attained 2001 compliance data and are planning to prepare their CCR. Related to this, we have been successful in attaining UCMR data analyzed on Elk Lake Water in 2001. There were no detects, but we will be required to notify the public of the availability of the UCMR data under the unregulated monitoring public notice requirements. This can be done via the CCR in the case, since this will fit the time line of notification within 12 months of the analysis results.

Meetings, Presentations, Regulatory and Committee Activities & Tours: KRS WQ Specialist David Shehee attended "Foundations in Leadership" class in Charleston Feb 27 & 28. Lab Analyst, Dottie Johnson, presented a poster for Dental Health Week and provided a display & discussion at Science Night at for Lexington Traditional Magnet School. The writer at the Feb 5&6 AWS Water Quality Directors meeting in Voorhees made a presentation on Partnership Phase IV.

Work continued on 2001 CCR's for various KAWC systems, and we continue working with the AWS contractor on getting these ultimately printed and mailed. These will include, but not necessarily be limited to, KAWC Lexington/Boonesboro, TriVillage and possibly Elk Lake. These will be particularly tedious due to their changing source of supply and/or ownership during 2001. The KAWC LEX/Boonesboro was submitted to the contractor and is in first set-up stage at this writing.

Administrative: In February, per state advice, a letter was sent to the DOW requesting that the Boonesboro (Ford Hampton) system be consolidated with the Lexington system for monitoring and reporting purposes. This will take effect with March monitoring and reporting. Compliance report forms will be modified to list WMU as an alternate source for the KAWC Lexington area system and the monitoring from both systems will be reported under the Lex PWSID number and the Boonesboro PWSID number will cease to exist. This will enable continued monitoring and reporting for water quality control under various regulatory programs, but will reduce risk of administrative errors (and potential for NOV's) associated with submittal of multiple, separate reports.

In late February, WQ operations budgets were cut per directives from above to help address deficits in other areas. All WQ travel funds were deleted, including those associated with state and national committee and board responsibilities such as ORSANCO and state and national AWWA. We will attempt to meet these commitments as well as possible without the related travel in the near future. Lab supply lines were cut by 10%. This is of concern given that these lines have not been increased in years, and our systems--and service needed--continue to grow. We will continue to look for cost efficiencies. Water Quality related investment budget needs were compiled and submitted to KAWC Engineering in February. The January conversion to SSC accounting continued in February to required significant ongoing familiarization, training, study and communications.

Request for assistance from Irvine & Ky DOW: On February 22nd, Bill Williams, of Irvine, contacted KAWC, at the state's suggestion, requesting analytical assistance following their city's water treatment plant shut down due to possible source contamination. Nitrate analysis was needed to ensure that fertilizer contaminants had not entered the source, plant or system as a result of fire-fighting waters entering the river near their intake in an early morning feed store fire. The state had required the water system to shut down pending the analysis, and the commercial lab contacted had said they'd need a 24hr turn-around. The (4) samples were brought immediately to KAWC by Mr Williams. Nitrate analyses were done by the KAWC lab analyst and reported to the State within 2 hours of the original contact (including 45 minute sample transport time) allowing the water system to come back on line.

As noted in last month's, report the writer was asked by Steve Hubbs of Louisville Water Company to co-author a paper to be presented by Mr Hubbs at the November 2002 WQTC on the analysis of treatment performance turbidity data under current and pending regulations as well as Partnership for Safe Water Phase IV. This abstract was reviewed and approved at the local and system level and was submitted to AWWA on February 25th.

Plans for March: Work will continue to assess and optimize KAWC facilities and systems (including new and pending acquisitions) for compliance with new and developing regs, particularly new disinfection and filtration regulations in effect in January 2002. Efforts will likely continue to keep the Reservoir 4 level low for the sewer crossing construction. The RRS trial of Delpac 2500 PACL will continue. Work on CCR's will continue. Heightened security will continue as well.

█
KAWC WQ Report- February 2002.1
Jan C. Routt
Director Water Quality
Kentucky-American Water Company
859/335-3662 office
859/263-3137 fax
jroutt@kawc.com

Bill Bunch

03/19/2002 03:04 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Jim R HamillonMNAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW,
(bcc: Bill Bunch/KAWC/AWWSC)
Subject: Elk Lake Filing Status

Please advise of the current status of the Elk Lake Filing.

Mike Miller feels that it is imperative that Elk Lake be filed prior to the next board meeting as the last several board updates have indicated that filing would be within the next week or two. Obviously, this has not occurred. Also, the Elk Lake acquisition is in the KAWC 2002 Business Plan in January. Our current update advises Voorhees that we will close the Elk Lake transaction in May, resulting in four months of lost revenue in the plan if we can meet that schedule. As you know, the SE Region and Voorhees are quite sensitive to lost revenue these days. In spite of the ongoing RWE and water supply cases and other issues, I am hearing that it is imperative that we push the Elk Lake matter to conclusion. Please let me know if Lisa or I can be of assistance in this matter.

Jan Routt

:17 PM

To: Coleman Bush/KAWC/AWWSC@AWW
cc:
Subject: KAWC Monthly Water Quality Report March- 2002

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 02:17 PM --



Jan Routt

04/19/2002 04:34 PM

To: Richard H Moser/WQ/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, Tom
HolbrookNWAAC/AWWSC@AWW, June A
Lowther/WQ/CORP/AWWSC@AWW, Joe
White/KAWC/AWWSC@AWW, David
Shehee/KAWC/AWWSC@AWW, Dorothy
Johnson/KAWC/AWWSC@AWW, Mitzi
Combs/KAWC/AWWSC@AWW, Mary Ellen
Pugh/KAWC/AWWSC@AWW
Subject: KAWC Monthly Water Quality Report March- 2002

To: Richard Moser

From: Jan C. Routt

**Copies: John Young, Nick Rowe, Roy Mundy, Linda Bridwell, Stan Stockton, Dillard Griffin, Tom
Holbrook**

Subject: Kentucky-American Water Company- Water Quality Report- March 2002

Central Division (Lexington, Boonesboro)

Source water conditions: Ky. River flooding and greatly elevated source turbidity occurred in March. Rainfall totaled almost 12 inches, mostly during the last half of the month. River flow at Lock 10 averaged 13,365cfs for the month in March, and Pool 9 level averaged 557.7 (pool = 550.6) seeing the lowest year to date level of 551.3 ft on March and the highest since the 1970's of 578.9 ft on March 21st. The flood level was still about 8 ft below the level, which would impact low service pumping function. The River transfer line remained on all month providing all of the raw source water for Richmond Road. The Jacobson Reservoir averaged 62% full in March due to drawing it down via the valve in the dam to facilitate ongoing sewer crossing construction. (Due to rain the drain valve was open March 25th-31st). TOC levels in the Ky. River, Jacobson Reservoir and Lake Elerslie were 2.9, 5.1 and 3.4 mg/L, respectively.

Treatment performance and assessments: Chemicals were \$34,573 over budget in March due to sustained, high source turbidities. Chemical costs at KRS were \$25,978 over budget. RRS chemical costs were held to \$8,595 over budget due to a continued use of to a less expensive coagulation treatment scheme (PACL vs. former ferric chlorine/caustic). The KRS and RRS settled turbidities were 3.5 and 1.4 ntu's, respectively, with sedimentation improved markedly at RRS following conversion to PACL.

The RRS plant maintained all filter composite four-hour turbidity readings below 0.1ntu, during March and there were no state-reportable individual filter trigger exceedances at RRS. KRS experienced three four-hour filter

composite readings above 0.1 ntu, none above 0.3ntu. Four trigger type-B exceedances occurred at KRS on March 16 and 17 (filters remaining over 0.5 ntus for longer than 4 hours and 15 minutes after backwash). These were attributed to transitional treatment during changing source conditions and following a 9-hour plant shutdown to remedy a chlorine leak on the 16th.

The TOC results for both plants and source were submitted to the state with the other monthly compliance reports, for the third month March, in accordance with new DDBP regulations in effect in January. The KRS TOC removal ratio (using PACL coagulation) was 1.3 for March; RRS achieved a TOC removal ratio of 1.9 using PALL and polymer (and GAC filters) to treat the same river source water. The removals bring the quarterly TOC removal ratios for KRS and RRS to 1.3 and 1.9, respectively. The Delpac 2500 polyaluminum chloride continues to perform well at KRS and RRS.

Distribution compliance monitoring, assessments & plans: All 196 KAWC-Lexington system compliance bacteriological samples were clear in March and showed acceptable chlorine residuals (average 2.6mg/L). All KAWC-Boonesboro area (Ford Hampton) bacteriological samples were clear of coliforms as well with that system averaging 0.9 mg/L free chlorine for the month. Beginning in March the Boonesboro Ford Hampton system has been combined with the Lexington system for compliance monitoring and reporting purposes. This is consistent with State guidance. Monitoring of both systems continues with results consolidated for reporting purposes. This reduces chances for violations due to clerical, reporting errors.

Routine monitoring of KAWC tanks indicated good tank turnover and no new problems with tank nitrification in March (all tanks < or = 0.004mg/L nitrite and with ample chlorine(>2mg/L) and acceptable HPC's (<50cfu/c)). The Sadieville tank remains out of service. The Church St. main in downtown Sadieville less nitrification (0.004 mg/L) again in March. with 1.2 mg/L chlorine. HPC's remained satisfactory in this area at zero cfu/mL. The Tates Creek tank remains out of service, as well, pending disinfection following detection of nitrification in June and now related to tank painting. This tank will remain out of service till contracted tank improvements are complete. In January KAWC completed installation of online monitors (chlorine, pH and turbidity) at tank & booster sites to increase distribution monitoring for security reasons. These have continued to function well in March.

Results of Water Study samples (QC samples required for ongoing chemical lab certification,) completed by WQ staff in and submitted in February, were received in March for the KRS lab. Eight parameters dropped to "provisional" status. Follow-up samples have already been analyzed and reported. Results of the follow-up samples and the RRS original WS samples are pending at this writing.

Customer inquiries & response: There were 12 water quality calls logged in EDIS by CSR's this month. Twenty-one customer inquiries referred to water quality for follow-up. There were eleven discolored water calls with all but three handled by CRS referral for flushing. Two of these were followed up by WQ staff to determine that they were due to in-house factors. Nine T&O calls were received (four chlorinous and five reporting various descriptors likely related to water stagnation). There were five particulates called, four of which appeared to be failed hot-water heater dip tubes and one sediment stir up related to a main installation. There were two routine "air" in water calls, three information calls and one caller requesting lead information and testing. All calls referred to WQ were handled to customers' satisfaction.

The KAWC LEX/Boonesboro CCR has been finalized. Preliminary copies were delivered to bulk purchasers in March and final versions will be delivered to customers in the May bills. We will be sending a limited number of advance copies such as to local health department officials. (The Immuno brochure is to be mailed to area healthcare providers in May).

KAWC & Wastewater KPDES: KRS and RRS KPDES discharge sites analyzed in March were in compliance. Rockwell wastewater discharge results were noncompliant for BOD. Work continues toward annexing the Rockwell collection system to the neighboring Winchester Municipal Utility WWTP as per State directive. Letters of notification went to the industrial customers in December that Rockwell would no longer accept their sewage as of March 2002. As of the end of March there was some additional work to be done to connect these to WMU. However, we are still on target for the Rockwell plant to be taken off line by June with the remainder of customers connected with the WMU system by that time.

Northern Division (TriVillage)

KAWC has continued to conduct and submit State-required supplementary monitoring in Owenton following Owenton's May 2000 conversion to intermediate chlorination. All TriVillage samples were free of coliforms, and free chlorine residuals averaged >1.0 mg/L, with all sites at, or above, 0.2mg/L.

The Gallatin Co interconnection was completed in March for water purchase from for the Glencoe area of TriVillage. At this writing, use of this alternate water source has begun with no noticeable quality impacts.

Customer inquiries & response: KAWC WQ staff is continuing work on the 2001 CCR for TriVillage.

Acquisitions & Operations contracts summary:

The Elk Lake acquisition was filed with the PSC in March and is expected to be finalized in May. The acquisition will include the treatment facility, but, quickly, the plant will be decommissioned and the distribution system tied into the TriVillage system for permanent supply. Toward this completion we have already attained 2001 compliance data and are planning to prepare their CCR which will also include notifying the public of the availability of the 2001 UCMR data from this system under the unregulated monitoring public notice requirements.

The recent filing for PSC approval of the RWE=AWS merger has led to the city's active discussion of possibilities of taking over the KAWC. None of this has brought for water quality as an issue.

On February 4th, KAWC made a proposal to the Owenton Water and Sewer Board to purchase those facilities. Discussions are continuing at this writing. Owenton's draft CCR has been received and we are giving input on that.

Effective January 1, 2002, a five-year operations agreement was entered between KAWC and Pineville Water (2.5 hours south-east of Lexington). Under this arrangement RRS Operations Supervisor, Rick Buchanan, has worked in Pineville for the majority of the time from October to-date. A full-time manager was hired, but has already resigned. WQ is assisting with RRS plant supervisory and administrative work in the interim during Rick's reassignment, and will provide support in Pineville as needed. Online individual filter turbidimeters have been installed at this writing in compliance with new regs. KAWC WQ has prepared a preliminary 2001 CCR for Pineville, which they will use for local printing and distribution

At this writing, at the system's and the State's request, KAWC continues to provide supervisory and operator assistance for a distressed water system in Martin Co (Inez,Ky) about 2.5 hours away also. In March, an interim operations agreement was signed. A KAWC Operations supervisor and operator have been temporarily reassigned in this effort. Water Quality is involved here as well in increased operator assistance for those covering of the absence of the regular KRS "8-4" operator.

Southshore acquisition continues to be subject to renegotiations.

Meetings, Presentations, Regulatory and Committee Activities & Tours: Lab Analyst, Dottie Johnson class in Business basics in Charleston on March 14th. Lab Tech, Mitzi Combs, attended a class on "Administrative Excellence" in Charleston on March 26th. Water Quality Specialist David Shehee attended the AWWA teleconference on waterborne pathogens in Frankfort on March 14.

The writer administered three success Partnership for Safe Water Phase III reviews during the month, and taught an "environmental Law" class at Lexington Community College on March 20th. This class was on safe drinking water regulations at the request of LFUCG's Pat Dugger who normally teaches this class. On March 4th the writer conducted a phone interview with a local newspaper reporter for a piece on "science careers." We haven't seen this yet.

Plans for April: Work will continue to assess and optimize KAWC facilities and systems (including new and pending acquisitions) for compliance with new and developing regs, particularly new disinfection and filtration regulations in effect in January 2002. Efforts will likely continue to keep the Reservoir 4 level low for the sewer crossing construction. Work will progress on instrumentation upgrades at both plants and in the distribution

system. Work on CCR's will continue. Heightened **security activities will** continue **as well.**

The writer will participate in the AWWA Water Quality Division spring WQTC planning meeting in Denver (April 12-13), and will serve as a trainer of new Program Effectiveness Assessment Committee members (the PEAC, volunteer utility Phase III reviewers of Partnership for Safe Water) in a training session at Louisville Water Company (April 15-18).

Jan C. Routt
Director Water Quality
Lexington, Ky 40515
859/335-3662 office
859/263-3137 fax
jroutt@kawc.com

Bill Bunch
04/26/2002 11:16 AM

To: Linda Bridwell/KAWC/AWWSC@AWW
cc: Jim R HamiltonNWAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Elk Lake Response

In addition to the materials I left for you in your office, I have spoken with Jim Hamilton regarding the appropriate responses.

The response to question 1(a) needs to be qualified in that our response is based on data available as of December 31, 2001. The actual journal entry will be based on accounting information as of the date of closing.

The response to question 1(b) needs to be qualified in that our response is based on data available as of December 31, 2001. The actual amount of acquisition adjustment, if any, will be based on accounting information as of the date of closing.

To question 1(c) a suggested response is.... Kentucky-American does not intend to seek rate treatment for any acquisition adjustment that may result from the transaction. Kentucky-American intends to account for the acquisition adjustment according to procedures allowable under Generally Accepted Accounting Principles (GAAP).

The response to question 1(d) needs to be qualified in that our response is based on data available as of December 31, 2001. The actual journal entry will be based on accounting information as of the date of closing. This journal entry needs to be confirmed with Elk Lake's accountant.

Herb Miller
05/09/2002 09:21 AM

To: Linda Bridwell/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW,
ingramjr@skp.com
cc:
Subject: Elk Lake Closing Issues

Mike's numbers are: 859-655-4200 (w) and 859-341-6110 (h)
The President, Tom McHugh's numbers are: 937-429-3382 **(in Dayton) or 502-484-2695 (in Elk**

Lake)

---- Forwarded by Herb Miller/KAWC/AWWSC on 05/09/2002 09:15 AM ----

Herb Miller
05/09/2002 09:18 AM

To: mvw@gdm.com, tbmch@earthlink.net
cc: Linda Bridwell/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW,
ingramjr@skp.com
Subject: Elk Lake Closing Issues

Hello Mike Withrow and Tom McHugh:

In response to Mike's questions about preparation for Closing, I have attached an e-mail that is, at least, partially responsive to his inquiry. As I indicated in the attachment, our Engineering Director, Linda Bridwell, will be contacting you to coordinate some responses needed to the Attorney General's Office so the Commission can then rule.

There are some closing documents that Elk Lake will need to prepare and I have referenced them in the attachment.

As always, please do not hesitate to call us with questions. Our telephone numbers are:

Legal Matters: Herb Miller 859-268-6339
Engineering: Linda Bridwell " 268-6373
Financial Bill Bunch " 268-6318
Managerial Roy Mundy " 268-6320

Thanks.

Elk Lake Closing Letter.dc



"Bill and/or Kathy
Bunch"
<bkbunch@meginc.com> To: <hmiller@kawc.com>
cc:
Subject: Fw: Forwarded KAWC Mail
>

05/09/2002 06:28 AM

At the risk of stating what we already know, the PSC must act by a certain date which I think is around the end of May (I don't have the filing with me to reference). We must then close within 60 days. In addition to Lindsay's list of things needed at closing, we will also need for their CPA to give us a financial statement as of the date of closing (we use this for the journal entry). They have the same CPA as did Tri-Village and they are expecting to need to do this work.

- - Original Message - -

From: <bbunch@kawc.com>
To: <bkbunch@meginc.com>
Sent: Wednesday, May 08, 2002 1:14 PM
Subject: Forwarded KAWC Mail

> Herb Miller
> To: ingramjr@skp.com, Bill
Bunch/KAWC/AWWSC@AWW
> 05/08/2002 cc: Roy Mundy/KAWC/AWWSC@AWW,
Nick Rowe/KAWC/AWWSC@AWW,
> 01:11 PM Linda Bridwell/KAWC/AWWSC@AWW
> Subject: Elk Lake

>
>
>
>

> Their legal advisor (Mike Withrow) called me today to ask two
> questions:
> 1. Did we have a prediction when the PSC might act and when a
> closing would occur?
> 2. Did we have a checklist of things we will expect of them for
> a closing?
> I realize that's actually 3 questions. Anyway, could I please have
> your thoughts? thanks.
>
>

Donna Taylor
05/13/2002 08:10 AM

To: Bill Bunch/KAWC/AWWSC@AWW
cc: Larry Burns/KAWC/AWWSC@AWW
Subject: elk lake

Bill,

We need to discuss the Elk Lake acquisition to answer some questions for the programmer. Are you available this morning around 10:00?

Thanks.

Donna

-- Forwarded by Donna Taylor/KAWC/AWWSC on 05/13/02 08:03 AM —



Suzanne Lafuse
05/10/02 02:34 PM

To: Larry Burns/KAWC/AWWSC@AWW, Donna
Taylor/KAW C/AW W SC @AW W
cc:
Subject: elk lake

need to talk to you guys about this. Do you know if it has to have separate totals? Can it be combined with Tri village? Does it need separate rev summ? the days in the ordinance do not match yours

Jan Routt
07/30/2004 02:17 PM

To: Coleman Bush/KAWC/AWWSC@AWW
cc:
Subject: KAWC monthly WQ report April 2002

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 02:18 PM --

Jan Routt
05/15/2002 01:46 PM

To: Richard H Moser/WQ/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, Tom Holbrook/NWAWC/AWWSC@AWW, Larry Burns/KAWC/AWWSC@AWW, Darrell Ary/KAWC/AWWSC@AWW, David Shehee/KAWC/AWWSC@AWW, Joe White/KAWC/AWWSC@AWW, Dorothy Johnson/KAWC/AWWSC@AWW, Mitzi Combs/KAWC/AWWSC@AWW, Mary Ellen Pugh/KAWC/AWWSC@AWW
Subject: KAWC monthly WQ report April 2002

To: Richard Moser
From: Jan C. Routt
Copies: John Young, Nick Rowe, Roy Mundy, Linda Bridwell, Stan Stockton, Dillard Griffin, Tom Holbrook, Larry Burns, Darrell Ary
Subject: Kentucky-American Water Company- Water Quality Report- April 2002



← Same

KAWC WQ Report- April 2002.d
Central Division (Lexington, Boonesboro)

Source water conditions: Rainfall continued through April as did elevated Ky. River turbidity. Rainfall totalled almost 5.3 inches falling on 12 days throughout the month. River flow at Lock 10 averaged 11250cfs, and Pool 9 level averaged 556.2 (pool = 550.6). The Ky. River transfer line remained on all month providing all of the raw source water for Richmond Road. The Jacobson Reservoir averaged 89.9% full in April with no further drawing it down via the valve. It appears that the sewer crossing construction is complete. Ky. River turbidities averaged in the 50's for the month which is almost double the five-year historical average. TOC levels in the Ky. River, Jacobson Reservoir and Lake Elerslie were 2.1, 5.1 and 3.9 mg/L, respectively.

Treatment performance and assessments: Chemicals were \$21,436 over budget in April due to sustained, high source turbidities. Chemical costs at KRS were \$23,162 (53%) over budget (13% of this can be attributed to pumpage overages). RRS chemical costs were \$1,727 under budget, allowable due to a 34% pumpage underage and continued use of to a less expensive coagulation treatment scheme (PACL vs. former ferric chlorine/caustic). Note these RRS underages also take into

consideration a TD31 downward revision of \$10,000 monthly--savings projected beginning in April at RRS for the treatment change to PACL. These savings were realized, but were more-than-offset by high source turbidities. RRS pumpage was kept to a minimum during April to allow for, and minimize the need for, manual basin cleaning there and to minimize chemical costs.

The KRS and RRS settled turbidities were 3.3 and 1.4 ntu's, respectively. Despite challenging source conditions, the RRS and KRS plants maintained all filter composite four-hour turbidity readings below 0.1 ntu, during April and there were no state-reportable individual filter trigger exceedances at RRS. The KRS TOC removal ratio (using PACL coagulation) was 1.2 for April; RRS achieved a TOC removal ratio of 1.9 using PACL and polymer (and GAC filters) to treat the same river source water. The removals I maintain the running TOC removal ratios for KRS and RRS to 1.3 and 1.9, respectively.

The KRS rapid mix motor is repaired and in service. The Reeves drive on Aldrich unit #2 has returned to function as well. New Hach 1720 D online turbidimeters are being installed on individual filters at KRS to replace the older units. The new system will be interfaced with Hach software. This will help ensure that the required data is indeed collected and maintained even through the upcoming SCADA upgrade process.

Distribution compliance monitoring, assessments & plans: AU 211

KAWC-Lexington/Boonesboro system compliance bacteriological samples were clear in April and showed acceptable chlorine residuals (average 2.6mg/L total). Water received from WMU for Ford Hampton averaged 0.8mg/L.

Routine monitoring of KAWC tanks indicated good tank turnover and no new problems with tank nitrification in April (all tanks \leq 0.003mg/L nitrite and with ample chlorine $>$ 2mg/L) and acceptable HPC's ($<$ 60cfu/c). The Sadieville tank remains out of service. The Church St. main in downtown Sadieville showed no significant nitrification (0.003 mg/L) again in April with 1.1 mg/L chlorine. HPC's remained satisfactory in this area at 2 cfu/mL. The Tates Creek tank had been disinfected and was ready to be returned to service at the end of April. Online monitors (chlorine, pH and turbidity) at tank & booster sites have continued to function well in April.

Compliance Trihalomethanes and Haloacetic Acid-5s were collected on April 15th bringing the 4-quarter running distribution averages to 54/34 THM/HAA and the max LRAAs to 58THM (BP Georgetown) and 50 HAA5 (Tates Creek & Malibu). The spring conversion to free chlorine, and distribution flushing program scheduled for April, have been postponed to later in the year to minimize customer inconvenience at this time.

Results of Water Study samples (QC samples required for ongoing chemical lab certification,) re-run in March, were received. All returned to Certified status.

Preliminary data compiling and review began of Louisville and KAWC filtered turbidity data for comparison to LT2 microbial "tool box" and Partnership for Safe Water Phase IV criteria toward a presentation by Steve Hubbs at WQTC in November. Preliminarily, we are finding that data retrieval and analysis is very cumbersome with the old SCADA system and limited interface of turbidimeters with the Hach system. But, we can see that the individual filter effluents at both plants appear to be capable of meeting the 95% $<$ 0.15ntu's using all readings. The Phase IV criteria of $<$ 0.1 nts based on 95% of daily maximum 15-minute readings from individual filters will not be attainable without some automated filter lock outs, and then may still be unattainable. LWC has similar findings to date. KAWC also contributed to AWS/Thames research proposals for AWWARF research in several **areas**.

Customer inquiries & response: There were 19 water quality calls logged in EDIS by CSR's this month. Eight additional calls were logged by customer service as "miscellaneous water quality" but did not appear to be related to water quality. We are doing some additional training and report tracking to try to improve this. There were seventeen discolored water calls with all but three handled by CSR's referrals to distribution for flushing. The three referred to Water Quality were cleared with additional flushing, but two were areas known to occur each year. Additional area investigation is underway for these sites. Seven customer inquiries all total were referred to water quality for follow-up. Of the remaining four, three were hot water heater related (two dip tube failures and one green slime) and one was inquiring about Giardia/Crypto removal systems. All calls referred to WQ were handled to customers' satisfaction.

The KAWC LEX/Boonesboro CCR was finalized and readied for inclusion in May billings. In late April letters and preliminary copies were mailed to Public Health Directors in the counties we serve and

copied to the K.y Division of Water (Vicki Ray and Julie Roney) and the Ky State Epidemiologist. Letters further explained the system area changes with the Boonesboro tie-in, along with the *Cryptosporidium* research and the single finished water detection in 2001. We, also, included the new immunocompromised brochure with this correspondence. Telephone contact was made with the Fayette county Health Dept. officials prior to this written communication as well. The 2001 CCR and new immuno brochures are now posted on the KAWC web site. In late April we met with Customer Service Representatives to review the CCR and the immuno brochure. No calls have been received by Water Quality regarding the CCR bill inserts to date. The immunobrochure is to be mailed to area health-care providers and agencies in May and is available to individual customers upon request and on the web site.

KAWC & Wastewater KPDES: KRS and RRS KPDES discharge sites analyzed in April were in compliance. Rockwell wastewater discharge results were noncompliant for BOD based on daily maximum. Work continues toward annexing the Rockwell collection system to the neighboring Winchester Municipal Utility WWTP as per State directive. Letters of notification went to the industrial customers in December that Rockwell would no longer accept their sewage as of March 2002. As of the end of March there was some additional work to be done to connect these to WMU. However, we are still on target for the Rockwell plant to be taken off line by June with the remainder of customers connected with the WMU system by that time.

Northern Division (TriVillage)

Operations and monitoring: KAWC has continued to conduct and submit State-required supplementary monitoring in Owenton following Owenton's May 2000 conversion to intermediate chlorination. All TriVillage samples were free of coliforms, and free chlorine residuals averaged >1.0 mg/L, with all sites at, or above, 0.2mg/L.

The Gallatin Co interconnection was completed in March and water purchase was initiated in April for water purchase from for the Glencoe area of TriVillage. There have been no noticeable quality impacts and reporting has been revised to reflect this change of source for a this portion of the TriVillage system. April's monthly reports were revised to reflect this change in source water for TriVillage and the proper state notifications were made in advance.

Customer inquiries & response: KAWC WQ staff completed the 2001 CCR for TriVillage, and it is finalized through Gemini, ready for printing at this writing. During April, we have also reviewed the Owenton CCR and recommended some corrections (via Owenton and Ky Rural Water which had compiled their CCR). There were no water quality related customer calls in TriVillage in April.

Acquisitions & Operations Contracts Summary

The April filing for PSC approval of the **Thames/RWE-AWS merger** has led to the active discussion of possibilities of **City-takeover** of KAWC. The City Council Budget and Finance Committee has recommended that a study be done to determine the feasibility of condemnation. A very preliminary such study was conducted by a local consultant under City direction and was discussed at an April 28 meeting of this committee. This study was done in only one week apparently, and involved some review of public records, and interviews with regulatory representatives along with unidentified former employees. This report suggested, among other things, that all compliance and non-compliance water quality data be reviewed, and it suggested that KAWC may not able comply with upcoming DBP regulations—not sure whose judgment this was. No current KAWC associates were involved in this City fact-finding to date. We will look forward to this in the future, should this condemnation effort move forward. The PSC ruling on this will be May 31st. The writer sent a letter to the editor of the local paper in support of the AWS/KAWC merger with Thames/RWE. The editorial staff have said it is a "timely" topic and will likely be used in the next couple of weeks.

The **Elk Lake** acquisition was filed with the PSC in March and is still expected to be finalized in May. The acquisition will include the treatment facility, but, quickly, the plant will be decommissioned

and the distribution system tied into the TriVillage system for permanent supply. Toward this completion we have already attained 2001 compliance data and are planning to prepare their CCR which will also include notifying the public of the availability of the 2001 UCMR data from this system under the unregulated monitoring public notice requirements.

On February 4th, KAWC made a proposal to the **Owenton** Water and Sewer Board to purchase those facilities. Discussions are continuing at this writing with presentations planned to the Water Board and the local Chamber of Commerce in early June. The Mayor of Owenton visited our KAWC offices in early May.

Effective January 1, 2002, a five-year operations agreement was entered between KAWC and Pineville Water (2.5 hours south-east of Lexington). Under this arrangement RRS Operations Supervisor, Rick Buchanan, has worked in Pineville for the majority of the time from October to-date. A full-time manager was hired, but has already resigned and another is being sought. WQ is assisting with RRS plant supervisory and administrative work in the interim during Rick's reassignment, and will provide support in Pineville as needed. Online individual filter turbidimeters have been installed at this writing in compliance with new regs. KAWC WQ has prepared a preliminary 2001 CCR for Pineville, which they will use for local printing and distribution.

At this writing, at the system's and the State's request, KAWC continues to provide supervisory and operator assistance for a distressed water system in Martin **Co** (Inez, Ky) about 2.5 hours away also. In March, an interim operations agreement was signed to expire in May. A KAWC Operations supervisor and operator have been temporarily reassigned in this effort. Water Quality is involved here, locally, as well, in increased operator assistance for those covering of the absence of the regular KRS "8-4" operator. AWS has been in to review this system in early May and is interested in making an operations proposal. Note this system has continued to receive several NOV's even since KAWC's involvement so there is much still to be done.

Southshore acquisition continues to be subject to renegotiations.

Meetings, Presentations, Regulatory and Committee Activities & Tours

Lab Analyst, Dottie Johnson, attended the KY-TN AWWA Water Quality Committee in Bowling Green on April 23rd. Highlights of this meeting included discussions of CCR's. Several utilities have already be notified of noncompliance in various areas. KAWC has helped avoid this hopefully by submitting these to the State for review prior to printing.

The writer administered three successful Partnership for Safe Water Phase III reviews during the month and served as a trainer of new Program Effectiveness Assessment Committee members (the PEAC, volunteer utility Phase III reviewers of Partnership for Safe Water) in a training session at Louisville Water Company (April 15-18. I also participated in the AWWA Water Quality Division spring WQTC planning meeting in Denver (April 12-13).

Plans for May

Work will continue to assess and optimize KAWC facilities and systems (including new and pending acquisitions) for compliance with new and developing regs, particularly new disinfection and filtration regulations in effect in January 2002. Work will progress on instrumentation upgrades at both plants and in the distribution system. And, the RRS hydraulic improvement work will move forward as will plans for SCADA upgrades at both plants and in distribution. Heightened security activities will continue as well.

■
jroutt letter to editor..shortened greatly.

Jan C. Routt
Director Water Quality
Kentucky-American Water Company
859/335-3662 office

859/263-3137 fax
jroutt@kawc.com
"people you know, people you trust"



"Bill and/or Kathy
Bunch"
<bkbunch@meginc.com>
>
05/21/2002 06:37 AM

To: <cbush@kawc.com>
cc: <bridwell@kawc.com>, <lburns@kawc.com>, <dtaylor@kawc.com>
Subject: Re: Kentucky Acquisition

Yes, will provide copies. We are adopting the Elk Lake tariffs with some exceptions. Donna and Larry are working together to ensure programming capability. Linda is coordinating the filing with regard to the adoption of the tariff and the various exceptions. The largest exception, discovered yesterday, is that they read in 1000 gallons but bill in 100 gallon increments. We will round to the nearest 1000 as is done elsewhere in the service area. There are other minor exceptions. Will summarize and get you a complete copy.

- - Original Message - -
From: <cbush@kawc.com>
To: "Bill and/or Kathy Bunch" <bkbunch@meginc.com>
Sent: Tuesday, May 21, 2002 1:39 AM
Subject: Re: Kentucky Acquisition

> Thanks. Can you get me copies of the tariffs for Elk Lake? I assume that
> we are adopting their tariffs?

>
>
>
>
>
>

> "Bill and/or
> Kathy Bunch" To: <cbush@kawc.com>
> <bkbunch@megin cc:
> c.com> Subject: Re: Kentucky
Acquisition

> 05/17/2002
> 04:46 PM

> I suspect that she is talking about Elk Lake. We are also closing in on a
> potential acquisition of Owenton and are pursuing a contract op with
Martin
> County Water District with AWS.
>

> - - - Original Message - -
> From: <cbush@kawc.com>
> To: <bkbunch@meginc.com>
> Sent: Thursday, May 16, 2002 1:28 PM
> Subject: Kentucky Acquisition
>
>

> > I think she is talking about Elk Lake here, but maybe there is something
> > else.
> >
> > We need any information that would require additional set up. Rates,
> fees,
> > etc. Will Elk Lake be treated basically as any other KAWC customer or
do
> > they have special tariffs?
> >
> > Are there other potential acquisitions besides Elk Lake?
> >
> > Thanks.
> >
> >
> > - - - Forwarded by Coleman Bush/KAWC/AWWSC on 05/16/2002 12:19 PM - -
> >
> > Cullen K
> > Johnson To: Coleman
> Bush/KAWC/AWWSC@AWW
> >
> > cc:
> > 05/16/2002 Subject: Kentucky
> Acquisition
> > 12:15 PM
> >
> >
> >
> >
> >
> >
> >
> > Coleman,
> >
> > I heard that Kentucky is or is going to be acquiring a new area. I don't
> > know any details but was hoping that you could shed some light on this.
> >
> > Thanks,
> > Cullen
> >
> >
>
>
>
>
>

Nick Rowe

05/22/2002 03:05 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Stan Stockton/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, Larry
Burns/KAWC/AWWSC@AWW, Donna Taylor, Richard C
Svindland/KAWC/AWWSC@AWW, Jan
Routt/KAWC/AWWSC@AWW, Roy Mundy, Phil
McConathy/KAWC/AWWSC@AWW
Subject: Re: Elk Lake approval by PSC(

Stan- you should work with Bill Bunch to head up our efforts for closing! Phil- you can now submit
paperwork
for for Operations specialist!
Herb Miller

Herb Miller

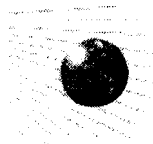
05/22/2002 02:43 PM

To: Mike Miller/NWAWC/AWWSC@AWW
cc: Chris Jarrett/WVAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW,
ingramjr@skp.com, Jim R Hamilton/NWAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW
Subject: Elk Lake approval by PSC

Today, the PSC issued an order approving the asset acquisition of the Elk Lake water system.
The Order contained no significant conditions.

The Agreement calls for a Closing within 60 days provided all other warranties and conditions
have been met. We will be working with the Elk Lake representatives to make sure these are resolved
ASAP.

Congratulations and thanks to all involved. We'll have to roll up our sleeves, now , and get to
work!



Jan Routt

05/22/2002 04:10 PM

To: Nick Rowe/KAWC/AWWSC@AWW
cc: Donna Taylor/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW, Larry Burns/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW, Phil McConathy/KAWC/AWWSC@AWW, Richard C Svindland/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW, Dorothy Johnson/KAWC/AWWSC@AWW, Mary Ellen Pugh/KAWC/AWWSC@AWW, Mitzi Combs/KAWC/AWWSC@AWW, Joe White/KAWC/AWWSC@AWW, David Shehee/KAWC/AWWSC@AWW, Carol F Tudor/KAWC/AWWSC@AWW, PARK
TAC KETT/KA W C/AWWSC@AW W
Subject: Re: Elk Lake transitio n

Nick,

Thanks for the news,

Stan, Bill, Park, Carol and All,

At closing, all records of their operation will need to come here --or maybe to TriVillage office for now --(these are required to be kept for 5 years).

I will plan on sending a letter to Vicki eliminating the Elk Lake PWS as a separate supply. This should be able to be effective on the date of closing so will need to know exactly when that is. (I've left a message with Ann Workman at the State on this today).

I know Rich is working up the drawings of system changes (clearwell to pumped storage, etc) and these will go to the State as well. I'd like a copy too.

I know we do not plan on this but, If the plant is run at all after closing, we *must* do the necessary monitoring and reporting.. Hopefully the plant will not need to be run, but I do need to be notified in advance if this looks to be the case. I'd also like to be aprised of exactly when we begin flushing the connecting line.

We will proceed with doing their CCR (will probably mail or hand deliver it...could probably get by with posting it.....do we have their customer address listing?).

I will also start attempting the supervision of their compliance testing in this interim (McCoy is doing it now).

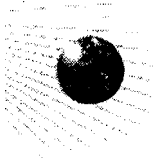
Carol, please call me because I'd like to have Elk Lake bacteriological samples brought in here in June just as a precaution against M&M's not doing it. I'll check with Ann on their site plans for bact and Lead/copper toward consolidation into TriVillages.

We will revise the TriVillage sampling site plan to include sites for chlorine and bacteriological and lead/copper in the Elk Lake area.

I'm of the understanding that this closing is more likely to occur in 30 days?? Please keep me posted.

Hey, Stan maybe you could look for an Operations specialist with a chemistry or biology degree...or some field testing experience ????

Jan



Jan Routt

05/23/2002 10:59 AM

To: Nick Rowe/KAWC/AWWSC@AWW
cc: Donna Taylor/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW, Larry Burns/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW, Phil McConathy/KAWC/AWWSC@AWW, Richard C Svindland/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW, Dorothy Johnson/KAWC/AWWSC@AWW, Carol F Tudor/KAWC/AWWSC@AWW, PARK TACKETT/KAWC/AWWSC@AWW, Mitzi Combs/KAWC/AWWSC@AWW, David Shehee/KAWC/AWWSC@AWW, Joe White/KAWC/AWWSC@AWW, Mary Ellen Pugh/KAWC/AWWSC@AWW
Subject: Re: Elk Lake update--all set at DOW [j

Just an update..I heard back from Ann Workman at DOW today regarding Elk Lake transition, and we are on the same page..

She agreed that the System PWSID will **be** inactivated immediately when they hear from us.

And we will proceed with consolidation of sample site plans for monitoring and reporting going forward. (No need to monitor **lead** and copper in the Elk Lake system in June).

State will actually send an inspector out to verify that the plant is off line.. I told her the demolition would probably take a while and that **we** would be submitting plans to convert the clearwell to pumped storage for water supplied through TriVillage.

Jan

859/335-3662 **office**
859/263-3137 fax
jroutt@kawc.com

Roy Mundy
Sent by: Pat Ballard
05/23/2002 08:26 AM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Carol F
Tudor/KAWC/AWWSC@AWW, ingramjr@skp.com, Larry
Burns/KAWC/AWWSC@AWW, Lindaridwell/KAWC/AWWSC@AWW,
Subject: RE: PSC Approval Order for Elk Lake

Sr. Leadership scheduled for Wednesday 5/29 since we're off on Monday. Will Wednesday work for everyone? Thanks -- Pat

Herb Miller

Herb Miller
05/22/2002 03:27 PM

To: Roy Mundy/KAWC/AWWSC@AWW, Linda
Bridwei /KAWC/AWWSC@AWW, Carol F
Tudor/KAWC/AWWSC@AWW, Bill Bunch/KAWC/AWWSC@AWW,
Phil McConathy/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, Larry
Burns/KAW C/AW WSC@AW W
cc: Nick Rowe/KAWC/AWWSC@AWW, ingramjr@skp.com
Subject: RE: PSC Approval Order for Elk Lake

Please check your calendars: A short meeting on Tuesday, May 28th right after the Senior Leadership Meeting (about 10 am) to discuss what needs to get done for the Elk Lake transition. We will also need to establish a time for a conference call to the Elk Lake folks.

Hey, Carol, can we bring you in by conference call on the 28th? Thanks.

-- Forwarded by Herb Miller/KAWC/AWWSC on 05/22/2002 03:16 PM ---



"Withrow, Michael V."
<MVW@GDM.com>
05/22/2002 03:00 PM

To: <hmiller@kawc.com>, <tbmch@earthlink.net>, "Withrow, Michael V."
<MVW@GDM.com>
cc: <rwmundy@kawc.com>, <bbunch@kawc.com>
Subject: RE: PSC Approval Order for Elk Lake

Great news, Herb!

Tom McHugh, Carl Stitch and I look forward to talking with you to assure that we accomplish closing as soon as possible. When you have the opportunity, please provide us with several possible conference call dates. In the meantime, have a good holiday weekend.

Again, Herb, thanks!

Mike Withrow

Original Message - -

From: hmiller@kawc.com [mailto:hmiller@kawc.com]
Sent: Wednesday, May 22, 2002 2:59 PM
To: tbmch@earthlink.net; mvw@gdm.com
Cc: rwmundy@kawc.com; bbunch@kawc.com
Subject: PSC Approval Order for Elk Lake

Greetings Tom McHugh and Mike Withrow:

The PSC issued an approval order today for the asset acquisition of the water facilities of Elk Lake. Hoo-ray!!

Under the Agreement, a Closing must occur within 60 days of the Order provided all other warranties and conditions have been met. Of course, we

will try to accomplish a Closing much earlier.

On May 9, 2002, I sent to Mike Withrow a list of things that need to get done as soon as possible. We will need to follow up on that and other transitional issues in the next week or so. Perhaps a meeting or a conference call would be good, maybe next week after Memorial Day weekend.

This message has been sent from a law firm and may contain information which is confidential or privileged. If you are not the intended recipient, please advise the sender immediately by reply e-mail and delete this message and any attachments without retaining a copy. Thank you.

Susan Lancho
05/24/2002 09:40 AM
To: Bill Bunch/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW
Subject: RE: PSC Approval Order for Elk LakeD

Bill, by copy of this email I'll ask Lisa to put on our calendar, and we'll both plan to attend. Thanks
Bill Bunch

Bill Bunch
05/24/02 07:31 AM
To: Susan Lancho/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW, Pat
Ballard/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW
Subject: RE: PSC Approval Order for Elk Lake

Susan - I had committed to Barbara to bring Communications into the process of acquisitions earlier than we did with Tri-Village. As you will see below, the Elk Lake acquisition has been approved by the PSC and our first team meeting looking toward the closing will be Wednesday, May 29 at 8:15. I would like for you and Lisa to attend if possible. Lisa will be instrumental in the transition as she was with Tri-Village. It may be a bit early to involve Communications, but I wouldn't hurt for you to start becoming involved with the issues, dates, etc. Your involvement also important as a liaison with the PR team and potential Lexington issues that may arise.

Bill Bunch - - - - -
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
---- Forwarded by Bill Bunch/KAWC/AWWSC on 05/24/2002 07:22 AM ---

Roy Mundy
Sent by: Pat Ballard
05/23/2002 08:26 AM
To: Herb Miller/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Carol F
Tudor/KAWC/AWWSC@AWW, ingramjr@skp.com, Larry
Burns/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW,
Nick Rowe/KAWC/AWWSC@AWW, Phil
McConathy/KAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW
Subject: RE: PSC Approval Order for Elk LakeE

Sr. Leadership scheduled for Wednesday 5/29 since we're off on Monday. Will Wednesday work for everyone? Thanks -- Pat

Herb Miller

Herb Miller
05/22/2002 03:27 PM
To: Roy Mundy/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, Carol F
Tudor/KAWC/AWWSC@AWW, Bill Bunch/KAWC/AWWSC@AWW,
Phil McConathy/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, Larry
Burns/KAWC/AWWSC@AWW
cc: Nick Rowe/KAWC/AWWSC@AWW, ingramjr@skp.com
Subject: RE: PSC Approval Order for Elk Lake

Please check your calendars: A short meeting on Tuesday, May 28th right after the Senior Leadership Meeting (about 10 am) to discuss what needs to get done for the Elk Lake transition. We will also need to establish a time for a conference call to the Elk Lake folks.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
Herb Miller

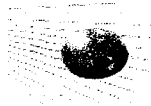
Herb Miller
05/30/02 03:16 PM

To: Bill Bunch/KAWC/AWWSC@AWW, Larry
Burns/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, Phil
McConathy/KAWC/AWWSC@AWW, Dillard
Griffin/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW,
Linda Bridwell/KAWC/AWWSC@AWW, Richard C
Svindland/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AW WSC@AW W
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Donna
Braxton/KAWC/AW WSC@AW W
Subject: Elk Lake

Please review the attached letter today. Thank you.

Tom McHugh letter.do

p(' v v) ~Lef~ ~,, f,e 5/cLem4e l 3e?, e),



Jan Rutt
05/31/2002 09:21 AM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Dillard
Griffin/KAWC/AWWSC@AWW, Donna
Braxton/KAW /AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW,
Subject: Re: Elk Lake

Herb, looks fine to me also except I would revise to say that

.... we plan to begin to provide the water from TriVillage during the days prior to the July 19th closing.

We do not expect the Elk Lake residents to experience noticeable changes in water quality or pressure. There may be some brief episodes of discolored water during flushing and testing.. particularly the week of July 15th.

We will work to minimize discolored water. But we do encourage them to contact us with any questions or concerns during the changeover month of July.

Kentucky-American Water Company
TriVillage Water District
3700 Hwy 127 North
Owenton, Ky. 40359
502/484-5774

Kentucky-American
Central Division Offices /Lexington
800/678-6301

This will allow for any test-feeding that we might need to do earlier in July and will give them contacts to call with questions.

Once everyone signs off, I will send Vicki Ray and Ann Workman a letter stating that the Elk Lake PWSID will become inactive as of July 19, 2002.

Jan

Jan C. Rutt
Director Water Quality
Kentucky-American Water Company
6300 Cedar Creek Lane
Lexington, Ky 40515
859/335-3662 office
859/263-3137 fax
jrutt@kawc.com
Bill Bunch

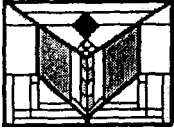
Bill Bunch
05/31/02 05:47 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Dillard Griffin/KAWC/AWWSC@AWW, Donna
Braxton/KAWC/AWWSC@AWW, Jan Rutt/KAWC/AWWSC@AWW,
Larry Burns/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW,
Nick Rowe/KAWC/AWWSC@AWW, Phil
McConathy/KAWC/AWWSC@AWW, Richard C
Svindland/KAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW
Subject: Re: Elk Lake

Good letter. Accurately reflects plans as we discussed.


r ----

IC (-) +



Richard C Svindland

05/31/2002 11:30 AM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Carol F
Tudor/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW,
Jan Routt/KAWC/AWWSC@AWW, Larry
Burns/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW,
Phil McConathy/KAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AW W SC@AW W
Subject: Re: Elk Lake Meetin 

Excellent news, we acquired the 2600' easement required to make the second connection into the Elk Lake system yesterday for \$1.00. All we need now to start construction is DOW approval of the plans and specs which I expect to have within 10 days. At this pace we may be able to have the second connection made by the closing date.

I still want to and will convert the treatment plant to a pump storage facility just to be sure we can meet all peak hour needs on a hot summer holiday weekend. In light of the times, I want to be 100% sure that we have no problems in Elk Lake during the transition.

Please let me know if you have any questions / concerns.

Richard C. Svindland, P.E.
Senior Operations Engineer
Kentucky-American Water Company
2300 Richmond Road
Lexington, Kentucky 40502
(859) 335-3833

Bill Bunch
05/31/2002 05:47 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Dillard Griffin/KAWC/AWWSC@AWW, Donna
Braxton/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW,
Larry Bums/KAWC/AWWSC@AWW, Linda
Subject: Re: Elk Lake

Good letter. Accurately reflects plans as we discussed.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
Herb Miller

Herb Miller
05/30/02 03:16 PM

To: Bill Bunch/KAWC/AWWSC@AWW, Larry
Burns/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, Phil
McConathy/KAWC/AWWSC@AWW, Dillard
Griffin/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW,
Linda Bridwell/KAWC/AWWSC@AWW, Richard C
Svindland/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AW WSC@AW W
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Donna
Braxton/KAWC/AW WSC@AW W
Subject: Elk Lake

Please review the attached letter today. Thank you.

Tom McHugh letter.doi

provided in response

Larry Burns
06/12/2002 08:48 AM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Bryan Siler/KAWC/AWWSC@AWW, Carol F Tudor/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW, Jim R HamiltonNWAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW, Mike MillerNWAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Park Tackett/KAWC/AWWSC@AWW, Rachel Cole/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW, Susan Lancho/KAWC/AWWSC@AWW
Subject: Re: Elk Lake Progress to Closing

Herb,

The programming for Elk Lake will be completed by mid June. That will give us approx. 30 days to get all of the accounts set up in the system. We will turn the accounts on as our customers on the date of the closing.

Larry

Herb Miller

Herb Miller
06/11/2002 03:40 PM

To: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW, Stan Stockton/KAWC/AWWSC@AWW, Susan Lancho/KAWC/AWWSC@AWW, Carol F Tudor/KAWC/AWWSC@AWW, Bill Bunch/KAWC/AWWSC@AWW, Larry Burns/KAWC/AWWSC@AWW, Rachel Cole/KAWC/AWWSC@AWW, Jim R HamiltonNWAWC/AWWSC@AWW, Mike MillerNWAWC/AWWSC@AWW, Bryan Siler/KAWC/AWWSC@AWW, Park Tackett/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW
cc:
Subject: Elk Lake Progress to Closing

Here is the status of things in our progress to have a Closing at Elk Lake on Friday, July 19, 2002.

1. Account Changeovers: This is being done by Angie at the former Tri-Village office.. Larry Burns anticipates this will be done by mid-June. The plan is to have "turn-on" orders (in the system internally) be effective on the date of Closing.
2. Customer Histories: Carol Tudor will contact Carl Stich to see how histories can be saved from the current billing system.
3. Pre-Closing Flushing: Park Tackett will coordinate with Carl and Cheri for a system flushing, probably July 14-15. We will need to communicate with the residents to anticipate the temporary "brown water" for purposes of bathing, clothes washing, etc.
4. Bill and meter reading: Final meter reading will occur July 16. 17 and 18 with KAWC associate accompanying Cheri or whoever reads Elk Lake meters. Elk Lake will issue a bill through July. KAWC will begin billing after this reading.
5. Plant Operation: Stan Stockton and Park will contact Cheri to make sure coverage is available through

the Labor Day weekend.

6. Randy Teegarden will be available after July 1 to begin actively involved in the Elk Lake system.
7. Welcome Packets: Susan Lancho will be responsible for the communication pieces that will go out upon closing. She will also coordinate any receptions or "open houses" with Elk Lake leadership.
8. Community Confidence Reports (CCR): Jan Routt is coordinating with Carl Stitch to have these available for residents by June 30th.
9. Elk Lake Legal Documents: Tom McHugh and Mike Withrow for Elk Lake will coordinate with their counsel, Mark Cobb, to get the documents to Herb Miller ASAP.

Bill Bunch
06/13/2002 08:37 AM

To: Lisa Helton/KAWC/AWWSC@AWW
cc: (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Elk Lake Progress to Closing

FYI: Didn't see you in the list of addressees. I did not get to attend this meeting either due to conflict with Martin County meeting with Roy.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
--- Forwarded by Bill Bunch/KAWC/AWWSC on 06/13/02 08:36 AM --

Herb Miller
06/11/02 03:40 PM

To: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, Dillard
Griffin/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, Susan
Lancho/KAWC/AWWSC@AWW, Carol F
Tudor/KAWC/AWWSC@AWW, Bill Bunch/KAWC/AWWSC@AWW,
Larry Burns/KAWC/AWWSC@AWW, Rachel
Cole/KAWC/AWWSC@AWW, Jim R
Hamilton/WVAWC/AWWSC@AWW, Mike
MillerNVAWC/AWWSC@AWW, Bryan Siler/KAWC/AWWSC@AWW,
Park Tackett/KAWC/AWWSC@AWW, Jan
Routt/KAWC/AW WSC@AW W
cc:
Subject: Elk Lake Progress to Closing

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9. Elk Lake Legal Documents: Tom McHugh and Mike Withrow for Elk Lake will coordinate with their counsel, Mark Cobb, to get the documents to Herb Miller ASAP.

Lisa Helton
07/09/2002 04:48 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc:
Subject: Elk Lake Purchase Price

I verified in the signed proposal as well as in the PSC filing that the agreed purchase price is \$89,084.00.

dOZ., Lisa Helton
07/10/2002 09:51 AM

To: Bill Bunch/KAWC/AWWSC@AWW
cc:
Subject: Re: Check Request for Elk Lake Acquisition

No problem, Bill. I'll get it to her this morning.

Bill Bunch

Bill Bunch
07/10/2002 09:25 AM

To: Lisa Helton/KAWC/AWWSC@AWW
cc:
Subject: Re: Check Request for Elk Lake Acquisition

Lisa, please handle Rachel's request. I volunteered your services in my e-mail to her yesterday as I am not in the office to do it. Thanks.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
Forwarded by Bill Bunch/KAWC/AWWSC on 07/10/02 09:24 AM --

Rachel Cole
07/10/02 09:07 AM

To: Bill Bunch/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW
cc:
Subject: Re: Check Request for Elk Lake Acquisition[']

I can get the check authorization out today.

Lisa: I will need a copy of the signed purchase agreement and the PSC order before 3:00 pm today or fax it to my machine at 335-3307. Thanks.

Bill Bunch

Bill Bunch
07/09/2002 05:07 PM

To: Rachel Cole/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW
Subject: Check Request for Elk Lake Acquisition

I confirmed today that we anticipate closing the acquisition of Elk Lake on Friday, July 19. In that regard, I will need a check in the amount of \$89,084 for acquisition of the Elk Lake water system assets written to the Elk Lake Property Owners Association, Inc., 445 Elk Lake Road, Owenton, Kentucky, 40359. I will need this check no later than the end of business on Thursday, July 18, as I am not yet certain of the closing day schedule. Lisa can provide copies of the signed purchase agreement, PSC Order, or other backup that you may need to support the check. Information for the journal entry will be provided later, after the Elk Lake CPA has given us financial info as of the date of closing.

As I am currently working from Pineville and Martin County, I will not be in the Lexington office before July 18 to facilitate this process. Would you please process the necessary paperwork to ensure that I have a check on July 18? Please let me know if you need additional info. Thanks.

Bill Bunch

Herb Miller
07/11/2002 09:08 AM

To: Jan Dickson/KAWC/AWWSC@AWW
cc: Carol F Tudor/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW,
Subject: Elk Lake

See attached letter.

Mark Cobb Elk Lake Letter.doc

VIA FAX: 502-484-1065

Hon. Mark R. Cobb
P.O. Box 342
Owenton, Ky. 40359

Re: Elk Lake Closing

Dear Mark;

We have been missing one another lately in our phone calls, so I thought I would fax you regarding the upcoming July 19th closing with Elk Lake.

The Closing is still set for July 19th, although we need to establish a definite time. Would 11 am at the Elk Lake Lodge be convenient? Alternatively, we could meet at your office if that is better for you and your client.

I understand you are preparing the deeds, assignments and bills of sale for the transfer. At your earliest convenience, would you be able to fax drafts to me at 859-268-6327?

In addition, there are some things we should go over together to make sure we are on the same wavelength, such as getting the title to the truck, easement rights throughout the system, what will happen to the treatment plant (deed, ground lease, access, removal, etc.), getting copies of all permits and other matters.

Thank you for your cooperation through all this. I look forward to working with you.

Yours very truly,

Herbert A. Miller, Jr.

Herb Miller
07/12/2002 04:29 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc: Donna Braxton/KAWC/AWWSC@AWW
Subject: Re: Elk Lake Closing on July 19, 2002

I am hoping for a more definitive listing of assets as referred to below. I looked in your 3 binders and did not find anything. Does such a listing exist? Thanks.

-- Forwarded by Herb Miller/KAWC/AWWSC on 07/12/2002 04:23 PM —



Donna Braxton
07/12/2002 04:12 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Roy Mundy/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW
Subject: Re: Elk Lake Closing on July 19, 2002[]

I also need a complete description and value of any property that we will gain, in order to add it to our insurance.
Herb Miller

Herb Miller
07/12/2002 04:10 PM

To: Roy Mundy/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW
cc: Jan Routt/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, Larry
Burns/KAWC/AWWSC@AWW, Richard C
Svindland/KAWC/AWWSC@AWW, Carol F
Tudor/KAWC/AWWSC@AWW, Barbara
Brown/KAWC/AWWSC@AWW, Donna
Braxton/KAWC/AWWSC@AWW
Subject: Elk Lake Closing on July 19, 2002

The tentative time for the Elk Lake Closing is 1 pm, Friday, July 19, 2002, at the Elk Lake Lodge. Attending should be Roy, Bill and Herb for legal reasons and signatures. I would imagine that Carol and Randy should attend also as you all will be dealing with these folks on a daily basis go forward. It should last no more than an hour.

Stan and Larry: are we OK in terms of the flushing schedule, meter readings, etc.?

I saw the letter to customers that Barbara prepared for Roy and it looks good.

Bill, I saw where you requested the check from Rachel. We need to make sure we have that. Also, do we have a more detailed tangible asset listing other than what was attached to the purchase agreement? This will be attached to the bill of sale. Do we have all of the latest financial data?

Donna, they will bring the title papers for the only vehicle that is being transferred in the deal.

Stan and Rich: if there is any serious thought being given to keeping an underground storage tank at the current site we need to talk about this ASAP. Also, the temporary lease for the treatment plant site will last for 1 year with a possible renewal. This should give us time to remove the exterior tank and dismantle the plant after making sure we don't need it.

Please keep me advised as we progress through the next week so we do not have any surprises.
Thanks.

Larry Bums
07/15/2002 08:33 AM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Barbara Brown/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW, Carol F
Tudor/KAWC/AWWSC@AWW, Donna
Subject: Re: Elk Lake Closing on July 19, 2002

Herb,

Angie reports that she has all of the Elk Lake services set up in our system. She is making turn on orders for all of them effective 7/19/02. She will use the last meter reading from Elk Lake as the beginning meter reading for KAWC and will complete the turn on orders when these readings are obtained.

Larry

Herb Miller

Herb Miller
07/12/2002 04:10 PM

To: Roy Mundy/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW
cc: Jan Routh/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, Larry
Burns/KAWC/AWWSC@AWW, Richard C
Svindland/KAWC/AWWSC@AWW, Carol F
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Braxton/KAWC/AWWSC@AWW
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Please keep me advised as we progress through the next week so we do not have any surprises.
Thanks.

dOe.Z.. Lisa Helton
07/15/2002 01:20 PM
To: Bill Bunch/KAWC/AWWSC@AWW
cc:
Subject: Re: More Elk Lake InfoE

I'll fax them to you. (I hope I didn't keep you waiting too long!)

Bill Bunch

Bill Bunch
07/15/2002 10:39 AM
To: Lisa Helton/KAWC/AWWSC@AWW
cc:
Subject: More Elk Lake Info

For some reason, the page numbers in the Elk Lake PSC report are different from the MCWD report that I used as a basis for my earlier request. I am looking for a page entitled "Analysis of Accumulated Depreciation and Amortization by Primary Account." This was page 14 in the MCWD report but is not in the Elk Lake. I am also looking for a page entitled "Water Utility Plant Accounts." This was page 28 in the MCWD report but is not in the Elk Lake. Please locate those schedules and fax them to me.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314

Barbara Brown
07/15/2002 04:43 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc:
Subject: Re: Elk Lake Closing[j]

Bill, That would be fine with me.

Thanks for asking.

Barbara

Barbara K. Brown
Director-Communications
Kentucky-American Water Co.
2300 Richmond Road
Lexington, KY 40502
(859) 268-6332 (P)
(859) 268-6327 (F)
brownb@kawc.com

"People You Know, People You Trust"

Bill Bunch

Bill Bunch
07/15/2002 03:57 PM

To: Barbara Brown/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW
Subject: Elk Lake Closing

Closing of the Elk Lake acquisition is scheduled for Friday, July 19, at 1:00. For continuity and ongoing relationship purposes, it would be most beneficial if Lisa could attend with us (Roy, Herb and I are planning to attend). Would it be possible to rearrange her schedule to allow her to attend? Certainly, the Lexington effort would come first but I would appreciate it if it is at all possible. Thanks.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314

Bill Bunch
07/16/2002 08:38 AM

To: Lisa Helton/KAWC/AWWSC@AWW
cc: Rachel Cole/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Elk Lake acquisition

Lisa - Please look in our files or contact Elk Lake to obtain their federal tax ID number. I feel confident that we will have the number in our binders on one of the tax returns but it may be simpler to just call Carl Stitch. Thanks.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
-- Forwarded by Bill Bunch/KAWC/AWWSC on 07/16/02 08:37 AM --

Rachel Cole
07/15/02 06:15 PM

To: Peter Huver
cc: Bill Bunch, Lisa Zaccaria
Subject: Elk Lake acquisition

Please process this check tomorrow. Go ahead and overnight tomorrow, even though it's not needed in our office until Thursday.

Please let me know if there are any problems with this request. I do not have a Fed Tax ID # for Elk Lake Property Owners.

Bill: If you can get this info for me, I will add it to the form. Thanks.

Elk Lake Request.til

American Water

3906 Church Road, Mt. Laurel, NJ 08054 (866) 777-8426

DISBURSEMENT REQUEST

Type of Disbursement:	Check	<input checked="" type="radio"/> Debit Voucher	<input type="radio"/> Record Voucher
	IIACH Transfer		<input type="radio"/> Wire Transfer
Customer Name:	Elk Lake Property Owners Association, Inc.		
Street Address:	445 Elk Lake Resort Road		
City, State, Zip:	Owenton, Kentucky 40359		
Telephone Number:			
Fax Number:			
Federal Tax ID Number:			

Mailing Instructions: Regular Mail Overnight (No P.O. Boxes for Overnight)

Other Special Handling Instructions: Overnight to Lisa Helton, 2300 Richmond Road, On 07/17/02

Disbursement Amount:	89,084.00	Payment Date:	7/16/2002		
Purpose of Disbursement:	Consideration for purchase of assets of Elk Lake.				
Vendor Number:					
Approved by:					
DISTRIBUTION:					
Business Unit	Object Account	Subsidiary Code	Sub ledger/ Work Order No.	WO Type	Amount
liD2 108)052?5	.	50016750	W	89,084.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00

Note: The amount of funds and payee should be supported by documentation, which is to be attached to the authorization.

Please indicate the following:

Utility Subsidiary: KAWC
 Submitted By: Rachel S. Cole
 Submission Date: 7/15/2002
 Contact Phone Number: 859-268-6307 Extension:

Final / gov.

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT ("Agreement") is entered into on this ___ day of July, 2000, between **ELK LAKE PROPERTY OWNERS ASSOCIATION, INC.** ("Seller"), 445 Elk Lake Resort Road, Owenton, Kentucky 40359, and **KENTUCKY-AMERICAN WATER COMPANY** ("Buyer"), a Kentucky corporation, with its principal offices at 2300 Richmond Road, Lexington, Kentucky 40502, which agree as follows:

1. PURCHASE OF ASSETS. Seller hereby agrees to sell to Buyer on the Closing Date identified in paragraph 9 herein, and Buyer hereby agrees to purchase, free and clear of all liens, claims and encumbrances, certain of Seller's tangible assets devoted to the provision of potable water service to the public, whether or not carried on or reflected in Seller's books and records. The purchase shall include certain tangible *assets of Seller's potable water system and certain interests Seller has in* real property, whether license, easement, fee simple, or any other type of ownership, ("collectively referred to as the Assets") which are listed in Exhibits 1 and 2. Although Exhibits 1 and 2 are intended to be complete, to the extent Seller on the date of this Agreement owns any assets which are needed to operate the potable water distribution system that should be, but are not,, included in. the exhibits, such assets nonetheless shall be transferred to Buyer on the Closing Date.

2. CONSIDERATION. In consideration of the sale of such Assets, Buyer shall pay to Seller on the Closing Date Eighty Nine Thousand Eighty-Four Dollars (\$89,084), the sufficiency of which is acknowledged by Seller. In the event Seller acquires or deposes of tangible assets devoted to the provision of utility service subsequent to the date of this Agreement, the purchase price shall be adjusted to reflect the net book value of those assets on the Closing Date.

3. WARRANTIES. Seller represents and warrants to Buyer as follows:

- (A) Seller is a body corporate with the requisite right and corporate power and authority (i) to carry on its business as is now being conducted and (ii) to own, lease or operate its properties which it currently owns, leases, or operates. Seller has, and at all times has

Bill Bunch
08/03/2004 09:31 AM

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

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
Phone (859) 268-6318
Fax (859) 335-3314

KAWC Contract Manager
Pineville Utilities Commission
PO **Box** 277
Pineville, KY 40977
Phone (606) 337-6611
Fax (606) 337-6846
Cell (606) 269-1428

- - Forwarded by Bill Bunch/KAWC/AWWSC on 08/03/2004 09:32 AM - -

Lisa Helton
07/17/2002 01:40 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc:
Subject: Re: Elk Lake Property

Bill,

I spoke with Carl earlier this morning. He told me that the Water Tower is at lot 1130 & the Booster Pumping Station is at lot 378. He said that everything else is pretty much at the same location. I hope that this helps. If you need additional information please do not hesitate to ask.

Lisa

Bill Bunch

Bill Bunch
07/16/2002 04:17 PM

To: Donna Braxton/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW
Subject: Re: Elk Lake Property]

I cannot provide the level of detail that you require. Lisa - please call Carl Stich to see what kind of property listing he can provide. Perhaps he will have a listing that they have used for tax or insurance purposes.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502

(859) 268-6318
fax (859) **335-3314**
Donna Braxton



Donna Braxton
07/16/02 04:04 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW
Subject: Re: Elk Lake Property

I need addresses and description of properties. They need values and costs by location in the event that there is a loss at that particular location. They cannot be grouped together as on the chart that you sent.
Bill Bunch

Bill Bunch
07/16/2002 02:42 PM

To: Herb Miller/KAWC/AWWSC@AWW, Donna
Braxton/KAW C/AW W SC@AW W
cc: Lisa Helton/KAWC/AWWSC@AWW
Subject: Elk Lake Property

Let's try this again, hopefully with the attachment.

Elk Lake Property 123101.x

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY **40502**
(859) 268-6318
fax (859) **335-3314**
-- Forwarded by Bill Bunch/KAWC/AWWSC on 07/16/02 02:41 PM --

Bill Bunch
07/16/02 01:20 PM

To: Herb Miller/KAWC/AWWSC@AWW, Donna
Braxton/KAWC/AW WSC@AW W
cc: Lisa Helton/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Elk Lake Property

Attached is a schedule taken from the PSC report that lists Elk Lake's property by asset class as of December 31, 2001 which I hope will suffice for the bill of sale and insurance purposes. Please contact me if you need additional info.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY **40502**
(859) 268-6318
fax (859) 335-3314

Elk Lake Property Owners Association, Inc.
Water System Asset Listing
as of December 31, 2001

	Gross Plant	Accumulated Depreciation	Net Book Value
303 Land	50,000		50,000
304 Structures and Improvements	27,734	14,881	12,853
309 Supply Mains	14,520	9,024	5,496
311 Pumping Equipment	15,100	14,871	229
320 Water Treatment Equipment	7,618	2,295	5,323
330 Distribution Tanks	30,749	13,897	16,852
331 Distribution Mains	151,048	82,015	69,033
334 Meters and Meter Installations	56,623	59,065	(2,442)
335 Hydrants	13,900	8,638	5,262
339 Other Plant Equipment	3,838	5,201	(1,363)
341 Transportation Equipment	7,445	2,240	5,205
348 Other Tangible Plant	500	500	0
	<hr/>		
	379,075	212,627	166,448
	<hr/>		

Jan Routt

07/18/2002 03:57 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Richard C Svindland/KAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW,
Stan Stockton/KAWC/AWWSC@AWW
Subject: letter to Vicki Ray re Elk Lake closing

Herb,

Per our discussion. Elk Lake name and ownership change letter to Vicki Ra
Give my regards to everyone.

Jan

Note Ann Workman is at the same address as Vicki Ray

Jan C. Routt
Director Water Quality
Kentucky-American Water Company
6300 Cedar Creek Lane
Lexington, Ky 40515
859/335-3662 office
859/263-3137 fax
jroutt@kawc.com

Carol F Tudor

07/19/2002 03:05 PM

To: Herb Miller/KAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Bill Bunch/KAWC/AWWSC@AWW
cc:
Subject: Elk Lake Meters

Herb:

I asked Cheriee she said all the Elk Lake Associations property owners properties are metered. The truck odometer reading is 66795.

Carol



Richard C Svindland
07/23/2002 09:13 AM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Donna
Braxton/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW
Subject: Re: Elk Lake assets[

I would estimate the following values on the below items. These are items that we must have to maintain distribution of water, I would consider these to be replacement costs.

- 100,000 gallon tank: \$125,000
- Altitude valve vault: \$15,000 (not completed as of today)
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As far as other assets I would make an initial guess of the value as follows:

- WTP Building Superstructure: \$50,000
- WTP Equipment (filters, clarifier, lime and alum feed, electrical) \$100,000
- WTP Clearwell substructure: \$75,000
- WTP Misc. (lab, office, HVAC, arch., etc) \$50,000.

- Approx. 48,300 feet of 4" AC main @ \$5.00 / ft = \$241,500.00
- Approx. 27,000 feet of 3" AC main @ \$4.00 / ft = \$108,000.00
- Approx 2,000 feet of 2" PVC main @ \$2.50 / ft = \$5,000.00

Richard C. Svindland, P.E.
Senior Operations Engineer
Kentucky-American Water Company
2300 Richmond Road
Lexington, Kentucky 40502
(859) 335-3833

Herb Miller

Herb Miller
07/18/02 02:39 PM

To: Bill Bunch/KAWC/AWWSC@AWW, Richard C Svindland/KAWC/AW WSC@AW W
cc: Roy Mundy/KAWC/AWWSC@AWW, Donna Braxton/KAWC/AW WSC@AW W
Subject: Elk Lake assets

To be adequately insured, Donna reminds us that Travelers' will need a more itemized asset listing and valuation. Can we ascertain values for at least the following: 100,000 gallon water storage tank; pump station; treatment plant building and tank; two real estate lots; the pick-up truck; any furniture; inventory; supplies; and any other identifiable asset? We need this ASAP.

Donna, am I correct that these values are needed for fire and comprehensive coverage? Can we go ahead and have coverage extended for liability purposes beginning with the closing date of July 19th? Thanks.



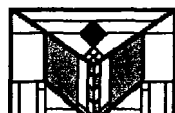
Donna Braxton
07/23/2002 10:07 AM

To: Richard C Svindland/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW
Subject: Re: Elk Lake assetsE

I need location/ age etc. See the forms that I have to complete for the insurance company. I did give Herb copies of the forms. You can write on those forms, then I will input and forward to the insurance broker. Thanks for your help.



Property Values Totals.x 2002 KY Property Ins Info.)l 2002 KY Auto Insurance Info.)
Richard C Svindland



Richard C Svindland
07/23/2002 09:13 AM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Donna
Braxton/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW
Subject: Re: Elk Lake assetsE

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- Approx 2,000 feet of 2" PVC main @ \$2.50 / ft = \$5,000.00

Richard C. Svindland, P.E.
Senior Operations Engineer
Kentucky-American Water Company
2300 Richmond Road
Lexington, Kentucky 40502
(859) 335-3833

Herb Miller

Herb Miller

To: Bill Bunch/KAWC/AWWSC@AWW, Richard C
Svindland/KAWC/AWWSC@AWW

Bill Bunch

07/29/2002 03:45 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Bryan Siler/KAWC/AWWSC@AWW, ingramjr@skp.com, Mike MillerNWAWC/AWWSC@AWW, Rachel Cole/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Re: PSC filing for Elk Lake odds and ends

I guess that I am the appropriate person to obtain the source data from the Elk Lake CPA. We will need a financial statement and detailed plant records as of the date of closing from them in order to provide it to the PSC. Not sure if we can get it by August 5, but I will make that request. I will call them now.

What did we do on this subject with the Tri-Village filing? As I recall, we were several months later in providing PSC with the journal entry on that acquisition for the same reason. Rachel requested the info from me for posting on American's books several times before I was able to provide it.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
Herb Miller

Herb Miller

07/29/02 03:29 PM

To: Bill Bunch/KAWC/AWWSC@AWW, Mike MillerNWAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, Rachel Cole/KAWC/AWWSC@AWW, Bryan Siler/KAW C/AW WSC@AW W
cc: ingramjr@skp.com
Subject: PSC filing for Elk Lake odds and ends

The PSC Order approving the Elk Lake transaction requires KAWC to file within 20 days of the transfer, a copy of "...the journal entry used to reflect the purchase of the properties. The amount should be based upon the balance in each accout included in the journal entry on the date of the transfer."

The transfer date was July 19th, so the 20th day deadline is August 8th. Can the appropriate person have this information for me no later than August 5th so we can make the filing with the PSC?

Thanks.

Rachel Cole
07/29/2002 03:50 PM

To: Bill Bunch/KAWC/AWWSC@AWW, Jim Hamilton
cc: Bryan Siler/KAWC/AWWSC@AWW, ingramjr@skp.com, Mike
Miller/WVAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW,
Herb Miller/KAWC/AWWSC@AWW
Subject: Re: PSC filing for Elk Lake odds and endsEl

Will you be providing the numbers for the entry? I haven't seen anything other than the contract thus far.
Will the current account balances be specified in that contract?

I will need this information by Aug 1 to be included in July accounting. Thanks.
Herb Miller

Herb Miller
07/29/2002 03:29 PM

To: Bill Bunch/KAWC/AWWSC@AWW, Mike
MillerNVAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW,
Rachel Cole/KAWC/AWWSC@AWW, Bryan
Siler/KAWC/AW W SC@AW W
cc: ingramjr@skp.com
Subject: PSC filing for Elk Lake odds and ends

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Thanks.

Rachel Cole

07/31/2002 09:41 AM

To: Sandra L Pennise/SHARVCS/AWWSC@AWW, Gary
AkmentinsI/SHARVCS/AWWSC@AWW
cc: Peter Huver, Bill Bunch
Subject: je to record acquisition of Elk Lake

The PSC would like to see a copy of the entry to record the acquisition of Elk Lake by Friday, August 5. Once we get the information to you, will you take care of the accounts to charge on the work order?

If you want me to write up the je, will you please let me know what account you want me to charge? When we acquired Tri-village, we ran charges through "virtual assets" before it went to its appropriate plant accounts. I'm not sure what the process is with SSC. Debbie Rusin at W. Va. did the JE last year. Please give some direction or format regarding what is necessary to get this acquisition recorded. Thanks.

Bill Bunch
07/31/2002 10:30 AM

To: Rachel Cole/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Re: PSC filing for Elk Lake odds and ends

I should have final numbers from Elk Lake by the end of the week (8/2) and certainly by Monday, 8/5. I will prepare numbers for the JE which will need to be reviewed by Jim Hamilton and Mike Miller before being filed or used to record the transaction. Plan on getting something final for both purposes from me by 8/6, I would think.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
Rachel Cole

Rachel Cole
07/30/02 10:33 AM

To: Herb Miller/KAWC/AWWSC@AWW, Bill Bunch
cc:
Subject: Re: PSC filing for Elk Lake odds and ends

If we record in August, but by the 5th, will we satisfy the deadline?

BILL: Will we final numbers by the 4th?

— Forwarded by Rachel Cole/KAWC/AWWSC on 07/30/2002 10:27 AM --

Bill Bunch
07/29/2002 04:22 PM

To: Rachel Cole/KAWC/AWWSC@AWW
cc: Bryan Siler/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW, ingramjr@skp.com, Jim R
HamiltonNWAAC/AWWSC@AWW, Mike
MillerNWAAC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW,
Lisa Helton/KAWC/AWWSC@AWW
Subject: Re: PSC filing for Elk Lake odds and ends[.

I have requested the info from Carl Stitch. Their CPA relies on the financial program used by the Elk Lake office. Carl can print off a set of statements as of the date of closing when he arrives in Elk Lake later this week.

Rachel - we will not have the info by August 1. Is it absolutely necessary that we book the transaction in July? If so, I do have financial statements that are about 30 days old that we could construction the entry from, if necessary. However, the final numbers as of July 19 may be slightly different. The purchase price will remain the same as in the contract, however, the distribution of dollars among the various accounts may be different than we originally estimated - we need the fresh numbers to be accurate.

Lisa - Carl will fax and mail the data to my attention to the Lexington office. Please be on the lookout for it.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318

Herb Miller

08/01/2002 02:32 PM

To: Donna Braxton/KAWC/AWWSC@AWW
cc: Richard C Svindland/KAWC/AWWSC@AWW, Bill
Bunch/KAW C/AW W SC@AW W
Subject: Re: Elk Lake assetsn

If everyone is satisfied with these values for insurance coverage, I will fill out the insurance form. Please let me know by close of business tomorrow if not OK.

Thank you.
Donna Braxton



Donna Braxton

08/01/2002 01:25 PM

To: Richard C Svindland/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW
cc:
Subject: Re: Elk Lake assets

Is someone going to be able to complete the forms so that I can get the information sent into our insurance broker?

-- Forwarded by Donna Braxton/KAWC/AWWSC on 08/01/2002 01:19 PM ----



Donna Braxton

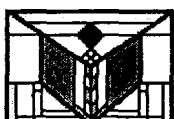
07/23/2002 10:07 AM

To: Richard C Svindland/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW
Subject: Re: Elk Lake assets

I need location/ age etc. See the forms that I have to complete for the insurance company. I did give Herb copies of the forms. You can write on those forms, then I will input and forward to the insurance broker. Thanks for your help.



Property Values Totals.x 2002 KY Property Ins Info.> 2002 KY Auto Insurance Info.)
Richard C Svindland



Richard C Svindland

07/23/2002 09:13 AM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Donna
Braxton/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW
Subject: Re: Elk Lake assets

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Approx. 48,300 feet of 4" AC main @ \$5.00 / ft = \$241,500.00
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Approx 2,000 feet of 2" PVC main @ **\$2.50** / ft = \$5,000.00

Richard C. Svindland, P.E.
Senior Operations Engineer
Kentucky-American Water Company
2300 Richmond Road
Lexington, Kentucky 40502
(859) **335-3833**

Herb Miller

Herb Miller
07/18/02 02:39 PM

To: Bill Bunch/KAWC/AWWSC@AWW, Richard C
Svindland/KAWC/AW WSC@AW W
cc: Roy Mundy/KAWC/AWWSC@AWW, Donna
Braxton/KAWC/AW WSC@AW W
Subject: Elk Lake assets

To be adequately insured, Donna reminds us that Travelers' will need a more itemized asset listing and valuation. Can we ascertain values for at least the following: 100,000 gallon water storage tank; pump station; treatment plant building and tank; two real estate lots; the pick-up truck; any furniture; inventory; supplies; and any other identifiable asset? We need this ASAP.

Donna, am I correct that these values are needed for fire and comprehensive coverage? Can we go ahead and have coverage extended for liability purposes beginning with the closing date of July 19th?
Thanks.



Gary Akmentins
08/02/2002 10:01 AM

To: Rachel Cole/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Bill
Tokmajian/SHARVCS/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW, Peter R
Subject: Re: je to record acquisition of Elk Lake - _

That is fine. We probably should at least record it to the 104000 account in July. The sooner the better.

Thanks,

Gary L. Akmentins
Manager - Fixed Assets
3906 Church Road
Mt. Laurel, NJ 08054
856-787-4709
Rachel Cole

Rachel Cole
08/02/2002 10:02 AM

To: Gary Akmentins/SHARVCS/AWWSC@AWW, Herb
Miller/KAWC/AW WSC@AW W
cc: Bill Bunch/KAWC/AWWSC@AWW, Bill
Tokmajian/SHARVCS/AWWSC@AWW, Peter R
Huver/SHARVCS/AWWSC@AWW, Sandra L
Pennise/SHARVCS/AW WSC @AW W
Subject: Re: je to record acquisition of Elk LakeD

My understanding is that it doesn't have to be recorded in July; but we do have to supply a copy to the PSC, of how we record it, by 08/07/02. I know that's not much time, but I don't believe we will have information until Monday or Tuesday.
Gary Akmentins



Gary Akmentins
08/02/2002 09:51 AM

To: Rachel Cole/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Peter R
Huver/SHARVCS/AWWSC@AWW, Sandra L
Pennise/SHARVCS/AWWSC@AWW, Bill
Tokmajian/SHARVCS/AWWSC@AWW
Subject: Re: je to record acquisition of Elk LakeE i

Rachel,

I am going to need the details of the transaction pretty quickly if you want a journal entry made by Monday. I would like some time to record the transaction properly.

Thanks,

Gary L. Akmentins
Manager - Fixed Assets
3906 Church Road
Mt. Laurel, NJ 08054
856-787-4709
Rachel Cole

Rachel Cole
07/31/2002 09:41 AM

To: Sandra L Pennise/SHARVCS/AWWSC@AWW, Gary
Akmentins/S HARVCS/AW W SC@AW W
cc: Peter Huver, Bill Bunch

Subject: je to record acquisition of Elk Lake

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Bill Bunch
08/06/2002 12:10 PM

To: Lisa Helton/KAWC/AWWSC@AWW
cc: Jim R HamiltonNVAWC/AWWSC@AWW, (bcc: Bill
Bunch/KAWC/AWWSC)
Subject: Re: info on Elk Lake acquisition valuesD

No. Call Jim to see if he has left yet. If not, fax to him and he can bring it with him to Martin Co. If he has left, please fax it to Martin County and call them to call their attention to it. I should be there by 2:30.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
Lisa Helton

do2i

Lisa Helton
08/06/02 12:07 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc:
Subject: Re: info on Elk Lake acquisition values[

I have the information. I found it on your desk. Do I have time to fax it to Pineville before you leave?

Rachel Cole

Rachel Cole
08/06/2002 11:58 AM

To: Bill Bunch/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, Jim R
HamiltonNVAWC/AWWSC@AWW, Lisa
Helton/KAWC/AW WSC@AW W
Subject: Re: info on Elk Lake acquisition values[

If this entry is to be truly recorded, officially on the books, then SSC will need it before the 8th. Tomorrow should be the latest.
Bill Bunch

Bill Bunch
08/06/2002 11:39 AM

To: Lisa Helton/KAWC/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, Rachel
Cole/KAWC/AWWSC@AWW, Jim R
HamiltonNVAWC/AW WSC@AW W
Subject: info on Elk Lake acquisition values

Lisa - Have you seen anything of the info from Carl Stitch? If not, please give him a call to see if he can fax the info. I will be leaving shortly for Martin County. Once you come up with the info, please call me on the cell phone. Jim and Mike Miller want to review the info and entry before we record or file it. I'll be with Jim in Martin Co. Perhaps we can review the info and construct the entry while there and get it on to Mike Miller this afternoon. As I recall, the entry must be filed on Aug 8.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road

Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314

- — Forwarded by Bill Bunch/KAWC/AWWSC on 08/06/02 11:35 AM

Rachel Cole
08/06/02 10:58 AM

To: Bill Bunch
cc: Herb Miller/KAWC/AWWSC@AWW
Subject: info on Elk Lake acquisition values

Will we receive the journal entry information today?



Rachel Cole
08/03/2004 08:23 AM

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

Rachel S. Cole
Southeast Region
Email: rcole@kawc.com
Ph: 859-268-6307
Fax: 859-335-3307

- - Forwarded by Rachel Cole/KAWC/AWWSC on 08/03/2004 08:24 AM ---

Rachel Cole To: **Bill Bunch/KAWC/AWWSC@AWW**
08/08/2002 10:23 AM cc:
Subject: Re: Elk Laken

Most of the \$2,119.00 is in deferred as \$2,089.88. The portion that has been expensed, is the overhead on any labor charges related to the deferral. Per our previous conversations, if an acquisition has a high potential of going through, we defer the costs.

Account Number	Description	Current Balance
120205.186711	DON-Acquisition Costs	2,089.88
	Total Object Rcct	2,089.88
120205.504100.16	Group Ins Oper RG	9.21
	Total Object Rcct	9.21
120205.507100.16	401k Oper AG	1.84
	Total Object Rcct	1.84
120205.508100.16	ESOP Oper RG	2.15
	Total Object Rcct	2.15
120205.685320	FUTR	.05
	Total Object Rcct	.05
120205.685325	FICA	5.89
	Total Object Rcct	5.89
	Total Business Unit	2,109.02
120217.505100.16	PBOP Oper RG	6.16

X

* 08/07/02 03:31 PM CC:
 Subject: Elk Lake

-- Forwarded by Lisa Helton/KAWC/AWWSC on 08/07/2002 03:26 PM --

Rachel Cole To: Lisa Helton/KAWC/AWWSC@AWW
08/07/2002 03:23 PM CC:
 Subject: Elk Lake

A00007	\$8,318.10
50007983	\$2,119.00
Total acquisition adjustment	\$10,437.10

Rachel Cole
08/07/2002 03:45 PM

To: Gary Akmentins/SHARVCS/AWWSC@AWW
cc: Herb Miller/KAWC/AWWSC@AWW, Bill Bunch
Subject: Entry to Record Elk Lake

FYI- It may be tomorrow morning, it seems, before I can get this entry to you. Will you still be able to get it done tomorrow? We need to be able to send this to the PSC tomorrow. Thanks.
— Forwarded by Rachel Cole/KAWC/AWWSC on 08/07/2002 03:38 PM —

Bill Bunch
08/07/2002 03:33 PM

To: Jim R HamiltonNVAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW, Rachel Cole/KAWC/AWWSC@AWW
cc:
Subject: Entry to Record Elk Lake

FYI: I am waiting on some information from Tom McHugh regarding the fair market value of the land that we purchased in order to complete the Elk Lake journal entry. Tom is making a couple of calls and will return a call to me just as soon as he has the information that we need. He will call me back this afternoon or in the morning.

Jim - will we be doing an adjustment on accumulated depreciation for depreciation on CIAC similar to what we did on Tri-Village? If so, we need to talk about methodology if I am to do the adjustment. The Tri-Village adjustment was done by WVA, as I recall, and I am not clear on the exact methodology to use.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314

Rachel Cole To: Bill Bunch/KAWC/AWWSC@AWW
08/08/2002 10:34 AM cc:
Subject: Re: Elk Lake

The balance in A00007 was as of 12/31/01, and it was all deferred.
Bill Bunch

Bill Bunch To: Rachel Cole/KAWC/AWWSC@AWW
08/08/2002 09:17 AM cc:
Subject: Elk Lake

I am a little surprised at the magnitude of the dollars below. Just to confirm, these are deferred charges and not costs that have already been expensed, aren't they? I am needing just the deferred amount to use in the Elk Lake entry. Thanks.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314

--- Forwarded by Bill Bunch/KAWC/AWWSC on 08/08/02 09:15 AM ---



Lisa Helton To: Bill Bunch/KAWC/AWWSC@AWW
08/07/02 03:31 PM cc:
Subject: Elk Lake

--- Forwarded by Lisa Helton/KAWC/AWWSC on 08/07/2002 03:26 PM ---

Rachel Cole To: Lisa Helton/KAWC/AWWSC@AWW
08/07/2002 03:23 PM cc:
Subject: Elk Lake

A00007	\$8,318.10
50007983	\$2,119.00
Total acquisition adjustment	\$10,437.10

Bill Bunch
08/08/2002 10:34 AM

To: Jim R Hamilton/WVAWC/AWWSC@AWW
cc: Rachel Cole/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW,
(bcc: Bill Bunch/KAWC/AWWSC)
Subject: JE to Record Elk Lake

Following is the journal entry to record the Elk Lake acquisition as it currently stands for your review and comment. I am still waiting on a call back from Tom McHugh regarding the fair market value of the land purchased. Once obtained, we can drop in this new number and make a **corresponding** change in the acquisition adjustment number. I have adjusted the accumulated depreciation by the amount of amortization on CIAC consistent with our past practice.



JE to Record Elk Lake 080702.)

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314

**KENTUCKY AMERICAN WATER COMPANY
JOURNAL ENTRY
TO RECORD ACQUISITION OF
ELK LAKE WATER COMPANY**

Account	Description	Debit	Credit	Notes
303	Land and Land Rights	25,000		Note 1
304	SS Structures	27,734		
309	Supply Mains	14,520		
311	Electric Pumping Equipment	15,100		
320	Water Treatment Equipment	7,618		
330	Distribution Reservoirs and Standpipes	30,749		
331	Transmission and Distribution Mains	151,048		
334	Meters and Meter Installations	56,623		
335	Hydrants	13,900		
339	Other Plant and Equipment	3,838		
341	Transportation Equipment	7,445		
348	Other Tangible Plant	500		
108	Depreciation		133,923	Note 2
399	Acquisition Costs		99,521	Note 3
271	CIAC		165,835	
114	Acquisition Adjustment	45,204		
Note 4	Totals	399,279	399,279	

Notes:

(1) Total on Elk Lake books is \$50,000. Awiating FMV of land purchased from Tom McHugh, Elk Lake. Estimate for now is 50% of booked value.

(2) Accumulated Depreciation is adjusted as follows:

108 Accumulated Depreciation	212,627
Less: 272 Amort of CIAC	78,704
<u>Adjusted Accumulated Depreciation</u>	<u>133,923</u>

(3) Deferred acquisition costs to date per Rachel Cole, KAWC, as follows:

183000 AC0007	8,318
183000 50007983	2,119
<u>Deferred Acquisition Costs</u>	<u>10,437</u>
Plus: Cash Purchase Price	89,084
<u>Total Acquisition Cost</u>	<u>99,521</u>

(4) All data is per Elk Lake PSC annual report dated 12/31/01 and Elk Lake financial reports dated 7/19/02 (no change between these reports).

Elk Lake Property Owners Association, Inc.
Water System Asset Listing
as of December 31, 2001

	Gross Plant	Accumulated Depreciation	Net Book Value
303 Land	50,000		50,000
304 Structures and Improvements	27,734	14,881	12,853
309 Supply Mains	14,520	9,024	5,496
311 Pumping Equipment	15,100	14,871	229
320 Water Treatment Equipment	7,618	2,295	5,323
330 Distribution Tanks	30,749	13,897	16,852
331 Distribution Mains	151,048	82,015	69,033
334 Meters and Meter Installations	56,623	59,065	(2,442)
335 Hydrants	13,900	8,638	5,262
339 Other Plant Equipment	3,838	5,201	(1,363)
341 Transportation Equipment	7,445	2,240	5,205
348 Other Tangible Plant	500	500	0
	<hr/>		
	379,075	212,627	166,448
	<hr/>		

Bill Bunch

08/08/2002 01:41 PM

To: Jim R HamiltonNWAWC/AWWSC@AWW
cc: Rachel Cole/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW,
(bcc: Bill Bunch/KAWC/AWWSC)
Subject: Elk Lake Entry

Still have not gotten FMV land numbers from Tom McHugh. The following entry is the same as before but corrects the amount of deferred acquisition costs as revised by Rachel earlier today.



JE to Record Elk Lake 080802.)

Bill Bunch
Business **Development**
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax **(859) 335-3314**

**KENTUCKY AMERICAN WATER COMPANY
JOURNAL ENTRY
TO RECORD ACQUISITION OF
ELK LAKE WATER COMPANY**

Account	Description	Debit	Credit	Notes
303	Land and Land Rights	2,000		Note 1
304	SS Structures	27,734		
309	Supply Mains	14,520		
311	Electric Pumping Equipment	15,100		
320	Water Treatment Equipment	7,618		
330	Distribution Reservoirs and Standpipes	30,749		
331	Transmission and Distribution Mains	151,048		
334	Meters and Meter Installations	56,623		
335	Hydrants	13,900		
339	Other Plant and Equipment	3,838		
341	Transportation Equipment	7,445		
348	Other Tangible Plant	500		
108	Depreciation		133,923	Note 2
399	Acquisition Costs		99,492	Note 3
271	CIAC		165,835	
114	Acquisition Adjustment	68,175		
Note 4	Totals	399,250	399,250	

Notes:

(1) Total land value on Elk Lake books is \$50,000. Based on current market information provided to KAWC from Elk Lake as of 8/8/02, the values are **\$1,250** for the tank site and \$750 for the pump station site for a total of \$2,000.

(2) **Accumulated Depreciation** is adjusted as follows:

108 Accumulated Depreciation	212,627
Less: 272 Amort of CIAC	<u>78,704</u>
Adjusted Accumulated Depreciation	<u>133,923</u>

(3) Deferred acquisition costs to date per Rachel Cole. KAWC, as follows:

183000 A00007	8,318	
183000 50007983	2,090	(total \$2119.00, deferred \$2089.88)
Deferred Acquisition Costs	10,408	
Plus: Cash Purchase Price	<u>89,084</u>	
Total Acquisition Cost	<u>99,492</u>	

(4) All data is per Elk Lake PSC annual report dated 12/31/01 and Elk Lake financial reports dated 7/19/02 (no change between these reports).

**Elk Lake Property Owners Association, Inc.
Water System Asset Listing
as of December 31, 2001**

	Gross Plant	Accumulated Depreciation	Net Book Value
303 Land	50,000		50,000
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320 Water Treatment Equipment	7,618	2,295	5,323
330 Distribution Tanks	30,749	13,897	16,852
331 Distribution Mains	151,048	82,015	69,033
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339 Other Plant Equipment	3,838	5,201	(1,363)
341 Transportation Equipment	7,445	2,240	5,205
348 Other Tangible Plant	500	500	0
	<hr/>		
	379,075	212,627	166,448

Bill Bunch
08/08/2002 02:20 PM

To: Jim R HamiltonNWAWC/AWWSC@AWW, Mike
MillerNWAWC/AW WSC@AW W
cc: Rachel Cole/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW,
(bcc: Bill Bunch/KAWC/AWWSC)
Subject: Elk Lake JE - Final Data

The attached file contains the accurate FMV info for the land acquisition and is final as far as I am concerned.



JE to Record Elk Lake 080802B.:

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314

**KENTUCKY AMERICAN WATER COMPANY
JOURNAL ENTRY
TO RECORD ACQUISITION OF
ELK LAKE WATER COMPANY**

Account	Description	Debit	Credit	Notes
303	Land and Land Rights	25,000		Note 1
304	SS Structures	27,734		
309	Supply Mains	14,520		
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335	Hydrants	13,900		
339	Other Plant and Equipment	3,838		
341	Transportation Equipment	7,445		
348	Other Tangible Plant	500		
108	Depreciation		133,923	Note 2
399	Acquisition Costs		99,492	Note 3
271	CIAC		165,835	
114	Acquisition Adjustment	45,175		
Note 4	Totals	399,250	399,250	

Notes:

- (1) Total on Elk Lake books is \$50,000. Awiating FMV of land purchased from Tom McHugh, Elk Lake. Estimate for now is 50% of booked value.
- (2) Accumulated Depreciation is adjusted as follows:

108 Accumulated Depreciation	212,627	
Less: 272 Amort of CIAC	<u>78,704</u>	
Adjusted Accumulated Depreciation	<u>133,923</u>	
- (3) Deferred acquisition costs to date per Rachel Cole, KAWC, as follows:

183000 A00007	8,318	
183000 50007983	2,090	(total \$2119.00, deferred \$2089.88)
Deferred Acquisition Costs	10,408	
Plus: Cash Purchase Price	<u>89,084</u>	
Total Acquisition Cost	<u>99,492</u>	
- (4) All data is per Elk Lake PSC annual report dated 12/31/01 and Elk Lake financial reports dated 7/19/02 (no change between these reports).

Elk Lake Property Owners Association, Inc.
Water System Asset Listing
as of December 31, 2001

	Gross Plant	Accumulated Depreciation	Net Book Value
303 Land	50,000		50,000
304 Structures and Improvements	27,734	14,881	12,853
309 Supply Mains	14,520	9,024	5,496
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320 Water Treatment Equipment	7,618	2,295	5,323
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335 Hydrants	13,900	8,638	5,262
339 Other Plant Equipment	3,838	5,201	(1,363)
341 Transportation Equipment	7,445	2,240	5,205
348 Other Tangible Plant	500	500	0
	<hr/> 379,075	212,627	<hr/> 166,448



Gary Akmentins
08/08/2002 03:06 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc: Jim R HamiltonNWAWC/AWWSC@AWW, Rachel
Cole/KAWC/AWWSC@AWW
Subject: Re: Elk Lake JE - Final Data

Ideally we would know the actual 2002 depreciation, in the absence of that, a number based off of 2001 actual depreciation would seem quite acceptable.

Is that the approach you want to take? If so, send me the number so I can revise the Journal entry.

Thanks,

Gary L. Akmentins
Manager - Fixed Assets
3906 Church Road
Mt. Laurel, NJ 08054
856-787-4709

Bill Bunch

Bill Bunch
08/08/2002 02:38 PM

To: Rachel Cole/KAWC/AWWSC@AWW
cc: Gary Akmentins/SHARVCS/AWWSC@AWW, Jim R
HamiltonNWAWC/AWWSC@AWW
Subject: Re: Elk Lake JE - Final Data

That is correct. None has been booked by Elk Lake. This is the problem with trying to do the entry so soon after closing with these small systems. Obviously, there has been depreciation expense this year which will be booked by Elk Lake; we don't know the number and as it is done at year-end. We could take the approach of having their CPA do a special set of statements for this purpose, but it will be at additional cost. Alternately, we could use their 2001 depreciation expense amount and prorate it for 2001. This would get us pretty close to the actual number but would also increase the acquisition adjustment amount.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
Rachel Cole

Rachel Cole
08/08/02 02:32 PM

To: Bill Bunch
cc: Gary Akmentins/SHARVCS/AWWSC@AWW
Subject: Elk Lake JE - Final Data

Bill, Was there no change in accumulated depreciation between December 2001 and now?
— Forwarded by Rachel Cole/KAWC/AWWSC on 08/08/2002 02:26 PM —

Bill Bunch
08/08/2002 02:20 PM

To: Jim R HamiltonNWAWC/AWWSC@AWW, Mike
MillerNWAWC/AWWSC@AWW
cc: Rachel Cole/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW

Subject: Elk Lake JE - Final Data

The attached file contains the accurate FMV info for the land acquisition and is final as far as I am concerned.




JE to Record Elk Lake 080802B.:

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314

Rachel Cole
08/08/2002 02:29 PM
To: Bill Bunch
cc:
Subject: Re: Elk Lake

Would you please answer whatever questions below, that you have information on? Thanks.

Gary Akmentins is the Fixed Asset manager at SSC.
— Forwarded by Rachel Cole/KAWC/AWWSC on 08/08/2002 02:23 PM —

 Gary Akmentins
08/08/2002 01:05 PM
To: Rachel Cole/KAWC/AWWSC@AWW
cc:
Subject: Re: Elk Lake


Rachel,

The Property data does not tell me anymore than the JE. At a minimum, there are probably costs related to Meters and Meter Installations and I would need to know the type of vehicles acquired.

Gary L. Akmentins
Manager - Fixed Assets
3906 Church Road
Mt. Laurel, NJ 08054
856-787-4709
Rachel Cole

Rachel Cole
08/08/2002 12:57 PM
To: Gary Akmentins/SHARVCS/AWWSC@AWW
cc:
Subject: Re: Elk Lake[

I'll check on your questions. As for question #4, did you happen to see the Property Data tab? Will this help or are you asking for more detail?
Gary Akmentins

 Gary Akmentins
08/08/2002 12:20 PM
To: Rachel Cole/KAWC/AWWSC@AWW
cc: Sandra L Pennise/SHARVCS/AWWSC@AWW, Alpha B
Kamara/SHARVCS/AWWSC@AWW, Bill
Tokmajian/SHARVCS/AW WSC@AW W
Subject: Elk Lake

Rachel,

You basically had the JE done. I went through and assigned the JDE object and subsidiary numbers. I also wanted to break down the entry into two pieces, the Acquisition and Cash Paid and then recording the detail transaction. Hope this meets your needs.

I have a few questions.

1. Is there a detail list of the assets? eg. Size and Length of mains, etc.
2. The CIAC piece is more detailed under FAS141. Basically there are 4 or 5 pieces to the CIAC(FMV vs. Original cost-Depreciable UPAA, Goodwill, Intangibles with Finite lives and Intangibles w/o finite lives, non-depreciable UPAA or Other. We may need to discuss this with Bob Sievers.
3. What specific land account(s) should be used?

Bill Bunch
08/03/2004 09:34 AM

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

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
Phone (859) 268-6318
Fax (859) **335-3314**

KAWC Contract Manager
Pineville Utilities Commission
PO Box 277
Pineville, KY 40977
Phone (606) 337-6611
Fax (606) **337-6846**
Cell (606) 269-1428

-- Forwarded by Bill Bunch/KAWC/AWWSC on 08/03/2004 09:35 AM --



Gary Akmentins
08/08/2002 03:11 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc: Jim R Hamilton/WVAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW, Rachel Cole/KAWC/AWWSC@AWW
Subject: Re: Elk Lake

Thanks for the additional information. It seems that you would prefer to expense the additional costs after closing. Wouldn't it be preferable to include them in the acquisition?

Gary L. Akmentins
Manager - Fixed Assets
3906 Church Road
Mt. Laurel, NJ 08054
856-787-4709
Bill Bunch

Bill Bunch
08/08/2002 02:48 PM

To: Rachel Cole/KAWC/AWWSC@AWW
cc: Gary Akmentins/SHARVCS/AWWSC@AWW, Jim R
Hamilton/WVAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW
Subject: Re: Elk Lake

Rich Svindland has the most detailed understanding and possibly listing of the plant assets. Also, Herb Miller prepared a form required for property insurance which also adds some detail. I do not have copies of these documents in the files that I have with me. The data that I have provided in the entry is the lowest level of data that I have been able to obtain thus far. Sorry that I cannot be more helpful on this issue. As for the transportation equipment, we acquired a compact pickup truck. As for the land accounts, one plot (\$1,250) is a water tank site and the other (\$750) is a water pump station site. I do not anticipate any additional costs to the deferred account. It is my understanding that all costs are now being expensed; however, you might look at the most recent date of the deferred charges. Someone may still be charging


to the deferred account that I am not aware of. I have found instances of this on other projects. There are likely some costs yet unpaid, such as contract labor and attorney fees, but I would expect those to be expensed when paid.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
Rachel Cole

Rachel Cole
08/08/02 02:29 PM
To: Bill Bunch
cc:
Subject: Re: Elk Lake

Would you please answer whatever questions below, that you have information on? Thanks.

Gary Akmentins is the Fixed Asset manager at SSC.
-- Forwarded by Rachel Cole/KAWC/AWWSC on 08/08/2002 02:23 PM --

 **Gary Akmentins**
08/08/2002 01:05 PM
To: Rachel Cole/KAWC/AWWSC@AWW
cc:
Subject: Re: Elk Laken


Rachel,

The Property data does not tell me anymore than the JE. At a minimum, there are probably costs related to Meters and Meter Installations and I would need to know the type of vehicles acquired.

Gary L. Akmentins
Manager - Fixed Assets
3906 Church Road
Mt. Laurel, NJ 08054
856-787-4709
Rachel Cole

Rachel Cole
08/08/2002 12:57 PM
To: Gary Akmentins/SHARVCS/AWWSC@AWW
cc:
Subject: Re: Elk Lak ☺

I'll check on your questions. As for question #4, did you happen to see the Property Data tab? Will this help or are you asking for more detail?
Gary Akmentins

 **Gary Akmentins**
08/08/2002 12:20 PM
To: Rachel Cole/KAWC/AWWSC@AWW
cc: Sandra L Pennise/SHARVCS/AWWSC@AWW, Alpha B
Kamara/SHARVCS/AWWSC@AWW, Bill

Tokmajian/SHARSVCS/AW WSC@AW W
Subject: Elk Lake

Rachel,

You basically had the JE done. I went through and assigned the JDE object and subsidiary numbers. I also wanted to break down the entry into two pieces, the Acquisition and Cash Paid and then recording the detail transaction. Hope this meets your needs.

I have a few questions.

1. Is there a detail list of the assets? eg. Size and Length of mains, etc.
2. The CIAC piece is more detailed under FAS141. Basically there are **4** or **5** pieces to the CIAC(FMV vs. Original cost-Depreciable UPAA, Goodwill, Intangibles with Finite lives and Intangibles w/o finite lives, non-depreciable UPAA or Other. We may need to discuss this with Bob Sievers.
3. What specific land account(s) should be used?
4. Is there additional distinction on accounts for Dist Res and Standpipes, Meter and Meter Installs, Transportation Equipment(Car vs truck etc)?
5. Do we need to anticipate additional acquisition costs? I confirmed the costs as of today.
6. There are \$106.73 worth of payroll charges, are these allowable in KY?

I will reclass the expense in the 183000 accounts to the 104000 account. You may code the voucher directly to the 104000 account (Use the Task #)

Please let me know of any additional changes on the JE.

█
Please call me with any questions. JE for Elk Lake(SSC).x

Thanks,

Gary L. Akmentins
Manager - Fixed Assets
3906 Church Road
Mt. Laurel, NJ 08054
856-787-4709

**KENTUCKY AMERICAN WATER COMPANY
JOURNAL ENTRY
TO RECORD ACQUISITION OF
ELK LAKE WATER COMPANY**

1 Journal entry to Record Purchase Including deferred acquisition costs:

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
104000	Utility Plant Purchased	\$ 99,521.00	
131312	Cash		\$ 99,521.00

2 Journal entry to Record Assets Original Cost, Accumulated Depreciation, CIAC and Acquisition Adjustment:

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>	<u>Notes</u>
101000.303200	Land and Land Rights	25,000		Note 1
101000.304100	SS Structures	27,734		
101000.309000	Supply Mains	14,520		
101000.311200	Electric Pumping Equipment	15,100		
101000.320100	Water Treatment Equipment	7,618		
101000.330100	Distribution Reservoirs and Standpipes	30,749		
101000.331100	Transmission and Distribution Mains	151,048		
101000.334100	Meters and Meter Installations	56,623		
101000.335000	Hydrants	13,900		
101000.339100	Other Plant and Equipment	3,838		
101000.341100	Transportation Equipment	7,445		
101000.348000	Other Tangible Plant	500		
108105	Accumulated Depreciation		133,923	Note 2
104000	Utility Plant Purchased		99,521	Note 3
271110	CIAC		165,835	
114100	Acquisition Adjustment	45,204		
Note 4	Totals	399,279	399,279	

Notes:

(1) Total on Elk Lake books is \$50,000. Awiating FMV of land purchased from Tom McHugh, Elk Lake. Estimate for now is 50% of booked value.

(2) Accumulated Depreciation is adjusted as follows:

108 Accumulated Depreciation	212,627
Less: 272 Amort of CIAC	78,704
Adjusted Accumulated Depreciation	133,923

(3) Deferred acquisition costs to **date** per Rachel Cole, KAWC, as follows:

183000 ACQ007	8,318
183000 50007983	2,119
Deferred Acquisition Costs	10,437
Plus: Cash Purchase Price	89,084
Total Acquisition Cost	99,521

(4) All data is per Elk Lake PSC annual report dated 12/31/01 and Elk Lake financial reports dated 7/19/02 (no change between these reports).

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348 Other Tangible Plant	500	500	0
	<hr/>		
	379,075	212,627	166,448
	<hr/>		

Herb Miller

08/08/2002 05:55 PM

To: Bill Bunch/KAWC/AWWSC@AWW, Rachel
Cole/KAWC/AWWSC@AWW, Mike MillerNWAWC/AWWSC@AWW,
Roy Mundy/KAWC/AWWSC@AWW, Nick
cc: ingramjr@skp.com
Subject: Elk Lake

Thank you Bill and Rachel for being diligent in obtaining the data necessary to be able to file a copy of our journal entries for the purchase of the Elk Lake assets pursuant to the PSC **approval** order. The cash purchase price was **\$89,084** with deferred acquisition costs of \$10,908.

This will get sent to the PSC on Friday, August 9, 2002.

Bill Bunch
08/09/2002 10:13 AM

To: Gary Akmentins/SHARVCS/AWWSC@AWW
cc: Jim R HamiltonNVAWC/AWWSC@AWW, Rachel
Cole/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Re: Elk Lake JE - Final Data

I estimate the 2001 Elk Lake depreciation expense to be \$38,757 based on their reported 2001 depreciation. I have added a tab to the attached spreadsheet detailing my calculation.



JE to Record Elk Lake 080802B.:

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
Gary Akmentins



Gary Akmentins
08/08/02 03:06 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc: Jim R HamiltonNVAWC/AWWSC@AWW, Rachel
Cole/KAWC/AWWSC@AWW
Subject: Re: Elk Lake JE - Final Data6

Bill,

Ideally we would know the actual 2002 depreciation, in the absence of that, a number based off of 2001 actual depreciation would seem quite acceptable.

Is that the approach you want to take? If so, send me the number so I can revise the Journal entry.

Thanks,

Gary L. Akmentins
Manager - Fixed Assets
3906 Church Road
Mt. Laurel, NJ 08054
856-787-4709
Bill Bunch

Bill Bunch
08/08/2002 02:38 PM

To: Rachel Cole/KAWC/AWWSC@AWW
cc: Gary Akmentins/SHARVCS/AWWSC@AWW, Jim R
Hamilton A WAWC/AWWSCtAWW
Subject: Re: Elk Lake JE - Final Data

That is correct. None has been booked by Elk Lake. This is the problem with trying to do the entry so soon after closing with these small systems. Obviously, there has been depreciation expense this year which will be booked by Elk Lake; we don't know the number and as it is done at year-end. We could take the approach of having their CPA do a special set of statements for this purpose, but it will be at additional cost. Alternately, we could use their 2001 depreciation expense amount and prorate it for 2001. This would get us pretty close to the actual number but would also increase the acquisition adjustment amount.



Gary Akmentins
08/12/2002 12:20 PM

To: Rachel Cole/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Jim R
HamiltonNWAWC/AW W SC@AW W
Subject:

Rachel:

I was out on Friday, here is the latest revision to Elk Lake based upon the 2002 depreciation estimate.

JE for Elk Lake(SSC) revised 08.12.02

Gary L. Akmentins
Manager - Fixed Assets
3906 Church Road
Mt. Laurel, NJ 08054
856-787-4709

KENTUCKY AMERICAN WATER COMPANY
JOURNAL ENTRY
TO RECORD ACQUISITION OF
ELK LAKE WATER COMPANY

1 Journal entry to Record Purchase including deferred acquisition costs:

<u>Account</u>	<u>Description</u>	Debit	Credi	<u>Notes</u>
104000	Utility Plant Purchased	\$ 99,992.00		Note 3
131312	Cash		\$ 99,992.00	

2 Journal entry to Record Assets Original Cost, Accumulated Depreciation, CIAC and Acquisition Adjustment:

<u>Account</u>	<u>Description</u>	Debit	Credit	<u>Notes</u>
101000.303300	Land and Land Rights-Pumping	\$ 750.00		Note 1
101000.303500	Land and Land Rights- T & D	\$ 1,250.00		
101000.304100	SS Structures	\$ 27,734.00		
101000.309000	Supply Mains	\$ 14,520.00		
101000.311200	Electric Pumping Equipment	\$ 15,100.00		
101000.320100	Water Treatment Equipment	\$ 7,618.00		
101000.330100	Distribution Reservoirs and Standpipes	\$ 30,749.00		
101000.331100	Transmission and Distribution Mains	\$ 151,048.00		
101000.334100	Meters and Meter Installations	\$ 56,623.00		
101000.335000	Hydrants	\$ 13,900.00		
101000.339100	Other Plant and Equipment	\$ 3,838.00		
101000.341100	Transportation Equipment	\$ 7,445.00		
101000.348000	Other Tangible Plant	\$ 500.00		
108105	Accumulated Depreciation		\$ 172,680.00	Note 2
104000	Utility Plant Purchased		\$ 99,992.00	Note 3
271110	CIAC		\$ 165,835.00	
114100	Acquisition Adjustment	\$ 107,432.00		
Note 4	Totals	\$ 438,507.00	\$ 438,507.00	

Notes:

(1) Total land value on Elk Lake books is \$50,000. Based on current market information provided to KAWC from Elk Lake as of 8/8/02, the values are \$1,250 for the tank site and \$750 for the pump station site for a total of \$2,000.

(2) Accumulated Depreciation is adjusted as follows:

108 Accumulated Depreciation	\$ 212,627.00
Less: 272 Amort of CIAC	<u>\$ 78,704.00</u>
Adjusted Accumulated Depreciation	\$ 133,923.00
Estimated 2002 Depreciation Expense	<u>\$ 38,757.00</u>
Total Accumulated Depreciation	<u>\$ 172,680.00</u>

(3) Deferred acquisition costs to date per Rachel Cole, KAWC, as follows:

183000 A00007	\$ 8,318.00
183000 50007983	<u>\$ 2,590.00</u>
Deferred Acquisition Costs	\$ 10,908.00 (includes \$500 estimate payable for Contract Labor)
Plus: Cash Purchase Price	<u>\$ 89,084.00</u>
Total Acquisition Cost	\$ 99,992.00

(4) All data is per Elk Lake PSC annual report dated 12/31/01 and Elk Lake financial reports dated 7/19/02 (no change between these reports).

Elk Lake Property Owners Association, Inc.
Water System Asset Listing
as of December 31, 2001

	Gross Plant	Accumulated Depreciation	Net Book Value
303 Land	50,000		50,000
304 Structures and Improvements	27,734	14,881	12,853
309 Supply Mains	14,520	9,024	5,496
311 Pumping Equipment	15,100	14,871	229
320 Water Treatment Equipment	7,618	2,295	5,323
330 Distribution Tanks	30,749	13,897	16,852
331 Distribution Mains	151,048	82,015	69,033
334 Meters and Meter Installations	56,623	59,065	(2,442)
335 Hydrants	13,900	8,638	5,262
339 Other Plant Equipment	3,838	5,201	(1,363)
341 Transportation Equipment	7,445	2,240	5,205
348 Other Tangible Plant	500	500	0
	<hr/>		
	379,075	212,627	166,448
	<hr/>		

Bill Bunch
08/13/2002 10:56 AM
To: Herb Miller/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW, Rachel
Cole/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Re: Elk Lake

The deferred costs booked thus far are \$10,408. Rachel was trying to get a handle on costs that may be outstanding to close them with this entry, therefore, this amount will likely increase somewhat.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
Herb Miller

Herb Miller
08/13/02 10:16 AM
To: Bill Bunch/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW, Rachel
Cole/KAWC/AWWSC@AWW
Subject: Re: Elk Lake

What were the deferred costs that resulted in the increased adjustment? I guess I thought they would not be material.
Bill Bunch

Bill Bunch
08/13/2002 10:02 AM
To: Herb Miller/KAWC/AWWSC@AWW
cc: Rachel Cole/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW
Subject: Re: Elk Lake

In our filing, we indicated an acquisition adjustment of \$9,767 which was based solely on the book value of the assets being acquired did not include any deferred acquisition costs. At the time, I understood that there were no deferred costs on the books which turned out to be incorrect.

We had reported to the board at the time the acquisition was approved an adjustment amount of \$121,790, which was prior to our acquisition of the plant assets and included \$50,000 in acquisition costs.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
Herb Miller

Herb Miller
08/13/02 08:04 AM
To: Bill Bunch/KAWC/AWWSC@AWW
cc: Rachel Cole/KAWC/AWWSC@AWW
Subject: Elk Lake

Did we represent to the PSC what our projected acquisition adjustment would be?
— Forwarded by Herb Miller/KAWC/AWWSC on 08/13/2002 07:58 AM ----

Rachel Cole
08/12/2002 02:21 PM

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

Based on the current depreciation, not previously provided for last week's entry, the acquisition adjustment increases by \$7,440.00. Shouldn't we notify the PSC of this change?
— Forwarded by Rachel Cole/KAWC/AWWSC on 08/12/2002 02:14 PM —



Gary Akmentins
08/12/2002 12:20 PM

To: Rachel Cole/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Jim R
HamiltonNWAAC/AW WSC@AW W
Subject:

Rachel:

I was out on Friday, here is the latest revision to Elk Lake based upon the 2002 depreciation estimate.



JE for Elk Lake(SSC) revised 08.12.02

Gary L. Akmentins
Manager - Fixed Assets
3906 Church Road
Mt. Laurel, NJ 08054
856-787-4709

Bill Bunch
08/16/2002 02:46 PM

To: Jan Dickson/KAWC/AWWSC@AWW
cc: Carol F Tudor/KAWC/AWWSC@AWW, Rachel
Cole/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Re: Elk Lake Truck - 1995 Toyota Tacoma Pickup

I do not have a value for this vehicle. I would think that a blue book value would be excessively high given the condition of the vehicle. It has been used as an off-road service vehicle for its entire life (you wouldn't pay much for it, in my opinion). If we do take this approach, I would use NADA wholesale value for our number. Another approach might be to use the value that we assigned to it for insurance purposes (I don't have that number either, but Donna would have it).

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
Jan **Dickson**

Jan Dickson
08/16/02 02:41 PM

To: Bill Bunch/KAWC/AWWSC@AWW, Carol F
Tudor/KAWC/AW WSC@AW W
cc: Rachel Cole/KAWC/AWWSC@AWW
Subject: Elk Lake Truck - 1995 Toyota Tacoma Pickup

Bill and Carol,

Do either of you have any idea of the sales prices for the subject vehicle to be transferred to KAWC from Elk Lake? I have the paperwork completed except for a sales price. This price will determine what taxes are owed when the vehicle transfer is completed. Sonny is waiting to handle this transaction but I need an amount. Herb suggested we just get a blue book value but I'm not sure this is what should be done as the amount could really make a difference in taxes owed. Your thoughts will be appreciated.

As a matter of information, we had to pay quite a bit on the transfer of the vehicles from Tri Village. Perhaps the new law on taxes on used vehicles will prevent this from happening this time.

Thanks.

Jan

Jan Dickson - Legal Department
Kentucky-American Water Company
jdickson@kawc.com
Phone: **859/268-6325**
Fax: 859/268-6327

People You Know. People you Mist."

Bill Bunch
08/20/2002 07:25 PM

To: Jan Dickson/KAWC/AWWSC@AWW
cc: (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Re: Elk Lake Truck - 1995 Toyota Tacoma Pickup (4 cylinder)[

The truck that we acquired is a base truck, 2-wheel drive. I don't know the mileage but Carol Tudor could have someone get the mileage number quite easily. I would think we would be justified in deducting an additional \$2,500 for the condition of the vehicle. After all, it has been used as a utility service vehicle on gravel road for 8 years. I certainly wouldn't pay \$6,300 for it!

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
Jan Dickson



Jan Dickson
08/20/02 05:18 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc:
Subject: Elk Lake Truck - 1995 Toyota Tacoma Pickup (4 cylinder)

Bill,

I checked with East Kentucky's credit union (since I am a member there) and got the following information regarding a value for Elk Lake's truck. The average retail (which is the loan value if we were to buy the vehicle) is:

Base - \$6,300
Extended Cab - \$8,250
4-Wheel Drive - \$8,800
4-Wheel Drive w/Extended Cab - \$10,725

Since I have no idea what this truck looks like and whether or not it is extended cab, 4-wheel, etc., I look to you for guidance. Also because the mileage is low (66,795), there is an add-on of \$450. I gave the model number of N41 B but this wasn't listed in their book.

What figure do you suggest I use for the sales price? Thanks.

Jan

Jan Dickson - Legal Department
Kentucky-American Water Company
jdickson@kawc.com
Phone: 859/268-6325
Fax: 859/268-6327

"People You Know. People you Trust "



Bill Tokmajian
08/22/2002 04:48 PM

To: Rachel Cole/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AW WSC@AW W
cc: Gary Akmentins/SHARVCS/AWWSC@AWW, Alpha B
Kamara/SHARVCS/AW WSC@AW W
Subject: Elk Lake Acquisition

Rachel,

In reviewing the Elk Lake acquisition, I was hoping you could help me with the below listed questions. Since we would like to record the acquisition in August, your timely response would be greatly appreciated.

1. Which business unit do you want to book this acquisition against?
 - 120205
 - 123005
 - 125005
2. To which account was the purchase price of \$89,084 booked?
3. Can you supply the accumulated depreciation, by 300 accounts, for the period 01/01/02 through 08/31/02?
4. Will the amortization of CIAC amount of \$78,704 change? If so, can you supply the adjusted dollar amount?
5. Can the Amortization of CIAC be detailed by 300 accounts? If so, could you supply the amounts by account?

Thanks,
Bill

It this is unreadable, please see the attached file.

Elk LakeAcquisition. doc



Bill Tokmajian

08/23/2002 08:34 AM

To: Richard C Svindland/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW
Subject: Re: Elk Lake AcquisitionE

Hi, Richard,
Thanks for your e-mail It's great that you have more information, only the e-mail did not list what you came up with.
Any additional information would be appreciated.

Thanks,
Bill



Richard C Svindland
08/23/2002 08:55 AM

To: Richard C Svindland/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Bill Tokmajian/SHARVCS/AW WSC@AW W
Subject: Re: Elk Lake Acquisitio n

Sorry about the previous e-mail, it got away from me when I was trying to paste info. from another e-mail. I came up with the following quantities based on the maps given to me. My total for all pipe is 77,300 feet. which is close to Bill's PSC numbers 78,604. I believe my combined split between 3" AC and 4"AC is correct based on the maps I have. The 2,000 feet of PVC is an estimated based on a new line Elk Lake ran from a booster station to serve several properties which had low pressure. The 2800' of 4" PVC main from Bill PSC is probably correct.

100,000 gallon standpipe
Booster Pump Station (small 1/2 Hp hydroneumatic)
WTP (includes 1-clarifier, 2-rapid sand filters, 1-wash water pump, 2-high service pumps, lime feed equipment, alum feed equipment, chlorine feed equipment, lab equipment, raw water pump station)
PRV Building (includes building a Pressure reducing valve)
Approx. 48,300 feet of 4" AC main
Approx. 27,000 feet of 3" AC main
Approx 2,000 feet of 2" PVC main

Richard C. Svindland, P.E.
Senior Operations Engineer
Kentucky-American Water Company
2300 Richmond Road
Lexington, Kentucky 40502
(859) 335-3833

Richard C Svindland



Richard C Svindland
08/23/02 08:39 AM

To: Bill Bunch/KAWC/AWWSC
cc: Bill Tokmajian/SHARVCS/AWWSC@AWW
Subject: Re: Elk Lake Acquisitio n

I came up with a lot different quantities for the pipe after I had a chance to review a distribution map. Here is what I came up with:

Richard C. Svindland, P.E.
Senior Operations Engineer
Kentucky-American Water Company
2300 Richmond Road
Lexington, Kentucky 40502
(859) **335-3833**

Bill Bunch

Bill Bunch
08/23/02 08:21 AM

To: Bill Tokmajian/SHARVCS/AWWSC@AWW
cc: Richard C Svindland/KAWC/AWWSC@AWW
Subject: Re: Elk Lake Acquisitio n

Following is the information that I have. I am copying your query and my response to Rich Svindland, the KAWC engineer most familiar with this property as he may have additional detail. The Elk Lake PSC

report lists the following distribution system utility plant:

1 - elevated storage standpipe, 100,000 gallons
74,000 ft. - 4-inch AC pipe
1,800 ft. - 3-inch AC pipe
4 ft - 2-inch galvanized pipe
2,800 ft. - 4-inch PVC pipe

The report lists the following treatment utility plant:

2 - gravity filters
2 - 10 hp Worthington high service pumps, electric, 200 gpm, rated 100 ft. head
44,000 gallon clearwell

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
Bill Tokmajian



Bill Tokmajian
08/23/2002 07:49 AM

To: Bill Bunch/KAWC/AWWSC@AWW
cc:
Subject: Re: Elk Lake Acquisitio n

Bill,
First of all, thanks for your timely response. It's greatly appreciated.
One last question. Do you have any detail (such as size and length of main) for Elk Lake's utility plant, that we could use to setup some kind of CPR ledger?
Any detail would be of help.

Again, thanks for your enlightening input.
Bill



Bill Tokmajian

08/29/2002 07:45 AM

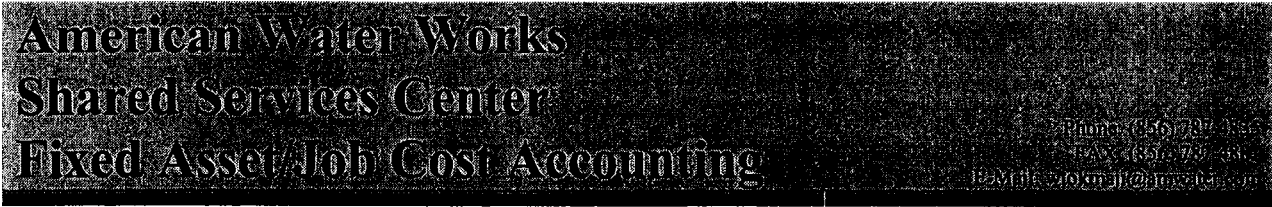
To: Rachel Cole/KAWC/AWWSC@AWW
cc: Gary Akmentins/SHARVCS/AWWSC@AWW, Alpha B
Kamara/SHARVCS/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW, Richard C
Subject: Additional Notes On Elk Lake **Acquisition**

Rachael,

Please refer to the attached Word file that contains detail as to what we did here at the SSC in reference to setting up task orders for the Elk Lake Acquisition. We should be making the UPAA adjustment today, that is if there are no more charges. At that point we should be **"good to go"**. Let me know if you have any questions.

Thanks,
Bill

ElkLakeAcquisition2.do



Memorandum

To: Rachel Cole
From: Bill Tokmajian
cc: Gary Akmentins, Alpha Kamara
Date: August 29, 2002
Subject: Add'tl Notes to Elk Lake Acquisition

The task orders and assets that were setup by the SSC Fixed Asset Department, for the utility plant associated with the Elk Lake acquisition, were setup to the below listed information. All task orders, even ones setup by Ky-Am, were setup to the same Parent Order #; which is 50016750. If you use menu path: Fixed Assets And Job Cost (9), Inquiry Menu (22), Cost By Multiple Task Act-Bud (14); then key the Parent Order # in the "Multiple Task Nu" field, all task orders associated with the acquisition will be listed. Please refer to the screen print at the end of this memo.

Parent Order # _____ 50016750
T/O Business Unit # _____ 12300111
Dept. Business Unit # _____ 123005
Project Manager _____ 12000128 — Linda C. Bridwell
Municipal/Tax _____ 4001903
Purpose _____ Acq

All charges associated with subledger ACQ007 and 50007983 have been journalized to account 123005.104000.

Task order 50017171 was setup to a business unit (12020108) other than what we are using for the acquisition (12300111). The asset (12003008) associated with this task order appeared to be a virtual asset. This asset was associated with account 120205.101000.331001; which is entitled "T&D Mains Not Classified". Since task order 50017171 contained a description for 4" mains, a new asset was setup (30020275) with account number 123005.101000.331100. As you can glean from this, the account number and the business are now consistent with the other task orders associated with the Elk Lake acquisition.

Cost by Multititle 1 of 1 to 1 (107: n)

From Obj/Sub: 105000

To Obj/Sub: 105000

Multiple Task No.: PUB Assns - Elk Lake Water

O. =Task P ICyber	6escripttm. '	Estimated Arclnt	hclwt fea=	Aspnt. Variance:
50016750	PUR Haaets - Elk Lak	101921.00		101,921.00
58019192	Laid 8 Land Rights-F		750.013	750.80-
50087983	Elk Lake Deterred Ch			
50019193	Lard 8 Lend Righta-		1,250.80	1,250.00-
50819196	SS Structures		27,734.80	27,734.00-
50019198	Supply Mains		14,528.80	14,520.00-
50019200	Electric Raping E4u		15,100.00	15,100.00-
58819250	Water Treatment E4ulp		7,618.08	7,610.00-
50019283	Distribution Reservi		38,749.08	38,749.00-
50017172	YIP CCNN191 TO P5W	5706.80		5,786.00
50819204	Transmission \$ Distr		151,040.08	151,048.00-
50819295	Meters 1 Meter Insta		56,623.00	56,623.00-
50019286	Hydrants		13,900.88	13,908.00-
50819210	Other Plant and Ewi		3,830.80	3,830.08-
50019211	1995 Toyota Tacoma P		7,445.00	7,445.00-

Opt: 1=TK, 2=TK, 3=TK, 4=TK, 5=TK, 6=TK, 7=TK, 8=TK, 9=TK, 10=TK, 11=TK, 12=TK, 13=TK, 14=TK, 15=TK, 16=TK, 17=TK, 18=TK, 19=TK, 20=TK, 21=TK, 22=TK, 23=TK, 24=TK, 25=TK, 26=TK, 27=TK, 28=TK, 29=TK, 30=TK, 31=TK, 32=TK, 33=TK, 34=TK, 35=TK, 36=TK, 37=TK, 38=TK, 39=TK, 40=TK, 41=TK, 42=TK, 43=TK, 44=TK, 45=TK, 46=TK, 47=TK, 48=TK, 49=TK, 50=TK, 51=TK, 52=TK, 53=TK, 54=TK, 55=TK, 56=TK, 57=TK, 58=TK, 59=TK, 60=TK, 61=TK, 62=TK, 63=TK, 64=TK, 65=TK, 66=TK, 67=TK, 68=TK, 69=TK, 70=TK, 71=TK, 72=TK, 73=TK, 74=TK, 75=TK, 76=TK, 77=TK, 78=TK, 79=TK, 80=TK, 81=TK, 82=TK, 83=TK, 84=TK, 85=TK, 86=TK, 87=TK, 88=TK, 89=TK, 90=TK, 91=TK, 92=TK, 93=TK, 94=TK, 95=TK, 96=TK, 97=TK, 98=TK, 99=TK, 100=TK

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14

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FromObub
ToObi/Sub *fiff.* Ledger Type
Mubple Tosk Nu PURArceto Elk Lake 'Neer

Task Number	Description	Estimated Amount	Actual Amount	Balance
5001Y113	Other Tano1bta Plant		500.80	500.88-
50017171	4' DI ELK LAKE/MI-9	31474.00	599.63	30,574.47
	Total	139181.00	331,674.53	192,493.53-

Opt I TKMatn -TKCed F2-H tivmrt F24-MOnKr,

OK Cancel Help

Bill Bunch
10/16/2002 01:28 PM

To: Rachel Cole/KAWC/AWWSC@AWW
cc: (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Re: Elk Lake Acquisitio n

I have updated the attached spreadsheet for changes as presented in the Elk Lake PSC Report dated July 19, 200. Utility plant increased by \$1,440 due to new **meters and meter installations; account 334** has been adjusted. Accumulated depreciation increased by the gross amount of \$6,839 which includes amortization of CIAC in the amount of \$3,419 for a net change of \$3,420. Each of these changes is noted in the spreadsheet. The acquisition adjustment has been recalculated to reflect the changes.



JE to Record Elk Lake 101602 wtb.:

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
Rachel Cole

Rachel Cole
10/16/2002 12:20 PM

To: Bill Bunch
cc:
Subject: Re: Elk Lake Acquisition

I need your help in adjusting this je. I will be downstairs with Roy, and co. at 1:30. Please look at Carl Stich's PSC report for 2002. (a copy is on your desk)

Can you find out what was purchased in 2002 for 1440 and adjust the appropriate plant account?

Herb has relayed to me that I'm not on good terms with the PSC due to having to go back and forth on these je's. I am in the process of retrieving the je's already recorded from Shared Services. In the meantime, I was going to recalculate the acquisition je . Here's what I have so far.

JE to Record Elk Lake ⁰82302-)Please do not net CIAC with depreciation.

-- Forwarded by Rachel Cote/KAWC/AWWSC on 10/16/2002 12:04 PM --

Bill Bunch
08/23/2002 07:38 AM

To: Bill Tokmajian/SHARVCS/AWWSC@AWW
cc: Alpha B Kamara/SHARVCS/AWWSC@AWW, Gary Akmentins/SHARVCS/AWWSC@AWW, Rachel Cole/KAWC/AWWSC@AWW
Subject: Re: Elk Lake AcquisitionD

Rachel and All:

Following is my input on your questions:

In response to item #3 below, the attached spreadsheet has a tab entitled "Est Depn by 300 Acct" which should be helpful, however, it covers the period of 2002 Elk Lake ownership of the assets which is

January 1 - July 19, not through August 31 as requested below.



JE to Record Elk Lake 082302.)

In response to item #4, I am not aware of anything that would change the CIAC amount during Elk Lake's 2002 ownership of the system.

In response to item #5, I have not been provided with any detail by 300 account for the amortization of CIAC and I seriously doubt that any exists. I would suggest an allocation method **based** on the distribution of the plant assets similar to what I have done to allocate 2002 depreciation expense. The system is a rural distribution system and their CIAC would have been for various distribution system extensions and improvements.

Items #1 and #2 are best addressed by Rachel.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) **268-6318**
fax (859) 335-3314
Bill Tokmajian



Bill Tokmajian
08/22/2002 04:48 PM

To: Rachel Cole/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW .
cc: Gary Akmentins/SHARVCS/AWWSC@AWW, Alpha B
Kamara/S HARVCS/AW WSC@AW W
Subject: Elk Lake Acquisition

Rachel,

In reviewing the Elk Lake acquisition, I was hoping you could help me with the below listed questions. Since we would like to record the acquisition in August, your timely response would be greatly appreciated.

1. Which business unit do you want to book this acquisition against?
 - 120205
 - 123005
 - 125005
2. To which account was the purchase price of \$89,084 booked?
3. Can you supply the accumulated depreciation, by 300 accounts, for the period 01/01/02 through 08/31/02?
4. Will the amortization of CIAC amount of \$78,704 change? If so, can you supply the adjusted dollar amount?
5. Can the Amortization of CIAC be detailed by 300 accounts? If so, could you supply the amounts by account?

Thanks,
Bill

It this is unreadable, please see the attached file.

ElkLakeAcquisition.doc

**KENTUCKY AMERICAN WATER COMPANY
JOURNAL ENTRY
TO RECORD ACQUISITION OF
ELK LAKE WATER COMPANY**

Account	Description	Debit	Credit	Notes
303	Land and Land Rights	2,000		Note 1
304	SS Structures	27,734		
309	Supply Mains	14,520		
311	Electric Pumping Equipment	15,100		
320	Water Treatment Equipment	7,618		
330	Distribution Reservoirs and Standpipes	30,749		
331	Transmission and Distribution Mains	151,048		
334	Meters and Meter Installations	58,063		\$1,440 increase in 2002
335	Hydrants	13,900		
339	Other Plant and Equipment	3,838		
341	Transportation Equipment	7,445		
348	Other Tangible Plant	500		
108	Depreciation		137,343	Note 2
399	Acquisition Costs		99,492	Note 3
271	CIAC		165,835	
114	Acquisition Adjustment	70,155		adjusted per 2002 changes in assets
Note 4	Totals	402,670	402,670	

Notes:

(1) Total land value on Elk Lake books is \$50,000. Based on current market information provided to KAWC from Elk Lake as of 8/8/02, the values are \$1,250 for the tank site and \$750 for the pump station site for a total of \$2,000.

(2) Accumulated Depreciation is adjusted as follows:

108 Accumulated Depreciation	219,466	\$6,839 increase in 2002
Less: 272 Amort of CIAC	82,123	\$3,419 increase in 2002
Adjusted Accumulated Depreciation	137,343	\$3,420 net change in 2002

(3) Deferred acquisition costs to date per Rachel Cole, KAWC, as follows:

183000 A00007	8,318	
183000 50007983	<u>2,090</u>	(total \$2119.00, deferred \$2089.88)
Deferred Acquisition Costs	10,408	
Plus: Cash Purchase Price	<u>89,084</u>	
Total Acquisition Cost	99,492	

(4) All data is per Elk Lake PSC annual report dated 12/31/01 and Elk Lake financial reports dated 7/19/02 (no change between these reports). Updated 10/16/02 for PSC annual report dated July 19, 2002.

Elk Lake Property Owners Association, Inc.
Water System Asset Listing
as of December 31, 2001

	Gross Plant	Accumulated Depreciation	Net Book Value
303 Land	50,000		50,000
304 Structures and Improvements	27,734	14,881	12,853
309 Supply Mains	14,520	9,024	5,496
311 Pumping Equipment	15,100	14,871	229
320 Water Treatment Equipment	7,618	2,295	5,323
330 Distribution Tanks	30,749	13,897	16,852
331 Distribution Mains	151,048	82,015	69,033
334 Meters and Meter Installations	56,623	59,065	(2,442)
335 Hydrants	13,900	8,638	5,262
339 Other Plant Equipment	3,838	5,201	(1,363)
341 Transportation Equipment	7,445	2,240	5,205
348 Other Tangible Plant	500	500	0
	<hr/>		
	379,075	212,627	166,448
	<hr/>		

Estimated 2002 Depreciation Expense

2001 Depreciation Expense, per PSC Report	8,881
Estimated 2002 Depreciation Expense	
Full Months, January-June	4,441
July One Half Month, to July 19, 2002 Closing Date	370
<hr/> Total Estimated Depreciation Expense	<hr/> 4,811
According to PSC report turned in by Carl Stich	3,420

Estimated Depreciation Expense by 300 Account
January 1 - July 19, 2002

304 Structures and Improvements	337	0.069986
309 Supply Mains	204	0.042441
311 Pumping Equipment	336	0.069939
320 Water Treatment Equipment	52	0.010794
330 Distribution Tanks	314	0.065359
331 Distribution Mains	1,857	0.385722
334 Meters and Meter Installations	1,336	0.277787
335 Hydrants	195	0.040625
339 Other Plant Equipment	118	0.024461
341 Transportation Equipment	51	0.010535
348 Other Tangible Plant	11	0.002352
Total for Period	4,811	

**KENTUCKY AMERICAN WATER COMPANY
JOURNAL ENTRY
TO RECORD ACQUISITION OF
ELK LAKE WATER COMPANY**

Account	Description	Debit	Credit	Notes
303	Land and Land Rights	2,000		Note 1
304	SS Structures	27,734		
309	Supply Mains	14,520		
311	Electric Pumping Equipment	15,100		
320	Water Treatment Equipment	7,618		
330	Distribution Reservoirs and Standpipes	30,749		
331	Transmission and Distribution Mains	151,048		
334	Meters and Meter Installations	56,623		
335	Hydrants	13,900		
339	Other Plant and Equipment	3,838		
341	Transportation Equipment	7,445		
348	Other Tangible Plant	500		
108	Depreciation		133,923	Note 2
399	Acquisition Costs		99,492	Note 3
271	CIAC		165,835	
114	Acquisition Adjustment	68,175		
Note 4	Totals	399,250	399,250	

Notes:

- (1) Total land value on Elk Lake books is \$50,000. Based on current market information provided to KAWC from Elk Lake as of 8/8/02, the values are \$1,250 for the tank site and \$750 for the pump station site for a total of \$2,000.
- (2) Accumulated Depreciation is adjusted as follows:

108 Accumulated Depreciation	212,627	
Less: 272 Amort of CIAC		<u>78,704</u>
Adjusted Accumulated Depreciation	133,923	
- (3) Deferred acquisition costs to date per Rachel Cole, KAWC, as follows:

183000 AC0007	8,318	
183000 50007983	<u>2,090</u>	(total \$2119.00, deferred \$2089.88)
Deferred Acquisition Costs	10,408	
Plus: Cash Purchase Price	<u>89,084</u>	
Total Acquisition Cost	<u>99,492</u>	
- (4) All data is per Elk Lake PSC annual report dated 12/31/01 and Elk Lake financial reports dated 7/19/02 (no change between these reports).

Elk Lake Property Owners Association, Inc.
Water System Asset Listing
as of December 31, 2001

	Gross Plant	Accumulated Depreciation	Net Book Value
303 Land	50,000		50,000
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January 1 - July 19, 2002

304 Structures and Improvements	337	0.069986
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**KENTUCKY AMERICAN WATER COMPANY
JOURNAL ENTRY
TO RECORD ACQUISITION OF
ELK LAKE WATER COMPANY**

Account	Description	Debit	Credit	Notes
303	Land and Land Rights	2,000		Note 1
304	SS Structures	27,734		
309	Supply Mains	14,520		
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334	Meters and Meter Installations	56,623		
335	Hydrants	13,900		
339	Other Plant and Equipment	3,838		
341	Transportation Equipment	7,445		
348	Other Tangible Plant	500		
108	Depreciation		133,923	Note 2
399	Acquisition Costs		99,492	Note 3
271	CIAC		165,835	
114	Acquisition Adjustment	68,175		
Note 4	Totals	399,250	399,250	

Notes:

- (1) Total land value on Elk Lake books is \$50,000. Based on current market information provided to KAWC from Elk Lake as of 8/8/02, the values are \$1,250 for the tank site and \$750 for the pump station site for a total of \$2,000.
- (2) Accumulated Depreciation is adjusted as follows:

108 Accumulated Depreciation	212,627	
Less: 272 Amort of CIAC	<u>78,704</u>	
Adjusted Accumulated Depreciation	133,923	
- (3) Deferred acquisition costs to date per Rachel Cole, KAWC, as follows:

183000 AC0007	8,318	
183000 50007983	2,090	(total \$2119.00, deferred \$2089.88)
Deferred Acquisition Costs	10,408	
Plus: Cash Purchase Price	<u>89,084</u>	
Total Acquisition Cost	<u>99,492</u>	
- (4) All data is per Elk Lake PSC annual report dated 12/31/01 and Elk Lake financial reports dated 7/19/02 (no change between these reports).

Elk Lake Property Owners Association, Inc.
Water System Asset Listing
as of December 31, 2001

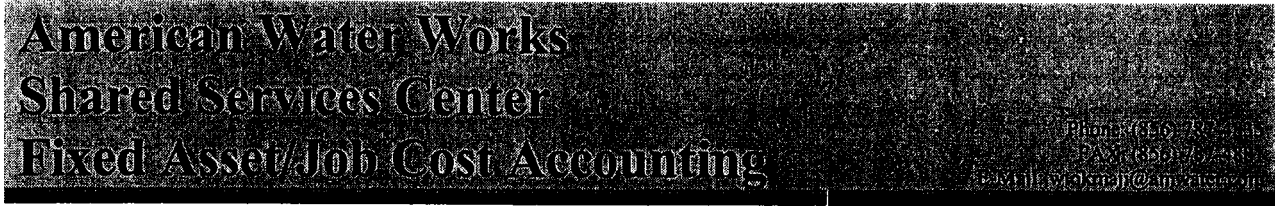
	Gross Plant	Accumulated Depreciation	Net Book Value
303 Land	50,000		50,000
304 Structures and Improvements	27,734	14,881	12,853
309 Supply Mains	14,520	9,024	5,496
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341 Transportation Equipment	7,445	2,240	5,205
348 Other Tangible Plant	500	500	0
	<hr/>		
	379,075	212,627	166,448
	<hr/>		

Esitimated 2002 Depreciation Expense

2001 Depreciation Expense, per PSC Report	66,439
Estimated 2002 Depreciation Expense	
Full Months, January-June	33,220
One Half Month, to July 19, 2002 Closing Date	5,537
<hr/> Total Estimated Depreciation Expense	<hr/> 38,757

Estimated Depreciation Expense by 300 Account
January 1 - July 19, 2002

304 Structures and Improvements	2,712	0.069986
309 Supply Mains	1,645	0.042441
311 Pumping Equipment	2,711	0.069939
320 Water Treatment Equipment	418	0.010794
330 Distribution Tanks	2,533	0.065359
331 Distribution Mains	14,950	0.385722
334 Meters and Meter Installations	10,766	0.277787
335 Hydrants	1,575	0.040625
339 Other Plant Equipment	948	0.024461
341 Transportation Equipment	408	0.010535
348 Other Tangible Plant	91	0.002352
Total for Period	38,757	



Memorandum

To: Rachel Cole, Bill Bunch
From: Bill Tokmajian
cc: Gary Akmentins, Alpha Kamara
Date: August 22, 2002
Subject: Questions Regarding Elk Lake Acquisition

Rachel,

In reviewing the Elk Lake acquisition, I was hoping you could help me with the below listed questions. Since we would like to record the acquisition in August, your timely response would be greatly appreciated.

1. Which business unit do you want to book this acquisition against?
 - 120205
 - 123005
 - 125005
2. To which account was the purchase price of \$89,084 booked?
3. Can you supply the accumulated depreciation, by 300 accounts, for the period 01/01/02 through 08/31/02?
4. Will the amortization of CIAC amount of \$78,704 change? If so, can you supply the adjusted dollar amount?
5. Can the Amortization of CIAC be detailed by 300 accounts? If so, could you supply the amounts by account?



Donna Braxton
11/04/2002 01:28 PM

To: Richard C Svindland/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Coleman
Bush/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW,
Linda Bridwell/KAWQAWWSC@AWW, Lisa
Subject: Re: Elk Lake assets

Again as previously stated, I need more than just dollar values.
Richard C Svindland

Richard C Svindland
11/04/2002 11:25 AM

To: Bill Bunch/KAWC/AWWSC@AWW
cc: Coleman Bush/KAWC/AWWSC@AWW, Donna
Braxton/KAWC/AWWSC@AWW, Herb Miller/KAWC/AWWSC@AWW,
Linda Bridwell/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW
Subject: Re: Elk Lake assets

The information I provided in below e-mails is all I have or know.

Richard C. Svindland, P.E.
Senior Operations Engineer
Kentucky-American Water Company
2300 Richmond Road
Lexington, Kentucky 40502
(859) 335-3833

Bill Bunch

Bill Bunch
11/04/02 10:59 AM

To: Richard C Svindland/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AW WSC@AW W
cc: Donna Braxton/KAWC/AWWSC@AWW, Coleman
Bush/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW,
Linda Bridwell/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AW WSC@AW W
Subject: Re: Elk Lake assets

Please see e-mails below. I was operating under the impression that the Elk Lake insurance issues had been resolved; however, I learned today that Donna has not yet received the necessary information with which to insure the Elk Lake property. Please send me any information or recollections that you have on this subject ASAP. I will coordinate obtaining or compiling the necessary information for Donna. Thanks.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314
— Forwarded by Bill Bunch/KAWC/AWWSC on 11/04/2002 10:48 AM —



Donna Braxton
07/23/2002 10:07 AM

To: Richard C Svindland/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Herb
Miller/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW
Subject: Re: Elk Lake assets.

I need location/ age etc. See the forms that I have to complete for the insurance company. I did give Herb

copies of the forms. You can write on those forms, then I will input and forward to the insurance broker.
Thanks for your help.



Property Values Totals.x 2002 KY Property Ins Info.) 2002 KY Auto Insurance Info.)
Richard C Svindland



Richard C Svindland
07/23/2002 09:13 AM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Donna
Braxton/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW
Subject: Re: Elk Lake assets

I would estimate the following values on the below items. These are items that we must have to maintain distribution of water, I would consider these to be replacement costs.

- 100,000 gallon tank: \$125,000
- Altitude valve vault: \$15,000 (not completed as of today)
- Booster Pump Station - mechanical: \$2,500
- Booster Pump Station - building: \$1,000
- WTP - High Service Pumps: \$5,000
- WTP - Pump Storage Material: \$1,500 (not completed as of today)
- WTP - Chlorine Feed equipment \$1,000
- PRV Station - Mechanical \$500.00 (first feed from Tri-Village)
- PRV Station - Building \$1,000.00 (first feed from Tri-Village)

As far as other assets I would make an initial guess of the value as follows:

- WTP Building Superstructure: \$50,000
- WTP Equipment (filters, clarifier, lime and alum feed, electrical) \$100,000
- WTP Clearwell substructure: \$75,000
- WTP Misc. (lab, office, HVAC, arch., etc) \$50,000.

- Approx. 48,300 feet of 4" AC main @ \$5.00 / ft = \$241,500.00
- Approx. 27,000 feet of 3" AC main @ \$4.00 / ft = \$108,000.00
- Approx 2,000 feet of 2" PVC main @ \$2.50 / ft = \$5,000.00

Richard C. Svindland, P.E.
Senior Operations Engineer
Kentucky-American Water Company
2300 Richmond Road
Lexington, Kentucky 40502
(859) 335-3833

Herb Miller

Herb Miller
07/18/02 02:39 PM

To: Bill Bunch/KAWC/AWWSC@AWW, Richard C Svindland/KAWC/AW WSC@AW W
cc: Roy Mundy/KAWC/AWWSC@AWW, Donna Braxton/KAWC/AW WSC@AW W
Subject: Elk Lake assets

To be adequately insured, Donna reminds us that Travelers' will need a more itemized asset listing and valuation. Can we ascertain values for at least the following: 100,000 gallon water storage tank; pump

station; treatment plant building and tank; two real estate lots; the pick-up truck; any furniture; inventory; supplies; and any other identifiable asset? We need this ASAP.

Donna, am I correct that these values are needed for fire and comprehensive **coverage**? Can we go ahead and have coverage extended for liability purposes beginning with the closing date of July 19th? Thanks.

Bill Bunch
11/06/2002 07:18 AM

To: Donna Braxton/KAWC/AWWSC@AWW
cc: (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Re: Elk Lake assets

FYI: see below. I'm still following up.

Bill Bunch
Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
(859) 268-6318
fax (859) 335-3314

— Forwarded by Bill Bunch/KAWC/AWWSC on 11/06/2002 07:10 AM —

Herb Miller
11/04/2002 01:59 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc: Coleman Bush/KAWC/AWWSC@AWW, Richard C
Svindland/KAWC/AWWSC@AWW
Subject: Re: Elk Lake assets

I filled out, in pencil, a form that Donna provided for me. I thought I sent it on to Rich for confirmation and to fill out the balance. Of course, my memory may be incorrect and I will look for that form.



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" 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 -----



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

To: "hmill@kawc.com" <hmill@kawc.com>
cc: "cjs31@earthlink.net" <cjs31@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:

It was a pleasure meeting you by phone. Looks like we have some common friends in the Lexington area! I'll mention to John Wharton that you asked about him.

Switching gears, please keep us advised of your progress with the Kentucky water authorities. I understand that you have a key meeting with the state later this week.

As we talked, the Elk Lake Board would appreciate having language added to the draft amendment to the Asset Purchase Agreement that addresses the future tear down and disposal of the water plant facility. Currently, the amendment states that upon termination of the water treatment plant's operation, the lease of the land will terminate and Buyer shall not be further obligated to Seller.

Once the water treatment plant serves its purpose as a summer back-up for Kentucky-American, and

upon the termination of the lease, Kentucky-American's plant, equipment, fixtures, etc. remain on the land. Something along the following lines would be a helpful addition to the amendment to address this issue:

"Within sixty (60) days of lease termination, Buyer will, at Buyer's expense, dismantle and remove the water treatment plant and all equipment, fixtures, pipes, valves, machinery, supplies, inventory and other improvements and personal property included in the Asset Purchase Agreement, and return possession of the land to Sellers in a marketable condition."

The intent of the above language is to eliminate all unused and unnecessary items associated with the then defunct water treatment plant upon the lease termination, so if the above description is overbroad and affects an item that will be used after the existing water treatment plant is dismantled (e.g., pipes or a valve), it is unintentionally. I'm sure you will correct this if the language is an issue.

Herb, I understand that you will have a better idea of the Elk Lake water supply timetable later this week. We would appreciate it if you would keep us advised of progress in your efforts with the state. We are anxious to forge ahead with our mutually beneficial and expected long-term relationship with Kentucky-American.

Again, it was a pleasure meeting you by phone.

My mailing address is as follows, in case you need it:

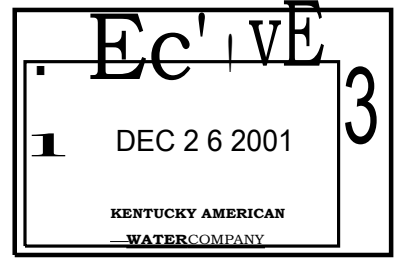
Michael V. Withrow
Greenebaum Doll & McDonald PLLC
50 E. Rivercenter Blvd.
Suite 1800
Covington, KY 41012-2673
Phone: 859/655-6862
Fax: 859/655-4239
E-Mail: mvw@gdm.com

Mike Withrow

cc: ELPOA Board of Directors

GREENEBAUM DOLL & MCDONALD PLLC

50 EAST RIVERCENTER BLVD., SUITE 1800
POST OFFICE Box 2673
COVINGTON, KENTUCKY 41012-2673
859/655-4200
www.gdm.com



MICHAEL V. WITHROW
859/655-6862
FAx 859/655-4239
E-MAIL mvw@gdm.com

December 21, 2001

Herbert A. Miller, Jr., Esq.
Vice President & Corporate Counsel
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502

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LW~

J₁ kout^h-

Subject: **Elk Lake Water Supply**

Dear Herb:

First, thank you for your letter of December 19, and the time you took from your busy schedule yesterday to talk with me about the Elk Lake water issue. I conveyed the gist of our conversation to Tom McHugh, the President of the Elk Lake Property Owners Association (ELPOA), and later in the day he received your'Decrh'bir 19 letter.

Mr. McHugh has now had an opportunity to communicate the general problem, as expressed by Kentucky-American, to ELPOA Board members, as well as to Carl Stich, the long-time Elk Lake Administrator. I suspect it comes as no surprise to you that the Elk Lake leadership is extremely concerned with Kentucky-American's delay in moving forward with the transaction contemplated in the Asset Purchase Agreement, and there is, frankly, some surprise and confusion with the 10,000 population issue you recently raised. I informed the ELPOA Board that you agreed, upon your return from your holiday vacation, to promptly arrange a meeting between the ELPOA representatives and key Kentucky-American officials to review in detail the status of your company's furnishing a much needed water supply to the Elk Lake community.

Herb, this is an extremely serious issue for Elk Lake. Accordingly, upon your return to the office will you please give me a call so that we can select an early-January meeting date and location to review the Elk Lake water situation. Thank you.

Sincerely,

cc: ELPOA Board of Directors
Tom McHugh, President, ELPOA

C. Carl Stick



Kentucky-American Water Company

f

2300 Richmond Road • Lexington, Kentucky 40502 • (859) 269-2386 • Fax (859) 268-6327

Herbert A. Miller, Jr.
Vice President and
Corporate Counsel
(859) 268-6339

December 19, 2001

Mr. Tom McHugh
President, Elk Lake Owners Association
445 Elk Lake Resort Road
Owenton, KY 40359

Dear Mr. McHugh:

Although our progress on this transaction is slower than we had anticipated, we want to keep you informed about the status of matters, and hope you will call me about any questions you may have.

There has recently arisen a question about the population figures for the number of people who, after the connection of Elk Lake to the Tri-Village system, will be served by the City of Owenton. This is important because if the three connected systems serve a population greater than 10,000, then new (and more strict) water quality standards will be imposed effective January 1, 2002. If the population is less than 10,000, then these new standards would not become effective until January 1, 2004.

We have had a number of conversations and meetings with the Division of Water about this issue. The DOW's current population formula has the combined systems with population that will exceed 10,000. This would put Kentucky-American at risk for water quality violations after January 1, 2002, if the systems are connected. However, the DOW is willing to consider a tabulation of the actual population based on Census 2000 data by census tracts and blocks. We hope we can show the DOW that the combined systems serve considerably less than 10,000 people based on the actual census.

Currently we are analyzing census data for the three service areas of Owenton, Tri-Village and Elk Lake to see what the true population numbers are. As you can imagine, this is proving to be rather time consuming. We hope to be finished by mid-January and also hope to have a response from the State on this fairly quickly.

Mr. Tom McHugh
December 19, 2001
Page 2

Alternatively, to run the plant for the next two years was not in the expectation of either Elk Lake or Kentucky-American. Elk Lake has repeatedly emphasized the desire for the plant to be removed. Likewise, the continued cost of operation and maintenance of the plant was not anticipated by Kentucky-American.

In any case, it always seems that unexpected issues complicate transactions such as this. We want to keep moving forward, but also wanted you to know that this is a serious issue. Kentucky-American does not want to walk into a situation where water quality violations will result.

Thank you for your patience. Please call me if you have any questions.

Yours truly,



Herbert A. Miller, Jr.

HAM/jd

c: Hon. Mark Cobb (Fax: 502/484-1065)
Attorney
P. O. Box 342
Owenton, KY 40359

Hon. Mike Withrow (Fax: 859/655-4239)
Attorney
50 East River Center Blvd., Suite 1800
Covington, KY 41011-2673

David K Baker

06/10/2001 02:29 PM

To: Herb Miller/KAWC/AWWSC@AWN
cc: Lisa Helton,,Jim R HamiltonNWAWC/AWWSC@AWW
Subject: Re: Newport and Elk Lake lgi

Hello, Herb. Lisa can facilitate setting up a meeting with Carl Stitch, administrator at Elk Lake. Just as a reminder, Carl and his wife have postponed their relocation to Louisville, Ky., to continue to oversee the utility until we close our deal. Carl can give you current figures on the monthly operating expenses of the system, but they are not high....one associate,chemicals, etc.

David K Baker

06/10/2001 0239 PM

To: "LINDSEY INGRAM" <ingramjr@skp.com>
cc: Herb Miller, Lisa Helton, Jim R HamiltonNWAWC/AWWSC@AWW
Subject: Re: Newport and Elk Lake E)

Hello, Lindsey. I believe that Lisa can provide a copy of the depreciation schedule I gathered for all the Elk Lake assets.

David

t~ u

Herb Miller

07/09/02 10:50 AM

To: Bill Bunch/KAWC/AWWSC@AWW
CC:
Subject: Re: Elk Lake Closingjj

As far as I know. I am trying to reach their attorney, Mark Cobb, but we keep missing on another. He is preparing the deeds, bills of sale and assignments.

Do you have what you need? We need to get a check for the purchase price.

Can you conatct Stan to make sure we are on schedule for flushing system, reading meters, etc.?

Can you stay in touch with the Elk Lake folks so they don't get nervous?

Ce lle c' s 1 L--E,4 rt, Ja ic~ .AD -I\Aoz. .,3(P Au. Am



LISA to verify purchase price

\$ 89,084 ?

check request to Rachel

Herb Miller

06/11/2002 03:40 PM

To: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, Dillard
Griffin/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, Susan
Lancho/KAWC/AWWSC@AWW, Carol F
Tudor/KAWC/AWWSC@AWW, Bill Bunch/KAWC/AWWSC@AWW,
Larry Burns/KAWC/AWWSC@AWW, Rachel
Cole/KAWC/AWWSC@AWW, Jim R
HamiltonNWA/C/AWWSC@AWW, Mike
MillerNWA/C/AWWSC@AWW, Bryan
Siler/KAWC/AWWSC@AWW, Park Tackett/KAWC/AWWSC@AWW,
Jan Routt/KAWC/AWWSC@AWW

cc:

Subject: Elk Lake Progress to Closing

Here is the status of things in our progress to have a Closing at Elk Lake on Friday, July 19, 2002.

1. Account Changeovers: This is being done by Angie at the former Tri-Village office.. Larry Burns anticipates this will be done by mid-June. The plan is to have "turn-on" orders (in the system internally) be effective on the date of Closing.
2. Customer Histories: Carol Tudor will contact Carl Stitch to see how histories can be saved from the current billing system.
3. Pre-Closing Flushing: Park Tackett will coordinate with Carl and Cheri for a system flushing, probably July 14-15. We will need to communicate with the residents to anticipate the temporary "brown water" for purposes of bathing, clothes washing, etc.
4. Bill and meter reading: Final meter reading will occur July 16. 17 and 18 with KAWC associate accompanying Cheri or whoever reads Elk Lake meters. Elk Lake will issue a bill through July. KAWC will begin billing after this reading.
5. Plant Operation: Stan Stockton and Park will contact Cheri to make sure coverage is available through the Labor Day weekend.
6. Randy Teegarden will be available after July 1 to begin actively involved in the Elk Lake system.
7. Welcome Packets: Susan Lancho will be responsible for the communication pieces that will go out upon closing. She will also coordinate any receptions or "open houses" with Elk Lake leadership.
8. Community Confidence Reports (CCR): Jan Routt is coordinating with Carl Stitch to have these available for residents by June 30th.
9. Elk Lake Legal Documents: Tom McHugh and Mike Withrow for Elk Lake will coordinate with their counsel, Mark Cobb, to get the documents to Herb Miller ASAP.

S

Herb Miller
06/11/2002 08:10 PM

To: Larry Burns/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AW WSC@AW W
cc: Carol F Tudor/KAWC/AWWSC@AWW
Subject: Re: Elk Lake Progress to Closing

Your thoughts?

— Forwarded by Herb Miller/KAWC/AWWSC on 06/11/2002 05:09 PM —

Carol F Tudor
06/11/2002 01:24 PM

To: Herb Miller/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, Bryan
Siler/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW,
Jan Routt/KAWC/AWWSC@AWW, Jim R
HamiltonNWAWC/AWWSC@AWW, Larry
Burns/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW,
Mike MillerNWAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Park Tackett/KAWC/AWWSC@AWW,
Rachel Cole/KAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, Susan
Lancho/KAWC/AW WSC@AW W
Subject: Re: Elk Lake Progress to Closing[

Herb:

Another issue that might need to be addressed in advance is the fact that some of the houses in Elk Lake aren't winterized properly and they have been known to have enormous water leaks, these would not be hidden underground leaks and not be given an adjustment??? Is that the way we will handle it? It still concerns me that they are not all charged a flat rate bill whether there during the winter or not. It seems that there could possibly be half of the customers over there during the year(for several months) not paying a bill and it seems it would be hard to generate enough income from the system. Maybe I am missing something.

Carol

Herb Miller
06/11/2002 03:40 PM

To: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, Dillard
cc:
Subject: Elk Lake Progress to Closing

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Herb Miller

05/08/2002 01:11 PM

To: ingramjr@skp.com, Bill Bunch/KAWC/AWWSC@AWW
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW
Subject: Elk Lake

Their legal advisor (Mike Withrow) called me today to ask two questions:

1. Did we have a prediction when the PSC might act and when a closing would occur?
2. Did we have a checklist of things we will expect of them for a closing?

I realize that's actually 3 questions. Anyway, could I please have your thoughts? thanks.



Herb Miller
02/21/2002 01:22 PM

To: Bill Bunch/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW, Jim R
HamiltonNWAWC/AW WSC@AW W
Subject: Re: Elk Lake Filing

We are delivering the full completed documents to Lindsey. He will finalize the joint application and mail it up to Association President Tom McHugh in Dayton for his signature. My guess is that a PSC filing will not occur until next week.

From: Bill Bunch on 02/21/2002 01:09 PM

From: Bill Bunch on 02/21/2002 01:09 PM
To: Herb Miller/KAWC/AWWSC@AWW
cc: Lisa Helton/KAWC/AWWSC@AWW, Jim R HamiltonNWAWC/AWWSC@AWW

Subject: Elk Lake Filing

Are we still on track to file the joint application for the Elk Lake acquisition with the PSC this week?
Please let me know if I can do anything to facilitate the process.



Herb Miller

02/08/2002 08:18 AM

To: Jan Routt/KAWC/AWWSC@AWW
cc: Bill Bunch/KAWC/AWWSC@AWW, ingramjr@skp.com, Linda
Bridwell/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW,
Richard C Svindland/KAWC/AWWSC@AWW, Roy
Subject: Re: Elk Lake acquisition .-

I saw Vicki Ray at the KIA meeting yesterday and told her that the only remaining item needed before we file with the PSC on Elk Lake was her letter. I told her we are to visit with the Elk Lake Board on the 16th and they will want to know the status.

I also joked with her about trying to keep Judge O'Bannion off her back. I could not get a good read from her as to when her letter would be ready.



"LINDSEY INGRAM"
<ingramjr@skp.com>
02/06/2002 12:06 PM

To: <bbunch@kawc.com>, <hmiller@kawc.com>, <JRoutt@kawc.com>,
<resvin@kawc.com>, <sstockto@kawc.com>
cc: <bridwell@kawc.com>, <nrowe@kawc.com>, <rwmundy@kawc.com>
Subject: Re: Elk Lake acquisition

Under KRS 278.020 the Commission has 60 days to process the application which can be extended for good cause for an additional 60 days. 20 additional days are allowed for a rehearing petition and then 20 days thereafter for an appeal. Therefore, if there is no petition for rehearing, the time frame is 140 days. If there is a petition for rehearing and an appeal, the time frame is infinite.

>>> <hmiller@kawc.com> 02/06/02 10:41AM >>>

Bill, Rich and I will attend an Elk Lake Board Meeting at 9 am, Saturday, February 16th. We need to be able to explain the status of the deal and the timeline and remaining events for a filing and a closing.

Here are the questions I have:

1. Jan -- what do we need to do to get the letter from DOW approving the population figures?
2. Stan/Rich -- if we buy the plant (it appears we will in order to reduce the acquisition adjustment), can we just dismantle and haul away? Do we need to fill in lagoons or otherwise need to remediate the property? I have seen a figure of about \$15,000 to do all of this. Is this correct? How long will it take to get rid of the plant and what will the property look like after its gone?
3. Lindsey -- once we file, how long (based on the Tri-Village transaction) might we guess it will take for the PSC to act? Once a nonappealable order is entered, and all conditions are met, we have 60 days within which to close.
4. Bill -- do we have all the latest financial info from them and it is acceptable?

We need to avoid any of the last minute issues as we saw with Tri-Village. If anyone sees this as a potential, please speak up loudly now. Thanks.

Bill Bunch
02/06/2002 11:12 AM

To: Herb Miller/KAWC/AWWSC@AWW
cc: (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Re: Elk Lake acquisitionCI

Our most current financial information is as of December 31, 2000. We need to request statements as of December 31, 2001.

Herb Miller



Herb Miller
02/06/2002 10:41 AM

To: Bill Bunch/KAWC/AWWSC@AWW, Stan
Stockton/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, Linda Bridwell/KAWC/AWWSC@AWW,
ingramjr@skp.com
Subject: Elk Lake acquisition

Bill, Rich and I will attend an Elk Lake Board Meeting at 9 am, Saturday, February 16th. We need to be able to explain the status of the deal and the timeline and remaining events for a filing and a closing. Here are the questions I have:

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We need to avoid any of the last minute issues as we saw with Tri-Village. If anyone sees this as a potential, please speak up loudly now. Thanks.



Herb Miller
02/01/2002 05:16 PM

To: Carol F Tudor/KAWC/AWWSC@AWW, Richard C
Svindland/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AW WSC@AW W
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, ingramjr@skp.com
Subject: Elk Lake

Hi Carol.....I know you are not officially connected with Tri-Village Water District anymore, but I hope you passed on to Charlie Noel the KIA Grant documents I sent up to you last week. There is a deadline of 2-15-02 for getting them returned to the KIA.

Rich Svindland will be in charge of getting the numbers for the forms. However, the "revived" Tri-Village Board will have to sign some of the forms. One of the forms has to be signed by the Board's attorney. Would that be Charlie Carter?

Would you be so kind as to follow-up on that for me to see where this is? Perhaps you and Rich can co-ordinate.

Re: Elk Lake..... we are waiting for the letter from DOW formally agreeing to the population numbers and then we can file with the PSC. Are you able to attend a meeting of the Elk Lake Board on Saturday, February 16th at 9 am? It will be you and me and probably Rich and Bill Bunch. They want a status report and the opportunity to ask questions about operations after the acquisitions. Since we had the delay over the population numbers, they got a little nervous about the whole thing and want to be assured everything is going forward. Thanks.



Herb Miller

01/24/2002 12:00 PM

To: Jim R Hamilton/NWAWC/AWWSC@AWW, Mike
Miller/NWAWC/AWWSC@AWW
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Bill Bunch/KAWC/AWWSC@AWW,
Jan Routt/KAWC/AWWSC@AWW
Subject: Elk Lake status report

New population figures have been submitted to the DOW indicating that the three consecutive systems of Owenton, Tri-Village and Elk Lake are under 10,000 **population**, giving us 2 years to meet the new water quality regulations. The Division of Water must agree with these numbers before the transaction can move forward. We expect the review and approval to come by the end of the month, but have not had a response yet. Once the approval occurs, the filing with the PSC can move forward.



Herb Miller

01/23/2002 08:32 AM

To: Stan Stockton/KAWC/AWWSC@AWW
cc: Nick Rowe/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, Richard C
Svindland/KAWC/AWWSC@AWW, Barbara
Brown/KAWC/AWWSC@AWW

Subject: Re: Elk Lake / Owen County Projects

1. Tri-Village Water District will be revived as they never completed the dissolution process under the statute. Roy plans on discussing this with the KIA to make sure they are OK with the grant situation. The grant application has to be returned to the KIA by 2-15-02 so we need to proceed with this ASAP. This will also allow T-V to purchase the pipe.

2. I fully agree that we should be proactive in the news that these expansions will cause a rate increase. Even though we do not yet know the exact amount, this word should be gotten out into the community.
Barbara????

3. As for Elk Lake, once we get the DOW accept the population figures, we can proceed with the PSC filing. The purchase of the plant is to justify the acquisition adjustment. If it is better to try to adjust the purchase price and use the funds for other purposes, we can try to do that. However, the Elk Lake folks may not agree to this. *Roy or Lindsey????????*

From: Stan Stockton on 01/23/2002 07:58 AM

From: Stan Stockton on 01/23/2002 07:58 AM

To: Herb Miller/KAWC/AWWSC@AWW

cc:

Subject: Elk Lake / Owen County Projects

Herb,

Take a look @ last section, we need to meet, discuss and make some decisions.

-- Forwarded by Stan Stockton/KAWC/AWWSC on 01/23/2002 07:56 AM --

Stan Stockton
01/22/2002 10:24 AM

To: Nick Rowe/KAWC/AWWSC@AWW
cc: Richard C Svindland/KAWC/AWWSC@AWW, PARK
TACKETT/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW, Bryan
Siler/KAWC/AWWSC@AWW, Carol F Tudor/KAWC/AWWSC@AWW, Fred
White/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW
Subject: Elk Lake / Owen County Projects

This past Friday, the following individuals met to discuss Owen County Projects and Elk Lake-

Rich Svinland
Park Tackett
Jan Routt
Brian Siler
Carol Tudor
Fred White

New Columbus Project.

- > Ground breaking for first 40,000 ft. in March
- > Total of 40 miles, predominantly pvc SDR 21
- > One Tank
- > Engineering, construction etc. on track - several issues need to be resolved/discussed

- > Rich is meeting with Georgetown this week to discuss purchasing/wheeling water for south end of Owen County - approx. 125 potential customers would be served

Discussed the following topics:

- > SCADA at tank sites - Progressing on electric to all tanks Problems at Glencoe and Monterey
 - Monterey - property owner issue
 - Glencoe - property owner issue and whether we are going to leave this tank in service
 - Carol is to provide more info. to Rich concerning customer base, usage, etc.
 - Mainly a Fire flow issue
- > Elk Lake
 - Everyone in agreement we do not need to be taking over the treatment plant
 - By Feb. 15th, Rich to have modeling complete to confirm if both plant and tank can be eliminated and what Distribution improvements are required (if any) to make this happen.
- > Main Extensions

Carol to become familiar with our main extension policies. Tri-village to be same as the way we do here. Any customer inquiries to come through Carol, if she does not know the answer she is to contact Fred. Carol is then to advise customer. Customers should not be contacting Fred directly.

Nick - WE NEED TO HAVE A MEETING WITH YOU, HERB, RICH, MYSELF (ROY TOO IF YOU AND HERB THINK IT IS NECESSARY) TO RESOLVE/DISCUSS THE FOLLOWING ISSUES:

- > Do we want Tri village board to purchase material this would eliminate sales tax of approx. \$30,000 (an additional 24,000' of pipe) Since KAWC will ultimately own - will this pass a "smell test"
- > KIA Tri village applied received authorization for a grant \$900,000 Is this still an option since Tri Villiage is now KAWC or would we have to consider this a loan and pay back funds? How do we go about acquiring funds?
Another "smell test" issue
- > Monterey pressure problem - customer still complaining to PSC To resolve problem need to replace approx. 5000 ft. of PVC with 6" Ductile approx. \$90 - 100 k Do we go ahead and do this on our own or roll into New Columbus project costs? (My opinion is we really need to go ahead with this it has to be done to provide adequate service to existing customers - handled in next rate case - maybe just do less of New Columbus if rate increase is going to be too much)
- > Rate increase issue - 20-25% What should our game plan be for making this issue known - do something now or wait until later? It's not going to go away!
- > Elk Lake - purchase price - no need to purchase plant, use those funds for system improvements.

Herb Miller
12/05/2001 10:37 PM

To: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Jan
Routt/KAWC/AWWSC@AWW, Linda Bridwell/KAWC/AWWSC@AWW
cc: Stan Stockton/KAWC/AWWSC@AWW, Dillard Griffin/KAWC/AWWSC@AWW, ingramjr@skp.com
Subject: Elk Lake Status: CONFIDENTIAL



At a meeting last Friday with Vicki Ray, Julie Roney and Deputy Director Ralph ? , of the Division of Water, Nick Rowe, Jan Routt and I discussed alternatives for the Elk Lake system. The State acknowledged that it would like the Elk Lake plant to be discontinued, but could not offer KAWC any relief from the threat of future enforcement actions should violations occur. PLEASE KEEP THIS MEMORANDUM CONFIDENTIAL AND DO NOT DISTRIBUTE IT.

Based on our discussions, the following appear to be alternatives regarding Elk Lake:

1. Proceed with the Elk Lake acquisition "as is", connect the system to Tri-Village, and become subject immediately to the lower THM and HAA threshold levels due to the fact that the consecutive systems of Owenton, Tri-Village and Elk Lake would then serve a population of over 10,000. Because of the timing of the reporting of exceedence levels, an NOV would not be likely until late 2002. It is likely that Owenton would also get an NOV. The State wants Owenton's intake moved and it may give Owenton time to accomplish this before it imposes monetary penalties. Vicki Ray said that KAWC would probably not be levied a fine, but would probably get an NOV. They will not consider an Agreed Order for delayed enforcement (to allow Owenton to move its intake), unless it is preceded by an NOV. Of course, once this matter is referred to the Enforcement Division, it is out of her hands.

2. Proceed with the Elk Lake acquisition "as is", but do not connect the systems. This would delay the new THM and HAA rules for Elk Lake until January 1, 2004. However, once the construction of the New Columbus project reaches the point that the Owenton and Tri-Village systems have 10,000 people, then the new rules kick-in for Tri-Village anyway. If we do this, we will have to hire an Operator and own and operate the Plant until the Owenton intake is moved. I'm sure that Elk Lake does not anticipate us operating the Plant that long and we would have to work this out with them. Meanwhile, Tri-Village gets an NOV when New Columbus causes the population to go over 10,000.

3. Enter into an Operating Agreement with Elk Lake to operate its system until either Owenton moves its intake or until the New Columbus expansion reaches the 10,000 population point or until January 1, 2004. The operating agreement would have to specify that the Owner (Elk Lake) would be responsible for enforcement actions. Because there would be a cost to this, we would have to renegotiate the present agreement as either Elk Lake would pay us or the Purchase Price would be reduced. Then, at the trigger time above, KAWC would be contractually bound to purchase Elk Lake.

4. Implement #2 or #3 above, and postpone the New Columbus or other Tri-Village expansion as long as possible to see if Owenton can get its intake moved.

5. Acquire or operate the Owenton system and move the intake ASAP. If Owenton has any outstanding NOV's, we might be able to get the DOW to enter into an Agreed Order to give us all **some** time before any enforcement action occurs. This possibility would have to be discussed with the DOW ahead of time.

If there are other alternatives, or if any of the above is incorrect, please let me know ASAP. Carl Stitch keeps calling Lisa Helton to see when we are going to file the application with the PSC. Thank you.

Herb Miller

11/13/2001 09:41 AM



To: Lisa Helton/KAWC/AWWSC@AWW

cc:

Subject: RE: Elk Lake Treatment Plant Acquisition

Good one. I will change the language in paragraph #2 to reflect that Buyer will terminate operation of the plant.



"Bunch, Bill" <BBUNCH@Fayette.k12.ky.us> on 11/12/2001 04:34:12 PM

To: ""lhelton@kawc.com"" <lhelton@kawc.com>
cc:

Subject: RE: Elk Lake Treatment Plant Acquisition

I agree with the language of the amendment in all respects except for language in the first sentence of paragraph #2 of the proposed amendment to Section 17. The sentence, as it currently reads, refers to the Seller terminating operation of the plant. In paragraph #1, the Buyer commits to terminating operation of the plant (Buyer should terminate operation of the plant per my discussions with Carl Stitch). The first sentence of paragraph #2 needs to be reworded to remove the reference to the Seller terminating operation of the plant.

- - Original Message - -

From: lhelton@kawc.com [mailto:lhelton@kawc.com]
Sent: Monday, November 12, 2001 4:00 PM
To: Bunch, Bill
Cc: bkbunch@meginc.com
Subject: Elk Lake Treatment Plant Acquisition

- - - - - Forwarded by Lisa Helton/KAWC/AWWSC on 11/12/2001
03:55 PM - - - - -

Herb Miller
11/12/2001 03:54 PM

Sent by: Jan Dickson

To: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, ingramjr@skp.com
cc: Pat Ballard/KAWC/AWWSC@AWW, Peggy Slone/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW

Subject: Elk Lake Treatment Plant Acquisition

Does this accurately represent KAWC's intent for the purchase of the Elk Lake water treatment plant? Please respond ASAP.

Once the amendment is approved, we will send it to Elk Lake for its signature. Then the PSC filing can occur.

When **will** an inspection of the plant be performed for our due diligence purposes. (See attached file: Elk Lake Amendment to Asset

Purchase Agr.doc)

**AMENDMENT TO ASSET PURCHASE AGREEMENT
ELK LAKE PROPERTY OWNERS ASSOCIATION, INC.**

This AMENDMENT TO ASSET PURCHASE AGREEMENT, dated November , 2001, by and between ELK LAKE **PROPERTY OWNERS ASSOCIATION, INC.** ("Seller"), and **KENTUCKY-AMERICAN WATER COMPANY** ("Buyer").

That for good and valuable consideration, including the consideration stated in the Asset Purchase Agreement ("Agreement") between the Seller and Buyer dated July , 2001, is hereby amended as follows:

Section 17 of the Agreement is amended in its entirety to read as follows:

At closing, Buyer agrees to purchase, and Seller agrees to sell, the Seller's water treatment plant, along with all equipment, fixtures, pipes, valves, machinery, supplies, inventory and any other appurtenance or accessory of any kind used in the operation of said plant. After the Closing, Buyer agrees to continue to operate the plant in a manner to adequately serve the needs of the existing customers of Seller, until such time that Buyer completes its connection to the former Tri-Village Water District (now owned by Buyer). Buyer plans to then terminate the operation of the water treatment plant at no cost to Seller. The water treatment plant shall be included in the Assets purchased, as referenced in Section 1 of the Agreement, and subject to the same Warranties and Conditions Precedent in Sections 2 and 14 of the Agreement. Buyer shall have the right, in its discretion, not to accept ownership of the plant if the plant is not in a condition acceptable to Buyer.

After the Closing, and until Buyer directs that Seller should terminate the operation of the plant, the Seller agrees to lease to Buyer the land upon which the plant is located (including rights of reasonable access) at no additional cost to Buyer. Upon termination of the plant's operation, the lease for the land will terminate and Buyer shall not be further obligated to Seller. Following the termination of the lease and for a reasonable time thereafter, Seller shall give Buyer reasonable rights of access to the plant for Buyer's business purposes, including closing the plant, removal of property from the location, and other matters in Buyer's discretion.

Agreed, this _____ of November, 2001.

**ELK LAKE PROPERTY OWNERS
ASSOCIATION, INC.**

KENTUCKY-AMERICAN WATER CO.

By: _____ By:

Title: _____ Title:

Witness: _____ Witness:



"LINDSEY INGRAM"
<ingramjr@skp.com>
09/20/2001 09:42 AM

To: <Hmiller@kawc.com>
cc: <bbunch@kawc.com>, <bridwell@kawc.com>, <Nrowe@kawc.com>,
<Rwmundy@kawc.com>, <jhamilton@wvawater.com>
Subject: Re: Elk Lake Plant Assets and Closing

I don't see any regulatory problem here at all but Jim Hamilton should be involved before the contract is amended. We will add the plant as an asset to be acquired at the depreciated book value and the land upon which it sits at the acquisition cost of Elk Lake. Land does not depreciate and I imagine the acquisition cost to Elk Lake is extremely low, maybe it was contributed. At the appropriate time we will abandon the plant, write it off the books of KAWC and declare the land surplus. As I recall any disposition of land requires board approval and the indenture's trustee's approval.

The simplest of legal description for the land upon which the plant sits will be fine; I would avoid an expensive metes and bounds description.

>>> <hmill@kawc.com> 09/20/01 09:21AM >>>
Lindsey, we had talked to you earlier about the possibility of conveying back some of the real estate to Elk Lake (ie., treatment plant land). How could we best go about this, as I am sure they will not want to pay FMV. Could we sell for \$1 or donate it back without running into regulatory problems? Thanks.

- - - - - Forwarded by Herb Miller/KAWC/AWWSC on 09/20/2001
09:14 AM - - - - -

From: Bill Bunch on 09/20/2001 09:14 AM

To: Herb Miller/KAWC/AWWSC@AWW, Jim R Hamilton/WVAWC/AWWSC@AWW,
ingramjr@skp.com, Roy Mundy/KAWC/AWWSC@AWW
cc: Jan Dickson/KAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW, Pat
Ballard/KAWC/AWWSC@AWW

Subject: Elk Lake Plant Assets and Closing

Elk Lake has now agreed to transfer its treatment plant assets, including the land, to KAWC. This will be done at the agreed-upon purchase price of \$89,084. Elk Lake has plans to convert the treatment plant site into a parking area for fishing at the lake after the plant is decommissioned. If at all possible, we need to find a way to transfer ownership of the property back to Elk Lake at no cost to them after the plant is decommissioned. The plant property is part of a much larger tract of land. We will need to have the property associated with the plant surveyed, a plat prepared, etc.. Elk Lake has recently had survey work done. To keep our costs to a minimum, I recommend that we use the same surveyor to do the plant area survey. Joe Justice, Jr., telephone (502) 875-2169, did the work for Elk Lake. Carl understands that a contract amendment will be necessary. He requests that we provide a draft of the proposed amendment to their attorney, Mark Cobb, as soon as possible.

Elk Lake is now interested in closing this transaction after the first of the year for tax purposes. It would appear that closing in early 2002 works well with the schedule that we are now on.

Herb - I need direction on these issues so that I can let Carl Stitch know how we are proceeding.



"LINDSEY INGRAM" <ingramjr@skp.com> on 06/08/2001 03:29:13 PM

To: <Hmiller@kawc.com>, <Rwmundy@kawc.com>
cc: <DBaker@illinoisamerican.com>, <lhelton@kawc.com>, <Nrowe@kawc.com>, <jhamilto@wvawater.com>, <mmiller@wvawater.com>

Subject: Re: Newport and Elk Lake

I have a copy of the Agreement which was faxed to me. The purchase price is \$89,084 to be adjusted at the closing. I don't have any information about the depreciated value of the assets being acquired and the PSC will want that information. The only other thing we have done is an examination (now a little dated) of the public record in Owen County for Elk Lake. I am unaware of any due diligence that may have been conducted in the offices of Lake Village but given the size of the transaction, I would think very limited due diligence would be in order.

Mike and Jim might want to do their now famous, and the law of the Commonwealth, slight-of-hand with respect to the accumulated depreciation of Elk Lake.

>>> <rwmundy@kawc.com> 06/08/01 02:54PM >>>

I'd like to get Elklake filed ASAP after PSC order(today) on Tri-Village is issued

Herb Miller
06/08/2001 11:19 AM

To: David K Baker/ILAWC/AWWSC@AWW, Lisa Helton/KAWC/AWWSC@AWW
cc: Jim R Hamilton/WVAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, ingramjr@skp.com

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.

Herb Miller

01/03/2001 09:14 AM



To: **Mike** Miller/WVAWC/AWWSC@AWW, Roy Ferrell/WVAWC/AWWSC@AWW, Steve Chambers/WVAWC/AWWSC@AWW
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, David Baker/KAWC/AWWSC@AWW

Subject: **Future Rate** Cases

Because the Tri-Village acquisition will likely result in a rate-increase after the "New Columbus" expansion project, I asked Lindsey Ingram to advise us on the impact of some of the requirements written into the PSC's recent rate order for KAWC. Those questions are outlined below.

I spoke to Lindsey yesterday, and his response was that as long as KAWC kept separate records and tariffs for the Tri-Village system, it would be highly unlikely that a rate increase limited to that specific system would trigger the requirements imposed in the recent rate order. However, to the extent that the system was being affected by the costs created by other AWWC companies, the Commission could look into those costs to determine their appropriateness.

This is important because the rate increase for the New Columbus could come in the next 1-3 years.

----- Forwarded by Herb Miller/KAWC/AWWSC on 01/03/2001 08:59 AM -----



Herb Miller

12/21/2000 11:38 AM



To: ingramjr@skp.com
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick Rowe/KAWC/AWWSC@AWW, David Baker/KAWC/AWWSC@AWW

Subject: Future Rate Cases

The decision of the PSC dated 11-27-00 imposed a number of "notices" to KAWC that the Commission would be expecting certain things to happen in the NEXT rate case.

- Three examples are:
1. Why shareholders should not bear a portion of incentive pay costs?
 2. Tracking of programmed and non-programmed maintenance costs (this must actually be done within 180 days of the Order).
 3. Why performance based rate-making is not appropriate for KAWC?

I realize we are trying to put together a 5-year plan which does not include a rate case. However, the Tri-Village acquisition includes the contemplation of a rate increase to cover the New Columbus expansion. Also, whatever happens in the Rockwell Sewer litigation could result in a rate increase for the sewer customers of KAWC. These would likely occur before 5 years.

As these would be on separate tariffs than the bulk of KAWC customers, would KAWC still be bound to obey the Notices given to us by the PSC in this case. Is this something we should approach the Commission staff on informally, or should we

ask for clarification in the rehearing?

Lindsey, I hope you have an enjoyable holiday. Thanks for all the good counsel and advice. If you send me an e-mail, please send a copy to my home at HAM1951@aol.com. My home computer is in Wordperfect. Thanks.