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David Armstrong, Chairman
KY Public Service Commission
Frankfort, KY 40602

August 7, 2010

Case No. 2010-00036

Re: KY American Water Company's Request for Rate Increase

Dear Chairman Armstrong:

KY American Water's request for a rate increase is their decision to much too quickly secure reimbursement for the costs of a new treatment plant and water line as system expansions that were the least cost effective of what were at the time 3 available options. In my view both are bad decisions, and two prime examples of what is poor management that affects many of us.

The true costs of KAW's multi-million dollar project are only now coming to light, what with the possibility of rapidly rising monthly water bills should you approve their requested 37½ % rate increase, and the unseen damages they've produced along their just completed pipeline built to bring the water across Central Kentucky.

KAW touts their 'sensitivity for our environment' in their full-page newspaper ads and presentations to the public, though one of my clients suffered irreparable damage along a 1000-foot stretch of once pristine stream, Buck Run, which borders their horse farm at U.S. 460 & Woodlake Road in Franklin County. Here KAW mistakenly placed their water line directly beneath the streambed in violation of the permit that directs the project. It may have expedited their work schedule, but more importantly turned into an environmental impact with huge reclamation costs and fines by the state regulators. Good management skills? Not to my eye. Communication appears to have broken down between the in-field construction crew and the technical firm hired to perform daily oversight of the project (not to mention the state regulators overseeing the work). This is attributable to KAW's failure in their responsibility to properly plan, then implement these sorts of project activities. Hardly a case of exemplary corporate management that warrants a pay increase for services rendered.

My clients feel fortunate with groundwater as an alternative to what have been the every increasing costs for this necessity. But for those small businesses and family farms that rely on KAW as sole supplier, this rate hike may be the final push toward bankruptcy during these tough times with every increasing costs to do business and fewer opportunities in this stressed economy. I've had to freeze new hiring and lower my rates to maintain clients or gain what little new work is out there; as have the other small contractors I work with.

KAW's disregard for the environment shown in their mismanagement of this large project, and now stronger focus on increased returns by way of this massive price hike, gives the term 'going green' a whole new meaning, and are both examples of poor corporate management unworthy of the compensation increases they've requested.

Tom Dugan
President Bluestone Geologic

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