



2300 Richmond Road
Lexington, KY 40502

P 859.269.2386
F 859.268.6327

www.kentuckyamwater.com

March 11, 2010

TOUGH DECISIONS REQUIRED TO KEEP COMMUNITY VIBRANT

Submitted by Linda Bridwell, Manager – Water Supply
859-268-6373

Lexington is a beautiful, unique and vibrant place to live and work. It continues to be a great place because community leaders have the courage to make tough decisions when necessary to keep the community healthy. Those decisions are not always popular, but business and government leadership is not a popularity contest.

After intense public debate, the Lexington-Fayette Urban County Council passed a resolution in 1999 recommending that Lexington/Fayette County's future water supply should come from the Kentucky River because this solution is cost-effective, supports a regional supply effort, supports potential recreation and ensures the maintenance of the existing water infrastructure. Kentucky American Water then joined the Bluegrass Water Supply Consortium, a group of regional water utilities, to find a cost-effective solution that would maximize use of the Kentucky River and adequately address the region's water needs.

After analyzing more than 40 alternatives, a new water treatment plant on Pool 3 of the Kentucky River was identified as the least-cost, preferred alternative to address the region's water needs. The company moved forward with implementing this solution, while working to continue its partnership with other regional utilities.

In 2008, the Kentucky Public Service Commission granted approval of the new project. The review of the project was exhaustive. The PSC recognized that "for over 20 years the adequacy of Kentucky-American facilities serving its Central Division has been at issue." The Attorney General's office supported a Kentucky River solution. The Kentucky River Authority is implementing improvements to Dam 3 to safeguard the reliability of the supply available in the Kentucky River at that point. Regulatory officials in all three agencies recognized that tough decisions had to be made to meet the water needs of people in Central Kentucky.

The water supply and treatment capacity deficits are real and immediate, as demonstrated by water restrictions in 1999 and 2007. Since the drought of 1999, an additional 22,000 new customers have connected to Kentucky American Water's distribution system in Central Kentucky. The company has pushed the limits of our treatment plant capacity on hot summer days, producing water of a quality that exceeded national regulated standards only due to a dedicated and experienced staff. The new plant and pipeline are sized to address the immediate deficits of both raw water supply and treatment plant capacity. The new plant will address current needs and accommodate projected population growth in the areas the company serves until 2030. The facilities can be easily expanded should additional capacity be needed or if another regional utility wants to partner with Kentucky American Water for its future increment of water supply.





2300 Richmond Road
Lexington, KY 40502

P 859.269.2386
F 859.268.6327

www.kentuckyamwater.com

March 11, 2010

Page 2

Kentucky American Water successfully partnered with the Owen County Fiscal Court to acquire tax-exempt financing for more than \$71 million of the construction costs, with all of that benefit flowing directly to the company's customers. The company also sought competitive bids from qualified contractors across the country to ensure the least expensive construction without compromising quality. The company has managed the project to control costs at every point, and the current proposed rate increase would still enable the company to provide water service that costs less than a penny a gallon for customers.

There is never a good time to increase rates. The current economic situation makes it even less desirable. Having adequate infrastructure in place for something as critical to our health and economic vitality as water resources sometimes requires tough decisions. But when the next hot, dry summer has our customers needing more water than ever for their homes and businesses, we will be ready.

