

IN RE: KENTUCKY RIVER AUTHORITY

MEETING NO. 147

October 20, 2009  
1:00 P.M.  
Bush Building  
403 Wapping Street  
Frankfort, Kentucky

APPEARANCES

Mr. Randall Christopher  
CHAIRMAN

Judge Executive Ted L. Collins  
Mr. Warner J. Caines  
Mr. Daryl E. Newby  
Dr. Donald C. Haney  
Mr. Jerry Graves

Proxy for Secretary Jonathan Miller  
Mr. Bill Caldwell

Proxy for Secretary Len Peters  
Mr. R.C. Day  
Mr. Tim Hazlette  
Ms. Clare Sipple

MEMBERS OF THE KENTUCKY RIVER AUTHORITY

Mr. Stephen Reeder  
EXECUTIVE DIRECTOR

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**APPEARANCES**

(Continued)

Mr. Don Morse  
Mr. David Hamilton  
Ms. Kayla Dempsey  
KENTUCKY RIVER AUTHORITY STAFF

**GUESTS**

Mr. Bob Patrick  
Mr. Scott Althausser  
Mr. Earl Gulley  
Mr. Gerald Luttrell  
Mr. Bart Miller  
Ms. Joy Jeffries  
Mr. Tony Massey  
Mr. Rodney Simpson  
Ms. Jill McNutt  
Mr. Craig Potts  
Mayor Gippy Graham  
Mr. Mike Young  
Mr. David Brown Kinloch  
Mr. Ed Wilson

AGENDA

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**MOTION TO APPROVE MINUTES OF MEETING #146 .....PAGE 1, LINE 5**

CHAIRMAN CHRISTOPHER: I trust we've had an opportunity to review our minutes. I'll entertain a motion to accept our minutes.  
MR. NEWBY: So moved.  
CHAIRMAN CHRISTOPHER: Second?  
MR. CAINES: I'll second it.  
CHAIRMAN CHRISTOPHER: All in favor, signify by saying aye. Opposed, likewise.

**MOTION TO APPROVE FINANCIAL REPORT .....PAGE 2, LINE 20**

CHAIRMAN CHRISTOPHER: How about a motion to accept it?  
MR. GRAVES: So moved.  
CHAIRMAN CHRISTOPHER: We've got a motion by Jerry. Second?  
DR. HANEY: Second.  
CHAIRMAN CHRISTOPHER: Second by Don. All in favor, signify by saying aye. Opposed, likewise. Motion carries.

**MOTION TO USE \$1.2 MILLION OF GENERAL FUND BOND PROJECT PROCEEDS AND APPLY IT TO LOCK 4, INCLUDING ABUTMENT WORK TOWARDS JIM'S SEAFOOD; HOWEVER, IN THE EVENT OF EMERGENCY SITUATION, CUTOFF WALLS WOULD BE INSTALLED AT LOCKS 1, 2, 3 AND 4 AS NEEDED .....PAGE 53, LINE 25**

MR. GRAVES: I would like to put on the table or make a motion that we take that \$1.2 million from that General Fund bond project, proceeds of that fund, and apply it to Lock No. 4 and include also the abutment work which would be towards Jim's Seafood.  
CHAIRMAN CHRISTOPHER: And that's moving that money from what we currently have it allocated for. Is that right?  
MR. GRAVES: No. I understand that money is not obligated. Am I wrong?  
MR. REEDER: It's not obligated, no.  
MR. DAY: It was obligated, though, wasn't it? Isn't that where it came from, the obligation?

MS. SIPPLE: It came from 3.

MR. REEDER: It's excess off of 3. We never obligated it, per se, as a budgetary item.

MR. DAY: Okay. Then I have another question.

MR. COLLINS: Wait just a minute. Mr. Chairman, is there a motion on the floor? Did you make a motion, Jerry?

MR. GRAVES: Yes, sir.

MR. COLLINS: I'd like to second that motion and then open it for discussion.

CHAIRMAN CHRISTOPHER: We have a motion and a second.

(Court Reporter's Note: Discussion of motion continues through page 73 of transcript.)

MR. COLLINS: So, I'll move to amend the motion on the floor that if an emergency situation comes up, that cutoff walls would be installed as needed if absolutely necessary.

DR. HANEY: That's redundant.

MR. COLLINS: Is that redundant?

DR. HANEY: As needed.

CHAIRMAN CHRISTOPHER: Read that back to us, would you please. We don't want to do this twice.

MS. PELOSI: That if an emergency situation comes up, that cutoff walls would be installed as needed.

DR. HANEY: Or maybe to address such emergency. How does that sound?

CHAIRMAN CHRISTOPHER: To address such an emergency, that cutoff walls may be installed at 1, 2, 3 and 4 as needed.

DR. DAY: If that's an amendment, I'll second it.

(Court Reporter's Note: Discussion of amended motion continues through page 77 of transcript.)

**MOTION TO TEMPORARILY HALT CUTOFF WALL  
PROJECT AT LOCK 10 UNTIL KRA ASCERTAINS  
FEASIBILITY OF A LOW-LEVEL FIX AT LOCK 10  
COMPARABLE TO LOCK 4 .....PAGE 88, LINE 2**

MS. SIPPLE: I want to make a motion to temporarily halt the cutoff wall project at

Lock 10 until we ascertain the feasibility of a low-level fix comparable to Lock 4.

MR. COLLINS: Second.

CHAIRMAN CHRISTOPHER: Thoughts, comments? Shall we vote? All in favor, signify by saying aye. Opposed, likewise. Motion carries.

**MOTION TO ACCEPT 2010-2012 BUDGET  
AS PRESENTED AND AMENDED .....PAGE 101, LINE 14**

DR. HANEY: Do we vote to accept the recommendation of the staff or how do you want the motion worded? Just approve the budget for the next biennium?

MR. REEDER: As presented---

MS. SIPPLE: As presented and amended.

DR. HANEY: You all write it up right this time. I make the motion.

MS. SIPPLE: I'll second the motion.

CHAIRMAN CHRISTOPHER: Comments, questions? All in favor, signify by saying aye. Opposed, likewise. Motion carries.

**MOTION TO ADJOURN .....PAGE 102, LINE 4**

CHAIRMAN CHRISTOPHER: Motion to adjourn.

MR. DAY: So moved.

MR. COLLINS: Second.

1                   CHAIRMAN CHRISTOPHER: We'll call this  
2 147th meeting to order of the Kentucky River Authority here  
3 on October 20, 2009. Let's do a roll call, please.

4                   (ROLL CALL)

5                   CHAIRMAN CHRISTOPHER: I trust we've  
6 had an opportunity to review our minutes. I'll entertain a  
7 motion to accept our minutes.

8                   MR. NEWBY: So moved.

9                   CHAIRMAN CHRISTOPHER: Second?

10                  MR. CAINES: I'll second it.

11                  CHAIRMAN CHRISTOPHER: All in favor,  
12 signify by saying aye. Opposed, likewise.

13                                 Our Financial Report, Don. Thank you  
14 for reviewing that for us and giving us another little  
15 format, too.

16                   MR. MORSE: The comments that I have  
17 for you on the report are in a written format in your  
18 packages for today. So, I guess we'll just open it up for  
19 questions, if you have any questions on any of those written  
20 summaries.

21                                 Other than that, the only other thing I  
22 would mention is that we are receiving our water use reports  
23 for the September quarter presently and those numbers are  
24 down as we previously talked about at the last meeting. And

1 for that reason, we are reducing our budget by about \$130,000  
2 on Tier II fees and another \$30,000 on Tier I fees for this  
3 current year.

4 We saw some significant reductions,  
5 particularly on Kentucky American and the City of Frankfort  
6 from the same period last year.

7 DR. HANEY: Why do you think they're  
8 down, Don?

9 MR. MORSE: Wet weather. That's what  
10 they've told me is there's no lost in customer base. It's  
11 simply the wet weather has reduced all of the outdoor water  
12 use.

13 MR. CAINES: The sewage fees in  
14 Frankfort have gone up. So, people are using less water,  
15 plus the rain.

16 CHAIRMAN CHRISTOPHER: Any questions on  
17 our budget report, financial report?

18 DR. HANEY: I don't have any questions  
19 but I like it.

20 MR. MORSE: Good. Glad to do it.

21 CHAIRMAN CHRISTOPHER: How about a  
22 motion to accept it?

23 MR. GRAVES: So moved.

24 CHAIRMAN CHRISTOPHER: We've got a

1 motion by Jerry. Second?

2 DR. HANEY: Second.

3 CHAIRMAN CHRISTOPHER: Second by Don.

4 All in favor, signify by saying aye. Opposed, likewise.

5 Motion carries.

6 Our Engineer's Report. Dave.

7 MR. HAMILTON: I would just like to  
8 give you an update on the projects we've got going on at Dam  
9 9 and Dam 3. I'll begin with Dam 9.

10 Here are some shots taken yesterday.  
11 This is a view sitting on the new dam. This section, as you  
12 can see in the foreground of the picture, is what is  
13 essentially replacing the old auxiliary dam which ran  
14 downstream and it's looking out across the main dam.

15 The contractor that you see out there  
16 is working on cutting off the concrete cutoff wall that was  
17 in the lock chamber. And I thought it would be interesting  
18 because we always talk about when we get these concrete  
19 cutoff walls in the locks that we could take them out.

20 And I asked the contractor out there  
21 how much effort it was to get that out, and he said it was a  
22 full seven days of cutting through that to get it actually  
23 removed. So, it's a fairly good piece of work to get that  
24 out and that's what they're working on right now.

1                   There's not a whole lot of equipment  
2 out. I don't know if you can see in another picture, but the  
3 water is fairly level. It just lacks about two or three  
4 inches of flowing over this auxiliary dam height. And once  
5 you get out to the main dam, it drops down. And, so, they're  
6 just in the process of getting their bridge out there to walk  
7 their crane back out and begin work out on the new dam again.

8                   Here is a view standing on the new  
9 auxiliary dam looking downstream. This is where the old  
10 auxiliary dam used to run from the bank over to the lock, and  
11 the auxiliary dam was built after the lock and dam was  
12 originally constructed, but that's where it washed out around  
13 the lock. Originally, you had land that came all the way  
14 down to the lock just like at most of our locations.

15                   And you can also see on the right side,  
16 they're in the process of installing the rock armoring down  
17 this right bank.

18                   There's a better view of showing you  
19 how close that water was where it's dropped over the last few  
20 days. It was flowing over the auxiliary dam, and they're in  
21 the process of now getting their crane and other equipment  
22 back out to work on the main dam.

23                   Once they get that out there, and they  
24 should get that all installed and get their equipment back

1 out by the end of this week, and they have two and a half  
2 weeks left on the main dam until they're completed with all  
3 their work.

4                   Essentially, it's finishing the closure  
5 cell cap which is on the Madison County side, capping that  
6 with concrete, and then finishing installing the toe blocks  
7 that go between the new dam and the old dam. They've  
8 installed about 75% of those. They've got nine more blocks  
9 to install. They've got it all excavated and just need to do  
10 some final cleanup and get the rest of those toe blocks  
11 installed.

12                   But once they get their equipment out  
13 there, they're looking at two and a half remaining weeks on  
14 the main dam. All the other work isn't as dependent on river  
15 levels. It's back on the land side re-seeding, grading,  
16 paving, that type of work.

17                   There's a view looking back at the  
18 Jessamine County side. Again, you can see the rock armoring  
19 that they're working on. And, again, in the foreground is  
20 the new auxiliary dam area.

21                   There's the concrete cutoff wall that  
22 they cut out. You can kind of see the remnants where it met  
23 the river lock wall on that side, and that's what they were  
24 working on on-site yesterday.

1                   We had one change and a change order.  
2 The lock gates, if you will recall, we had a change order.  
3 Originally we were going to try to leave those in place and  
4 we had a change order to be able to scrap those.

5                   Originally, we looked at getting back a  
6 credit of \$7,600 for the scrap steel. The price of steel at  
7 that time was \$90 when we estimated it, and the price of  
8 steel went up to \$157 per ton. So, instead of a \$7,600  
9 credit, we get a \$19,000 credit back for that scrap steel.  
10 So, that was a nice bonus.

11                   That's pretty much it. The main  
12 activities, like I said, were on the main dam, the toe blocks  
13 and capping off the closure cell. They are going to have a  
14 seeding contractor there tomorrow to begin seeding. They  
15 can't seed all of it. They've got about two acres graded out  
16 ready for seeding.

17                   And, again, the date for substantial  
18 completion on this project is November 20th, and that's the  
19 target they're going for. They've had some down time with  
20 all the high water they've had in the last two to three  
21 weeks. So, right now they're behind on that schedule and do  
22 have some time to make up.

23                   Dam 3, I didn't bring any pictures.  
24 Most of the work there is site prep work. I have some

1 pictures of the equipment they have on-site but actual  
2 construction, there's not much to see there. Also, it didn't  
3 help that it was thundering and lightening the last time we  
4 were there as far as taking any photographs.

5                   Like I said, most of the current work  
6 is site prep work. They haven't installed any sheetpiling  
7 yet as far as the cells. They've got their template almost  
8 completed which is basically a big, round diameter and that  
9 serves as a template for them to start driving their  
10 sheetpiling.

11                   They're about roughly two weeks behind  
12 where they'd like to be. Of course, with a two-year-long  
13 project, this early on, there's a lot of slush time in there  
14 but they'd like to make that back up, but it's still early on  
15 in that project. And there's no change orders or anything,  
16 any safety issues or anything like that at Dam 3.

17                   The last thing I have is you should  
18 have in your handout an article--it's not the Herald-Leader.  
19 It's the one that I did a search on. Some of you might have  
20 heard on the news that there was a failure up at Markland  
21 which thankfully isn't one of our locks. It's a Corps' lock  
22 on the Ohio River between Louisville and Cincinnati.

23                   And I included that in there just to  
24 show you that even though it's easy to take for granted where

1 these things have operated for hundreds of years and you  
2 really don't have that many failures, but these things can  
3 happen.

4                   They still haven't really diagnosed  
5 what the cause of the failure was at Markland. It appears  
6 that they were locking a small cruise boat through going  
7 upstream. They closed the downstream gates and had filled  
8 the lock chamber up about four or five feet.

9                   And, so, at that point, your lower  
10 miter gates are just starting to get loaded, and that's when  
11 the failure occurred. I don't know if it was a failure for  
12 them to miter properly or if it was some kind of a structural  
13 failure in one of the gates.

14                   It says in the article that one of them  
15 came off the anchorage and that is a problem at our locks. I  
16 would say it's unlikely that the anchorage failure caused the  
17 overall failure. It was probably more of a resulting fact  
18 from another type of failure because once you've got a four-  
19 foot head on the downstream gates, the anchorages aren't  
20 really carrying the gates anymore. It's the pressure of the  
21 water dragging that pressure out into the lock walls. So,  
22 even though it came off its anchorage, it probably isn't what  
23 led to a failure.

24                   But we just wanted to throw that in

1 there just to show you and the headline says: Markland gates  
2 showed no sign of imminent failure. So, there wasn't  
3 anything that pointed directly to them having a problem. In  
4 fact, they had stepped up inspections. Normally, they would  
5 inspect this lock every five years; and because it was in  
6 such disrepair, they stepped it up to an annual inspection on  
7 that lock.

8 That's all I have for the Engineer's  
9 Report.

10 CHAIRMAN CHRISTOPHER: Thanks, Dave.  
11 Mr. Brown Kinloch, we're looking at hydro electric proposal  
12 for Dams 12 and 14.

13 MR. BROWN KINLOCH: For those of you  
14 new to the Board, I'm David Brown Kinloch. I am the  
15 President and CEO of Lock 7 Hydro Partners, LLC. We are the  
16 company that bought and have renovated the hydroelectric  
17 plant at Lock 7.

18 And for those of you who don't know, we  
19 have all three units operating. They were all operating when  
20 I checked by the Internet right before I came. We declared  
21 the station commercially in service on December 30th of last  
22 year. So, it's almost been a year now.

23 We are still working there. There's  
24 still a lot of work we're doing to increase the efficiency

1 and the reliability of the plant. So, our work isn't done  
2 there yet, but we have also been looking at some future  
3 projects.

4                   And before I get to that, I just want  
5 to go back. I just wanted to show you this picture because I  
6 have been to these meetings a long time and I have time after  
7 time heard Mr. Reeder talk about what happens if a dam fails,  
8 then, it's a cascading situation where the next one fails and  
9 the next one fails.

10                   This is right here in Kentucky. This  
11 is Barren River 1 down near Bowling Green. Green River 4  
12 failed actually about forty years ago and this was just like  
13 yours -- a navigational lock and dam. The lock chamber is  
14 actually right over here. It's timber crib.

15                   And this bottom area in the toe became  
16 exposed because the water drained out because the dam below  
17 failed and it is eventually failing right here in the center.  
18 You can see the water doesn't even go over to the edges  
19 anymore. It's all starting to fall in.

20                   So, what Mr. Reeder says about if you  
21 lose one and you don't do anything about it, it can set up a  
22 cascade situation and you will lose other dams if they are  
23 timber crib. It's not theoretical. It's actually happening  
24 right now in Kentucky. So, that's a little bit of a



1                   There are about 2,000 hydroelectric  
2 plants in the United States currently, but that only  
3 represents about 3% of the dams in the United States that  
4 have hydropower. Just for an example, on the Kentucky River,  
5 there are 14 locks and dams but only one of them has  
6 hydropower currently.

7                   My company has identified 39 sites in  
8 the state that are non-hydro dams that could have hydropower.  
9 That would include all of them on the Kentucky River, and we  
10 estimate 887 megawatts of potential for those sites. A few  
11 of those have actually started development. They've actually  
12 broken ground at Cannelton lock and dam and next summer will  
13 break ground at Smithland, both of those on the Ohio River.

14                   One of the things I should say before I  
15 go too much further -- why do you do hydropower? I don't  
16 know if you've noticed, but Kentucky is not a very windy  
17 place. You see windmills going up all around the country.  
18 Well, that's not our resource. Our resource here is water.  
19 We have a lot of biomass, a lot of hydropower potential.

20                   This is a quote out of page 37 or 38  
21 out of the Governor's energy plan where the Governor has  
22 identified for the Commonwealth does hydropower play an  
23 important role in developing renewable energy in the state.

24                   And also in there, we were very happy

1 that they put a little side bar in talking about our plant  
2 that we've renovated at Lock 7.

3                   And the other thing I might mention  
4 about it is that there's a certain controversy about  
5 hydropower, especially the Pacific Northwest with the salmon  
6 and everything. And a lot of the environmental groups have  
7 invited hydro, got together and started what's called the  
8 Low-Impact Hydro Institute, what you see here, and they  
9 certify dams that have a minimal negative impact on the  
10 environment.

11                   So far they've only certified about  
12 thirty projects in the United States. Lock 7 is one of those  
13 thirty sites out of the 2,000 I talked about. That has been  
14 certified as low impact, and all of the projects we intend to  
15 do will be low impact.

16                   Going in a little bit deeper, this is  
17 the authority for the Kentucky River Authority. There's  
18 twenty different items on here, but I'm going to highlight  
19 No. 13 on that list of the authority of your organization.  
20 It says to promote private investment in the installation of  
21 hydroelectric-generating units on all existing constructed  
22 and reconstructed Kentucky River dams under the jurisdiction  
23 of the Authority by developing a standard lease, establishing  
24 reasonable financial responsibility requirements, verifying

1 that the proposed installation of the hydroelectric unit will  
2 not adversely affect the structural integrity of the dam, and  
3 adopting a schedule of reasonable fees for water used in the  
4 generation of hydroelectric power.

5                   You all over the last couple of years  
6 working with us on Lock 7 have done a lot of these things to  
7 promote hydropower. But I just wanted to show you that that  
8 is part of your organization's authority is to work with  
9 private developers on developing these sites.

10                   What are some of the benefits of  
11 putting hydropower in? It could probably be said for all the  
12 locks and dams, but I'm concentrating on 12 and 14. We can  
13 reduce the number of greenhouse gases, acid rain, mercury  
14 contamination of fish by basically not having coal being  
15 burned.

16                   This particular site will save about  
17 nine million pounds of coal from being burned every year.  
18 That's eighteen million pounds of carbon dioxide not going in  
19 the air.

20                   As I said, water is one of the best  
21 renewable resources for Kentucky. Every part of the country  
22 has got different resources. Some don't have much water. We  
23 have a lot of water. So, that's why we concentrate on  
24 hydropower.

1                   It also provides an additional reason  
2 to keep the dams on the river in good repair when you talk to  
3 the State Legislature. It can provide additional revenues to  
4 state and county governments. As we know, we're paying a lot  
5 of taxes to state and county governments at Lock 7 now that  
6 they wouldn't be getting if that facility had been torn down.  
7 It provides jobs not only in the construction but also in the  
8 operation of the plants.

9                   And what you're going to see is we're  
10 talking about using the existing abandoned lock chambers and  
11 this will strengthen the weakest point in the dam a lot  
12 better than the cutoff walls that are in right now.

13                   Another advantage is that we will be  
14 drawing water--right now, the water is just going over the  
15 top of the dams, but we will be drawing water from the whole  
16 pool up and down. So, it will reduce the siltation in the  
17 dam behind the dam and, thus, allow for more water to be  
18 supplied for drinking water.

19                   We will also have insurance on these  
20 sites and that will help whatever county government that has  
21 to have liability insurance because our insurance will cover  
22 the whole site.

23                   And, finally, having an additional  
24 presence at these dams will reduce vandalism, and we can also

1 monitor any changes. For example, on Lock 7, for the federal  
2 government, we do a monthly inspection, a visual inspection  
3 of not only our facility but we look across and see if we've  
4 seen any changes to the dam, to the lock chamber, and we keep  
5 a log for the federal government. And, obviously, if we saw  
6 anything, before we told the federal government, we would be  
7 calling you up and telling you if we had seen anything.

8                   There have been a lot of questions from  
9 this Board about what all this FERC licensing is, and I  
10 thought I would tell you very quickly what it's all about.  
11 There are now preliminary permits or pending preliminary  
12 permits I think on all the dams on the Kentucky River. There  
13 are three that didn't have them and they are pending  
14 preliminary permits.

15                   It's very, very easy to get these. It  
16 doesn't cost you anything. They're good for three years.  
17 They give you no development rights. It only is rights to  
18 investigate putting hydropower in.

19                   So, just because somebody has a  
20 preliminary permit doesn't mean they are going to build  
21 something there, but it keeps somebody else from taking the  
22 site in the eyes of the federal government while you're  
23 investigating it in that three-year period.

24                   The next stage when you get out of that

1 heading towards getting a license application is called  
2 consultation, and there are levels and levels that you have  
3 to consult with -- about fifteen different federal, state and  
4 local agencies. I guess you could consider me coming here  
5 today as part of that consultation or starting that  
6 consultation process with your particular agency.

7                   There is along the process ample  
8 opportunities to comment. What FERC is looking for in an  
9 optimal situation is to have all stakeholders on board when  
10 you make your license application. The license application,  
11 the process is a two- to five-year process.

12                   So, if I say tomorrow we're going to  
13 build something at Lock 12 and 14. Well, no, not without our  
14 consultation with you and about fourteen other agencies, but  
15 it's also going to take a long time to go through that  
16 process.

17                   And just to let you know, there are  
18 three different types of license applications. There's the  
19 traditional which we will be using. There's also an  
20 alternative which is used mainly by very large companies,  
21 large utilities where they basically hire all the consultants  
22 that the federal government would hire to try to speed up the  
23 process. I don't have that kind of money. So, we won't be  
24 doing that.

1                   And then there's the new process which  
2 is the default process called the integrated process, and  
3 that's used in areas of the country where the projects are  
4 very contentious. Our company has a very good working  
5 relationship with like U.S. Fish and Wildlife, Kentucky Fish  
6 and Wildlife, Division of Water through working on other  
7 projects. So, we have a very good relationship.

8                   That's not true in a lot of other  
9 states. So, they give you the option of an integrated  
10 process which takes a little bit longer but it gets issues  
11 resolved.

12                   The reasons that we are talking about  
13 12 and 14 as opposed to others -- we have been looking at  
14 these sites for years and years and years. I have been in  
15 this business for twenty-five years. So, we know all the  
16 sites pretty well.

17                   One of the reasons is because of you.  
18 I would much rather work with you than the Corps of  
19 Engineers. I think many of you all can relate to that. The  
20 Corps of Engineers can never come up with an answer on  
21 anything. You all give a fair hearing. So, we would much  
22 rather work with you than the Corps.

23                   Again, what we've talked about is if  
24 something is put in the lock chamber, it can strengthen the

1 weakest part of a dam with no cost to the Commonwealth of  
2 Kentucky.

3                   One of the reasons we like Dams 11  
4 through 14 is they are the newest dams. They're concrete  
5 dams. As you saw from that previous picture that I showed  
6 you at the beginning of the timber-crib dam failing, there is  
7 also a concrete dam that's upstream on the Green River, Green  
8 River 5, and it hasn't shown any sign of failure because of  
9 the concrete dam.

10                   Now, we're not looking at 11 and 13  
11 right now; and 11, because you all are talking about possibly  
12 putting crest gates on 10 which would take away some of our  
13 head, and, 13, which folks that have been out to 13 can  
14 confirm, there's no way to get to 13. I mean, it's just out  
15 in the middle of nowhere. There's no transmission lines near  
16 it or anything like that.

17                   We also like the ones upstream of 9 and  
18 10 because if there's any hope to reactivate navigation,  
19 these are the ones that people are going to look at last  
20 because 9 and 10 have blocked off navigation up past there.  
21 So, we don't think there's any chance of these ever being  
22 activated for navigation again.

23                   Both of these sites have very good  
24 access to transmission lines, both within a quarter of a mile

1 of the site. They both have very good road access. They  
2 both are very close to concrete plants, to labor supplies, to  
3 just supplies in general being near Irvine and Beattyville.  
4 So, they're all very highly desirable.

5                   The other thing is these two are almost  
6 virtually identical. They're the same height, same size  
7 chamber and everything. So, if we license and design these  
8 two together, we can really reduce our costs.

9                   What are the development options for  
10 these old dams? And that's a real good question. One of the  
11 things that's been a major concern to the Kentucky River  
12 Authority is doing something--it was in that part of your  
13 PowerPoint talking about minimal impact to the structural  
14 integrity of your existing dam.

15                   Here's what was done at Lock 7. They  
16 actually built it in here and removed a section of the timber  
17 crib dam which probably might put a little fear into your  
18 all's hearts of tampering with these old dams because of who  
19 knows what you get into. So, we didn't think that's the best  
20 option.

21                   The second is to do something right  
22 next to the lock chamber, and this was done very recently in  
23 Arkansas. We've taken this picture from up on the lock wall.  
24 Right next to it on the abutment, they went through and

1 carved through there.

2                   But, of course, they had some problems  
3 when they did it with water coming over and overtopping their  
4 cofferdams. And, so, there's always a chance that this can  
5 come the way they did and had to build auxiliary dams at 9  
6 and 10. So, this is not our preference either.

7                   There's three dams that are very  
8 similar navigational dams that they put hydro in in Arkansas,  
9 on the White River in Arkansas and we went and toured that  
10 and learned an awful lot about how not to do things. They  
11 did everything not the way I'd do it.

12                   Another option is to rebuild the lock  
13 chambers. They also did this in Arkansas because they had a  
14 very bad design that the people that built it said was a bad  
15 design that they originally came up with back in the 1970's,  
16 and the county government was unwilling to look at any other  
17 designs.

18                   Here's the base of the lock chamber.  
19 They dug the rock out much, much below that, and by doing  
20 that, put a lot of additional pressure on these lock walls.  
21 They had to put in anchorages up at the top to anchor all  
22 that down. They had to put in all of these supports in there  
23 to keep the lock chamber from collapsing while they were  
24 working in there just because they went down.

1                   The reason they went down was they  
2 decided instead of putting in like four or six turbines that  
3 are pretty shallow, they were just going to put one big  
4 massive turbine in there. And to be able to do that and get  
5 enough submergent, they had to go down which was not a good  
6 idea.

7                   The other one is to place the plant in  
8 the lock chamber, and we believe this has got sort of the  
9 minimal impact. One of the things we looked at was actually,  
10 this is an original concept that we were talking about was  
11 actually building a power plant in the lock chamber and  
12 having the water come in. It goes through the turbine and  
13 then out the other side.

14                   And we took this design to  
15 Kleinschmidt. Kleinschmidt was the engineering firm that we  
16 had that did the evaluation of the structural integrity of  
17 the plant at Lock 7 before we bought it, and they looked at  
18 this and we went around and around with about four or five  
19 different designs for about three hours.

20                   And, finally, this guy who is one of  
21 the top dam experts in the country said, you know, I like the  
22 design at Lock 7 the best, not this exact design. But the  
23 way this is designed, that in a flood, what happens is that  
24 these piers where our shafts go through, they actually flood.

1 So, there's no floatation.

2 And, so, what Paul Cyr said to us was  
3 if you're going to do this, the best thing to do is come up  
4 with a design that builds up during a flood situation so  
5 there's no floatation, so there is no additional pressures on  
6 the lock chambers, and that's what we're working on right  
7 now.

8 This is a map at 14 and what we're  
9 talking about. Here is the river. It flows this direction.  
10 Here is the dam here. This is the side over there, the  
11 esplanade where you can walk down to where there's paving,  
12 and here's your lock chamber.

13 What we're talking about doing is  
14 putting the hydro plant in here in line with the dam, again,  
15 to have strength all the way across, but putting it in at  
16 this point, putting it in. And as you can see, the width of  
17 this compared to -- what is your cutoff wall -- is it a  
18 couple of feet?

19 MR. HAMILTON: Yes.

20 MR. BROWN KINLOCH: A couple of feet  
21 wide. This is going to be much more massive and much  
22 stronger and actually will become the strongest part of the  
23 whole dam.

24 And that's what it would look like when

1 you get closer. There will be a trash rack out front. This  
2 is looking at it from above. You would have four turbine  
3 generators and then the draft tubes here, the water coming  
4 this way. It would go through the turbines and out.

5 To give you another look at that, this  
6 is looking from downstream. You've got this existing lock  
7 chamber. The power plant would be put into the lock chamber  
8 like that.

9 But the best picture, to give you an  
10 idea of what we're talking about, is this cross-section where  
11 here's the top of the lock wall, here is the headwater, the  
12 tailwater, and the plant would sit right in the middle here.

13 And whatever the level the headwater is, that's full. If it  
14 comes all the way up here, it completely fills with water,  
15 again, avoiding the whole issue of floatation which will keep  
16 it very, very stable.

17 But basically the water comes in  
18 through here, comes through a door here, comes in, goes down  
19 through the turbine and then out the draft tube and into the  
20 lower pool.

21 Here is a calculation showing what can  
22 be generated because the question is always how much power  
23 can you generate. What it shows is about 8.8 million  
24 kilowatt hours a year can be generated. Both 12 and 14 are

1 very similar in the amount of power they can generate. We've  
2 done the analysis for both of them.

3                   The development strategy that we're  
4 looking at, as I mentioned before, Lock 12 and 14 would be  
5 licensed together. I don't mean together as one project but  
6 at the same time. So, in other words, the public hearings,  
7 comments and everything would make it easier on the agencies  
8 that would be commenting because they could just basically do  
9 one set of comments and just change the numbers because it  
10 will be very similar if they found them to be the same. Who  
11 knows.

12                   We would be looking at developing Lock  
13 12 first because the transmission line is a lot easier to tap  
14 into there. One of my business partners actually is about a  
15 half hour from there. So, he could be on-site all the time  
16 during the construction.

17                   Our company, Lock 7 Hydro Partners,  
18 would do the licensing work and the initial design work. We  
19 would have Kleinschmidt & Associates doing the detailed  
20 engineering work and drawing up all the plans for us.

21                   I have here co-development with the  
22 co-ops. You all may or may not know. Lock 7 Hydro Partners  
23 is a 50/50 partnership between my company, which is Shaker  
24 Landing Hydro Associates, and Salt River Rural Electric

1 Cooperative in Bardstown.

2                                 Just recently, Salt River has now  
3 agreed to come on and work with us on the development of  
4 these two projects. They are committed through all of the  
5 designing and licensing; and then at that point, they can say  
6 if they want in or out on the actual construction and  
7 ownership of the projects. If they don't, I have a whole lot  
8 of other rural electric cooperatives that are banging on my  
9 door wanting projects. And you say, well, sorry, we're  
10 already committed to Salt River. So, there are a lot that  
11 will come in.

12                                 Why do rural electric cooperatives want  
13 in on this? Because it's renewable energy, they can borrow  
14 money from the federal government at zero percent interest  
15 for fourteen years. It's pretty good terms. So, that's why  
16 they are very interested, plus they are going to be having  
17 probably a renewable energy portfolio standard come down from  
18 Washington. So, they're going to be trying to get as much  
19 renewable energy as possible.

20                                 From my company, Shaker Landing Hydro  
21 Associates, we will serve as general contractors for the  
22 construction of the projects. The installation of the actual  
23 equipment we will do. Personally, I'm not willing to entrust  
24 that to anyone else, but that's the kind of work we've been

1 doing for a long time, and, also, the design and installation  
2 of the controls. Because we will be the ones operating the  
3 plant after it's built, we want to do the controls also so  
4 it's not a mystery to us.

5                   That's basically what I've got. I am  
6 open to questions that you might have. I appreciate the  
7 opportunity to get to talk to you. And as we go down the  
8 road with this, we will be in consultation with the KRA as  
9 well as all the other agencies. There will be an awful lot  
10 of times when we get into the more detailed design for your  
11 all's input, and we value your input.

12                   MR. REEDER: David, could you explain  
13 to the Board what's generally meant by the term green energy  
14 credits.

15                   MR. BROWN KINLOCH: Green energy  
16 credits. They've got a whole bunch of names -- green energy  
17 credits, renewable energy credits, carbon offsets, green  
18 tags.

19                   It's basically when Prince Charles  
20 wants to fly to an environmental conference on his plane, he  
21 buys these carbon offsets. In about half the states in the  
22 United States, they require their utilities to buy a certain  
23 amount of renewable energy.

24                   We don't have that in Kentucky. We're

1 called a voluntary state. So, instead of that, we have the  
2 green energy credits that Mr. Reeder is talking about. And  
3 what those are is when a normal power plant, coal-fired power  
4 plant generates power, they're generating kilowatt hours and  
5 they're also generating pollution.

6 Well, our plant generates kilowatt  
7 hours and we also generate these green tags or renewable  
8 energy credits. We're certified not only by the Low-Impact  
9 Hydro Institute but also by Green-e which is sort of the  
10 organization that certifies these things, and as such, we can  
11 sell those.

12 All of ours sell into the Kentucky  
13 Utilities, Louisville Gas & Electric Green Energy Program.  
14 Right now, we're the sole supplier to that program.

15 So, if you pay an additional I think  
16 it's \$5 a month, you can get the green energy tags associated  
17 with our project with your power, so, there wouldn't be any  
18 carbon associated with your power at that point.

19 I don't know if that's explained it at  
20 all or muddied the water. That's part of the economics of  
21 making these projects work is the green tags. Now, down the  
22 road when there's a carbon tax or cap and trade or something  
23 like that, all of that will probably go away and they will  
24 all just be rolled into a federal program, but right now it's

1 just a voluntary program for states that don't have a  
2 standard requirement.

3 MR. REEDER: What would be your  
4 timetable on these? I know FERC is like the Corps. They're  
5 notoriously slow.

6 MR. BROWN KINLOCH: What we're planning  
7 to do is take a path, sort of a parallel path of doing the  
8 licensing and trying to do the design work at the same time  
9 in parallel. That licensing will probably take a year to a  
10 year and a half.

11 We will submit it to FERC and FERC will  
12 probably sit on it for at least eighteen months. Well, it's  
13 not sitting on it. They have to do an environmental  
14 assessment. They have to send that out for comments.  
15 There's all kinds of comment periods. If you want to comment  
16 on any of this, you're going to have probably about six  
17 different opportunities. So, you can get on the train at  
18 anytime you want. Just because it leaves the station doesn't  
19 mean you're out of luck.

20 So, before we could actually begin  
21 construction, at best, it at minimum would be three years, I  
22 think, unless FERC speeds up the process. Back in the  
23 seventies, you could get a license in three or four months  
24 and now it's two to five years.

1 MR. REEDER: Mr. Kinloch's other  
2 credits around here are the one plant on the Muskegon River  
3 and the Weisenburger Mill at Midway.

4 MR. BROWN KINLOCH: In 1989, we  
5 installed Kentucky's first small hydroelectric project at the  
6 Weisenburger Mill at Midway.

7 CHAIRMAN CHRISTOPHER: So, is your  
8 company guaranteed the permit if it takes this long to go  
9 through the process, the three years is up?

10 MR. BROWN KINLOCH: We're not  
11 guaranteed anything. At the end of that three years or  
12 anytime before then, we can submit a license application. At  
13 that time, anyone else can also submit one and compete with  
14 us.

15 In fact, Mr. Reeder just mentioned our  
16 project on the Muskegon River in Ohio. That was a competing  
17 application and we won that one and actually did that  
18 project. That process took about eighteen months and they  
19 told us that we sort of won the record as one of the fastest  
20 that they had ever gotten through. The State of Ohio didn't  
21 like the competing application. So, they were helping us as  
22 much as they could and that pushed the process along very  
23 quickly.

24 MR. GRAVES: You're talking three to

1 four years, give or take a few months, then the construction  
2 starts---

3 MR. BROWN KINLOCH: Before we can get  
4 the construction started.

5 MR. GRAVES: Right. And how long will  
6 the construction be?

7 MR. BROWN KINLOCH: Again, it depends  
8 on the water conditions but it's probably somewhere between a  
9 year and two years. My guess would be more like eighteen  
10 months. And our hope would be to begin at 12 and then have  
11 14 right behind it, probably a year behind it. So, we could  
12 move all the folks that were doing concrete at one and then  
13 the next year send them from 12 up to 14 and let them work  
14 there.

15 MR. REEDER: We have a state law. For  
16 some of the members that weren't here, in the last couple of  
17 years, there's a state law I think enacted in 2008, I  
18 believe---

19 MR. BROWN KINLOCH: Two thousand seven.

20 MR. REEDER: Two thousand seven, okay,  
21 and basically it obligates us to not only be receptive to  
22 this but basically the language of the law says promote.

23 Now, we do have, with respect to any  
24 problems we have, these comment periods and that sort of

1 thing, as we did for a long time with Dam 7, trying to square  
2 that with the water supply mission in relation to the  
3 association of problems that were already there, preexisting  
4 problems. So, any preexisting problems that may be at these  
5 two locations, we have the opportunity to talk about those,  
6 too.

7 MR. BROWN KINLOCH: And that's what the  
8 consultation process is all about, trying to resolve those  
9 issues before you ever make an application, and then you have  
10 to file a comment saying, well, we don't like something here.

11 What FERC is hoping for is that you  
12 come up with an agreement with all the agencies and they can  
13 all sign off on it that basically says here will be the  
14 requirements for the license so FERC doesn't have to figure  
15 that out and let the people on the ground that know the  
16 project decide what the requirements will be.

17 MR. REEDER: We had a competing  
18 interest, for example, other than just structure. We worked  
19 the structural issues out. We had a competing interest at 7  
20 with regard to water supply. His peak time is in hot  
21 weather. Well, in hot weather, the level is usually low; and  
22 when you pump it obviously at a low level, you've got the  
23 City of Harrodsburg sitting there that we have to deal with.  
24 But they were very good to work with, and FERC was

1 understanding on that issue also that there are certain times  
2 that he cannot operate the plant and it's specified in the  
3 agreement.

4 MR. BROWN KINLOCH: Beyond that, all  
5 you need to do is make a phone call to us and say there's a  
6 water emergency and we can have the plant shut down in five  
7 minutes.

8 CHAIRMAN CHRISTOPHER: What does that  
9 do to the lock chambers' ability for future opening or  
10 rebuilding or lockage?

11 MR. BROWN KINLOCH: Well, that option  
12 would be off the table. Again, that's why we're looking at  
13 the ones upstream of 9 and 10 where you've blocked the river.

14 Dam 8 is a very nice dam for hydro  
15 development; but, again, one of the issues is that issue of  
16 whether the locks might ever be opened up again. We've  
17 stayed away from trying to do anything at 8 just until that  
18 issue is a little more clear. We think it's a lot more clear  
19 upstream of 9 and 10 because of that.

20 MR. COLLINS: David, what kind of cost  
21 is there to develop a hydro plant and how long does it take  
22 to pay it out?

23 MR. BROWN KINLOCH: Well, that's a good  
24 question because, as I told you, the co-ops can borrow money

1 at zero percent interest for like twelve to fourteen years.  
2 So, we have to be able to do it within that time frame, and  
3 these do look like they will be able to.

4                   The initial cost projections on these  
5 are \$5.3 million at each site. And like at Lock 7, we will  
6 be doing a 50/50 partnership where the co-op owns half of it,  
7 my company owns half of it. We would be looking to finance  
8 our half partly with some of the money coming off of Lock 7  
9 but also with private placement bonds that we've been working  
10 with some financial people on.

11                   Any other questions? Yes, sir.

12                   MR. ED WILSON: I'm Ed Wilson. I'm  
13 known in some circles as Mr. Ed. I'd like to introduce  
14 myself as saying that a lot of this, even before my time, I  
15 believe it's said that Egypt is the gift of the Nile and we  
16 could look over the whole world since that time. The Tigris  
17 and the Euphrates, the Cantes (sic) and you can go on from  
18 now on are places where the rivers have been -- the Jordan  
19 River might be an interesting one -- the Colorado River in a  
20 way -- the water resource, per se, is the most important  
21 resource for the whole community, the whole nation or the  
22 whole world.

23                   Your project of closing the resource  
24 for commercial use of towing or things like that is a

1 possible considerable wasting. Now, I have seen it said that  
2 there's no commercial traffic on the river. I would suggest  
3 that one of the things that Kentucky needs is a way of  
4 getting the coal to the A.B. Brown Plant without going over  
5 the highways with heavy coal trucks.

6                   So, your whole plan presupposes hurting  
7 the use of the river for other purposes. You know probably  
8 that there is not so much commerce on it, although I do think  
9 that it would be easy enough to get the coal down to the A.B.  
10 Brown Plant by barge and a lot easier on our society than by  
11 truck.

12                   I know that opens up a whole lot of  
13 worms, but I think worms for fishing with if nothing else,  
14 but I think it very well should be examined and considered.

15                   I've had some personal responsibility  
16 in building of dams on the Hawashee River as on the Tennessee  
17 River, and there the dams are used for everything in sight  
18 and they had many of the problems that you are citing.

19                   I think the scheme of dismembering the  
20 Kentucky River, the Kentucky River is working for Kentucky  
21 and should be working for Kentucky. So, I'll just shut up.

22                   MR. BROWN KINLOCH: The one thing I'd  
23 say is we did not come with this proposal ten years or twenty  
24 years ago when those chambers had been in use and even the

1 potential of getting used again.

2                   There's a permanent wall in them now to  
3 keep them from failing and we're talking about doing--you  
4 couldn't get coal down the river to the Brown Plant right now  
5 with the condition of the locks, and now you've got a new dam  
6 that's completely across the river at 9.

7                   You're more than welcome to comment and  
8 be a part of the process as this goes through, and we can  
9 look at that and take that into consideration.

10                   MR. WILSON: I think your process  
11 involves removing the potentiality of commerce on the river  
12 for whatever reason. In fact, my off-the-cuff recommendation  
13 would be rebuild the dams, the locks of the dams for that use  
14 and gain the advantage to be gotten from it.

15                   CHAIRMAN CHRISTOPHER: Don.

16                   DR. HANEY: During the Arab Embargo in  
17 the late seventies and early eighties, the commerce people  
18 did an extensive study on the viability of barging on the  
19 river, considering the size of barges that those locks would  
20 accommodate, and just ruled it entirely unfeasible. No  
21 profit, no possibility of profit. And when did the gravel  
22 company go out of business here?

23                   MR. REEDER: In 2000.

24                   DR. HANEY: There hasn't been any

1 traffic on the river past 4 probably in thirty years, and  
2 then 4, of course, there's nothing now when they took the  
3 gravel barge traffic off. The river is too small. The lock  
4 chambers are too small, just can't compete.

5 MR. BROWN KINLOCH: The size of the  
6 lock chambers on the Kentucky River compared to the Ohio  
7 River like we were talking about at Markland where they do  
8 push coal up and down the river, these lock chambers are  
9 peanuts. I mean, in those lock chambers, they're probably  
10 pushing thirty barges through in one lockage and here you  
11 could get one through probably.

12 So, it would be very difficult with  
13 these existing ones unless you built a whole new lock chamber  
14 that was much more accommodating to today's size boats.

15 DR. HANEY: Their smaller locks will  
16 accommodate fifteen barges on the Ohio.

17 MR. BROWN KINLOCH: The smaller ones,  
18 yes, the 1,100-foot ones, your 1,200-foot. Eleven hundred is  
19 what they can use in there. That's what the stop number is,  
20 is they give them fifty feet at each end. But they are  
21 1,200-foot chambers.

22 CHAIRMAN CHRISTOPHER: Okay. Well, we  
23 will have these opportunities as this project progresses to  
24 have a voice.

1 MR. BROWN KINLOCH: One last thing I'd  
2 say is we recognize, as you all do, that hydropower is not  
3 the primary use of these dams. Water supply is the primary  
4 use and we're talking about a secondary use here. The  
5 primary use is water supply, and we will tailor everything  
6 around the primary use to make sure that that isn't  
7 interfered with in any way. Thank you.

8 CHAIRMAN CHRISTOPHER: Thank you, Dave.  
9 That was a good presentation.

10 Next is consideration of our 2010-2012  
11 budget. Don and Steve.

12 MR. REEDER: I'll just make some  
13 introductory comments. We've got a few issues to clarify  
14 before we adopt a budget.

15 At the last meeting, we had the capital  
16 plan that we tentatively approved and was made up of quite a  
17 number of projects beginning in the 2010 biennium and ending  
18 in 2016. So, three different bienniums.

19 The law requires a capital plan, and,  
20 of course, it also requires a budget. And your first two  
21 years of the six years, they have to mesh with the budget.

22 So, thereafter, it's largely academic.

23 It's a planning document. You may be in the middle of a  
24 project, like we've got the dam, for example, at 8 that we're

1 planning next year to begin design if there's funds  
2 available, a brand new dam there and then construction  
3 couldn't take place until 2012 through 16.

4                   So, you have some continuations of  
5 these things as they go on and you're not going to obviously  
6 finish them all in two years, given the nature particularly  
7 of the river and even other areas of the state such as the  
8 Finance Department's construction of big buildings. That  
9 doesn't always go on time either.

10                   But just from a practical standpoint,  
11 we'll go with a two-year plan and a theoretical six-year  
12 plan. I guess that's the best way to say it.

13                   What we approved last time was a \$14.5  
14 million plan for the 2010 to 12 biennium, and those items in  
15 that were a cost share for Dam 10. That's the project that  
16 is federal. That is the project that is sitting there that's  
17 depending upon a congressional authorization. It's an old  
18 project. In all likelihood, that's not going to be spent  
19 because they don't approve many of these things. So, we're  
20 sitting there with that project on paper.

21                   We addressed these things in terms of  
22 priority according to the Stantec Engineering report in terms  
23 of need, and we mated that, of course, with demographics,  
24 that is where there's a lot of people. You might have a

1 higher-rated dam but you've got it in a situation where it  
2 may be situated someplace that nobody lives, nobody uses any  
3 water. So, no matter how bad it might be, you're going to go  
4 to the next one that's got some people in it. So, we  
5 factored those things in.

6                   Dam 7 where the hydro plant is comes up  
7 as a bad dam. It needs work. From Dam 5 through 14, the  
8 Corps of Engineers before the transfer of those dams a number  
9 of years ago did a scope of work on them -- sheetpiling, new  
10 rock armoring in them and different things, depending on what  
11 each one individually might need before they turned them  
12 over.

13                   And what we're finding is that a lot of  
14 that work is not good anymore. So, they're finding that  
15 these things need another rehab and these rehabs are probably  
16 worth they used to tell us twenty years, but who knows. Some  
17 of them are a little less than that.

18                   But 7 shows some problems in it. So,  
19 that's a \$2.7 million project. Dam 8 replacement. We just  
20 kicked that one around. Seven is worse than 8, but 8 has got  
21 an awful lot of people that depend on it. You've got the  
22 City of Lancaster and you've got the City of Nicholasville  
23 and everything that they supply. It's just like a part of  
24 Lexington.

1                   And, so, we're budgeting money or  
2 proposing to budget money in the capital plan to redesign  
3 that, do the environmental work and then, thereafter, in 2012  
4 to 16 rebuild it if we get through with all those  
5 preliminaries. Those environmental things are tricky. They  
6 will take a little longer than you think. So, we might not  
7 stay on that schedule, but that's the plan.

8                   Dam 6 at Versailles in Woodford County,  
9 it's got about \$2 million worth of work it needs. Dam 12 at  
10 Irvine, \$3 million -- one of the ones you just got through  
11 talking about, David. And Dam 13, which is in between and no  
12 man's land pretty much -- Lee County, between Beattyville and  
13 Irvine, but it needs about \$3.5 million worth of work. So,  
14 that's a \$14.5 million program.

15                   We move over to 12 to 14, and all those  
16 things over there total. We did stick in over there Dam 11  
17 and Dam 14, that's Richmond and Beattyville. They need some  
18 work, about \$2.8 million worth of work between them. And  
19 then Dam 4 and 5, they've got some smaller items.

20                   The work at Dam 4 is about \$180,000.  
21 It's on the abutment side next to Jim's Seafood -- not a  
22 critical thing or we would have it addressed earlier, but  
23 something needs to be done when you get in there doing some  
24 work -- some concrete patching mainly to hold the seams

1 together. And the rest of it at Dam 5, a similar kind of  
2 problem down there but just more expensive. Dam 5 is at  
3 Lawrenceburg.

4 In the out year, the very out year of  
5 the six-year plan, we had \$21 million, and that's that  
6 federal project and that's probably got a long way to go  
7 before that will ever happen but we've got to provide for it  
8 on paper.

9 The rest of Dam 8 construction is put  
10 in there. So, it will be going on hopefully. And that's all  
11 we've got. We've got a \$28 million program for that fifth  
12 and sixth year out there.

13 In the current budget, we had a couple  
14 of projects in there. Now, at the last meeting, we had some  
15 proposals regarding Dams 1 through 4 or Locks 1 through 4.  
16 Dr. Haney made a motion regarding cutoff walls which were a  
17 standard automatic way of addressing problems with locks  
18 where there's not enough funds basically to fix them at the  
19 time and where they pose a danger.

20 Two things. One was that -- and Dr.  
21 Haney and I have discussed this and he's going to have  
22 obviously some comments on it. But one thing the engineers,  
23 this Bergmann & Associates -- they are lock engineers that  
24 designed Locks 3 and 4 -- tell us -- and they've looked at 1

1 and 2 -- as far as the concrete walls are concerned, the  
2 concrete walls are not needed today.

3                   If you don't do anything whatsoever,  
4 the concrete walls would be needed in three to five years in  
5 all likelihood, depending upon what each one of them looks  
6 like on an individual basis. That is, you assume you're not  
7 going to spend a nickel on them. You're going to let them  
8 sit there. And mostly the problem is in the front gates of  
9 them which is the typical weak link in them that could fail.

10                   So, we talked about that. We had a  
11 motion to put concrete in front of these things. That was  
12 not budgeted for or provided for, and that was another  
13 problem that I had with that. And we talked about it later  
14 and I think Dr. Haney agreed and said, well, you know, maybe  
15 it ought to be on an as-need basis, and I'm taking words out  
16 of his mouth.

17                   DR. HANEY: I might shorten this  
18 conversation, or try to. I'm going back to my notes again,  
19 and my notes say as needed.

20                   MR. REEDER: Oh, they say as needed?

21                   DR. HANEY: Yes, but I don't think the  
22 minutes reflected that.

23                   MR. COLLINS: No. I think the motion  
24 was to go ahead and try to get the walls up as soon as

1 possible. Yes, I see your notes there.

2 MR. REEDER: But it didn't get in the  
3 motion.

4 DR. HANEY: It must not have.

5 MR. REEDER: It didn't get in the  
6 motion.

7 DR. HANEY: Well, would this be the  
8 proper time to go ahead and amend that? It's in my motion  
9 according to my notes, but apparently it's not in the  
10 official notes, the official record.

11 MR. GRAVES: Why can't we rescind the  
12 motion?

13 DR. HANEY: Why can't we what?

14 MR. GRAVES: Rescind the motion.

15 DR. HANEY: What's the point in  
16 rescinding it?

17 MS. RIPPLE: Start all over again.

18 MR. GRAVES: Yes.

19 MS. RIPPLE: Start all over again.

20 MR. COLLINS: Yes, just start all over  
21 again. There's still some hope for opening these Locks 1  
22 through 4 at some point in time.

23 DR. HANEY: Well, that's what the word  
24 as needed. If we never need to do it, we won't do it.

1 MR. COLLINS: But it's kind of starting  
2 out on a slippery slope.

3 DR. HANEY: I'm not going to vote to  
4 rescind it but I'm just one member of this committee.

5 MR. REEDER: You were looking at it as  
6 an empowerment in the event something happens is what you're  
7 looking at.

8 DR. HANEY: If something dramatic  
9 happens, you have the authority to move immediately to take  
10 care of it. I don't see that this has any impact on working  
11 on the locks, if that's what is decided.

12 MS. SIPPLE: Except as far as budgeting  
13 goes.

14 DR. HANEY: Pardon?

15 MS. SIPPLE: Except as far as budgeting  
16 goes, it would have a big impact on that.

17 CHAIRMAN CHRISTOPHER: Correct me if  
18 I'm going in the wrong direction here. I think what we're  
19 insinuating or Dr. Haney is trying to say -- correct me if  
20 I'm wrong -- that your motion just simply says as needed. It  
21 does not put a time frame on it. We don't put a dollar  
22 amount there. We're talking about if there is an immediate  
23 danger of a failure, that this motion allows us an  
24 opportunity to go immediately work on it.

1 DR. HANEY: We'd have to do that  
2 anyhow, but I think it's in the motion.

3 CHAIRMAN CHRISTOPHER: But it's not in  
4 our minutes. So, we would have to correct that.

5 MR. REEDER: Do you want me to go ahead  
6 and finish the presentation?

7 CHAIRMAN CHRISTOPHER: Go ahead. Let's  
8 go ahead then.

9 MR. REEDER: Okay. We've got that  
10 issue on the table there.

11 CHAIRMAN CHRISTOPHER: Yes.

12 MR. REEDER: All right. Now, none of  
13 this is in the 2010 because we considered it as the 2010-2012  
14 biennium because staff, me mainly, were considering the three  
15 different items as coming from excess General Fund bond issue  
16 proceeds.

17 Now, the policy of the Board has been  
18 to this point that recreation is not the recipient of fee  
19 money but General Fund money. So, it occurs to me that Dam  
20 No. 3 is a General Fund dam. With contingencies in it,  
21 engineering inspection, it has a price tag currently of \$16.2  
22 million. The bond issue is set for seventeen and a half.

23 So, there's about \$1.2 to \$1.3 million  
24 that is not going to be used on Dam No. 3. And according to

1 our experience at Dam No. 9, we had a 10% contingency in it  
2 and that's recommended anywhere on the river. Locks, when  
3 you work on locks, they put a 20% in that because that's more  
4 difficult to do. With dewatering, you've got a lot more  
5 unknowns with it.

6 But on Dam No. 10, we're sitting pretty  
7 good in terms of--we're under 5%. Is that right, David?

8 MR. HAMILTON: Closer to 2%.

9 MR. REEDER: Closer to two. So, that  
10 contractor, we get aggravated with him, but he's done a good  
11 job holding that down. Aggravated only in the sense that it  
12 has taken him a little longer to do it than what we think,  
13 but we're learning from that that you can't work on the river  
14 overnight.

15 So, we have, bottom line, \$1.2 plus  
16 million of excess General Fund bond proceeds. The bonds have  
17 been sold. You've got to tie that to something. Well, what  
18 I initially tied it to was -- I'll take all the blame for  
19 this because it was sitting there and we had to do it -- we  
20 had two half-million-dollar projects at Dams 1 and 2. They  
21 are rock armoring projects.

22 The recommendation in the book was we  
23 spend \$15 million on them. There wasn't any way we could  
24 spend \$15 million on those two dams up there when nobody uses

1 any water out of them. There's not anybody there. Now, Pool  
2 No. 2, Savern Creek runs into it in Owen County and the City  
3 of Owenton which is Kentucky American uses that. However,  
4 that's Savern Creek. That's not the main stem of the river.  
5 That intake is not out there. I mean, what impact it has on  
6 it, I don't know, but basically there's no withdrawal point  
7 in Pools 1 or Pools 2.

8                   And, so, I did assign it there because  
9 I didn't want to lose those dams and didn't want to be  
10 obligated to spend a bunch of money on them.

11                   The other thing I did with it was to go  
12 down to Dam 7 and propose to fix a crack in that powerhouse  
13 wall and another small crack in the cutoff wall or on the  
14 edge of the abutment where the cutoff wall joins it. And as  
15 I recall, those two jobs together were \$380,000.

16                   Now, we're going to fix that anyway  
17 next year, the Dam No. 7 thing. We've got a \$2.7 million  
18 project there. On second thought, I'd rather go ahead and  
19 roll that into one because of the fact that they're going to  
20 be down there and they can do it cheaper and it's probably  
21 not going to fall in tomorrow. David, you're down there  
22 every day. Now, it needs to be fixed but---

23                   MR. BROWN KINLOCH: I was going to say,  
24 Mr. Cyr that analyzed it doesn't see that as a major problem.

1                   MR. REEDER: I read the Kleinschmidt  
2 report. It is something that needs to be fixed at some point  
3 in time. There's been some conflict about it, but that's  
4 adequate time to fix it starting next year. That's okay.

5                   So, the projects at 1 and 2, the  
6 \$500,000 apiece rock armoring jobs can be delayed because  
7 nobody uses them. They don't show a distress like the one  
8 did at 3 where it's going to fall completely in. We had to  
9 rock armor that one. That's where David based his estimates  
10 on for those two jobs on a near-failure up there that we had  
11 to fix a few years ago before we got this new dam project in  
12 place. Of course, it will be moot now with the new dam.

13                   But you've got those two jobs which I  
14 would think could fit into, if the Board wants to -- giving  
15 you some options here -- if you want to use General Fund  
16 money to go down and fix Lock No. 4. Lock No. 4, it needs to  
17 be fixed.

18                   No matter whether you open it or  
19 whether you don't open it, we need to have that door fixed in  
20 it. And what that amounts to is that wood that's around it,  
21 it's got to be lifted off the hinges and you've got to put  
22 some anchorages and straighten it up and maybe some pinnacles  
23 in the bottom of it. And that's got a low-ticket estimate on  
24 it of the exact same number -- and that was just ironic --

1 it's \$1.2 million. That's the estimate and that's got a  
2 contingency in it.

3                               So, the option being, and in keeping in  
4 accordance with our policy, if somebody wants to fix Lock 4,  
5 we have a way to fix Lock 4 with General Fund money. Now,  
6 yes, the other two or three little projects in there are  
7 going to be put somewhere else at some point in time, either  
8 next year or the second biennium, somewhere in there.

9                               But at this current time, the reason we  
10 didn't consider putting it in the lock this time was because,  
11 at the time, the lock was working. And the second thing is  
12 that, not only was it working, we knew it was in bad shape  
13 but it was working, but it was not the kind of repair we had  
14 in mind for. We had in mind one day fixing the thing and  
15 initially had some ideas toward wanting to fix it to a very  
16 high standard.

17                               Well, we found out when we took bids  
18 that that high standard was anywhere from five to six million  
19 dollars or more than that when you average it out at other  
20 locations and there's a lot of engineering fees in there.

21                               This fix we're talking about would  
22 probably work for about ten years because you've got that  
23 wood in there and it needs to be brand new, and that wood  
24 lasts a long time. Somebody asked me the other day, they

1 said, do they still use wood. I think it was Tim Hazlette.  
2 I said yeah. Of all the technology in the world, the Corps  
3 of Engineers still uses wood. It works better than anything  
4 else -- white oak, sometimes red oak but most of the time  
5 white.

6 So, that is an option that we need to  
7 clear up. We need to clear up this issue of what we're going  
8 to spend on the capital plan, which we've already approved  
9 everything with the exception of these items that seem to  
10 hang on. And I wanted to clear those up before we moved into  
11 the budget discussion because they impact that.

12 CHAIRMAN CHRISTOPHER: What funds would  
13 we try to tap into if we spend this money on the lock to  
14 repair it and all of a sudden something comes up at 1 and 2  
15 and we need that \$500,000 armoring job done?

16 MR. REEDER: There is about -- we  
17 estimate -- this is guesswork -- but from some excess fees  
18 collected and excess--well, excess fees and money that we  
19 assume is going to be left over from Dam No. 9 -- that  
20 project is coming in that we talked about under budget -- and  
21 investment earnings, which Don will have to address as to how  
22 much they are. That's earnings off money that you've got  
23 tied up like in a bank account, which they don't earn as much  
24 anymore as they used to.

1                   But I believe there's three to four  
2 million dollars of that kind of cash that will be put in the  
3 projects for the 2010 biennium, along with -- and, of course,  
4 that's a long way from \$14 million. So, what we're  
5 anticipating then, it depends on conditions. Right now,  
6 municipal bonds are selling pretty well. That's about the  
7 only good thing you can really buy anymore.

8                   So, assuming the powers at be, the  
9 Legislature and the Office of Financial Management which  
10 manages these things for the State, assuming that they say  
11 that you can sell bonds, everything in that 2010 biennium  
12 would be funded with a small bond issue plus that cash.

13                   CHAIRMAN CHRISTOPHER: Any of the money  
14 that we have left from the bonding potential that the State  
15 gave us would require water user fee increases, if we had a  
16 project that we needed to---

17                   MR. REEDER: That is correct.

18                   CHAIRMAN CHRISTOPHER: If they approved  
19 our selling of bonds.

20                   MR. REEDER: Any remaining authority  
21 that's left, which I think right now the remaining authority  
22 from prior authorizations that were renewed at the last  
23 Legislature, I believe there's about \$18 or \$19 million. Is  
24 that correct, Don?

1 MR. MORSE: Eighteen point something.

2 MR. REEDER: I thought it was somewhere  
3 in that range. So, yes, if you were to sell \$10 million  
4 worth of bonds out of that eighteen, for example, or whatever  
5 you sell, yes, that's a water user involvement there, with  
6 the exception of anything in that program that's cash.

7 CHAIRMAN CHRISTOPHER: And we just  
8 raised Tier II fees two years.

9 MR. REEDER: We raised Tier II fees---

10 CHAIRMAN CHRISTOPHER: Three times the  
11 amount that we were collecting.

12 MR. MORSE: It was April of '08.

13 MR. REEDER: April of '08 we approved  
14 it. We used interim financing up to that point, which  
15 hopefully they've still got that program in place.

16 CHAIRMAN CHRISTOPHER: And that's  
17 basically about three times the amount we were collecting?

18 MR. REEDER: We went from 1.8 to, what,  
19 six cents on the gallon, Don -- I think that's what it was --  
20 to meet that payment on Dam No. 9.

21 MR. MORSE: Six cents on a thousand  
22 gallons.

23 DR. HANEY: I thought the last time or  
24 maybe it was the meeting before that you brought up some

1 items at Dam 8 that were pretty critical. Where are they?

2 MR. REEDER: Eight?

3 DR. HANEY: Yes. Don't we have some  
4 serious leakage there?

5 MR. REEDER: We have serious leakage  
6 there. The money we had set up to do those repairs at 8, we  
7 were proposing to use those for a written design of a brand  
8 new 8 -- \$2.6 million.

9 DR. HANEY: So, we're not concerned  
10 about the integrity of that dam until the year 2014.

11 MR. REEDER: Yes, 14 and 16. Can you  
12 address that, David?

13 MR. HAMILTON: The main problem is  
14 the -- Steve addressed it a little bit ago -- when the Corps  
15 came in and redid sheetpiling on a lot of these structures,  
16 they didn't redo the sheetpiling along the upstream face of  
17 the dam at Dam 6, 7 or 8. And, so, the sheetpilings,  
18 particularly like here at 4 which was done in the late  
19 nineties, is still in fairly good condition, whereas the  
20 stuff at Dam 8 dates back to the seventies.

21 But structurally you don't see any  
22 settling issues or anything that would point to--obviously  
23 there's that leakage there which doesn't necessarily mean  
24 that it's structurally unsound. It's just a bit of a problem

1 when we have a drought, but structurally there's nothing  
2 that's showing any kind of imminent concern.

3 MR. REEDER: What we did there, that  
4 \$2.6 million, that's probably what a design and environmental  
5 study would cost. The \$2.6 million, that number comes from  
6 what we were willing to spend to shore this thing up and  
7 bring it to the same level as what we're proposing for 7, 6,  
8 12 and 13, you know, to that level.

9 But considering where 8 is--of course,  
10 the Board can always change it. Considering where it is and  
11 what rides on that thing in Nicholasville, one of the biggest  
12 expanding places outside of Lexington, I guess, and the City  
13 of Lancaster uses it, too, our idea was just get rid of it  
14 and replace it because we've had a historical leakage  
15 problem.

16 You were on here before. We spent  
17 several hundred thousand dollars on that thing trying to stop  
18 the leaks. And they always have a problem down there. They  
19 use so much water out of it. They always have a problem with  
20 water quality in these low droughts like '98 and the year  
21 before last. They always have a problem. They've got three  
22 different intakes to that plant and it's almost impossible to  
23 purify that water correctly down there. That's one of all of  
24 these things we thought as a staff merited replacement.

1 MR. GRAVES: If I took some correct  
2 notes here, I guess, Mr. Reeder, what you said is we have  
3 \$1.2 million left of a General Fund bond.

4 MR. REEDER: Yes, sir.

5 MR. GRAVES: I would like to put on the  
6 table or make a motion that we take that \$1.2 million from  
7 that General Fund bond project, proceeds of that fund, and  
8 apply it to Lock No. 4 and include also the abutment work  
9 which would be towards Jim's Seafood.

10 CHAIRMAN CHRISTOPHER: And that's  
11 moving that money from what we currently have it allocated  
12 for. Is that right?

13 MR. GRAVES: No. I understand that  
14 money is not obligated. Am I wrong?

15 MR. REEDER: It's not obligated, no.

16 MR. DAY: It was obligated, though,  
17 wasn't it? Isn't that where it came from, the obligation?

18 MS. SIPPLE: It came from 3.

19 MR. REEDER: It's excess off of 3. We  
20 never obligated it, per se, as a budgetary item.

21 MR. DAY: Okay. Then I have another  
22 question.

23 MR. COLLINS: Wait just a minute. Mr.  
24 Chairman, is there a motion on the floor? Did you make a

1 motion, Jerry?

2 MR. GRAVES: Yes, sir.

3 MR. COLLINS: I'd like to second that  
4 motion and then open it for discussion.

5 CHAIRMAN CHRISTOPHER: We have a motion  
6 and a second.

7 MR. DAY: At Dam 3, then, if we're open  
8 for discussion, is that lock included in that construction?

9 MR. REEDER: No.

10 MR. GRAVES: No, not at the present  
11 time.

12 MR. DAY: What about any change orders?  
13 If would take a lot more money if we're going to take that  
14 money away from 3. And I'm not anti to what you're saying.  
15 I'm just clarifying.

16 CHAIRMAN CHRISTOPHER: That's right,  
17 and I agree. That's a good question.

18 MR. REEDER: Is the question how would  
19 we pay for some remediation on that lock?

20 MR. DAY: Yes. If you're taking the  
21 money--we allege that it's overage. We don't need the money  
22 down there based on the cost of the---

23 DR. HANEY: If you have cost overruns  
24 at 3 I think is what he's getting to.

1 MR. DAY: Yes, exactly. Where would  
2 you get the money for that?

3 MR. REEDER: For the lock?

4 CHAIRMAN CHRISTOPHER: For any cost  
5 overrun.

6 DR. HANEY: At 3.

7 MR. REEDER: That's built in that  
8 contingency of 10%.

9 MR. DAY: Is the \$1.2 million not a  
10 part of that contingency money?

11 MR. REEDER: No. That's not part of  
12 it, no, sir. The bid was \$13.6 million, I believe, and 10%  
13 of that is what we set aside.

14 MR. GRAVES: Wasn't it a \$17 million  
15 project?

16 MR. REEDER: Total.

17 MR. GRAVES: Seventeen, and thirteen  
18 got a 10% contingency. So, you've still got \$1.2 million of  
19 excess money that's not obligated anywhere.

20 MR. REEDER: And that also includes the  
21 construction engineering, too, which has to be built into it.  
22 That's all in the \$16.2 million.

23 DR. HANEY: Can this work at 4 be  
24 documented as important to water supply or is this

1 recreation?

2 MR. REEDER: A portion of it is clearly  
3 water supply because the dam or a cutoff wall put in it. Our  
4 experience I think in the last series of bids for cutoff  
5 walls at 5, 6 and 7 were I think about \$500,000 apiece. In  
6 this one, you would have to have a transfer valve because of  
7 the new Kentucky American plant in 3. So, you're probably  
8 talking about \$500,000. That much of it is for sure water  
9 supply.

10 CHAIRMAN CHRISTOPHER: But our original  
11 discussion was as staff and ourselves that we were going to  
12 possibly use that money to do those two \$500,000 repairs and  
13 the minor repair there at 7.

14 MR. REEDER: Yes. That was our  
15 original discussion.

16 CHAIRMAN CHRISTOPHER: And, so, it's a  
17 matter of how you want to spend that \$1.2 million. Which is  
18 the most important at the immediate time?

19 MR. REEDER: Now, I will say this about  
20 the cutoff walls. They work pretty well. However, I guess  
21 you could say -- we gave a lot of thought to this -- that the  
22 scope of work down there is to take both sets of gates off of  
23 it, front and back, and put this new wood in there.

24 Well, basically, you've got two cutoff

1 walls instead of one when you do that. And the other repairs  
2 would not be done such as valves and things of this nature  
3 because dredging and a good cleaning up would be included in  
4 it. Valves would not, and those kinds of high-ticket items  
5 would make it cost five or six million dollars -- new gates  
6 and all of that. That would not be in the picture.

7                                 It would be a rehab of the wood that  
8 they set on, the pinnacles they set on on the bottom of the  
9 river and the anchorages that hold them true. And those  
10 things, when done, if you want to look at it like this --  
11 let's just say we want the most secure facility we can get at  
12 4, the best thing you could do for water supply. That would  
13 probably be the best thing you could do because you've got  
14 two cutoff walls when you get done with it if we never did  
15 open it up.

16                                 But the cutoff wall will work if you're  
17 asking that question. They've been working up at 10, 11, 12  
18 and 13 for fifteen years or so, twenty years, something like  
19 that, whenever they put them in there. A cutoff wall is a  
20 solution, but you have to offset the cutoff wall. No matter  
21 what you decide, you have to offset the cost of that cutoff  
22 wall against the total project.

23                                 MR. CAINES: What was the total cost  
24 on No. 4?

1 MR. REEDER: \$1.2 million.

2 MR. CAINES: So, you're talking about  
3 really a \$700,000 difference.

4 MR. REEDER: Yes.

5 CHAIRMAN CHRISTOPHER: Of course, one  
6 of the things we can go back and also look at, as Steve said  
7 at our last meeting, one of the things we can do is nothing  
8 for the time being. I'll throw that back out to you. Am I  
9 correct?

10 MR. REEDER: You can do nothing until  
11 you see some distress, and then you're going to need  
12 something there. Our next flood, who knows what will come  
13 down the river.

14 I'll tell you what. I don't think 4 is  
15 one to play with either way because you've got the City of  
16 Frankfort sitting here.

17 CHAIRMAN CHRISTOPHER: And state  
18 government.

19 MR. REEDER: You've got state  
20 government sitting here, and the quickest way for us to go  
21 out of business is to let that go.

22 DR. HANEY: At the last meeting, there  
23 wasn't much talk about rehabbing that lock and such, and  
24 that's the reason I brought up the cutoff wall as a second

1 precaution to protect the water supply.

2 MR. REEDER: Back in the time that you  
3 were on the board before -- Dr. Haney has got a long history  
4 with the Board -- he was on here up to 2002 or something,  
5 three, something like that -- that was the standard way that  
6 those kind of problems were resolved.

7 And, in fact, I believe it was brought  
8 up at the last meeting that the City of Lawrenceburg, the  
9 City of Versailles, the Fiscal Court in Woodford County and  
10 the Fiscal Court in Anderson County sent resolutions to  
11 us -- it shows how different committees look at it -- saying  
12 please put a cutoff wall in Dam 5 and Dam 6. We're going to  
13 build a new plant or two new plants, which they did. We want  
14 the most secure water supply that is there because there was  
15 a lot of evidence that the things had a problem, which we  
16 complied with that.

17 But I would not recommend on 4, the  
18 more you think about it, I wouldn't do nothing to it. One, 2  
19 and 3 right now until Kentucky American gets their plant back  
20 in here, they get in there, we have to think about it very  
21 seriously, along this line or some other way. But 4, 4 is an  
22 uneasy situation because you never know what's going to  
23 happen.

24 These floods come up. Earl Gulley is

1 here today. He worked for the Corps for thirty or forty  
2 years and he worked for us for twenty. I used to hear him  
3 say every time the water would come up, he'd say we've got to  
4 go down there and look at this stuff, said, we hope we've got  
5 some gates left somewhere.

6 So, that's the only scenario I look at  
7 with regard to Frankfort. That could happen somewhere else  
8 and we'd have time to fool with it, but I don't know if we'd  
9 have time to deal with it here or not.

10 CHAIRMAN CHRISTOPHER: What do we do  
11 with our motion from the last meeting?

12 MR. GRAVES: I would like to go back  
13 and rescind. I'd like to make a motion to rescind that  
14 motion.

15 CHAIRMAN CHRISTOPHER: We've got to  
16 address one at a time.

17 MR. GRAVES: Right, but I thought you  
18 asked me---

19 CHAIRMAN CHRISTOPHER: Correct. I was  
20 just wondering---

21 MR. GRAVES: Okay. That's what I  
22 understood.

23 DR. HANEY: I've got a couple of more  
24 questions. I'm not trying to be cantankerous. I notice that

1 the Frankfort Boat Club and maybe it's the Tourist Bureau are  
2 awaiting completion of a \$150,000 economic study. Now, I  
3 don't believe everything I read in the paper. Is that true?

4 MR. REEDER: That's correct.

5 CHAIRMAN CHRISTOPHER: Yes. They're  
6 here today.

7 DR. HANEY: And where is that study?  
8 How far along are they?

9 MR. COLLINS: Mr. Chairman, we've got  
10 Joy Jeffries and we've got the Mayor and the City Manager and  
11 some other folks here that could answer a lot of those  
12 questions.

13 CHAIRMAN CHRISTOPHER: Joy, do you want  
14 to answer that question? Where are we with that study?

15 MS. JEFFRIES: I would be happy to  
16 address that. We are in the process, Dr. Haney, of final  
17 edits on the plan. It has been delivered to us and we're  
18 just crossing "t's" and dotting "i's" at this point. They  
19 will be coming back. As a matter of fact, I forgot to even  
20 tell you guys this. They're giving us dates in the first  
21 week of November to come deliver the plan. So, it is  
22 imminent.

23 CHAIRMAN CHRISTOPHER: Very close.

24 DR. HANEY: Well, if we delayed this

1 vote, what impact would that have on the budget, Steve?

2 MR. REEDER: Well, Don, you're the  
3 technician. You're the one that's got to turn it in and sign  
4 it.

5 MR. MORSE: The process is over at the  
6 end of the month. We've got ten days to turn in our budget  
7 request to the Governor's Budget Office.

8 MR. REEDER: It's got to be hooked to  
9 something.

10 MR. MORSE: We have to have a complete  
11 capital request as well as an operating request at that time.

12 DR. HANEY: Maybe you can share with us  
13 some of the results of that study. Are you free to do that?

14 MS. JEFFRIES: Well, actually, I don't  
15 know whether I am or not until we get the edits.

16 MR. SIMPSON: Highlights.

17 MS. JEFFRIES: Highlights. Okay.

18 While it is an economic study of tourism and recreation,  
19 there are also economic impacts attached to this that are  
20 extremely dramatic for the City of Frankfort and the  
21 community of Frankfort.

22 I'll just give you one little highlight  
23 that would be a very pertinent example. As you may well have  
24 read in the newspaper, Kentucky State University has bought

1 the old Federal Building which was the former Paul Sawyer  
2 Public Library. They are going to have an interpretive  
3 science center on land at that facility which will also have  
4 a \$300,000 science lab that will be docked at that site.

5                   One of the things that would be  
6 exceedingly important -- I understand you're an educator  
7 yourself -- I'm an old educator from many, many decades  
8 ago -- we have about 60,000 school children come here every  
9 year to see the Capitol and the historic sites.

10                   I believe within the next decade, we  
11 could have that many or more coming here because of the  
12 science lab. It is going to have technology. It's going to  
13 have labs. The interpretive center is going to be on the  
14 land, but the actual labs are going to be on the river.  
15 One of the pieces that would be very integral to this would  
16 be the ability to lock through to other spots along the  
17 river.

18                   Additionally, part of it, and this is a  
19 small piece and this is recreational -- the other I would not  
20 consider recreational -- we're in the process of trying to  
21 raise funds right now for a passenger boat that will take  
22 people on historic tours of the river. There are pieces all  
23 through the recommendations of this study that would greatly  
24 be enhanced by being able to lock through.

1                   We have the City of Frankfort sitting  
2 here. We have Buffalo Trace on the other side. As a matter  
3 of fact, they just had a very, very costly project going on  
4 with landscaping and with some park areas that they are doing  
5 at the other end that they really needed to get a barge down  
6 through there. That was impossible.

7                   Now, I can tell you that we're  
8 appreciative that the River Authority works with us. Steve's  
9 office works with us very cooperatively and we're very  
10 appreciative of that.

11                   But as they quoted me in that article  
12 saying, it is nearly impossible for us to market this as a  
13 destination because we don't know when it's going to be open.  
14 And all summer long intermittently, we had calls at both the  
15 hotel downtown and at our office -- I think some of them  
16 might have even bugged your office on occasion -- wanting to  
17 say how can we get here from the Ohio River, and we have to  
18 tell them you can't.

19                   DR. HANEY: This isn't going to get you  
20 there to the Ohio River.

21                   MS. JEFFRIES: No. I know it's not,  
22 but it is one step. And we see this--I'm nearly 64 years  
23 old, and the only reason on the face of this earth I have not  
24 retired yet is this river and this river development.

1                   And my goal is a two-decade goal, maybe  
2 a three-decade goal, but I believe very strongly that what we  
3 can do along this river and this beautiful capitol city that  
4 belongs to everybody sitting in this room, there is nothing  
5 we could do that would cause any greater economic impact than  
6 what we can do along this river.

7                   I know that's a pretty passionate call  
8 and not particularly factual. When we get the study, I would  
9 love to bring the consultants back. As a matter of fact, I  
10 think we could arrange for you all to be invited. I mean, I  
11 know we can arrange for you all to be invited and I would  
12 love for you to see the plan.

13                   And, Dr. Haney, I do realize that  
14 doesn't get us to the Ohio River, but it's one step closer to  
15 the Ohio River than we are today.

16                   CHAIRMAN CHRISTOPHER: Well, I  
17 appreciate that. And I want to say this, that not only from  
18 the City of Frankfort's standpoint, that plea and that  
19 passion is very much heard and very much understood.

20                   And I know or I feel also that I want  
21 to very passionately say, City of Frankfort is not the only  
22 one that has this goal. The cities downriver have this same  
23 passion but we can't because our locks are closed. Those  
24 locks are done.

1 DR. HANEY: I think the people at  
2 Boonesborough would be compassionate about that.

3 CHAIRMAN CHRISTOPHER: Boonesborough is  
4 another example. I get that very much so. And, so, this  
5 makes this a very, very--this is not a simple, just cut and  
6 dry, easy answer to this. And as I stated before, I was  
7 never in favor of raising user fees in order to finance, as  
8 we talked, Locks 4, 3, 2 and 1.

9 DR. HANEY: Or any lock.

10 CHAIRMAN CHRISTOPHER: That's right,  
11 because I think right now our major concern is certainly  
12 taking care of the supply of water. And I hear your plea  
13 very clearly and very assuredly, and I wish everybody had  
14 that opportunity on the river because it's the greatest asset  
15 we have.

16 I appreciated your comment very much,  
17 Mr. Wilson, the fact that rivers have made cities great and  
18 that is right all over the world and Kentucky River can do so  
19 right here in the State of Kentucky.

20 DR. HANEY: Randall, I think you had a  
21 question or a comment.

22 MR. ALTHAUSER: I'm curious. They've  
23 come to you all twice now for \$1 million. I was just curious  
24 who else. What is the City of Frankfort willing to put up?

1 What has the County of Franklin committed to this project or  
2 what has the Tourism Cabinet committed to this project? Here  
3 they've come to you all twice for money for no concrete  
4 foundation, just a study; and after 250 years, they've  
5 decided to do this. Who else is coming up to the plate to  
6 help out with this project?

7 CHAIRMAN CHRISTOPHER: That's a great  
8 question that I've had in my mind that the folks that I know  
9 that are asking me that same question.

10 MR. DAY: Randall, tell us, who is the  
11 gentleman who was just speaking here?

12 MR. ALTHAUSER: I'm Scott Althausen,  
13 Richmond Utilities, a provider of user fees to this water,  
14 significant user fees.

15 MR. YOUNG: I want to make a comment.  
16 You asked who else is at the table on this. I think it was  
17 about mid July, our task force here in Frankfort invited  
18 county judges from upriver and downriver. We also had  
19 representatives from Senator McConnell's office, Congressman  
20 Natcher's office and others---

21 DR. HANEY: Congressman Natcher is  
22 dead.

23 MR. YOUNG: ---who sat in on a joint  
24 meeting on this very prospect.

1                   And what they had agreed to do was seek  
2 federal funding to help us rebuild and restore the locks.

3                   CHAIRMAN CHRISTOPHER: Identify  
4 yourself. I'm sorry.

5                   MR. YOUNG: Mike Young. I'm here as a  
6 boater and a member of the Frankfort River Committee and I'm  
7 also a user, fee payor. I think it costs me fifty cents a  
8 month to support this organization. I'll be glad to double  
9 that, triple it, whatever. That does not hurt my budget.

10                   But going back to what Judge Collins  
11 said a moment ago, the action of this Commission last month  
12 set a really bad signal to our congressional friends who are  
13 trying to assist us. They won't fund it entirely obviously.  
14 They expect some General Fund participation and local  
15 government participation, but let's keep this river open.

16                   It's an economic engine. Tourism is  
17 one of Kentucky's brightest stars. It's non-polluting and  
18 the money stays here and the people don't. So, let's not  
19 send this kind of message of locking the river down forever.

20                   It's been open since before the Civil War. I think Lock 4  
21 was closed one time in about 1875 when not the lock failed  
22 but the dam gave away. The lock is still there and it's  
23 still in possession.

24                   So, we have friends in Washington who

1 want to help us. We have friends around here who want to  
2 help us. So, let's change the message. Let's keep the river  
3 open. Thank you.

4 MS. BANKS: You did ask for some  
5 others. I'm Pat Banks, the Kentucky Riverkeeper. We've been  
6 following these issues a lot and I just go back to your  
7 mission statement. It does have promote the highest and best  
8 recreational uses of the water resources of the Kentucky  
9 River Basin, promote recreational use of the Kentucky River,  
10 promote the protection and conservation of the natural  
11 features of the Kentucky River Basin to make it unique and a  
12 valuable recreational resource.

13 We kind of find that if we can promote  
14 some of this aspect of the river, you get people to care  
15 about it. Right now it's on no one's plate. People in  
16 Lexington don't even know there's a river here. Just raising  
17 awareness is so important.

18 We are working on a documentary. We've  
19 been working with our Congress and our legislators and some  
20 of our county judges, and there's a tremendous interest in  
21 working with the river. However, other places have more  
22 money and those influences speak the most and probably some  
23 of you are here in the room.

24 But we can all work together, but it's

1 in our interest to preserve this river and to think about it  
2 other than just a water resource for a small group of people  
3 or a large group of people and not think about it for the  
4 next generation to come.

5 CHAIRMAN CHRISTOPHER: Tim, you had  
6 something you were going to say a while ago.

7 MR. HAZLETTE: I think there's two  
8 issues here at hand and one of those is the overall use of  
9 the river from head to mouth.

10 But I think the thing that's important  
11 to us here today is a budget construction for this biennium.

12 I don't think there's any disagreement about the existing  
13 needs at 1 through 14. I don't think there's any question  
14 about that.

15 What's at issue, though, is what have  
16 you got that's doable with the funding that's projected and  
17 available. And the practicality of this is that if we don't  
18 obligate this, come January, it's liable to vanish. Every  
19 nickel that's loose will be grabbed. That's just a fact of  
20 life.

21 So, if there's not a conflict with the  
22 motion that's on the floor with the motion on the concrete  
23 barriers from last month -- I don't remember exactly how that  
24 was stated -- I don't know if this projected savings, the

1 amount that we're talking about here today, was tied to that  
2 motion a month ago. I don't remember the facts of that, so, I  
3 can't say for sure; but if it's not, then, I think the motion  
4 that's on the floor right now is the motion we probably ought  
5 to work on because it's a project we know is doable -- the  
6 numbers work out -- and we've got to do this by the end of  
7 the month. If not, we're not going to get nothing done,  
8 bottom line.

9 DR. HANEY: Well, if the Authority  
10 accepts my intent, I don't think we have a problem. But if  
11 they don't accept my intent, then, we've got to amend my  
12 motion.

13 MR. HAZLETTE: I don't know what the  
14 original motion said.

15 DR. HANEY: Well, it was a vote to put  
16 the barriers in. I'm just referring to my notes here but  
17 apparently that didn't get transcribed.

18 MR. DAY: I really thought you had  
19 intended just to do it right then.

20 CHAIRMAN CHRISTOPHER: Well, Don, the  
21 motion that we have here says this: Motion to install  
22 barrier walls at Locks 1, 2, 3 and 4 to preserve water supply  
23 and individual safety. That's what it says.

24 MR. COLLINS: Not as needed, as your

1 note says.

2 DR. HANEY: Well, that's not what I  
3 said. Well, then, that has to be amended, doesn't it?

4 MR. COLLINS: I don't think you can  
5 amend that motion. It's already been passed and it's in a  
6 different meeting, but we can do something today---

7 MS. SIPPLE: To rescind that motion and  
8 then do it on an as-needed basis.

9 DR. HANEY: Who is our Robert's Rules  
10 of Order person? I'd prefer that it be amended.

11 CHAIRMAN CHRISTOPHER: I think it needs  
12 to be rescinded.

13 MR. HAZLETTE: I'm a little rusty on  
14 Robert's Rules of Order, but I think the way to handle that  
15 is that we amend the motion that's on the floor. That's the  
16 only one we can deal with it right now. We can offer an  
17 amendment to the motion that's on the floor here.

18 MR. COLLINS: Could we read back the  
19 motion that was made that I seconded a minute ago?

20 MS. PELOSI: A motion that we take that  
21 \$1.2 million from that General Fund bond project, proceeds of  
22 that fund, and apply it to Lock No. 4 and include also the  
23 abutment work which would be towards Jim's Seafood.

24 MR. COLLINS: That was the motion and I

1 seconded it.

2 MR. HAZLETTE: And that's on the floor  
3 right now.

4 CHAIRMAN CHRISTOPHER: That's on the  
5 floor right now.

6 MR. COLLINS: Now, if we amend this  
7 motion by adding the words that if an emergency evolved that  
8 there needed to be cutoff walls instead of that as needed to  
9 this, that might do it.

10 DR. HANEY: I think that would do it if  
11 it was proper.

12 MR. COLLINS: I think we could do that  
13 maybe.

14 MR. REEDER: Yes. I think so.

15 CHAIRMAN CHRISTOPHER: Okay. I can see  
16 that being okay.

17 MR. COLLINS: So, I'll move to amend  
18 the motion on the floor that if an emergency situation comes  
19 up, that cutoff walls would be installed as needed if  
20 absolutely necessary.

21 DR. HANEY: That's redundant.

22 MR. COLLINS: Is that redundant?

23 DR. HANEY: As needed.

24 CHAIRMAN CHRISTOPHER: Read that back

1 to us, would you please. We don't want to do this twice.

2 MS. PELOSI: That if an emergency  
3 situation comes up, that cutoff walls would be installed as  
4 needed.

5 DR. HANEY: Or maybe to address such  
6 emergency. How does that sound?

7 CHAIRMAN CHRISTOPHER: To address such  
8 an emergency, that cutoff walls may be installed at 1, 2, 3  
9 and 4 as needed.

10 DR. DAY: If that's an amendment, I'll  
11 second it.

12 MR. GRAVES: We've got two motions on  
13 the floor, correct?

14 CHAIRMAN CHRISTOPHER: No. We've got  
15 one motion and an amendment with that motion. So, we're  
16 going to approve the amendment and the motion---

17 MR. HAZLETTE: No. Just the amendment.

18 CHAIRMAN CHRISTOPHER: Just the  
19 amendment first---

20 MR. HAZLETTE: Then we'll go back to  
21 the motion.

22 CHAIRMAN CHRISTOPHER: Okay. I've got  
23 a first and second, correct?

24 DR. HANEY: Call for the question.

1 CHAIRMAN CHRISTOPHER: Question.

2 MS. SIPPLE: Should that amendment  
3 include language to say that this will not exceed that \$1.2  
4 million that we've got?

5 CHAIRMAN CHRISTOPHER: Well, if it's an  
6 emergency, you almost have to address whatever you have to  
7 address. That may have to dip into emergency funds.

8 MR. REEDER: What I think you're  
9 talking about, you said \$1.2 million. Clare is talking about  
10 the project.

11 MS. SIPPLE: The project itself.

12 CHAIRMAN CHRISTOPHER: Oh, the project.

13 MR. GRAVES: That's in there.

14 CHAIRMAN CHRISTOPHER: Any other  
15 questions?

16 MR. COLLINS: Call for the question.

17 CHAIRMAN CHRISTOPHER: All in favor,  
18 signify by saying aye. Opposed, likewise. Amendment  
19 carries. Motion.

20 MR. COLLINS: As amended.

21 CHAIRMAN CHRISTOPHER: As amended.

22 Questions? Comments? Daryl?

23 MR. NEWBY: If the money is approved to  
24 rehabilitate the lock, is there money in the budget or is it

1 just inconsequential to operate the lock and maintain the  
2 lock?

3 MR. REEDER: You're talking about cost  
4 to operate it---

5 MR. NEWBY: Yes, sir.

6 MR. REEDER: ---once it's fixed?

7 MR. NEWBY: Yes.

8 MR. REEDER: To operate that one lock  
9 is not going to necessitate any more problems in terms of  
10 money. The only thing we have to do is dredge it every two  
11 or three years, and I would propose that within this job,  
12 this project, that we initially dredge it, and it's not going  
13 to be a problem through the next biennium.

14 CHAIRMAN CHRISTOPHER: That's really a  
15 good question. Personnel costs. Good question.

16 MR. REEDER: But that will not impact  
17 the operation of that lock.

18 DR. HANEY: Would it increase personnel  
19 costs?

20 MR. REEDER: Not for that lock.

21 DR. HANEY: How about for the whole  
22 river?

23 MR. REEDER: Oh, yeah. If you're going  
24 to open them all up---

1 DR. HANEY: I'm not talking about  
2 opening them all up. Will the same personnel that you use  
3 with the lock closed take care of it with it open?

4 MR. REEDER: Yes. We have been doing  
5 that some already.

6 MS. SIPPLE: All right. So, we've got  
7 that taken care of. Now I've got my own personal bone to  
8 pick and that's---

9 DR. HANEY: We haven't voted yet.

10 MS. SIPPLE: Not on the amended. Okay.  
11 Sorry.

12 CHAIRMAN CHRISTOPHER: I've got a  
13 motion with an amendment. Any other questions?

14 DR. HANEY: Maybe her discussion  
15 pertains to the motion.

16 MS. SIPPLE: No.

17 MR. COLLINS: Call for the question.

18 CHAIRMAN CHRISTOPHER: Let's take a  
19 vote. All in favor of the motion and amendment that's on the  
20 floor, signify by saying aye. Opposed?

21 DR. HANEY: I've talked so much, I have  
22 to abstain.

23 CHAIRMAN CHRISTOPHER: We'll accept  
24 that. Motion carries. Mr. Wilson, yes, sir?

1 MR. WILSON: I would like to suggest as  
2 a future plan or as soon as possible is raising Dam 7 so as  
3 to have a pool level like the pool level at Dam 9 with a lock  
4 in it. That would clear a lot of simple hydrologic problems  
5 and also serve very well in these other communities.

6 CHAIRMAN CHRISTOPHER: Point well  
7 taken.

8 DR. HANEY: I guess you're going to  
9 have to remove your power plant.

10 MR. BROWN KINLOCH: We'll take more  
11 head.

12 CHAIRMAN CHRISTOPHER: All right.  
13 We've got to come back here to where we're at on our agenda.

14 MR. REEDER: One thing I want to point  
15 out now that the vote is out of the way on that thing that  
16 has come to my mind, thinking about Lock 4, was that, first  
17 of all, we actively sought stimulus money in the Governor's  
18 program -- I think we were the first state agency to turn one  
19 in -- for Locks 3, Locks 4 which were shovel ready, already  
20 designed and could have been done to the high-ticket level  
21 along with a low ticket, requiring less design for Locks 1  
22 and 2.

23 We did not get any response on that but  
24 we did try. And I never could figure out really what the

1 problem was because those were ready to go and; maybe if  
2 there's any more of that stimulus money coming along, Joy,  
3 you may want to look at that or help us look at it.

4 MS. JEFFRIES: We would love to do  
5 that.

6 MR. REEDER: Because if anybody had a  
7 shovel-ready project ready, we did.

8 DR. HANEY: They're buying golf carts  
9 in South Carolina with stimulus money.

10 MS. JEFFRIES: Could I say one more  
11 quick thing?

12 CHAIRMAN CHRISTOPHER: Yes, ma'am.

13 MS. JEFFRIES: I would like to say that  
14 I appreciate this. This is a first step, and I can tell you  
15 with every bit as much passion as we have for this lock, we  
16 would have the same passion for opening them up clear to the  
17 end. We would love for people to be able to see this  
18 Kentucky River, through the Palisades. I mean, the beauty on  
19 up that way is so gorgeous.

20 So, we could come back to help with the  
21 same kind of passion. We do have the support of the  
22 Governor's Office. We do have the support of the  
23 legislators. We do have the support of our congressional  
24 delegation. We do have, as you can see today, a strong

1 support of our city and our county. So, this is not, Mr.  
2 Richmond, this is not just an appropriate issue---

3 MR. ALTHAUSER: I just didn't know how  
4 much money anybody else was contributing. That's all I  
5 asked. You answered that one. I assume none right now?

6 MS. JEFFRIES: No, that is not a  
7 correct assumption. The city has anteed up money. The  
8 county has anteed up money. The State, with the strong  
9 support of Secretary Sparrow in Tourism, Arts and Heritage  
10 and the First Lady and the Finance Cabinet provided the money  
11 for this \$150,000 study.

12 No. Our own Tourist Commission has  
13 literally for the last three years given me the full reins to  
14 stay on this with full charge.

15 MR. ALTHAUSER: I commend you for your  
16 passion.

17 MS. JEFFRIES: No. That was a good  
18 question.

19 MR. ALTHAUSER: I was trying to get you  
20 some money to help you in the budget, Steve.

21 MR. REEDER: The other point I had to  
22 make on Lock 4 was that, and I should have, since everybody  
23 has covered every angle you could on this thing, Mayor, I  
24 should have asked you to bring the Fire Chief with you

1 because this thing sits in the middle of town. You've got a  
2 fire boat sitting down there. And I'm wondering what impact  
3 that would have if you had a fire in that distillery or Jim's  
4 Seafood or along that line. They can't cover that exposure  
5 down there.

6 CHAIRMAN CHRISTOPHER: Okay. Let's  
7 move on here. You had a question about the budget, Clare.

8 MS. SIPPLE: While we're still talking  
9 about the budget and how to allocate the funding and all, it  
10 sort of ties in with what Pat said, what our Kentucky  
11 Riverkeeper said, and it goes along with what's being done  
12 with Lock 4 here, and that is Lock 10.

13 And Lock 10, I think currently we have  
14 money in the 2009/2110 budget for interim work and design  
15 match for that lock there. And I was going to see if there  
16 was a way that we could move some of those funds to  
17 stabilizing--those funds were to stabilize and install a  
18 cutoff wall at Lock 10.

19 And I think this is an issue that we're  
20 curious about because, as important as Lock 4 is to you, Lock  
21 10 is that important to us in Richmond and Winchester. Our  
22 pools that go from Lock 9 to Lock 11, I mean, from those dams  
23 is longer than the pools between 3 and 5. We have a much  
24 higher usage. We did when the locks were open, and I think

1 that we need to look at a way to maybe make Lock 10  
2 operational rather than putting a cutoff wall there.

3                   And, so, since we're on the subject and  
4 we're talking about Lock 4 and we've come up with money for  
5 that, I've studied the budget some and I have a motion that  
6 I'd like to make regarding Lock 10.

7                   If this is the appropriate time to do  
8 this, I would like to do so because I know that we need to  
9 discuss this, too, but I've read the article that was in the  
10 Lexington Herald and Dr. Haney had mentioned, well, why can't  
11 that money go to Lock 10 rather than Lock 4 and I'm just  
12 quoting the paper, and I don't believe everything I read  
13 either, but I do think that that's an equally important lock,  
14 as equally important to us as your lock is to you.

15                   MS. JEFFRIES: Oh, I agree.

16                   MS. SIPPLE: And if we could, we, of  
17 course, would have every lock operational or in the good use  
18 that Mr. Kinloch is doing to generate electricity.

19                   And, so, I just wanted to interject my  
20 concern about Lock 10 and see if we could maybe use some of  
21 the funds that we might have available. So, I have written  
22 out a motion that I would like to put on the floor. Since it  
23 regards our budget, we've got to get going on this.

24                   CHAIRMAN CHRISTOPHER: Before you do,

1 let me ask a question. Do we have an estimate of 10?

2 MR. HAMILTON: The usage?

3 CHAIRMAN CHRISTOPHER: No. Of what it  
4 would take to get that going?

5 MR. REEDER: No.

6 MR. HAMILTON: Not the same scope of  
7 what we would be looking at. Back when the Corps was looking  
8 at rehabbing Dam 10, rebuilding Dam 10, they looked at  
9 several scenarios, and it was more to the extent of actually  
10 rebuilding the entire lock structure, new lock walls. You're  
11 talking like a \$11, \$12 million type project. So, we don't  
12 really have anything of the scope that we would probably be  
13 looking at.

14 MR. REEDER: What the Corps came up  
15 with at that time was more like the \$6 and \$7 million for a  
16 total rebuild of these four up here.

17 CHAIRMAN CHRISTOPHER: It wasn't just a  
18 quick, temporary fix.

19 MR. REEDER: And the reason I think --  
20 you correct me -- but I think the reason it was more  
21 expensive even at the time several years ago or the estimates  
22 were more expensive was because that river in that area was  
23 flanked in 1904 at Dams 9 and 10 and the lock walls set out,  
24 unsupported away from the land, set out in the river.

1                   So, the Corps had some concern about  
2 the stability of that wall that was on the land side because  
3 it once was a land wall. And, so, that's where those big  
4 numbers come from.

5                   Now, your question is probably going to  
6 a level of repair like this one up here.

7                   MS. SIPPLE: Like 4, yes.

8                   MR. REEDER: Yes, like 4 which is  
9 basically new wood and things like that. There's a lot known  
10 about it. We can do that if you want to, Clare. We can look  
11 at that. I need a motion probably, though, to delay  
12 implementation of that cutoff wall because we've got Finance  
13 working on that thing.

14                  MS. SIPPLE: I'll make that motion.

15                  MR. REEDER: But for a short period of  
16 time---

17                  MS. SIPPLE: Right, an interim.

18                  MR. REEDER: ---because there is a lot  
19 of interest by the City of Winchester we know to make it as  
20 secure as they can when they can.

21                  The current proposal, we were going to  
22 spend anywhere upwards of five hundred to eight hundred  
23 thousand dollars, something like that, to put struts in it to  
24 hold it true, hold it together if that's necessary. We were

1 going to put a cutoff wall in it and a transfer valve to  
2 transfer water into Pool 9, the Kentucky American pool, if  
3 that ever stopped going over. Thank God it never has in the  
4 last two droughts but it might and they've got a problem  
5 until they build this other plant down here.

6                   So, that's what the money would be used  
7 for, and we currently have that work laying in the Finance  
8 Department. And what I'd like to have on that would be a  
9 motion to halt that temporarily until the next meeting until  
10 we can get somebody, David, to look at it because there's  
11 more known about that than you would think. It was just  
12 never looked at in that regard to that level of repair.

13                   What happened was, it was so expensive,  
14 everybody said, well, forget about it, but it was never  
15 looked at, but there was a geotechnical study done that was  
16 paid for by the River Authority -- this was about ten years  
17 ago -- which showed the dam needed to be replaced. Now it's  
18 got a certain amount of rehabilitation done by the Corps in  
19 this interim process, but the River Authority, the Kentucky  
20 American Water Company, East Kentucky Power Company and WMU.  
21 Wasn't WMU the fourth party in it?

22                   Four parties participated. You were  
23 here, Don. It was four parties participated in---

24                   MR. MORSE: The City of Lexington.

1                   MR. REEDER: The City of Lexington. It  
2 wasn't the City of Winchester. It was the City of Lexington.  
3 That's right. There were four parties that participated in  
4 the study because we didn't have the cash to do it at the  
5 time, and it was a \$600,000 geotechnical study which looked  
6 at the lock and the dam.

7                   So, quite a bit really is known about  
8 it. It was just never looked at from the standpoint that  
9 you're talking about now.

10                  MS. SIPPLE: Well, then, I would need a  
11 motion---

12                  DR. HANEY: May I make a comment and I  
13 have a question before you make your motion. Steve, we at  
14 one time had some \$25 to \$30 million authorized for Lock and  
15 Dam 10 by the U.S. Congress. The Corps of Engineers dragged  
16 its feet. Is that authorization still valid?

17                  MR. REEDER: Still good. It's still  
18 sitting there.

19                  DR. HANEY: How much have we got left?

20                  MR. REEDER: We're putting up 20% and  
21 we had to put up 25 in the early stages and they're going to  
22 level it out later. But as I recall, Don, we put up about  
23 five or six hundred thousand, didn't we, or something and  
24 they put up a million something.

1 MR. MORSE: They've gotten \$3 million  
2 in federal appropriations.

3 DR. HANEY: They have spent \$3 million.

4 MR. REEDER: Three out of the 24, but  
5 that counts ours, too.

6 DR. HANEY: My suggestion might be and  
7 we can make a motion later, since Ben Chandler is so close to  
8 Pelosi now and such and seems to be able to get anything he  
9 wants, why don't we send him over there and now get an  
10 appropriation for what we have authorized, and we could use  
11 your help, too.

12 MS. JEFFRIES: And we'll give it to  
13 you.

14 MR. REEDER: Yes, you're right there.  
15 I would point this out on the Corps. They spent \$1 million  
16 in bricks and mortar and \$2 million on paperwork and ours was  
17 \$600,000.

18 DR. HANEY: Was it \$25 million that  
19 they authorized?

20 MR. REEDER: Twenty-four.

21 DR. HANEY: But they would have to  
22 appropriate it annually.

23 MS. SIPPLE: But it's been authorized.  
24 It just needs to be appropriated.

1 MR. REEDER: Yes, it needs to be  
2 appropriated.

3 CHAIRMAN CHRISTOPHER: Don, to just  
4 further your comment, I happened to run in to Mr. Chandler  
5 and I reminded him of that, but I didn't seem to get very  
6 far.

7 Well, let's move on.

8 MS. SIPPLE: My motion needs to be to  
9 halt this process---

10 CHAIRMAN CHRISTOPHER: Temporarily halt  
11 the process of the cutoff walls.

12 MS. SIPPLE: To temporarily---

13 MR. REEDER: Until the next meeting to  
14 ascertain the feasibility of a low-level fix to Dam 10.

15 MS. SIPPLE: Comparable to Dam 4.

16 MR. REEDER: Lock 4.

17 MS. SIPPLE: I want to make a motion to  
18 temporarily halt the cutoff wall project at Lock 10 until we  
19 ascertain the feasibility of a low-level fix comparable to  
20 Lock 4.

21 MR. COLLINS: Second.

22 CHAIRMAN CHRISTOPHER: Thoughts,  
23 comments? Shall we vote? All in favor, signify by saying  
24 aye. Opposed, likewise. Motion carries.

1                   Our budget. Do you have any idea what  
2 we're going to do with this?

3                   MR. REEDER: I'm going to let Don talk  
4 a little while on that.

5                   CHAIRMAN CHRISTOPHER: And I want you  
6 all to understand that I want to go on public record that I  
7 do believe what the Herald Leader writes in their newspaper.  
8 Don.

9                   MR. MORSE: Do you want me to put up a  
10 slide of these spreadsheets or is it worth doing that?

11                   CHAIRMAN CHRISTOPHER: Can you just  
12 give us a slight overview of where we are. What's good for  
13 you?

14                   MR. MORSE: I guess first we need to  
15 clarify a couple of procedural issues. One, I've already  
16 explained to you the time table on submitting our budget  
17 request. This is both for these capital projects we've been  
18 discussing and for operational expenses.

19                   We've been talking a lot about amending  
20 the capital projects, and I think we were working off the  
21 schedule that you looked at at the last meeting which has  
22 some differences in numbers there than what you received in  
23 this handout today.

24                   The handout today is a parallel list of

1 projects or a horizontal list of projects as opposed to the  
2 other one which was more of a vertical fashion.

3                   The changes that I've heard you talk  
4 about today, just for clarification, is, one, you are leaving  
5 in the current year, 2009 and '10, a use of funds for repairs  
6 at Lock No. 4 but now not in the numbers shown there of  
7 \$1,250,000 but in the exact number of the amount of General  
8 Fund bonds that were available at this time which is a  
9 \$1,204,000. Is that correct?

10                   CHAIRMAN CHRISTOPHER: That is correct.

11                   MR. MORSE: Secondly, you are leaving  
12 in the change from last meeting to do this abutment repair at  
13 Dam No. 4 and you're moving the project for repairing the  
14 wing wall at Dam No. 7 from the current year out to 2010 and  
15 '11.

16                   MR. REEDER: Correct.

17                   MR. MORSE: Now, the last issue we  
18 discussed is deferring the use of the funds allocated for  
19 constructing a cutoff wall at Dam No. 10 in the current year  
20 which is \$875,000. That includes not only the cutoff wall  
21 but any potential match of federal funds that might be  
22 appropriated in this fall budget for the upcoming federal  
23 fiscal year, which we don't have any indication at this time  
24 there will be any, but if there are, we do need to have some

1 funds there to match it.

2 We didn't set aside any money for this  
3 feasibility study for the repairs at Dam 10. So, do you want  
4 to reallocate what we had previously funded for the cutoff  
5 wall to the feasibility study or design cost to that project?

6 MR. REEDER: I don't think so because  
7 I'd like to do that in-house.

8 MR. HAMILTON: We could probably do  
9 some cost comparisons with what we found at 4 and 3.

10 MR. REEDER: And look at the geotech  
11 work.

12 MR. HAMILTON: At least bring that back  
13 to the Board.

14 MR. MORSE: So, no funding for that at  
15 this time.

16 MR. REEDER: Right.

17 MR. MORSE: It's not an imperative  
18 issue right now anyway because the main comment I wanted to  
19 make to you is the way we're structuring this request, we're  
20 wanting to put all these groups of projects in a joint  
21 funding request, a pool project similar to what you have in  
22 the current budget which means you get "x" dollars with a  
23 general description for projects that you want to undertake  
24 with that amount of funds, and then it's up to you to

1 allocate the funds out over time as projects progress.

2                   So, you can substitute timing and you  
3 can substitute projects with some latitude. Based on all the  
4 discussions I've heard, that's the best way to approach this  
5 because we've got so many little projects here with now a  
6 two-year-old budget that we're likely to be way off budget on  
7 these things anyway.

8                   MR. REEDER: An agency like ours, the  
9 pool concept is the best way to go. If you're dealing with  
10 the Highway Department or something like that, you would use  
11 something else. They wouldn't let you do it over there.

12                   MR. MORSE: If those things are set,  
13 I'll make those changes to the capital project list that you  
14 see here.

15                   The only other part of the schedule,  
16 the purpose of the schedule is to show you how much we have  
17 available in cash funding and all the balance of that we're  
18 intending to debt finance at this point in time.

19                   So, the numbers at the bottom show you  
20 that we're going to have to debt finance in 2011 \$5.7 million  
21 and then the following year \$10.8 million, almost ten and a  
22 half. So, those will be the amounts of debt financing left  
23 to undertake to accomplish this list of projects with those  
24 adjustments we just talked about.

1 CHAIRMAN CHRISTOPHER: Then, could we  
2 just say once you get that done, could I just ask Kayla to  
3 maybe submit an email out to us of this right here, just this  
4 page?

5 MR. REEDER: Yes.

6 CHAIRMAN CHRISTOPHER: Would that be  
7 all right with the Board members? We'll just get an amended.  
8 After he gets that fixed, we'll get a copy of that.

9 MS. SIPPLE: Do we need to make a  
10 motion to approve as amended?

11 CHAIRMAN CHRISTOPHER: Yes.

12 MS. SIPPLE: I make that motion.

13 CHAIRMAN CHRISTOPHER: We have a motion  
14 to accept the budget as we have amended it. Have you got  
15 more to say?

16 MR. MORSE: I think you need to know  
17 what the net effect of what the finance package is. The page  
18 behind your capital projects shows you how much you're going  
19 to have to raise revenues in order to support the debt  
20 service and that's a function of several things.

21 It's a function of the debt service  
22 cost that the Finance Cabinet has had us estimate, plus all  
23 these security factors that are structured in our issue. And  
24 the net impact of that is that you're going to have to raise

1 your fees next year of two and a half cents over the current  
2 level, and the following year, you'll have to raise it to  
3 thirteen---

4 CHAIRMAN CHRISTOPHER: So, we're going  
5 to have to go a little over thirteen cents from our six  
6 cents.

7 MR. MORSE: So, I just want you to  
8 understand that that's going to be the net effect on our  
9 customers. We'll go from six to eight and a half next year  
10 and then the following year we'll raise it another four cents  
11 up to thirteen. So, you're going to be a little over  
12 doubling your current rate.

13 MR. REEDER: Assuming they let us sell  
14 them, assuming we get to sell them. They should sell in this  
15 market today.

16 MR. MORSE: And if you follow it on out  
17 and look at the other projects on the list, you're going to  
18 see a doubling again the following biennium and a doubling  
19 again the following biennium after that.

20 DR. HANEY: Don, does this go to an  
21 interim committee in November or what?

22 MR. MORSE: The next step is to submit  
23 a request to the Governor's Office of Management and Budget.  
24 Is that the proper term now? Those analysts will review it

1 in-house and make recommendations to the Governor. He will  
2 submit his budget recommendation to the Legislature about the  
3 third week of the Session, the end of January.

4 DR. HANEY: So, it doesn't go through  
5 any kind of review committee before it goes to the Governor?

6 MR. MORSE: No. In-house review with  
7 his office that represents the budget process.

8 CHAIRMAN CHRISTOPHER: So, the projects  
9 as we've got them outlined here and the expenditures that we  
10 have, you're saying when we look at the 2010-2011 projects  
11 and the 2011-2012 projects---

12 MR. MORSE: This will be in your next  
13 budget request.

14 CHAIRMAN CHRISTOPHER: And that's going  
15 to necessitate raising user fees to a little over thirteen  
16 cents from our current six cents.

17 MR. HAZLETTE: But that's assuming  
18 there's no General Fund appropriations.

19 CHAIRMAN CHRISTOPHER: That's assuming,  
20 but what if there's not?

21 MR. COLLINS: Or any federal money.

22 MR. MORSE: Well, we're not identifying  
23 that.

24 CHAIRMAN CHRISTOPHER: We're not

1 identifying that as funding, though. If we pass it as is,  
2 then, this is what's going to happen.

3 MR. HAZLETTE: Not necessarily.

4 MR. REEDER: They can amend it.

5 CHAIRMAN CHRISTOPHER: If they amend  
6 it, yes. This is what we're recommending.

7 MR. REEDER: Right.

8 CHAIRMAN CHRISTOPHER: So, we're going  
9 on record as this is our recommendation of what to do.

10 DR. HANEY: If we're clever enough, we  
11 can always get add-ons in the Appropriations Committee, but  
12 that's pretty slim pickings.

13 MS. SIPPLE: That's assuming we're  
14 clever enough.

15 MR. MORSE: I think cleverness is about  
16 out the window at this point. We've just gone through a 4%  
17 reduction from the levels we were last year on General Funds.  
18 We're looking at at least that much again on the current  
19 projections before the end of this year and then going into  
20 the next two years with no potential for growth. And we've  
21 got demands on prisons and things that are essential to  
22 government services.

23 MR. REEDER: The plain truth is, at  
24 some point in time -- I don't know when it's going to be --

1 but this agency is going to be totally financed by fees  
2 without any add-ons from anybody else. As far as the General  
3 Fund stuff, it keeps on going down.

4                   Of course, we've got a 2.2 cents on our  
5 Tier I fees. We hold the line on that and it's never been  
6 reduced, even though sometimes we don't spend it all. But  
7 the time is going to come and efforts have already been made  
8 in prior years to delete these General Funds from us. So, we  
9 can survive on that, but the time is going to come it's going  
10 to happen. I don't know when it's going to be but you just  
11 mark it down.

12                   DR. HANEY: That's pretty ironic that  
13 people go to McDonald's and buy a giant Coke for \$5 every  
14 other day and then bitch about forty-seven cents on their  
15 monthly bill.

16                   MS. SIPPLE: Or spend more for a  
17 bottled water than they do for a can of beer and then bitch  
18 about putting this on.

19                   MR. GRAVES: No matter what we charge,  
20 as I said last time, it's better going over the hill with a  
21 five-gallon bucket. That's the bottom line. So, we're  
22 paying for fifty to a hundred years of neglect. That's the  
23 bottom line. All this time we've done -- and I say we -- the  
24 Commonwealth has done nothing. The federal government, they

1 built it and walked off and said here.

2                   So, we've got to move forward and this  
3 is a step in the right direction. We just have to be  
4 creative and make it work. I work in the Finance Cabinet and  
5 if it breaks, we're responsible for fixing it. They don't  
6 ask you, where are you going to get the money. It's just  
7 we've got a roof off -- fix it -- and that's what we have to  
8 do.

9                   So, if we have something that breaks,  
10 we've got to fix it, and this is something that's very  
11 important from 14 all the way down to 1. And I don't want to  
12 get on my tangent, but I've been from 1 to 11. Unless you've  
13 made that trip, you don't understand what it is. You don't  
14 have a clue unless you've actually made that.

15                   And I agree. It's awful nice to run  
16 over and turn that faucet on and have that water come out,  
17 and I want water but I guess I want it all. If you raise my  
18 fee, just personally, to \$5 a month, I don't mind paying  
19 that. But you're right. I spend more in bottled water a  
20 week than I would in water tapping off of the Kentucky River.

21                   MS. BANKS: You've just got to sell it  
22 to the people; and if they understand that, they'll say sure.

23                   DR. HANEY: While we're just shooting  
24 the bull, Randall, I think it rather ironic, Steve, that we

1 have never had an official from the City of Lexington go  
2 before any committee over here on our behalf, not one time.  
3 Scotty Baesler is the only one that did anything. Scotty  
4 Baesler is the reason this Authority exists, the principal  
5 reason, but we haven't gotten any help since then.

6 MR. CAINES: If you all remember,  
7 Atlanta almost ran out of water, and it's the responsibility  
8 of the Kentucky River Authority to make sure that we have  
9 water. And water costs are not going to go down. They're  
10 going to go up and continue to go up regardless.

11 AUDIENCE: It's still free water,  
12 though. We're not paying for what's coming out of the sky.

13 MR. CAINES: But you have to process it  
14 and you have to get it there.

15 MR. COLLINS: You pay for process and  
16 delivery.

17 AUDIENCE: You can buy land that has  
18 water on it. You don't get that water. That is not your  
19 water.

20 CHAIRMAN CHRISTOPHER: Well, I realize  
21 a forty-cent increase to us doesn't mean much, but to a lot  
22 of my constituents, to the majority of my county, it is  
23 significant. I don't have constituents in my county--my  
24 county does not--when you have a means of about \$23,000 of

1 annual income, it's not the same, folks.

2                                   Now, you may not think it's much, but  
3 it is in my county. Estill County, Lee County, Owsley  
4 County, we go right on up the river there, the poorest in the  
5 nation. You're talking about adding \$2, \$3, \$4, \$5, school  
6 tax, gasoline going up and you're living on \$25,000 a year or  
7 less?

8                                   Yes, sir, I'm sorry, I disagree with  
9 you. It means a heck of a lot and I'm not for just all of a  
10 sudden just thinking we can just raise fees just for the heck  
11 of it. We've got more people out there in this country than  
12 us that have money in our back pocket.

13                                  MS. SIPPLE: But we're not just raising  
14 fees for the heck of it. What we're doing--imagine that the  
15 federal government said, you know what? We're not going to  
16 keep a national arm anymore. We're going to let every state  
17 take care of their own militia, and it's the same sort of  
18 thing. The federal government---

19                                  CHAIRMAN CHRISTOPHER: That's what they  
20 do with everything. That's why everything goes up.

21                                  MS. SIPPLE: But I'm saying relative to  
22 the cost of everything else, water is still a very cheap  
23 commodity. And I think if they can't afford that, then, I'm  
24 really sorry they can't, but we have to take care of these



1 that out?

2 MR. REEDER: Yes, at least throw it out  
3 because we're going to roll that into this contract.

4 DR. HANEY: Is that dredging annual?

5 MR. MORSE: It can be annual. It  
6 depends on siltation.

7 MR. REEDER: We're going to put this in  
8 this contract, this dredging. That dredging will last two or  
9 three years at that location. Some of it won't but it will  
10 there. Yes, that's a good point and I think we can dispense  
11 with that. They've got that equipment in there anyway.

12 DR. HANEY: Do we need a motion?

13 CHAIRMAN CHRISTOPHER: Yes, we do on  
14 our budget, right?

15 MR. REEDER: Yes, we need a motion.

16 CHAIRMAN CHRISTOPHER: As we somewhat  
17 outlined to the best of our ability.

18 DR. HANEY: Do we vote to accept the  
19 recommendation of the staff or how do you want the motion  
20 worded? Just approve the budget for the next biennium?

21 MR. REEDER: As presented---

22 MS. SIPPLE: As presented and amended.

23 DR. HANEY: You all write it up right  
24 this time. I make the motion.

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MS. SIPPLE: I'll second the motion.

CHAIRMAN CHRISTOPHER: Comments,  
questions? All in favor, signify by saying aye. Opposed,  
likewise. Motion carries.

Director's Report.

MR. REEDER: I don't have anything  
further.

CHAIRMAN CHRISTOPHER: Me neither.  
Motion to adjourn.

MR. DAY: So moved.

MR. COLLINS: Second.

CHAIRMAN CHRISTOPHER: Thank you all.

MEETING ADJOURNED

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STATE OF KENTUCKY  
COUNTY OF FRANKLIN

I, Terri H. Pelosi, a notary public in and for the state and county aforesaid, do hereby certify that the foregoing pages are a true, correct and complete transcript of the proceeding taken down by me in the above-styled matter taken at the time and place set out in the caption hereof; that said proceedings were taken down by me in shorthand and afterwards transcribed by me; and that the appearances were as set out in the caption hereof.

Given under my hand as notary public aforesaid, this the 15th day of November, 2009.

---

Notary Public  
State of Kentucky at Large

My commission expires February 10, 2013.