

IN RE: KENTUCKY RIVER AUTHORITY

MEETING NO. 146

September 17, 2009  
1:00 P.M.  
Vest-Lindsey House  
401 Wapping Street  
Frankfort, Kentucky

APPEARANCES

Mr. Randall Christopher  
CHAIRMAN

Mr. Bob Ware  
Judge Executive Ted L. Collins  
Mr. Warner J. Caines  
Mr. Daryl E. Newby  
Mayor Michael D. Miller  
Dr. Donald C. Haney  
Mr. Jerry Graves  
Proxy for Secretary Jonathan Miller  
Ms. Valerie Hudson  
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. Sue Ann Elliston  
Ms. Kayla Dempsey  
KENTUCKY RIVER AUTHORITY STAFF

**GUESTS**

Mr. Charlie Martin  
Mr. Verlon Johnson  
Mr. Damon Talley  
Mr. Scott Althausser  
Ms. Bee Williams  
Mr. Robbie Hume  
Mr. Don Hassal  
Mr. James Roberts  
Ms. Joy Jeffries  
Ms. Linda Bridwell  
Mr. David Brown Kinloch

AGENDA

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**MOTION TO APPROVE MINUTES OF MEETING #145 ....PAGE 1, LINE 12**

MR. MILLER: I make a motion we approve the minutes.

CHAIRMAN CHRISTOPHER: We have a motion. Second?

MR. NEWBY: Second.

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

**MOTION TO REVISE FINANCIAL REPORT TO AN EXECUTIVE SUMMARY FORMAT .....PAGE 12, LINE 14**

DR. HANEY: Does anyone else have any comments? I move that we get a simpler and more of an abstracted report. And, again, I'll admit, I'm sure this is necessary for the auditors and all that, but I just don't feel like I'm getting anything out of it.

MR. REEDER: You're suggesting something in the nature of an executive summary, a narrative type thing?

DR. HANEY: Yes, a narrative. And I will make that motion.

MR. MORSE: You want a written summary report---

CHAIRMAN CHRISTOPHER: Let's clarify what we want.

DR. HANEY: I'm not sure I know what I want. I want something I can read. I operated a \$50 million organization and I never had a financial report this complex.

CHAIRMAN CHRISTOPHER: Well, Don, why don't you develop something. Maybe at the end of September, how about just sending us an email version of it out and let's look at it and see if we find something that we like there and if we want to make some suggestions because I don't think we will be meeting within the next thirty days and we'll try it and then we can send suggestions back and modify it more if we need to until we get something that we're happy with.

MR. MORSE: If you could give me a little more guidance on what you want, I'll be glad to do

that.

DR. HANEY: I think if we put it in the form of a motion, you'll be glad to try to do it anyhow, won't you?

MR. MORSE: For you, Dr. Haney, anything.

DR. HANEY: Did we get a second?

MS. SIPPLE: I seconded it.

CHAIRMAN CHRISTOPHER: We've got a second. Any discussions, thoughts? How about the rest of us, anything else you want to add here, guys, gals?

MR. DAY: Well, yes. I'll speak to that. I've read a lot over the past seventy-six years, and normally I can read and understand most things that are presented to me. But I'm kind of like Dr. Haney, and I'm not saying that just because I'm a geology major as is he, although it is a little bit rocky.

CHAIRMAN CHRISTOPHER: And with some cracks in it, too.

MR. DAY: I think it would be good. And, honestly, and I'm not criticizing anything---

DR. HANEY: I'm not being critical. I just want to understand what's going on.

MR. DAY: It's pretty tough to start off and you flip three pages, and I don't even find the line that we're talking about, and that's not your fault either. Perhaps you could start with whatever your beginning balance is and what monies you take in, put an asterisk or two or three or four asterisks out there, Tier I, Tier II and what your expenses are and what you've got at the end.

CHAIRMAN CHRISTOPHER: One thing I do like with this, and I'll inject something here, is the fact that it does give us our percentage of what our expenditure has been up to that point.

So, in my opinion, that last little area over here, I don't mind that over here because, as I go through the months, I can calculate in my mind how close are we to expending our budgeted allocation in that particular area. So, I think that's a good thing.

Maybe it could be more of a summary and just highlighting the major expenditures, but we can still keep this little percentage

column over here to show where we're at in each one of our areas for the year.

MR. REEDER: I think for our own internal use, irrespective of what we may come up with, a summary or whatever you want, we need to keep this form right here for our own internal controls.

CHAIRMAN CHRISTOPHER: I don't disagree with that, and then we could receive just an executive summary for each one of those.

DR. HANEY: I think this is very complete, and I'm sure the auditors haven't had any problem with it, and that's not what I'm talking about.

MR. GRAVES: You're kind of like me. You just want to know how much money we've got left, how much we've spent, and keep it simple. I agree.

CHAIRMAN CHRISTOPHER: Anything else? We have a motion and a second. All in favor. Opposed? Motion carries.

**MOTION TO APPROVE FINANCIAL REPORT .....PAGE 16, LINE 3**

CHAIRMAN CHRISTOPHER: We need to approve these financial reports.

MR. WARE: I make a motion to approve these.

MR. DAY: Second.

CHAIRMAN CHRISTOPHER: All in favor, signify by saying aye. Opposed, likewise. The financial reports carry.

**MOTION TO APPROVE LINWEAVE CLAUSE IN  
LEASE WITH LOCK 7 HYDRO PARTNERS .....PAGE 24, LINE 8**

CHAIRMAN CHRISTOPHER: Anyone else have any questions on that? I'll accept a motion to approve.

MR. MILLER: So moved.

MR. CAINES: I'll second it.

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

**MOTION TO INSTALL BARRIER WALLS AT  
LOCKS 1, 2, 3 AND 4 TO PRESERVE WATER  
SUPPLY AND INDIVIDUAL SAFETY .....PAGE 73, LINE 6**

DR. HANEY: I move that we put barrier walls in Locks 1, 2, 3 and 4 as a safety precaution,

to preserve the water supply and individual safety.

CHAIRMAN CHRISTOPHER: And I failed to do this and I apologize for that; but before we go further with that motion, I assume we have guests here that would like to---

DR. HANEY: But you've got to get me a second because you're out of order.

MR. MILLER: I'll second it.

CHAIRMAN CHRISTOPHER: I've got a second before we got too far then. We have guests here if anybody would like to speak on that point. Yes, ma'am.

MS. JEFFRIES: Hi. My name is Joy Jeffries, and I'm the Tourism Director for Frankfort and Franklin County.

And I realize that I'm probably speaking to deaf ears; but if I go back to my Tourist Commission or go to the Riverfront Development Committee for Frankfort and Franklin County and tell them I sat here and listened to this and did not plead our case, they would all fire me.

We have this current year probably it's going to get nearly a half a million people to come to Frankfort visitors, tourists. Our economic impact number for last year was \$130 million.

We are in the final days of a riverfront development study of \$150,000 to determine what we can do to develop our river.

Our river, your river is as pristine and beautiful in places, which I know I'm not telling you anything you don't know, as it was when the frontiers came through. It is authentic. It is impressive, and people are drawn to water.

I hear everything you're saying about practicality. I have seen the Muskegon study, and there are a couple of flaws in the logic there. For one thing, people always want to compare us to that river, and that's not a fair comparison because they don't end up anyplace on a destination. So, you cannot think that the number of visitors that would come to that would come to Frankfort from the Ohio River down here as opposed to along the Muskegon.

Another issue is the fact that once you take

this step -- and I agree with you, Dr. Haney, that it can be reopened -- that is a reality -- but we all know from history the likelihood of that happening is far less to reopen it than it is to keep it all open.

I also know that many of us, and Steve would certainly verify this, that many of us in this city and this county worked very, very hard lobbying, trying to get the money for the present appropriations that you all received, I mean, very hard.

And we were under the impression that that was to help us with our locks. Now, that may have been misguided and I acknowledge that that's possible because I'm an eternal optimist and maybe I misconstrued something that was said. But I am telling you with all my heart that I believe that the economic value of what we're getting ready to do along this river is not represented by three or four hundred lockages.

And because it has been so sporadic in recent decades, I don't think it's any surprise we've not done any marketing up to the Ohio River because there's been no reason. It was too risky.

We have had multiple groups from Ohio contact us this year wanting to come down. And from our perspective, I am pleading with you not to make this decision.

I had a wonderful quote given to me this week, and I wish I had brought it today. And the quote somehow said that if you have little plans, you're going to accomplish little goals. This is very, very oversimplified. However, if you have big plans and big visions and you put them down and make them into something concrete -- no pun intended -- your likelihood of success become exponentially larger.

I plea with you, as our dear brother said, you have nothing to lose by asking. I can tell you you've got a lot of people in Frankfort that would do everything we could to help lobby to get those dollars. Do I know if you can get them? No, I don't have a clue. Do I know that that's what you ought to ask for? No, I don't.

And I respect you all for sitting here and

taking this responsibility, but I plea with you for our case. We need these locks to remain open and not just two times a season but multiple times. And I thank you for listening.

CHAIRMAN CHRISTOPHER: Thank you. Anyone else? Yes, sir.

MR. HASSALL: I'm Don Hassall with the Bluegrass Area Development District in Lexington. When Steve started talking a while ago and he said you've heard this before and you're going to hear it again, and I guess that's kind of the way I'm starting, too. You've heard this from me before but you're going to hear it again.

Your Chairman here was talking that he suspected that no one in the room opposes the opening or reopening of the locks, and I think that's probably a true statement. That having been said, there are eleven municipal water utilities that draw water on the river starting at Pool 4 and ending at Pool 11. The Tier II fee has just been raised on those folks.

And as Mr. Ware and others have already said, the primary objective of the Kentucky River Authority is to deal with and be the guardian of water supply. And I would just remind you that that statement I think was your goal back in 2000.

And if there's any thought that there might be an increase in the Tier II fees to deal with issues other than water supply, I think you're going to run into some opposition.

Looking around the room today, I see nine folks here that have an interest in water supply. Only one of those is at the main table, the rest of them around the edges. They're interested in water supply.

And we understand that over the years, the Tier II fee is likely to go up, but we do feel like that if the Tier II fee is intended to be paid for by the water suppliers and by the customers of the water suppliers, that the Tier II fees should be going toward issues that deal with water supply.

Thank you very much.

MR. TALLEY: Mr. Chairman, my name is Damon

Talley, and I'm the attorney for the Bluegrass Water Supply Commission.

I feel like I'm preaching to the choir here because I know that all of you sincerely take your job seriously about being, as Don said, the guardian for water supply for Central Kentucky of the Kentucky River.

What I do want to do is just reiterate a few things that the 2000 General Assembly adopted.

You know probably better than me, there was a House bill in the 2000 Session and Senate bill and they were almost identical, if not identical, that were passed, and it just really reiterated the role of the Kentucky River Authority in protecting the water supply for Central Kentucky.

First, in Chapter 151.700, it says the General Assembly recognizes the historic importance of the Kentucky River in providing the source of clean water supply for several hundred thousand citizens of the Commonwealth. And it goes on to talk about to protect the health and welfare of the citizens dependent upon the source of water, the source of clean water. Then over in 710, it talks again about the Kentucky River Authority created to carry out the essential public purpose of protecting the health and welfare of the people of the Commonwealth.

Then a couple of more. On 151.720(11), the law says, as you know, the River Authority is charged with developing comprehensive plans for the management of the Kentucky River within the basin, including a long-range water resource plan and a drought response plan. And it goes on to talk about the two-year and the six-year plan and the twenty-year plan. And then one last point is in 151.727(1) about the River Authority shall undertake a continuing study of the water available within the Kentucky River and the water needs within the Kentucky River Basin. The study shall focus on necessary capital construction to maintain or increase water availability within the Kentucky River, including bringing existing facilities up to the acceptable standards or replacing existing facilities where required.

And we can't thank you enough for what you've done in recognizing that responsibility with rebuilding Dam 9 and in the process of building the new Dam 3.

And then the last point is about in order to meet the water supply needs of the citizens within the Kentucky River Basin, and that's your charge in 151.727(2).

It all is a matter of priorities. As Don said and others have said, it would be wonderful if the locks could be open and operated safely, but you've got to set priorities.

And on behalf of the Bluegrass Water Supply Commission, we would urge this group to set as your highest priority is maintaining the stability and integrity of all the dams up and down the river, do whatever it takes to preserve the pools for water supply.

And we supported this body's decision a couple of years ago to raise the withdrawal fee rates because the money was going to be spent on water supply, to enhance the water supply.

And we would support that again if it's necessary for water supply.

I'll let the individual communities around the room speak to supporting raising the fees for operating the locks. I'll let them speak for themselves, but I can anticipate what they might say.

But we would urge this body to set as your highest priority is to maintaining the integrity of the dams up and down the river. And if that means putting a concrete barrier in front of one or more of the dams to preserve that pool, so be it, we would support that; but we could not support using limited resources from the withdrawal fees to repairing and rehabilitating or replacing the locks so that they could be used for recreational boating.

CHAIRMAN CHRISTOPHER: We have a motion and a second. I guess a comment that I have, I will say again that I agree with the statement that we've said and has been presented. I personally would not be in favor of trying to repair the locks with increasing any fees. But I certainly appreciate Ms. Jeffries'

thoughts and comments because I do think that is an extremely viable target project that they have. And I agree, I, too, would like to be able to move up and down the river. I think that's a good thing.

I guess my question is, if I could think out loud here, I know what we are trying to focus on here is coming up with a capital project. And I know what Jerry has talked about is what do we place in this last four years possibly or two years of this capital project plan that we're trying to develop.

I still have a hard time wanting to ask for dollars to spend on locks when I feel like I'd rather ask for dollars to spend on dams.

Are there other things that we could do that allows us to keep our capital project plan as I just somewhat stated, etcetera, but is there something else that we can do as a show of support and encouragement to help this cause as well besides putting it in our capital construction project?

I'm thinking, because of the Bluegrass Water Commission, didn't we draft some resolutions of support and some specific things that you all were trying to accomplish, and we as a Board came up with some resolutions of support that you all used to further the cause that you were trying to accomplish?

MR. TALLEY: Yes, you did.

CHAIRMAN CHRISTOPHER: Could we come up with something of that nature?

MR. MILLER: At one time, I think the time before last when this came up, the motion was or what we decided was to vote to put the cutoff walls in but to work with tourism groups and other organizations in the state to obtain any non-fee revenue to enhance the recreation possibilities of all the locks and dams, something to that effect. Do you remember that, Dr. Haney?

DR. HANEY: Yes.

MR. WARE: The aesthetic values of the Kentucky River Basin don't hinge upon contiguous flow from the headwaters to the Ohio River.

CHAIRMAN CHRISTOPHER: Well, I just bring this up because I do know that we've got to address

or I think Steve wants us to address our capital plan. Is that not correct?

MR. REEDER: Yes.

CHAIRMAN CHRISTOPHER: And obviously what we put in there is vital here. So, I'm not trying to put two agendas here on the table at the same time. I'm just trying to throw out some options of what we can do.

MR. COLLINS: Mr. Chairman, it's more than just recreational boats going up and down 1 through 4 to the Ohio River.

It's the economic development that Joy Jeffries spoke about, and that's far-reaching dollars and it spills over and over into all types of businesses, restaurants, all type of boating activities other than a few people on houseboats and pontoons and runabouts.

So, I know it's a difficult decision. And no offense to the other counties, but you are talking about something that affects your capital city. It takes quite a bit of deliberation.

DR. HANEY: Well, I sit on this commission as a representative for the entire basin, 700,000 water users. And while I think Frankfort is very important, of course it is and such, but my first priority is to look at those 700,000 residents in this river basin and make sure they have a water supply, and it has a greater economic impact than anything you can talk about locks 1 through 4.

What we've got to do is lose one dam and then you'll understand.

MR. CAINES: Mr. Chairman, of course, I'm probably caught in between more than anybody---

CHAIRMAN CHRISTOPHER: Are you sure you want to talk then?

MR. CAINES: I have to vote anyway, and I look at it from the standpoint that recreation and what can happen to Frankfort if those locks were kept open has a tremendous possibility. Then I look at the water supply that we have to maintain and the rate increases that people are hit with every day.

And we just had a recent rate increase on the tiers and a rate increase on electric, a rate increase on cable and sewer rate increases,

and another rate increase, people don't want rate increases.

And even though it's an important thing to the future of the community. If it developed the way they would like, I'm certainly for that, but the water supply is the main factor in my operation. And if we don't have water in Frankfort, we've got a problem.

CHAIRMAN CHRISTOPHER: Anyone else?

DR. HANEY: Would it be proper to call for the question?

MR. REEDER: Before you call for the question, I want to reiterate something on those cutoff walls, Dr. Haney.

CHAIRMAN CHRISTOPHER: It's got to be paid for.

MR. REEDER: They've got to be paid for in order for it to go in the capital plan.

On the other hand, I don't feel strong enough, I don't feel like we're in danger and have to put them in there tomorrow either. I mean, I don't think they're going to fall in that quick.

Down the road if you do nothing, you're going to do that. But right now, I don't think there's enough evidence to try to suggest that we put them in there right now.

Now, not operating them is another matter. We may be forced to not operate them just because we can't get the wood cleaned out at 4, and certainly at 3, the dam is under construction and we can't get to it anyhow right now, and 1 and 2 are not going to be used very much. But the cutoff walls will be necessary within a few years if you don't do nothing else to them. I don't think putting them in there in the morning is necessary.

DR. HANEY: But don't you think that it's prudent to get one in here at 4?

MR. REEDER: If you put one in 4, you've secured 4, that's for sure.

But going back a little bit, and let's look at this question a minute. Do we want to ask for something that we're not going to get like General Fund money for this stuff, or do you want to stair-step it out throughout the six-year plan and ask for one lock, two, three. You've got six years to be asking for this

stuff, and you may or you may not get it. If it's the consensus of the people they're not going to raise rates, well, don't throw them with a \$15 million figure in one year if you put it out there because you're probably going to have some problems to get them both to contract anyway in two years. So, stair-step them out there if you want to do that and ask for the money for that or some external source, if you want to leave it in there. Of course, if you put it in there, you're asking for something. If the money came by way of some grant out of the woodwork, you would go ahead and do it anyway. If Congress or somebody came here and said do Lock 1, here's the money to do it. Well, okay, do Lock 1. I mean, it's not any skin off of our nose to do it that way, and that's understood.

You don't have to put that in any plan. But if you want to put it in a plan at all or have any reference to it, I say you soften the suggestion, don't stick it all there at one time because when they see that big number, they're not likely to give it to you.

CHAIRMAN CHRISTOPHER: So, let me see if I can understand those thoughts. In the capital plan, we're thinking about putting in that plan the renovation of one of the four locks, requesting funding for that.

MR. REEDER: At some level, whether it be the high level or the lower level.

MR. DAY: I thought his motion was to put barrier walls, cutoff walls in.

CHAIRMAN CHRISTOPHER: It is, yes, sir.

DR. HANEY: And we're now mixing apples and oranges in that.

MR. WARE: Would that be consistent with what was recommended by Stantec in the comprehensive prioritization that we paid quite a bit of money for recently?

MR. REEDER: You mean cutoff walls?

MR. WARE: No. I mean rehabilitation, repair of the locks.

MR. REEDER: They offered all four options within that plan. So, it would be consistent with it. You're talking about the low end?

MR. WARE: Yes. I'm just talking about how it fits with respect to the priorities, within

the six-year priorities.

DR. HANEY: I might remind this group that several years ago, we had this same discussion over Boonesboro, Lock 10. Lock 10 had more traffic than this area has ever had. We went ahead and put the barrier in, or we went ahead and moved forward out there closing the lock because we were fearful of safety and such. And, to me, this is no different.

If I lived in that area, I would be mad as hell if we let this one slip by and you closed my lock.

CHAIRMAN CHRISTOPHER: At a state park.

MS. ELLISTON: Steve, if you do include this in the capital plan, will you be also including I would need more operating expenses for the lock and dam section also which would also be dredging?

MR. REEDER: Yes, sure would.

MS. ELLISTON: And I would need two more personnel. So, that's something else you need to look at, too, because they've already cut the budget down.

MR. REEDER: You don't have to put that in the capital plan.

MS. ELLISTON: No. That's not in the capital plan, but that would be something else that you would need to ask for if this is something else you would want to do.

MR. REEDER: When we get to the budget approval in about a month or so, we would ask for that.

MR. ALTHAUSER: I'm Scott Althausser with Richmond Utilities and I represent some 60,000 consumers of the river, and we appreciate all you do.

I along with Mr. Talley do agree that if you do ask for this money, another stipulation would be it wouldn't be a matching grant. What are you going to match it with is our user fee money. So, if you're going to go after the money, we hope it will be 100% of extra revenue above and beyond the tier money if you do anything with the locks, to repair the locks. Thank you.

MR. REEDER: I think the line of thought that Mr. Graves threw out involves General Fund money, though.

MR. GRAVES: Correct.

MR. ALTHAUSER: How many things in these days and times has ever been--these things are matching. And if you're going to do it, you're going to have to have permission to match it with your existing funds coming from our consumers. I just ask that you all consider that in your proposal.

MR. DAY: Question on the motion, Mr. Chairman. We've beat this old dog pretty much.

CHAIRMAN CHRISTOPHER: I'm sorry. What did you say?

MR. DAY: I said we've beat this old dog pretty much. Let's act on the motion one way or the other because we're only talking, it looks to me, like about one and a half million dollars here to put in these at \$350,000 for each cutoff wall.

MR. REEDER: Yes, sir. That's about right.

CHAIRMAN CHRISTOPHER: Don, are you still good with your motion?

DR. HANEY: Yes. And we now have a call for the question.

CHAIRMAN CHRISTOPHER: All in favor. Can we do a raise of hands? Opposed. I see that eight to three. Motion carries.

**MOTION TO ACCEPT CAPITAL PLAN**

**OF 2010-2016 .....PAGE 103, LINE 9**

CHAIRMAN CHRISTOPHER: A motion to accept this plan as presented by Steve.

DR. HANEY: So moved.

MR. WARE: Second.

CHAIRMAN CHRISTOPHER: All in favor, signify by saying aye. Opposed, like sign. Motion carries.

**MOTION TO ADJOURN .....PAGE 109, LINE 20**

MR. COLLINS: Move to adjourn.

MR. DAY: Second.

CHAIRMAN CHRISTOPHER: We're adjourned.

1                   CHAIRMAN CHRISTOPHER: I'd like to take  
2 a moment and welcome our Board members to our 146th meeting  
3 of the Kentucky River Authority and our guests, too. We'll  
4 take a moment here in a bit and, if you would, introduce  
5 yourself.

6                   Let's call this meeting to order.  
7 Kayla, would you do roll call for us, please.

8                   (ROLL CALL)

9                   CHAIRMAN CHRISTOPHER: We have a  
10 quorum. I hope each of you have had an opportunity to look  
11 at our last meeting minutes.

12                  MR. MILLER: I make a motion we approve  
13 the minutes.

14                  CHAIRMAN CHRISTOPHER: We have a  
15 motion. Second?

16                  MR. NEWBY: Second.

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

19                  Mr. Don Morse, if you will give the  
20 Financial Report, please.

21                  MR. MORSE: As usual, it's been a  
22 little while since we met. So, you end up with three months  
23 of financials. I'll try to go through them as quickly as  
24 possible.

1                   Our fiscal year ends June 30 each year.  
2     So, we need to look at the June 30 statement to see how we  
3 finished up last fiscal period and why certain actions  
4 occurred.

5                   If you will turn to the second page of  
6 our general operations account, you will see that we ended  
7 the year with \$1,294,000 in cash balance. That occurred for  
8 a number of reasons. Looking at our revenues, we had an  
9 \$850,000 carryforward from the prior year which was a little  
10 higher than normal. We did pretty well on our fee  
11 collections, collecting about 3% over what we had budgeted  
12 for last year, and our investment income was higher than  
13 budgeted as well.

14                   The investment income was derived not  
15 from high yields because there weren't any last year, but  
16 rather because our expenditures were much less than budgeted,  
17 plus we had a higher cash balance during the year.

18                   If you'll look at our operating  
19 expenditures, they were only about 80% of what we had  
20 budgeted. So, we had quite a bit of savings there, and we  
21 didn't make the transfer to the capital project at Dam 10 for  
22 \$625,000 that we had had budgeted. So, those are two pretty  
23 large causes for why we had the large cash balance year end.

24                   During that period, we only had one

1 large expense during the month of July and that was for  
2 closing out the agreement with the U.S. Geological Survey for  
3 the gage system.

4                   After payment of that contract, we only  
5 had one obligation to carry forward to the new year and that  
6 was for the UK watershed management services. They had not  
7 billed us for about the last six months of the year when the  
8 period closed. So, we have an obligation to carry it to the  
9 new year there.

10                   Page 3 summarizes our activity on the  
11 Tier II receipts which we use for the maintenance of the dams  
12 and to pay our debt service. There again, we did exceed the  
13 budgeted revenues slightly and we were below level on the  
14 budgeted investment income but it wasn't a large amount to  
15 begin with. So, it really didn't have much impact on us.

16                   The payment during June for debt  
17 service was a little higher than normal at \$330,000. That's  
18 about what our quarterly payments are going to be from here  
19 on out on the financing that we did in 2008 for Dam 9.

20                   Up to this point, we had only been  
21 paying interest on that obligation and now we're starting to  
22 make principal payments down on it, making those quarterly a  
23 year ahead of when the principal is actually paid off on the  
24 bond issue.

1                   So, we ended the year with a million  
2 and a quarter in cash funds to carry forward to the new year  
3 to be used for either capital project funding directly or to  
4 offset additional fee increases if you decide to debt finance  
5 some additional capital projects. So, we do have some funds  
6 to work with in this next capital budget.

7                   The fourth page on our lock operations  
8 which is funded primarily from our General Fund  
9 appropriation, we spent everything but \$2,900 that we had to  
10 lapse back to the General Fund, and we didn't intend to do  
11 that.

12                   What happened is we had a workers'  
13 compensation claim by one of our employees that had drug out  
14 for the last few months in the period. And the way workers'  
15 comp insurance works, we're a self-funded workers' comp  
16 program where we pay a premium that will make a payment to  
17 our employees should they be off because of a workers' comp  
18 claim. But if the employee has sick leave, he can also draw  
19 his regular salary during that period. And if he chooses to  
20 do that, then, we get the workers' comp payment back as a  
21 credit to our funds.

22                   So, that came in the last day of the  
23 year and I really didn't have time to do much with it, and  
24 that's the reason we had to lapse a small amount of funds.

1 We actually had obligations against that program that would  
2 have used that plus some more funds, and we're going to have  
3 to absorb that for the next year.

4 Capital projects. I forgot to mention  
5 on the Tier I funding, we had an unusual transfer. We  
6 received \$60,000 transferred from the project that we  
7 initiated to do the structural study on the dams that went on  
8 for about a year and a half, and we finally got the contract  
9 closed out on it through Finance.

10 So, we transferred the remaining cash  
11 back to the Tier I funds in the amount of \$60,000. That was  
12 transferred back there because that was the original funding  
13 source when we started that project. So, that one is closed  
14 and you won't see it anymore.

15 The project on page 5, if you'll back  
16 up a minute, the one that is sort of a joint project between  
17 what we're doing to reconstruct Dam 9 and the initial  
18 engineering on design work on Dam 10, they're commingled in  
19 that project.

20 We have all of our encumbrances  
21 covered, and at the end of the year still had \$1.2 million  
22 excess funding in that project with contingencies. And I'll  
23 go over how that turned out up through the current period,  
24 but at least we ended the year well to the black in that

1 project funding.

2                   The only other project that is still  
3 open is the one on Dam 3 found on page 7. And during June,  
4 we did get the contract awarded for construction. You'll see  
5 an increase in our encumbrances there of \$13.7 million which  
6 is the current amount of the construction contract.

7                   Because of that commitment, you will  
8 see that our unfunded balance in the account is in the red,  
9 and that's because we haven't received yet the proceeds of  
10 the bond financing that the General Fund is supporting to  
11 fund that project.

12                   The funding is a joint funding with  
13 some other projects and they distribute the monies  
14 periodically. On what schedule I don't know at this time,  
15 but we'll get it some day, and I'm not really worried that  
16 we're in the red right there.

17                   There was a small amount of activity in  
18 the funds held by our bond trustee, just showing the debt  
19 service payment being received and some minor investment  
20 income. So, you know what the trustee is holding for the  
21 bond issue.

22                   And contractual commitments at year  
23 end, as I mentioned earlier, we only had the one outstanding  
24 commitment to UK.

1                   July, there wasn't really much to  
2 mention, just some minor payments on engineering services on  
3 the two construction projects. Well, let me back up a  
4 minute.

5                   We did have one construction payment.  
6 We in June started activity up again at Dam 9 for the  
7 remaining work to complete that and there was a draw in July  
8 by the Mahan Company of \$218,000 on that project. So,  
9 they're well underway and I think David will cover later when  
10 we expect to complete activity on that.

11                   August becomes important because we're  
12 trying to budget for the current year. Going back to our  
13 general operations shown on page 2, the amount of investment  
14 income that we budgeted there is slightly less than last  
15 year.

16                   We budgeted based on a five-year  
17 average of the water usage in the past. So, we've tried to  
18 be conservative on that, although we may have to tighten up a  
19 bit more, given information on this last billing cycle.

20                   We are down on fee billings for the  
21 quarter ending in June from what they were last year by about  
22 \$20,000, which is not a big percentage but it's about 4 to 5%  
23 down from the prior year.

24                   As we've talked in the past, a lot of

1 that is a function of the wet weather we've had this year, as  
2 well as the economic conditions, a few business closings and  
3 layoffs, shift cutbacks and those types of activities that  
4 have cut down on industrial and commercial usage.

5                   We had one other little kicker that  
6 came in. The Kentucky Utilities' plant at Tyrone over in  
7 Anderson County has kind of been put on a mothball status.  
8 They brought some new plants online at other places that  
9 causes them not to want to use this antiquated plant unless  
10 it's an emergency, and we're probably going to lose about  
11 \$15,000 a year off of Tier I revenue because of that and  
12 about another \$20,000 on Tier II revenue.

13                   Unless they change their mind and  
14 decide to put that plant back on line again, that's going to  
15 be an impact that we'll probably have from here on out.

16                   I haven't changed the budget estimate  
17 on revenues up to this point, but I was going to wait until  
18 we get our final numbers in for the September quarter and  
19 then we'll reassess that. And I would expect right now,  
20 though, that we are going to have to cut back on what we  
21 projected, but we'll get with you at the next meeting on  
22 that.

23                   The expenditures that we budgeted are  
24 kind of a back-door derivative of the Appropriation Act.

1 You'll recall that on restricted funds, we really receive all  
2 our monies in one lump sum and they're not categorized like  
3 General Fund dollars are. They're commingled with all of our  
4 debt service monies and operation monies of a normal nature.

5                   And we were awarded a large amount for  
6 debt service last period which we didn't really incur. We've  
7 only issued less than half of the bonds that we were going to  
8 support with fees up to this point. So, we've used less than  
9 half the debt service appropriated.

10                   I tried to come up with an operating  
11 expense that is approximate to what we requested last budget  
12 and will cover the obligations that I know we've committed to  
13 at this point. There's not a lot of flexibility there, but  
14 we should be well-covered, I think.

15                   We had one large payment that period  
16 that was the final payment of the UK contract we talked about  
17 earlier. It was slightly less than the commitment we had  
18 carried forward of about \$3,000. So, we did close out that  
19 contract in August.

20                   On the next page for the Tier II  
21 revenues, again, we're probably going to be looking at a  
22 cutback from that budget level. The collections are good and  
23 our outstanding receivables are low. So, that's a positive  
24 on the current situation.

1                   We do have a new number there for the  
2 debt service budget this year. It's a little higher this  
3 year than what some of the out years are, but that's going to  
4 an approximation of what it's going to be from here on out  
5 the next nineteen years. So, we'll hold on to that one.

6                   For the lock operations, the budgeted  
7 numbers here reflect recent cuts that we've been asked to  
8 make. We've gone back not only to the appropriation that we  
9 received last year after cuts, but we got cut again. So,  
10 we're down to General Funds now of about \$275,000.

11                   We've lost in the last three years  
12 about \$90,000 of what we used to get from General Fund.  
13 That's significant even in a small program like this and  
14 maybe more significant for small programs because there's not  
15 the kind of flexibility the big ones have.

16                   We're going to get by this year. As  
17 you recall, we've had some agency funds that were derived  
18 from insurance claims and some other activities that we had  
19 several years back. We've got \$29,000 there that will help  
20 supplement this budget. So, we're going to get by this year.

21                   If we go into the next budget cycle at  
22 these levels, either you're going to have to figure out a way  
23 to supplement this program with fee income or curtail its  
24 activities. I don't know what else we're going to do. We've

1 about cut all we can cut at this point in time.

2                   The capital projects, Dam 9, we're  
3 still moving along. During August, we paid \$348,000 on  
4 construction invoices and some more on engineering. We only  
5 have a remainder on those two contracts of \$2.1 million and  
6 expect to expend all that by calendar year end.

7                   We had some change orders during the  
8 period resulting from some things we talked about in the  
9 past. We increased the Mahan contract during this period by  
10 \$218,000 and increased Stantec's engineering contract to  
11 oversee the project by nearly \$95,000.

12                   After those two adjustments, we still  
13 have a contingency in the project of \$900,000. So, we are  
14 going to have some leftover monies when we finish this, just  
15 not as much as we had talked about in the past. So, we can  
16 apply those when we talk about capital projects later.

17                   And the last project for Dam 3, we're  
18 going to have a big construction draw probably towards the  
19 end of this month. I know we've got an invoice for about  
20 \$2.5 million. So, we're going to see some pretty big  
21 expenditures there. Again, this isn't our money, though.  
22 So, that's fine.

23                   There wasn't any activity with the bond  
24 trustee during all this. You see all the contracts that

1 we're obligated to on the last page. There was one new  
2 addition. We contracted with the Auditor of Public Accounts  
3 for the audit of the last fiscal year for \$13,000. So,  
4 that's a new contract add.

5 That's all I have. If anyone has any  
6 questions, I'll try to answer them.

7 DR. HANEY: I don't have any questions  
8 but a comment. And what I want to comment on may not be  
9 appropriate, but I can be told if it isn't.

10 Steve, while this kind of financial  
11 report is probably vital for your organization, I can't  
12 follow it. I think for a group like this, we just need a  
13 summary, not an audit. I don't know if others feel the same  
14 way or not.

15 MS. SIPPLE: If you put that in the  
16 form of a motion, I'll second it.

17 MR. MORSE: You approved this format  
18 back when Bill Welty was our Treasurer at his request; and I  
19 asked several times if anyone wants a format change, I'd be  
20 glad to do it.

21 DR. HANEY: I think Welty recommended  
22 that this format be changed several years ago.

23 MR. MORSE: He changed it to this  
24 format.

1 DR. HANEY: Does anyone else have any  
2 comments? I move that we get a simpler and more of an  
3 abstracted report. And, again, I'll admit, I'm sure this is  
4 necessary for the auditors and all that, but I just don't  
5 feel like I'm getting anything out of it.

6 MR. REEDER: You're suggesting  
7 something in the nature of an executive summary, a narrative  
8 type thing?

9 DR. HANEY: Yes, a narrative. And I  
10 will make that motion.

11 MR. MORSE: You want a written summary  
12 report---

13 CHAIRMAN CHRISTOPHER: Let's clarify  
14 what we want.

15 DR. HANEY: I'm not sure I know what I  
16 want. I want something I can read. I operated a \$50 million  
17 organization and I never had a financial report this complex.

18 CHAIRMAN CHRISTOPHER: Well, Don, why  
19 don't you develop something. Maybe at the end of September,  
20 how about just sending us an email version of it out and  
21 let's look at it and see if we find something that we like  
22 there and if we want to make some suggestions because I don't  
23 think we will be meeting within the next thirty days and  
24 we'll try it and then we can send suggestions back and modify

1 it more if we need to until we get something that we're happy  
2 with.

3 MR. MORSE: If you could give me a  
4 little more guidance on what you want, I'll be glad to do  
5 that.

6 DR. HANEY: I think if we put it in the  
7 form of a motion, you'll be glad to try to do it anyhow,  
8 won't you?

9 MR. MORSE: For you, Dr. Haney,  
10 anything.

11 DR. HANEY: Did we get a second?

12 MS. SIPPLE: I seconded it.

13 CHAIRMAN CHRISTOPHER: We've got a  
14 second. Any discussions, thoughts? How about the rest of  
15 us, anything else you want to add here, guys, gals?

16 MR. DAY: Well, yes. I'll speak to  
17 that. I've read a lot over the past seventy-six years, and  
18 normally I can read and understand most things that are  
19 presented to me. But I'm kind of like Dr. Haney, and I'm not  
20 saying that just because I'm a geology major as is he,  
21 although it is a little bit rocky.

22 CHAIRMAN CHRISTOPHER: And with some  
23 cracks in it, too.

24 MR. DAY: I think it would be good.

1 And, honestly, and I'm not criticizing anything---

2 DR. HANEY: I'm not being critical. I  
3 just want to understand what's going on.

4 MR. DAY: It's pretty tough to start  
5 off and you flip three pages, and I don't even find the line  
6 that we're talking about, and that's not your fault either.  
7 Perhaps you could start with whatever your beginning balance  
8 is and what monies you take in, put an asterisk or two or  
9 three or four asterisks out there, Tier I, Tier II and what  
10 your expenses are and what you've got at the end.

11 CHAIRMAN CHRISTOPHER: One thing I do  
12 like with this, and I'll inject something here, is the fact  
13 that it does give us our percentage of what our expenditure  
14 has been up to that point.

15 So, in my opinion, that last little  
16 area over here, I don't mind that over here because, as I go  
17 through the months, I can calculate in my mind how close are  
18 we to expending our budgeted allocation in that particular  
19 area. So, I think that's a good thing.

20 Maybe it could be more of a summary and  
21 just highlighting the major expenditures, but we can still  
22 keep this little percentage column over here to show where  
23 we're at in each one of our areas for the year.

24 MR. REEDER: I think for our own

1 internal use, irrespective of what we may come up with, a  
2 summary or whatever you want, we need to keep this form right  
3 here for our own internal controls.

4 CHAIRMAN CHRISTOPHER: I don't disagree  
5 with that, and then we could receive just an executive  
6 summary for each one of those.

7 DR. HANEY: I think this is very  
8 complete, and I'm sure the auditors haven't had any problem  
9 with it, and that's not what I'm talking about.

10 MR. GRAVES: You're kind of like me.  
11 You just want to know how much money we've got left, how much  
12 we've spent, and keep it simple. I agree.

13 CHAIRMAN CHRISTOPHER: Anything else?  
14 We have a motion and a second. All in favor. Opposed?  
15 Motion carries. All right, Brother Don, if you can work on  
16 something.

17 MR. MORSE: Okay.

18 CHAIRMAN CHRISTOPHER: We need to  
19 approve these financial reports.

20 MR. WARE: I make a motion to approve  
21 these.

22 MR. DAY: Second.

23 CHAIRMAN CHRISTOPHER: All in favor,  
24 signify by saying aye. Opposed, likewise. The financial

1 reports carry.

2 I think, Steve, you asked us to maybe  
3 rearrange here just a little bit our agenda. At this time,  
4 if we could, let's go down to No. 5 on our agenda and discuss  
5 our lease. I know we've had this discussion a lot.

6 MS. DEMPSEY: On down.

7 CHAIRMAN CHRISTOPHER: You want to go  
8 down to 6 right now?

9 MR. REEDER: Either one. We want to do  
10 the lock discussion before the capital plan.

11 CHAIRMAN CHRISTOPHER: David, let's  
12 just go ahead and we'll get started right there with the Lock  
13 7 Hydro Partners' lease.

14 MR. REEDER: We've already approved a  
15 lease with Lock 7 Hydro Partners which everybody signed. The  
16 Federal Power Commission or Federal Energy Regulatory  
17 Commission did not like that. So, at a more recent meeting,  
18 I wrote an addendum to that in conjunction with Mr. David  
19 Brown Kinloch, the managing partner of Lock 7 Hydro Partners.

20 We had a situation here with two happy  
21 parties but the federal government didn't like it. So, I  
22 basically rewrote it.

23 My biggest problem with the whole thing  
24 was that they insisted on being able to unilaterally direct

1 the lessee, which is Lock 7 Hydro Partners, to work on or do  
2 any improvements to or whatever they wanted to do to the  
3 leased property without our permission. And I thought, well,  
4 we own it. We can't jeopardize the water supply. They may  
5 come up with some plan that might do that. We've got a  
6 responsibility to the City of Harrodsburg.

7 I added language of my own into it,  
8 which Mr. Kinloch had no problem with, and we thought it was  
9 a done deal. So, the way we did that was that--and we  
10 deleted a couple of things that was objectionable to them  
11 that really didn't have any relevance as I saw it.

12 The way we wanted to do that rather  
13 than have to circulate this thing back through the Finance  
14 Department and back through the Governor's Office for the  
15 Governor's signature -- it's hard to get those signatures on  
16 there anyway -- we decided to take our product that we  
17 approved here, the addendum, and send it to Mr. Kinloch and  
18 let him take it to the Federal Power Commission, which he  
19 did. And they said, well, it's not that bad but it still  
20 lacks some things. And they wrote a convoluted letter back  
21 that I don't think he understood either. I didn't.

22 But, anyway, we made some inquiries to  
23 what their bottom line was, and they want the addition of  
24 what's called a linweave clause which lets them do what we're

1 talking about with respect to the leased property.

2 Well, in the first place, I don't have  
3 a lot of problem with that because the leased property is  
4 only that part of the dam that is associated with the power  
5 plant. It hasn't got anything to do with the rest of it.

6 It's still something I don't totally  
7 embrace, and the other language that I put in it is pretty  
8 much, if you read it, inconsistent with what they wanted.

9 But through discussions with Mr. David  
10 Brown Kinloch, we've both sort of concluded and I think he's  
11 agreed that we'll put it in there and we'll leave all my  
12 other language in there which could be read another way, I  
13 guess. We would try that and see if the Federal Power  
14 Commission would accept that. If they do, then, we'll start  
15 it through the middle.

16 Now, all of these things have been run  
17 through the, even though they haven't been run through the  
18 Secretary of Finance's office or the Governor's Office except  
19 for the initial lease -- the initial lease has -- the  
20 addendums have been approved by the Legal Department in the  
21 Finance Department. So, that's not a problem. That's  
22 usually where it gets hung up if it's going to get slowed  
23 down someplace in the process.

24 So, it's a matter of, I guess,

1 exchanging a number of these things until the Federal Power  
2 Commission decides that they can live with one of them.

3                   Mr. Chairman, I would like for Mr.  
4 David Brown Kinloch to make his comments.

5                   MR. BROWN KINLOCH: The situation --  
6 and I think I brought it to the Board probably three and a  
7 half years ago that the Federal Energy Regulatory Commission  
8 wants this lineweave clause and we thought we had written the  
9 lease in such a way that it was all implied and everything  
10 would be taken care of.

11                   Well, they came back with, as Mr.  
12 Reeder says, a very convoluted letter where they had  
13 objections to this and that. And one of the things is we had  
14 taken some language directly out of a lease that we have used  
15 in Ohio on the Muskegon River and they had some objections to  
16 that.

17                   And I called them up and I said, well,  
18 wait a minute. You all have approved this twice in Ohio.  
19 Now, how come you don't want it here in Kentucky? They said,  
20 oh, we approved that in Ohio? Oh, I guess it's okay then.

21                   So, I said to them, well, what is the  
22 bottom line here? What change has to be made to this  
23 addendum that the Kentucky River Authority has worked out?  
24 And they said, if you just add this one line, the lineweave

1 clause, that everything would be okay with them and they  
2 would approve it.

3                   So, Mr. Reeder has added that as an  
4 Item (g) on page 3 of the addendum. And from what I'm told  
5 by the folks up at FERC, if we just add that one sentence,  
6 they will approve everything and it will done and put to bed.

7                   I will mention that our attorney and  
8 our Board of Directors has approved us signing the addendum  
9 with that additional line. So, if the Commonwealth is happy  
10 with it, we're happy with it.

11                   CHAIRMAN CHRISTOPHER: Steve, explain  
12 to me this linweave clause again. What does it say?

13                   MR. REEDER: This linweave clause  
14 basically says that, like David said, it's sort of a one-  
15 liner or one sentence. It basically says that they may  
16 direct the lessee, which is Hydro Partners, to make an  
17 alternation in the structure or repair or whatever without  
18 consulting us.

19                   CHAIRMAN CHRISTOPHER: What structure?

20                   MR. REEDER: The leased premises. The  
21 leased premises, as I read it, is that portion of the dam as  
22 it relates to the power plant.

23                   MR. BROWN KINLOCH: It's pretty vague.  
24 It's stated two or three ways in the lease. What they

1 basically are concerned about are what are called us having  
2 the rights to make sure the water is retained at the dam.

3 MR. REEDER: We want that, too.

4 MR. BROWN KINLOCH: And one of the  
5 things we did is we put the Ohio language in and that's what  
6 most of the addendum is. And what that is is saying that if  
7 FERC would ask us to do anything that would affect the  
8 structures out there, that we would first bring that to KRA  
9 and talk to KRA about it, see what you all thought about it.

10 In other words, they could bring up  
11 something that you all hadn't even noticed that is a problem  
12 and something that might need to be addressed. But if the  
13 Kentucky River Authority and our company are convinced that  
14 what FERC has requested is unreasonable or something, then,  
15 we would together respond -- that's what the language says --  
16 to FERC and ask them to reevaluate it.

17 And what they said was that they didn't  
18 like the fact that we weren't going to act directly. And I  
19 said, well, this is what you approved in Ohio. And, so,  
20 they're okay with that.

21 And as I was telling Mr. Reeder, if  
22 they came in and said that we were going to make major  
23 changes to your dam, our little company is not going to be  
24 able to make major changes to your dam. We'd have to just

1 surrender the license. I mean, that's the reality of it.

2 A lot of this came about because of a  
3 case that dealt with Niagara Mohawk Power Company on a major  
4 dam. And, so, then they've taken that and applied it to  
5 every other case and it's just not relevant, but that's what  
6 they want in every lease.

7 MR. REEDER: We've come a long way,  
8 David. First, they wanted to control the whole pool.

9 MR. WARE: I think as long, David, as  
10 you all are operating under the interpretation that you all  
11 will be implementing Subpart (f) as well as (g), which  
12 somebody could interpret as being potentially conflicting,  
13 but as long as you all are going to be seeking River  
14 Authority approval before you do anything that might impact  
15 the structural integrity of that dam, I think we're okay with  
16 that.

17 MR. BROWN KINLOCH: And, of course,  
18 that's the way the original lease is written all the way  
19 through is that everything that is done is done in  
20 consultation with the Kentucky River Authority because you're  
21 the owner of the dam, not FERC.

22 That's the way the whole lease is  
23 written and that's the way this addendum is written, and it's  
24 just adding this one line that they want on every single

1 lease that they approve in Washington.

2 MR. REEDER: As long as my original  
3 language is added, I can live with it.

4 MR. WARE: If the Governor's Office and  
5 his attorney will okay it, I think we could probably live  
6 with it, Steve.

7 MR. BROWN KINLOCH: And my  
8 interpretation from them is with them saying that they  
9 approve it, I mean, this probably could be signed now and  
10 sent through the whole signing process and submit it  
11 Washington and it's all done with, but that's up to the Board  
12 whether you all want to approve this addition.

13 MR. WARE: FERC didn't instruct you,  
14 though, to delete the language---

15 MR. BROWN KINLOCH: FERC didn't  
16 instruct us to delete anything. It was just add the linweave  
17 clause. The letter said something like, and if you can't get  
18 this approved, we'll give you imminent domain rights and all  
19 this stuff. It's just crazy.

20 MR. WARE: Or we could be co-  
21 permittees.

22 MR. BROWN KINLOCH: That's right. That  
23 was the other thing. You would be co-permittees, and I'm  
24 sure you want to have to deal with every little thing that

1 goes on at our power plant. That's pretty unrealistic.

2 MR. REEDER: Well, we may not have seen  
3 the last of it because they may turn it down again, but we'll  
4 send it on if the Board approves it.

5 MR. BROWN KINLOCH: I think this will  
6 take care of it finally.

7 CHAIRMAN CHRISTOPHER: Anyone else have  
8 any questions on that? I'll accept a motion to approve.

9 MR. MILLER: So moved.

10 MR. CAINES: I'll second it.

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

13 Let's go to Item 6 on our agenda,  
14 discussion of our lock operations.

15 MR. REEDER: I want to try to cover  
16 this as briefly as I can. Most of you have heard parts of  
17 what I'm going to say a lot of times anyway, and we've been  
18 over it as a group since I've been here probably, I don't  
19 know, more times than I can count.

20 This is probably the only issue that we  
21 have ever had as a group, for those of you who have been on  
22 the Board long enough will remember, where we probably had  
23 any significant differences of opinion among ourselves.  
24 That's going back a long way when we started to renovate Dam

1 No. 10 which is still a federal project.

2                   That was an issue that divided a couple  
3 of members from the rest of them and it's probably not any  
4 different today. It's a controversial subject because most  
5 of the public doesn't know the difference between a lock and  
6 a dam or that the lock is a separate part of the dam.

7                   So, to give you a little bit of  
8 background on it, the lock system was completed in 1917 for  
9 the purpose of commercial navigation. The Corps of Engineers  
10 followed the state in building these locks and keeping them  
11 up and kept them up until the eighties until they made their  
12 determination there wasn't any need for them anymore to  
13 fulfil their mission, which was commercial navigation.

14                   So, they left with the exception of  
15 Locks 1 through 4 because there was still commercial activity  
16 here. And in about 2000, 2001, the last commercial activity  
17 left here. So, they turned them over to us on a lease.

18                   Now, we own everything, of course, lock  
19 and dam from 5 through 14, but we do not own locks 1 through  
20 4. The federal government still owns them. And according to  
21 the last communication we have had, we may not get them for a  
22 while.

23                   They basically have said that they  
24 won't transfer them to us administratively like they did the

1 others, that they want an act of Congress to do it. And I  
2 didn't understand that and wrote them back and told them that  
3 we didn't have any act of Congress to transfer the others.  
4 We went through just a regular government disposal process,  
5 and they haven't responded to that.

6                   So, I don't think they're in very much  
7 of a hurry. For what reason, I do not know, but we, in fact,  
8 don't own the lock or the dam at Locks 1 through 4 at all.  
9 We lease them from the Corps. So, it's a lease with no  
10 monetary consideration involved.

11                   Our policy, basically an unwritten  
12 policy, has been, us being KRA, as long as they will run and  
13 when they get to a point they won't run, close them or just  
14 don't open them. If they get to a point that it's felt by  
15 the engineering personnel that they're dangerous, they're  
16 dangerous sitting there by themselves, they could collapse  
17 and cause a loss of water supply, the remedy has been to put  
18 a concrete barricade in front of it.

19                   But we're always quick to point out  
20 that with respect to all that, as long as that chamber is  
21 there, the barrier can be opened back up and the thing can be  
22 rebuilt. We had some recommendations along the way that said  
23 fill them up with rock or concrete and get rid of them, and  
24 we have never done that.

1                   The only death sentence I guess we ever  
2 put on a lock, if you want to call it that, would be at the  
3 current project at No. 9 when we put a cylinder in front of  
4 it. That cylinder can still be moved, and, of course, that  
5 question was asked, but that would be the most expensive one  
6 to go back over and redo everything with.

7                   But 1 through 4 has got sort of a  
8 checkered history with us in that there's a lot of local  
9 interest and a lot of local people and it's of interest to  
10 the tourism people and that sort of thing who want to keep it  
11 open, would like to keep all four locks open.

12                  David is going to come behind me and  
13 talk about the conditions of these things. They have been  
14 looked at several times. In 2007, we were given the  
15 opportunity to, the Board--in fact, Mayor Miller, on your  
16 motion, we had a motion on the floor to put concrete  
17 barricades in them because of the condition of them, of 1  
18 and 2.

19                  And I did not do that because, in the  
20 first place, I didn't have any overwhelming evidence in front  
21 of me that they were going to cause a problem; and if they  
22 did, there's no water user up there anyway. So, I didn't do  
23 that -- wait and see how things worked out.

24                  Locks 3 and 4 were the subject of a

1 pool of projects passed by the 2006 General Assembly along  
2 with the reconstruction of Dam No. 9 and Dam No. 3.

3                   We had some General Funds available in  
4 that appropriation to cover part of all these things in that  
5 pool, and basically it equated to the cost of one dam.

6                   And what happened there, we had a  
7 gubernatorial veto and we had to build that No. 9 because we  
8 felt it was critical to the Lexington water supply. And, so,  
9 we had to raise rates and use some bonding authority we had  
10 or that was given to us in 2006 to rebuild that dam which is  
11 almost finished now.

12                   That would have been the end of the  
13 General Fund issue but for the 2008 General Assembly which  
14 put it back in at the Governor's request, just put it in as  
15 an amount. So, we used that amount, that \$17.5 million  
16 restored General Fund obligation authority, at Dam No. 3 to  
17 start that project. Of course, that results in no fee  
18 increase, and we just switched dams is what we did.

19                   In the pool, we kept the renovations of  
20 Lock 3 and 4 in there because at that time, we thought we  
21 would probably own them by that time, for one thing, and,  
22 secondly, we thought that we did not have a river-wide study  
23 that had anything in it that we could definitely point to as  
24 creating particular problems with particular ratings on them.

1                   In 2008, last year, we received the  
2 Stantec report which is an engineering report that takes  
3 everything on the river, dams and components of dams and  
4 rates them according to their likelihood of failure.

5                   We did not rank No. 10 which is still  
6 the subject of a federal project, which you all know the  
7 story of it. It hasn't moved for a long time but it's still  
8 active on paper.

9                   Dam No. 9 which we're replacing, Dam  
10 No. 3, we didn't analyze those, but we analyzed the other  
11 nine and components thereof. We've talked about that book.  
12 The Board has adopted that study book, and David is going to  
13 tell you how some of these things rate as we go along.

14                   Bottom line on 1 through 4 is that  
15 they're in bad shape. We've had a problem with 4 all year  
16 that hasn't related necessarily to the condition of it. It's  
17 more directly related to that ice storm. We've had a hard  
18 time cleaning that mess up. It jams the valves and we've run  
19 it one weekend this year. We were not able to run it Labor  
20 Day weekend because it failed on us before we could get  
21 started.

22                   And there is a great risk with that  
23 thing with that wood still in it, and we were talking to Dave  
24 about whether we could continue on with it. We've already

1 had contractors working on it. It's almost impossible to  
2 work on that stuff from the land. You can see why people  
3 work on it from the water. They were designed to be worked  
4 on from the water, not the land.

5                   So, it's a problem immediate just  
6 because of that, but that doesn't have anything particularly  
7 to do with the condition of it. The condition of it, it's  
8 got bad anchorages. It's got worn-out miter wood around it,  
9 much like a door jam over a door. It's got all that stuff  
10 wore out on it and it needs a general overhaul.

11                   David is going to run down them all,  
12 but they've all got a similar condition. We've been told  
13 basically on No. 1 not to use it unless you absolutely have  
14 to. It failed and we worked on it this year. We got some  
15 free work done on it by a contractor who wanted to haul some  
16 bridge beams through it, and he signed releases and he bonded  
17 his work and he did, in fact, get it working.

18                   Number 2 is probably the better one of  
19 the bunch, but nobody uses 2 unless 1 is actually in use and  
20 nobody uses 2 unless 3 is working. So, it's kind of a chain  
21 reaction.

22                   Number 3 is at Monterey and right now  
23 you can't use it anyway, no matter whether it was good or  
24 bad, because it's in the construction zone for that new dam

1 and they've got their equipment in there and they've asked us  
2 not to come into that area.

3                                 Three has some more significant  
4 problems than 2 and 4. Three has got some very weak  
5 anchorages in it that hold the gates apart, and we were  
6 specifically told not to have more than fifteen or twenty  
7 lockages a year in that one. So, we reserved those several  
8 years ago just for weekend activities where people might be  
9 going all the way through.

10                                Number 4 is generally wore out but it  
11 does work.

12                                So, you're at a point right now and the  
13 reason I wanted to talk about this is because we're making  
14 our capital plan that we've got to turn in. Of course, under  
15 state law, you've got to turn your capital plan in, which is  
16 a six-year plan, every biennium, and it's got six years'  
17 worth of work in it.

18                                And if it's the desire of anybody to  
19 run these things, we need to do something with them or not  
20 put it in there because they're not really in any condition  
21 to run. Even 4 over here which is used locally is not  
22 something you want to keep on running indefinitely unless  
23 you've got some immediate plan to fix it or you don't want it  
24 under anything except strict supervision.

1                   So, that's why we're talking about the  
2 things and what we're going to do. I want to give you a  
3 piece of history here. Some of you know it, some of you  
4 don't.

5                   General Fund money is generally  
6 used -- you heard Don talking about it -- is used for lock  
7 operations, that is, the employees in the field, their  
8 tractors, lawn mowers, trucks that kind of thing; and it's  
9 been cut, as Don told you, to the bone with all these normal  
10 cuts. It's been cut across the board like all these other  
11 programs have, and really we needed those guys. Whether they  
12 lock a boat or whether they don't lock any boats, they've got  
13 to be here because they've got an awful lot of work that  
14 they've got to do, safety work and that kind of thing. We're  
15 getting behind on it. Our buoy boat broke down and we've got  
16 to have those buoys in place for liability reasons, whatever.  
17       So, that's an old story.

18                   The way we got those guys and the way  
19 we got that lock program was that before the KRA had a  
20 budget, before the fee system, the Natural Resources Cabinet  
21 had control of the lock functions, and KRA was more of a  
22 shell organization that just met I think in the Natural  
23 Resources' Secretary's Office for planning reasons or general  
24 discussion and so forth. And, so, they ran the locks.

1 Natural Resources ran the locks and they had an  
2 appropriation.

3                   So, when KRA got in it in about 1998, I  
4 think, or '97, something like that, they transferred  
5 equipment, the personnel and the budget over to the Kentucky  
6 River Authority. It just made a lot of sense at the time  
7 because we had control of the structures. So, they were  
8 brought over there. So, that's how we got it to begin with.

9                   Now, one of the first questions I was  
10 asked and Don told me, he said you're going to be asked to go  
11 over to the State Budget Office and they'll require you to  
12 pay for this out of your own money, said, you know, when we  
13 gave you this program, you didn't have a budget. You didn't  
14 have any ability to raise money. Now you do.

15                   So, that was the first battle and we  
16 were getting about \$400,000 then and we always managed to  
17 talk them out of it and they left it alone.

18                   So, I always said we were living on  
19 borrowed time with that anyway without taking it into the  
20 Tier I fee system, which I think supplementary we're going to  
21 have to do that because, if we do operate them with the  
22 cutbacks we've got, we don't have enough personnel, we're  
23 going to have to get some personnel if we're going to attempt  
24 to run these four.

1                   The four seem to be grouped together in  
2 everybody's mind because I guess they're the last ones. And,  
3 so, everybody talks about 1 through 4, and they were passed  
4 to us at the same time and there seems to be more interest in  
5 those.

6                   But we're going to probably have to use  
7 some Tier I money because we certainly don't have the \$40,000  
8 or \$50,000 a year to dredge that thing and then hire a couple  
9 of more guys even if they're part-time and try to train them  
10 and try to recruit them. You can't find anybody that wants  
11 to work on a weekend. We tried that before.

12                   So, it's sort of a problematic thing  
13 within itself, but that's how we got it. That's where that  
14 General Fund appropriation came from. That's the source of  
15 it, and there's been attempts, like I said, to take it back.

16                   So, we're at a point in my mind where  
17 this is the appropriate time to talk about the capital plan.  
18 Now, the capital plan, even though it addresses six years,  
19 does not mean it's stuck in concrete for six years. It means  
20 it's stuck in concrete for two years. And then in the last  
21 four years, you can change those things. You can go back and  
22 alter them and switch things around. We would be in trouble  
23 if we stuck with some of this stuff we plan and don't get  
24 anywhere with sometimes or start on the wrong one and wish we

1 had something else.

2                                 So, we're really talking about a two-  
3 year plan but we've got to turn in a four. The budget and  
4 the capital plan are turned in at the same time. The legal  
5 mandate for our six-year plan is, in fact, the capital plan  
6 and that's in a separate law that was enacted in 2000.

7                                 Now, as far as a legal obligation to  
8 run them, no, we don't have a legal obligation to run them.  
9 We are empowered to run them like we're empowered to do about  
10 thirty or forty things in that statute. We are legally  
11 required to provide water supply to existing utilities.  
12 We've got to do that. We've got to maintain those pools.

13                                 And at Dam No. 3, even though we don't  
14 own the current Dam No. 3, we have to put that up there  
15 because, the shape it's in, it was a savior to No. 4 by  
16 keeping the hydraulic pressure even on it, and incidentally  
17 but not because of, the Kentucky American Power Plant is  
18 being built right now in Pool No. 3 will be taking water out  
19 of it.

20                                 So, there's a couple of reasons there  
21 for that, but the main reason we had really -- we were going  
22 to do it anyway -- is because it was falling apart and it was  
23 going to fall in and we couldn't afford to lose that  
24 particular pool. So, these things that we're told by the

1 engineers or like Don told you, you better keep pressure on  
2 both ends of it.

3                   So, that was the story on that one as  
4 far as that was concerned. But we're at a point on these  
5 locks where we've got to either spend some money on them to  
6 fix them or not run them, and I think there's plenty of  
7 evidence to suggest that.

8                   The first option I offer is to do  
9 nothing. I'm going to offer three options to you. The first  
10 one is you just let it sit there and not do a thing.

11                   The third thing at the extreme end is  
12 that those bids and those averages of those bids and for the  
13 additional engineering work that would have to be done on 1  
14 and 2, which have already been done on 3 and 4, you're going  
15 to be talking close to \$30 million worth of construction  
16 work. And that will be debt because there is no money any  
17 place else if you're going to go that route to put  
18 essentially four brand new locks in there. That seems to be  
19 impractical.

20                   The best thing that staff came up with  
21 and I would have thought would have made a lot of sense was  
22 that when you look at these options presented to us from the  
23 consulting engineers, they said four options.

24                   They said the low-end option did not

1 call for the expensive item of dewatering of the locks when  
2 you fixed them. It called for removal of the gates on both  
3 ends, new timbers, new timbers all the way around it because  
4 that's what rots out. That's what causes your leakage.  
5 That's what causes the thing not to stay in place. You've  
6 got to do that.

7                                 Fix the gates, don't replace them, do  
8 welding where you need to and hang it back up, put new  
9 anchorages on it to hold it apart because that's a point that  
10 fails a whole lot on them and can either cause a catastrophic  
11 failure or a lot of leakage and it's very dangerous to a  
12 pool, too, if that came loose and you couldn't get that upper  
13 end closed.

14                                 So, this is a fix that is identified in  
15 the reports as being a little less money. Our engineer,  
16 David, dressed it up a little bit. He did a few more things  
17 out of the ordinary with it in his analysis of it which puts  
18 the cost on them at about a million and a quarter apiece for  
19 four of them which would be about \$5 million to do them, and  
20 we'd start at 1 and come on down and pull the gates off of  
21 them and just rehab them.

22                                 There is no guaranteed life in them  
23 like you would have for a total mechanical overhaul, and some  
24 would require more than others. Some might not be that much.

1 Some might be a little more. Mobilization costs would  
2 probably be fairly expensive, and, like I said, engineering  
3 work at 1 and 2 would need to be done in more detail.

4 That's another option. And the only  
5 place that I know of to get that money is another increase in  
6 fees. If we can't get any more than \$275,000 to run our  
7 operations and paint and cut the grass, set buoys and do  
8 minor work, and I don't see anybody giving us \$5 million or  
9 certainly not giving us \$30 million. It just doesn't seem to  
10 be there in the climate we live in.

11 But the middle alternative is one that  
12 we worked out that would seem to solve most of the problems  
13 that we could run into for these locks, and that's sort of  
14 where we've come to.

15 I can't reiterate too clearly to the  
16 Board this fact. We know and we can document quite a lot of  
17 bad things about these locks, a lot of wear items and things  
18 like that. If we did have a problem, we've got a legal  
19 problem. And while the Board of Claims probably by most  
20 legal interpretations is the forum for an injury claim or  
21 even, Warner, one of your customers losing their water or  
22 whatever, you've got a \$250,000 cap on those per incident  
23 thing.

24 That may be true, but there isn't

1 anything to keep us all from being sued individually for some  
2 of this stuff. You've got to remember that. This is not  
3 just a game you're playing here with this. It wouldn't be  
4 such a risk if they were new or if they were fixed, but  
5 they're not fixed and these first four were built and  
6 finished up in 1890 or something like that, and they've been  
7 patched on ever since. So, there's a legal problem doing  
8 that.

9 DR. HANEY: Are they cribbed? Are all  
10 those cribbed?

11 MR. REEDER: Yes, they are. The dams  
12 are cribbed, yes. The lock walls are masonry.

13 MR. WARE: The fees, Steve, would that  
14 be attached to the Tier I fees?

15 MR. REEDER: What's that?

16 MR. WARE: To obtain money for---

17 MR. REEDER: No. Tier II.

18 MR. WARE: Tier II fees. I'm sure the  
19 rest of the basin would love this.

20 MR. REEDER: Because Tier I, I think,  
21 is probably too narrowly defined. That's more of an  
22 operations type thing, a program thing.

23 MR. WARE: We don't have the authority  
24 to assess fees on the users of the locks?

1 MR. REEDER: No. We have no authority  
2 to tax anybody.

3 MR. WARE: If we could charge them what  
4 it costs to operate and maintain the system, five or ten  
5 thousand dollars a lock-thru, that would totally reduce  
6 demand, wouldn't it?

7 MR. REEDER: David will give you some  
8 cost figures and some number figures on it, but I wanted to  
9 throw those three ways of doing it out.

10 And I would point out this, too, and  
11 this would apply pretty much as an offset against the million  
12 and a quarter for each one of them is that if conditions got  
13 bad enough--you know, I've always resisted this until it was  
14 an absolute problem, but if conditions got bad enough and you  
15 have a gate sagging pretty bad or whatever, you're forced at  
16 that point to put a concrete cutoff wall in there to protect  
17 that water pool.

18 And, in our experience, that's probably  
19 a three- to five-hundred-thousand-dollar cost. The one in  
20 Frankfort probably would be a little bit more because I'd put  
21 a valve there to supply that other pool.

22 But at any rate, when you're thinking  
23 about it in your mind, when you're making your decision,  
24 you're thinking in your mind about a million and a quarter or

1 thereabouts, you can kind of deduct a half million off of  
2 that for what you might have to spend anyway because it's a  
3 totally appropriate expenditure to use Tier II money to put a  
4 barricade in these things, which is what we've done all over  
5 for the rest of them.

6                   We put barricades in them as was needed  
7 as a last resort at Lock 5, 6, 7, 8, 9. Ten doesn't have one  
8 -- it needs one and we've got that as a project out now or  
9 will soon be out -- to put one in 10 because of the  
10 Winchester and East Kentucky Power Company.

11                   The Corps did it on their own at 11,  
12 12, 13 and 14 before we ever assumed any lease on them  
13 because they thought they were all going to fall in from the  
14 sides. So, we followed their model on these others.

15                   But you have to think in terms of if  
16 you do nothing, you've got to think, well, you might have to  
17 put that much against them anyway because you might have to  
18 put that in there if the need arises.

19                   DR. HANEY: We would have had one at 10  
20 if we hadn't got the Corps' money, which they blew.

21                   MR. REEDER: Yes. The Corps should  
22 have done it. We had that in that Congressional ADD  
23 agreement.

24                   MR. WARE: Is David going to present us

1 with annual operation and maintenance costs, as well as the  
2 dredging costs associated with it?

3 MR. REEDER: Yes. I just wanted to hit  
4 the points. At this point, too, it's sort of disconcerting  
5 that we don't own them yet. And I can't address when we'll  
6 ever get them or if we'll ever get them.

7 David, would you go ahead and give  
8 these folks some detail about them. We ran some cost benefit  
9 analyses on them like the Corps does about two years ago, but  
10 we've got better figures to run them against now because  
11 we've got actual bid numbers, plus the fact that I asked him  
12 to run some benefit analysis based on our one-and-a-quarter-  
13 million-dollar fixes.

14 MR. HAMILTON: Before I get into the  
15 conditions of the locks, I'd like to go over a little bit of  
16 the other locks that have been used over the last decade  
17 basically or two decades. You really can't make a decision  
18 unless you understand how the locks are being currently used.

19 There's never been an economic study or  
20 analysis done on the locks as far as what is their economic  
21 impact to the region. There has been one done on the  
22 Muskegon River locks done by Ohio State University, a very  
23 similar system to ours.

24 In that study of the Muskegon locks,

1 they couldn't show economically that they paid for themselves  
2 based on the expenditures on the locks offsetting the  
3 economic uptake that would branch to the region.

4                   The only way they showed that it was  
5 viable up in the Muskegon system was they sent a survey out  
6 to the residents of Ohio and said, would you be willing to  
7 make a one-time donation to fix the Muskegon locks to put  
8 them back in a working condition.

9                   It wasn't a huge survey, a hundred or  
10 so people, and they had basically five or six categories --  
11 no, I don't want to make any donation; \$10, \$20, \$50, \$100,  
12 \$500 kind of thing.

13                   And they took the average of what the  
14 survey response numbers were and multiplied that by the  
15 population of Ohio and then compared that to the operating  
16 costs, and that was really the only way that they could  
17 economically show that there was enough, I guess, desire by  
18 the general population to just know that they're there. It  
19 wouldn't necessarily have direct economic impact.

20                   The other thing that we have for the  
21 Kentucky River locks is Charles Parrish, the historian for  
22 the Corps, back in '78, they did an analysis for locks 1  
23 through 4, and at that time, the Corps was spending about  
24 \$364 per recreational boat going through.

1                   And if you just use the standard  
2 inflation from '78 to 2009, that works out to a little over  
3 \$1,000 per recreational boat, and that's per lockage. So, if  
4 you're coming from the Ohio, you've got four coming up and  
5 four coming down. So, basically, you've got eight lockages  
6 to get one boat up here or essentially \$8,000. So, it would  
7 be hard just economically, I guess, to get your numbers to  
8 balance out.

9                   You should have in your packet three  
10 different handouts regarding the lockage numbers. The first  
11 one is the lockage numbers for Locks 5, 6, 7 and 10, and it  
12 covers the years of 1999, 2000 and 2001. And actually those  
13 locks have been closed since that time, but you can see the  
14 numbers there.

15                   Different boats means unique boats.  
16 Our lock masters reported boat registration license number,  
17 and, so, those are unique boats. It doesn't have a boat  
18 going through twenty times. It doesn't count it twenty  
19 times. It counts it once. There are a few there that didn't  
20 have registrations on them -- canoes and such. So, that's  
21 what different boats mean.

22                   Total number of lockages is the actual  
23 times that they locked boats. So, you could have multiple  
24 boats per lockage. And then total people is the total number

1 of people that passed through the lock, and that is counted  
2 both ways. So, typically, if you've got 1,600 people going  
3 through a lock, you're more than likely serving 800 people,  
4 800 people down and then 800 back making a round trip.  
5 Certainly there would be exceptions to that, but that would  
6 be the general trend. So, that gives you numbers for those  
7 locks back in '99 to 2001.

8                   The next one is the pleasure craft lock  
9 usage at Kentucky River Lock 3 from 1986 to 1992. And the  
10 reason why I put that in there was to try to capture  
11 basically the thru traffic, and also it captured the lock  
12 system during a time when it was operated on a more regular  
13 basis.

14                   Obviously, there's the argument that  
15 the lockage usage has been curtailed over the past decade  
16 because of the sliding schedule and rightfully so, a shorter  
17 season, had some closures. So, obviously, that has caused a  
18 drop-off. But from '86 to 1992, had a fairly steady  
19 operation, although in 1987, they closed down for three  
20 months for repairs. But during that time, the Corps operated  
21 that lock seven days a week and they had winter lockages as  
22 well.

23                   And in '86, you had 309 pleasure craft  
24 served. Eighty-seven, again, that was the repair year. So,

1 I didn't really count that one. Eighty-eight, 435 was your  
2 highest year. You can see the numbers there. The average  
3 for those years, excluding that year that they were shut down  
4 for a short time, gives you an average annual number of  
5 pleasure boats served is 371 going through Lock 3. And,  
6 again, that has been halved.

7                   So, really, you had 740 boats. So,  
8 you're assuming round trip. Seven hundred and forty-two  
9 boats actually would have been your average going both ways,  
10 but I halved it assuming round trip.

11                   Your last handout is a stapled package  
12 of four sheets and that gives you the totals for Locks 1, 2,  
13 3 and 4 for the year 2002 to 2006. And that also gives you a  
14 breakdown of where the boat registrations were from to kind  
15 of give you an idea of what type of outside traffic you were  
16 generating.

17                   Typically, most of your out-of-state  
18 boats were your Ohio and Indiana boats, and it also gives you  
19 your total number of boats that were locked through. And,  
20 again, those are unique boats. So, it doesn't count the same  
21 boat multiple times. So, that gives you an idea of the usage  
22 trends.

23                   Now we're getting a little bit into the  
24 conditions. And primarily these photos are down at Lock 1.

1 The conditions at all Locks 1, 2, 3 and 4, the problems exist  
2 at all four locks, but these photos are actually taken down  
3 at Lock 1.

4                   As Steve mentioned, we've been  
5 explicitly told Lock 1 and 2 should remain closed. Lock 3,  
6 we haven't operated it. The last recommendation we received  
7 on it was not to operate it more than fifteen cycles during  
8 boating season and that was two seasons ago.

9                   But now I'll get into some of the  
10 defects. This is a close-up of the interface between the  
11 heel of the gate and the lock wall. There's a rubber J-seal  
12 that was apparently added to help seal off some of the  
13 leakage through the rotten timber that interfaced between the  
14 lock wall and the heel of the gate. You'll also notice the  
15 steel beginning to rust and flake, and that is a common  
16 problem at all four locations.

17                   Some of the steel, you can see a flange  
18 here that was done, some damage done to it, most likely done  
19 by barge impact, and that's going to date back before we took  
20 them over. We don't really have loads going through there  
21 that do that kind of damage now, but that damage is out there  
22 and that has never been repaired.

23                   The miter on the gate which is  
24 basically how the gates come together, there's a vertical

1 piece of timber on each end of the lock gates. And when they  
2 miter or come together, you've got an even miter at the top  
3 of the gates and then you've got about a three-inch gap down  
4 closer to the water line.

5                                 You can see that better in this next  
6 picture. You've got an even miter up at the top of the gates  
7 and you can see the river in the background where the gates  
8 aren't properly mitered. This is in an unloaded condition.  
9 Obviously, when you drop your gates and start filling up your  
10 pool and you get a load on them, then, they do come back onto  
11 miter, but you can see that they're out of alignment in that  
12 photo.

13                                 Several cracks have been found in the  
14 steel work at Locks 1 and 2. This is the location of one of  
15 the cracks in this vertical member, a miter post. A close-up  
16 shot of that. Just showing in this photograph right here  
17 about a two- to three-inch-long crack in that vertical  
18 member.

19                                 Like I said, there are about three or  
20 four I found above water at Lock 1 and about four cracks  
21 found in the steel work at Lock 2. No underwater observation  
22 was done. So, it's likely that there would be more below the  
23 water line.

24                                 You also have movement of the

1 anchorage. When you load and unload the lock gates, you've  
2 typically got about a one-inch movement down at Lock 1.  
3 Typically, that should be measured in hundredths of an inch  
4 movement. So, your peel timber, because it's so soft and  
5 missing in places, isn't allowing it to bear the pressure of  
6 those gates and that's what is causing your gates to move so  
7 drastically.

8                   The stone work on the lock wall is  
9 another problem. Structurally, there's not a problem at this  
10 point, given the thickness of this wall. The main problem  
11 would just be the chunks that are loose due to the freeze and  
12 thaw from each winter, causing a hazard to boaters as they  
13 come into the lock as they come dislodge or fall off.  
14 Structurally, it doesn't appear to be a problem, however.

15                   Your approach walls are another issue.  
16 This is Lock 1 looking downstream. So, the downstream lock  
17 gate is just off to the top of your right here, and this wall  
18 is leaning towards the boating channel. You can see some  
19 patchwork that was done back about ten or fifteen years ago,  
20 and it has begun to separate and pulled this chunk of  
21 concrete along with it.

22                   The same condition exists on the  
23 upstream side. Here you have an upper approach wall. You  
24 can see a little bit of a bank failure in behind it.

1                   Since this photograph was taken, the  
2 contractor that was going to move some of their bridge beams  
3 through Lock 1, they didn't repair that wall as far as  
4 keeping it from continuing to lean towards the river, but  
5 they did saw cut off basically this corner so that it would  
6 be wide enough for them to actually get their barge through.

7                   But, again, that saw cut doesn't do  
8 anything in providing any stability to that wall. The main  
9 problem there is, one is if it were to fall while there's a  
10 boat waiting to lock through, you have a hazard.

11                   Secondly, once that wall falls through  
12 and brings some of this land with it, you have the potential  
13 of having a blocked channel. So, even if you have an  
14 operating gate here, if you've got a blocked channel, it  
15 won't do you any good. And, so, that would have to be  
16 addressed.

17                   Those are just some of the main  
18 problems. As I said, those are Lock 1, but those same issues  
19 arise at all four locations.

20                   Steve covered a little bit of the  
21 costs, and the last two pages in your packet address that.  
22 The first one is Bergmann up in the top right corner there,  
23 the company that did the analysis, did the design work for 3  
24 and 4 and also went down to Locks 1 and 2 and did a cursory

1 review of those locations.

2                                   And on this sheet, basically what I'm  
3 looking at is the middle column - Alternative A. That is  
4 basically what they recommended as being the bare minimum  
5 that they would recommend to get the lock operational.

6                                   They put a phrase in there to say that  
7 it should be considered short term in nature only because  
8 you're basically making the lock functional again, but you're  
9 not addressing a lot of the issues that really need to be  
10 addressed if you want to a long-term repair of the structure.

11                                   The primary things that you're doing to  
12 that lock are you are repairing the lock anchorages which are  
13 basically at the top of each lock. You've got two steel  
14 elements that come out and then you've got a pin that goes  
15 down into the rock that anchors the top of each lock and  
16 essentially holds the top of the lock in place when it's in  
17 an open position. You've got anchorages at all four corners.  
18 And, so, they advise redoing those due to the movement at all  
19 four locations.

20                                   They advise painting existing gates.  
21 And that \$285,000 doesn't just include the paint. It's  
22 actual repair to the gates as well, fixing the cracks and  
23 then the sandblasting and repainting the gates.

24                                   The quoin and miter timbers. The quoin

1 timber is the one that runs along the heel of the gate and  
2 the miter timber is the one that runs along the toe, and then  
3 you've also got one horizontal timber that runs down the  
4 bottom, but all the timber would be renewed.

5 Replacing the bonnet pin and collar is  
6 the steel work that attaches the gate to your anchorages.  
7 There's some mechanical rehabilitation of your valves and  
8 also some of your emptying and filling valve hydraulics up on  
9 top of the gate. That would run about \$58,000.

10 So, that's the bulk of the repair just  
11 to get it basically, as they phrased it, the minimum  
12 recommended to get them operational.

13 Now, if you will look down there at the  
14 bottom, they've got a total of \$617,000 for Alternative A.  
15 It's about three-quarters of the way down the page in the  
16 middle.

17 And the reason why I've got a million  
18 and a quarter slated for each one of those is you've still  
19 got design work to be done, and also in their letter, they  
20 said -- that estimate is for Lock 4 -- and they said in their  
21 analysis of Locks 1 and 2 due to their worst condition that  
22 they had estimated those at being at \$1 million.

23 And then I upped it a little bit more  
24 due to the fact that they were quite a bit off on their

1 estimate for the repairs for Alternative C and D, which is  
2 the ones we actually had bid out. And you will see at this  
3 time, which was July of 2007, for Alternative D, which was  
4 brand new steel gates, they had an estimate of about two and  
5 a half million for that full repair.

6 Well, the lowest bid came in at \$4.3  
7 million. So, you're 1.75 times this estimate at this phase,  
8 and there were some complications that they found when they  
9 got into the design of it about how difficult the repairs  
10 were actually going to be. And, so, that's why that \$617,000  
11 figure has been inflated up to more like a million and a  
12 quarter.

13 And then your last sheet again gets  
14 back to what Steve was giving you as your two options other  
15 than do nothing. The first one on the left of that sheet,  
16 you're looking at minor lock rehab Locks 1 through 4 and  
17 major lock rehab Locks 1 through 4.

18 With your minor lock rehab, again,  
19 you're looking at a million and a quarter per location. So,  
20 you're looking at about a \$5 million expenditure for the four  
21 locks.

22 Annual operation, we didn't try to get  
23 into the detail of it other than that \$100,000 is based on if  
24 we're running four locks, ideally, we'd like to have at least

1 six crew, to have one runner and at least one backup. It  
2 would be difficult to shut down a lock if you've got a man  
3 sick or something or you've got two men sick.

4 So, we estimated two nine-month temp  
5 employees at \$25,000 each for \$50,000, and then another  
6 \$50,000 for your dredging and just minor maintenance on the  
7 lock system itself.

8 On that first column, below the \$5  
9 million, I've got some asterisks there, and that's basically  
10 repairs as necessary. Again, I kind of liken it to changing  
11 a timing belt on a car with 200,000 miles. There are some  
12 risks there. That would help it but there's other things  
13 that could go wrong. So, I guess there are some risks there  
14 involved with just this minor rehab and how long it will  
15 last.

16 Now, on the right side, I've got the  
17 major lock rehab. It's \$30 million using a \$7.5 million per  
18 location, using the same lock operation costs of two temp  
19 employees plus \$50,000 for the dredging. I did step up the  
20 last column there for inspections -- \$5,000 every other year  
21 per lock for above-water inspections and then \$8,000  
22 alternated for under-water inspection.

23 And, then, again, even though you're  
24 doing a major rehab of \$7.5 million, typically your wood

1 timbers will last you ten years. So, you're looking at going  
2 in there and renewing your wood about every ten years.

3                   Two million dollars might be a little  
4 bit high because if you do a major rehab, you're also  
5 installing a major dewatering system and it would be a lot  
6 easier to actually physically get in there, dewater the lock  
7 and do your work. That's one of the main problems now is the  
8 locks cannot be dewatered without structurally rebuilding  
9 those, dewatering the mud seal and the steel work that goes  
10 along with it.

11                   The third option obviously is not on  
12 there as far as do nothing. I guess you could look at that  
13 as not doing anything at all or, like Steve mentioned,  
14 putting in your cutoff walls at about \$300,000, \$350,000 per  
15 location.

16                   MR. REEDER: That level of maintenance  
17 you're talking about for the major improvement, that was  
18 recommended by Bergmann. That's the level that they  
19 recommended.

20                   MR. HAMILTON: The major rehab is based  
21 on new gates.

22                   MR. REEDER: If you've got a new  
23 facility, obviously, you want to take better care of it.

24                   MR. HAMILTON: The minor lock rehab,



1 barricades. That's typically what it has been, three  
2 hundred, three hundred and fifty. A lot of it depends on how  
3 easy it is for them to mobilize up to those upper lock gates  
4 where the wall would go in. Locks 1 through 4, it's fairly  
5 typical to get to the upper gates.

6 MR. REEDER: And whether it's got a  
7 valve in it like we have at 5 and 6 and 7. We don't have one  
8 at 8. We've got those transfer valves for our valve  
9 operating program for a systematic pass-down of water as  
10 needed, but they didn't cost a lot more --probably another  
11 \$50,000 if you do it at the time.

12 MR. MILLER: And we would need at valve  
13 at 4 only, right?

14 MR. REEDER: Yes, sir, if that happened  
15 at that point, yes.

16 DR. HANEY: And the addition of that  
17 valve also makes available an additional four and a half to  
18 five billion gallons of water during a drought.

19 MR. TALLEY: Oh, yes, those valves are  
20 essential.

21 MR. WARE: Pursuing Mike's question,  
22 David, I'm still a little confused about what's proposed at 3  
23 then. At this stage, they are not proposing to put the  
24 cylinder above the---

1 MR. HAMILTON: Correct, not like 9.

2 MR. WARE: So, they're assuming at this  
3 point that the lock chambers are going to be functional.

4 MR. HAMILTON: Well, not functional but  
5 it's not really even being addressed at all. So, even though  
6 you've got a brand new dam, you've got a gate there that's  
7 still a potential issue.

8 MR. WARE: So, that would be the weak  
9 link in that dam.

10 MR. HAMILTON: Yes.

11 MR. GRAVES: David, let me ask a  
12 question. You all said earlier or I believe Steve said the  
13 only way really to maintain or operate the dams and locks is  
14 by barges, right? This is what they were designed---

15 MR. HAMILTON: Feasibly, yes.

16 MR. GRAVES: Right. And I've been  
17 through all those locks and dams. If we were to have a  
18 failure at 4 on the other side of the lock chamber, let's say  
19 a third of that failed, how would we get to it and fix it?

20 MR. HAMILTON: You're talking about in  
21 the lock, like in---

22 MR. GRAVES: No. I'm talking about the  
23 actual dam itself. Let's say if you're going down river, the  
24 right-hand side were to fail 100 feet, just we have high

1 water, how would we fix that?

2 MR. HAMILTON: Well, it depends on how  
3 much pool you have left because one of your issues, too, is  
4 if you lose your dam---

5 MR. GRAVES: Right. I understand that,  
6 but I'm saying how are you going to get to it?

7 MR. HAMILTON: Well, if you've lost  
8 your pool, you would have to build up enough of a rock berm  
9 out to it to actually get to it. And if you're locks are  
10 closed, you're not going to be able to bring anything  
11 upriver.

12 MR. GRAVES: Right. That's my point.

13 MR. HAMILTON: But, again, you're  
14 getting back to if you've lost the pool, even with the locks  
15 navigational, you wouldn't be able to get to the upstream  
16 side anyway if you lost enough to where you're actually at a  
17 complete failure.

18 MR. GRAVES: Right.

19 MR. HAMILTON: But, yes, certainly, you  
20 lose that capacity. And then we've also seen here at--you  
21 all have the photographs of the work that we had done at Lock  
22 4 and that goes to show your point that it's---

23 MR. GRAVES: You can only do so much  
24 towing.

1                   MR. HAMILTON:  Particularly on the  
2 bottom left picture, you can still see a lot of the debris  
3 and that's just the stuff that's poking out that we just  
4 simply can't reach with the equipment that we have down  
5 there.  So, it is a problem.

6                   And then also at Lock 1 like we had  
7 that contractor coming through bringing the bridge beams up  
8 to Gratz, luckily, he was able to do enough work and give us  
9 a \$1 million surety bond and get up there.

10                  And a couple of utilities over the  
11 years have wanted to dredge out around our intakes and that's  
12 very difficult to do if you can't come up by boat.  So, there  
13 are certain things beyond just your recreational things that  
14 are certainly benefits.

15                  MR. REEDER:  If it were not for the  
16 segmental barge that people have available now which offers  
17 you at least a limited way to work, we would be hurting on  
18 these things if anything happened really.  I take it where  
19 Jerry is talking about is Jim's Seafood.  Well, we don't own  
20 that over there.

21                  MR. GRAVES:  We have no way to access  
22 that side.

23                  MR. REEDER:  There's no way you can get  
24 to it except to buy the restaurant.

1 MR. GRAVES: Seriously, 3, 2 and 1 you  
2 can access both sides but not at 4.

3 MR. REEDER: They are very problematic.  
4 The way they're made and, of course, they were located where  
5 they are for engineering reasons but it was done so in the  
6 1800's when there really was less roads now. So, you know  
7 they weren't depending on roads.

8 They were depending on strictly the  
9 river just to work on it and they were presupposing a  
10 workable lock system, and that's a fact because you can't do  
11 effective work on them. And the segmental barges today lets  
12 you get in some of these places but it's not as good as a  
13 full barge.

14 CHAIRMAN CHRISTOPHER: So, to further  
15 ask the question, what do we do above 4?

16 MR. REEDER: Same thing. Segmental  
17 barges, do what you can by land.

18 MS. ELLISTON: Just like at 9.

19 MR. WARE: Because you've got cutoff  
20 walls at 5, 6 and 7.

21 MR. REEDER: That's one of the reasons  
22 we did that ramp program.

23 CHAIRMAN CHRISTOPHER: That's what I  
24 was going to ask. I thought that was the whole purpose of

1 the ramp program.

2 MR. REEDER: That's the best backup way  
3 to get to it is with these ramp programs. You can bring that  
4 heavy equipment in there, but it's not as good as a river  
5 barge, that's for sure. That's a given.

6 DR. HANEY: Well, I guess the long-term  
7 answer is to build new dams at every one of them like at 9.

8 CHAIRMAN CHRISTOPHER: Anything else  
9 from the Board? Any questions for David?

10 MR. DAY: I am concerned. Since these  
11 are owned by the Corps of Engineers, do they not have any  
12 responsibility for maintenance or rebuilding or whatever?

13 MR. REEDER: They gave all that to us  
14 by a lease.

15 DR. HANEY: They declared them surplus  
16 years ago.

17 MR. REEDER: What they did, they  
18 decommissioned the river. They didn't declare everything  
19 surplus. They declared 5 through 13 surplus, but the first  
20 thing they did was decommission what they called the Kentucky  
21 River Project. And when they decommissioned it through a  
22 Congressional act, the only thing they could do with it is  
23 either sell it or let somebody like the State take it. And,  
24 of course, we needed them for the very purpose of water

1 supply. So, we took them.

2                               They did, in fact, I think a couple of  
3 times in one or two instances actually advertise a couple of  
4 them before the lease came into effect. I believe you  
5 remember it, Dr. Haney. They advertised some of them for  
6 sale to the highest bidder.

7                               DR. HANEY: You probably could have  
8 gotten you one for \$1.

9                               MR. DAY: To just anyone?

10                              MR. REEDER: They had one or two  
11 particular ones--or one in particular down there, somebody I  
12 think still had the sign up -- Property for Sale. The State  
13 saw the necessity of having them for water supply reasons.  
14 They took ownership by way of lease first and then title  
15 later on. These four right here we don't know when we're  
16 going to get them as far as that. So, we do have them  
17 leased, however.

18                              MR. GRAVES: Can I ask one more  
19 question because I don't know. This is my second meeting.  
20 So, I'm sure maybe this has been covered.

21                              I can remember going to Lock 4, 3, 2  
22 and 1 and you would see the guys that were the lock masters,  
23 the gatekeepers and they were all the times taking a john  
24 boat, going in, taking a shovel, taking mud out, cleaning it

1 up, painting it up, doing general maintenance. Are we doing  
2 that now or can we do it or is there a reason we don't do it?

3 MS. ELLISTON: We do do that now.

4 MR. HAMILTON: Getting the mud off we  
5 do. We haven't painted anything like a gate. We do a lot of  
6 the markings on the lock walls, redoing just like the Danger  
7 - Dams and the yellow stripes on the edge---

8 MR. GRAVES: And I'm talking about  
9 physically going down and taking the mud out of that.

10 MR. HAMILTON: Because it's been  
11 closed, that's why you've got that mud deposit. Every  
12 spring, that comes back in. But the ones they were  
13 operating, they would.

14 MR. GRAVES: That's been there a while.

15 DR. HANEY: When they were all  
16 functional, the Corps had a full-time lock master.

17 MR. GRAVES: Right, and they would go  
18 down and would clean and paint and do general maintenance.  
19 Just like your home, every once in a while, you've got to get  
20 out and do something to it.

21 MR. HAMILTON: I would say a lot less  
22 than what the Corps did.

23 MR. GRAVES: I'm just asking.

24 MR. HAMILTON: I can't say for sure

1 exactly; but in talking to Earl Gulley from when he lived and  
2 was lock master, obviously when you've got one lock master  
3 per location, they were able to take a lot more time with  
4 each one. There's definitely been less, I would say, of that  
5 type of maintenance.

6 CHAIRMAN CHRISTOPHER: Do you need  
7 anything else from us on that?

8 DR. HANEY: We need some discussion,  
9 don't we? Apparently, he's asking us for a decision.

10 MR. REEDER: We need to decide if we  
11 are going to provide anything in the capital plan for this  
12 for the next biennium. How are we going to go with this?

13 The source of funds probably for  
14 anything that we do is probably going to necessitate a fee  
15 increase because that seems to be the only option that we  
16 really have. The General Fund request is going to go  
17 unnoticed and I don't think there's any viability in that.  
18 That's a way it's been dealt with in the past is we just ask  
19 for it. If you don't ask, you don't get it.

20 MR. DAY: You gave us four options or  
21 four possibilities---

22 MR. REEDER: Three.

23 MR. DAY: Which one of those do you  
24 prefer? You're in the hot seat.

1 MR. REEDER: Which one would you  
2 prefer?

3 MR. DAY: Yes.

4 MR. REEDER: Probably what you prefer  
5 is not do anything because it doesn't cost you anything and  
6 you don't have anything at risk, but my opinion on that  
7 doesn't rule. I'm not the Board. You're going to do  
8 something to them. You're going to spend something on them.  
9 You're going to put a cutoff wall in a couple of years.  
10 You're going to do something. You're going to have to expend  
11 some money on them in some fashion.

12 DR. HANEY: But if you leave them like  
13 they are, there's two things that really concern me. One is  
14 the safety. I wouldn't take a boat through any of them after  
15 looking at some of them.

16 Secondly, the water supply. Now, what  
17 is going to happen to us as individuals if Frankfort loses  
18 its water supply? Well, obviously, if we can be sued, we'll  
19 be sued.

20 Number two, what will happen to Dam 5  
21 if we lose 4? Another thing is what happens to the River  
22 Authority? That will destroy this organization. They'll  
23 come back and say we were careless and not doing anything  
24 about it, not putting a cutoff in it or whatever we could do

1 to secure the lock and preserve the water supply. So, I  
2 don't think we have any choice except to do something.

3 MS. ELLISTON: May I say something? I  
4 work with the lock masters and our lock masters feel that  
5 this is a hazard to keep these things open at this time.

6 MR. MILLER: So, they think we ought to  
7 put the cutoff walls in?

8 MS. ELLISTON: They feel like they  
9 should be shut.

10 MR. MILLER: We can put the cutoff  
11 walls in for roughly the price of fixing one lock. And like  
12 David said, he's just estimating that that would be a ten-  
13 year fix with the cutoff wall. Even though we've always  
14 maintained it is not permanent, it sort of is permanent.

15 DR. HANEY: But if it is not permanent,  
16 that's a good backup for us.

17 MS. ELLISTON: Right now, they've  
18 locked for two weekends. The first weekend, they called me  
19 by 10:30 and they already had to shut down. They opened by  
20 10:00. The second weekend, on Monday, when I talked with  
21 them, they said they could hear stuff going through the  
22 valves the whole time.

23 MR. REEDER: A lot of that is not due  
24 to their condition right now. A lot of it is due to debris.

1 MS. ELLISTON: To the debris that's in  
2 the chamber.

3 MR. REEDER: As far as right now is  
4 concerned, yes, the debris does constitute a problem.

5 MS. ELLISTON: That's one of their  
6 concerns right now is the debris that's in there.

7 DR. HANEY: So, were they not warning  
8 the boaters that were going downstream that you might not get  
9 back upstream?

10 MR. REEDER: They're supposed to simply  
11 because they didn't know---

12 DR. HANEY: The condition of the lock.

13 CHAIRMAN CHRISTOPHER: Of course,  
14 obviously, I'm not going to speak on behalf of everybody on  
15 the Board, but I know on behalf of the Kentucky River  
16 Authority, I don't think there's anybody in this room that  
17 would not want these locks to be operational.

18 Actually, in my neck of the woods, if I  
19 hear anything about the Kentucky River, I'm asked more about  
20 could our locks in the City of Irvine ever be back open. And  
21 I said, well, we sure can. We can do a lot of things; but  
22 there's an underlying factor with all of that and all that  
23 wish and that is funding. You've got to have money.

24 And I know from our neck of the woods,

1 we didn't want them closed the first time, but they were  
2 closed because of the danger that's there and there was  
3 evidently not enough funding even at that time to repair  
4 them.

5                               So, I just know from my standpoint, I  
6 am not at all against repairing these locks, particularly 1,  
7 2, 3 and 4. But to ask for a rate increase again to pay for  
8 the funding I can't say that I support.

9                               MR. WARE: Well, there may be higher  
10 priority things, Mr. Chairman.

11                              CHAIRMAN CHRISTOPHER: There are higher  
12 priority things. I think the major thing I look at, after  
13 we talked about this as an issue we might discuss, I kind of  
14 did a little traveling myself, went back up and looked at 14,  
15 13, 12 and 11, and I don't know how they're standing now, and  
16 those are the new dams.

17                              DR. HANEY: And we have to keep in mind  
18 that our principal responsibility is water supply.  
19 Recreation is secondary.

20                              CHAIRMAN CHRISTOPHER: If we can secure  
21 funding from some source besides raising Tier II, as I  
22 understand, Don?

23                              MR. MORSE: Yes, sir.

24                              CHAIRMAN CHRISTOPHER: User fees, more

1 power to it. I would jump on it with full force.

2 MR. GRAVES: If I understand you  
3 correctly, Steve, you're looking for a six-year plan. Does  
4 it hurt not to ask? I mean, what have we got to lose?

5 MR. REEDER: We don't have anything to  
6 lose to ask.

7 MR. GRAVES: Why not ask?

8 CHAIRMAN CHRISTOPHER: I guess that's a  
9 good point.

10 MR. GRAVES: I'm like you. I get a lot  
11 of calls and people stop me every day, are we going to open  
12 the locks back up. That's the number one priority. That's  
13 what they're talking about. They could care less about  
14 drinking the water. I'm serious.

15 CHAIRMAN CHRISTOPHER: And to its cost.

16 MR. GRAVES: And to its cost. That's  
17 right. But I think with my short tenure on here, and I'm  
18 really selfish -- I would like to travel back up and down  
19 the river again. I mean, I'm selfish.

20 But if you added a quarter a month to  
21 my water bill -- I'm just throwing that out; I don't know  
22 what it would be -- it beats going over the bank with a  
23 bucket and pull the water back up the hill.

24 And I don't know. I'm just saying, six

1 dollars a year, if you add six dollars a year to every user,  
2 I don't know what that equates to, but I don't think it hurts  
3 us to ask.

4                                   CHAIRMAN CHRISTOPHER: And I think  
5 that's a good point, but I think what we have to look at in  
6 this capital plan is we need to prioritize what we want to  
7 ask for. And I think from kind of what I--maybe I didn't  
8 explain fully, I agree and I personally could say I would  
9 like to ask for the locks being repaired, but I also wish I  
10 had new dams first.

11                                   And if I was going to ask for funding,  
12 I think I'd have to sit back and look and think, what do I  
13 want to ask for from them right now because obviously I know  
14 money right now is just not there.

15                                   The people that put us and this Board  
16 in a very, very bad place is the United States government,  
17 the Corps of Engineers, because they unloaded on us hundreds  
18 of millions of dollars of used goods that needed immediate  
19 repair with a state budget that right now we all can't get a  
20 penny out of.

21                                   MS. SIPPLE: That's the gift horse  
22 whose mouth we should have---

23                                   CHAIRMAN CHRISTOPHER: That's right,  
24 but it's not there now.

1 DR. HANEY: Well, even worse than that,  
2 Ernie Fletcher got us an authorization for I think \$35  
3 million, wasn't it, Steve, somewhere in the thirties?

4 MR. REEDER: For Dam 10?

5 DR. HANEY: Yes.

6 MR. REEDER: Twenty-four million.

7 DR. HANEY: Okay. He got the  
8 authorization for it but it wasn't appropriated. It had to  
9 be appropriated annually, and the Corps of Engineers screwed  
10 it up so badly, we lost the appropriation. It's dead.

11 MR. REEDER: It's still a live project  
12 on paper because of the way the law is written, but it's not  
13 probably going anywhere. That's why we came up, Mr. Day,  
14 with another way to try to do it, and Randall asked me a  
15 while ago, said, what's the use of doing this. It's like  
16 David said, you're in a fix-it mode, but it does open them up  
17 for some unspecified period of time. It's a lot better than  
18 what you've got now.

19 CHAIRMAN CHRISTOPHER: If I was looking  
20 at the alternatives, I would go all the way over here to D  
21 and say let's fix it and let's fix it right if that's what we  
22 think is a priority of our needs and how we want to request  
23 our funding for.

24 MR. REEDER: One other way you can look

1 at it, too, maybe you want to pick one of them out and do.  
2 Maybe you want to pick out one and do a first-class fix on  
3 it.

4 MR. WARE: What are we going to do at 3  
5 if we don't? I mean, I think we need to be planning on what  
6 we're going to do at that location. If we have a new dam  
7 under construction, we've got to secure that entire pool  
8 somehow.

9 CHAIRMAN CHRISTOPHER: I think a wall  
10 would have to be built there if we're not going to be  
11 repairing the lock chambers.

12 MR. WARE: Either put a cutoff wall in  
13 3 or we've got to put another cell to complete---

14 MR. REEDER: At Lock 2, you'd have to  
15 put the cell in with a change order or you could put the  
16 cutoff wall in it. A cutoff wall is going to require service  
17 about every fifteen years to some degree.

18 MR. WARE: Well, if we do one of them,  
19 I would say 3 is pretty important.

20 DR. HANEY: Do organizations such as  
21 ours ever look at cost benefits? Now, if you look at the  
22 cost benefits on keeping those locks open and the number of  
23 boaters we have and such, it's nonsense.

24 CHAIRMAN CHRISTOPHER: What do we

1 average per cost? Was I hearing \$1,000 per lock?

2 MR. GRAVES: That's like owning a boat.

3 If you own a boat and you figure up how many times you start  
4 that engine, it's nonsense. It's stupid. You do it because  
5 you want to. That's your hobby. And what we're going to do,  
6 we're going to cut off our last opportunity to go to the Ohio  
7 River. That's my opinion.

8 DR. HANEY: I understand that, but can  
9 we expect the taxpayers in the river valley to pay for that  
10 or the state?

11 MR. WARE: It's going to affect a  
12 limited population, a very limited population, and I think  
13 that's fiscally irresponsible just to try to address a  
14 philosophy. The river really hasn't been used for  
15 transportation for a couple of decades, and that's why the  
16 Corps has gotten out of the business and dumped it on us.

17 DR. HANEY: They tried to use it in the  
18 early eighties when we had the Arab embargo and they found  
19 out that it was just not feasible at all compared to  
20 trucking. The locks are too small. Barges had to be too  
21 small and that was the last time it was tried.

22 MR. WARE: I'm sorry, Mr. Chairman. I  
23 can't justify spending \$5 million when I know we've got other  
24 items such as Dam 8 where we've got communities relying on

1 that structure that really needs to be addressed also. I  
2 just can't see it being a cost-effective alternative at this  
3 point.

4 DR. HANEY: Are you open for a motion?

5 CHAIRMAN CHRISTOPHER: I am open.

6 DR. HANEY: I move that we put barrier  
7 walls in Locks 1, 2, 3 and 4 as a safety precaution, to  
8 preserve the water supply and individual safety.

9 CHAIRMAN CHRISTOPHER: And I failed to  
10 do this and I apologize for that; but before we go further  
11 with that motion, I assume we have guests here that would  
12 like to---

13 DR. HANEY: But you've got to get me a  
14 second because you're out of order.

15 MR. MILLER: I'll second it.

16 CHAIRMAN CHRISTOPHER: I've got a  
17 second before we got too far then. We have guests here if  
18 anybody would like to speak on that point. Yes, ma'am.

19 MS. JEFFRIES: Hi. My name is Joy  
20 Jeffries, and I'm the Tourism Director for Frankfort and  
21 Franklin County.

22 And I realize that I'm probably  
23 speaking to deaf ears; but if I go back to my Tourist  
24 Commission or go to the Riverfront Development Committee for

1 Frankfort and Franklin County and tell them I sat here and  
2 listened to this and did not plead our case, they would all  
3 fire me.

4                   We have this current year probably it's  
5 going to get nearly a half a million people to come to  
6 Frankfort visitors, tourists. Our economic impact number for  
7 last year was \$130 million. We are in the final days of a  
8 riverfront development study of \$150,000 to determine what we  
9 can do to develop our river.

10                   Our river, your river is as pristine  
11 and beautiful in places, which I know I'm not telling you  
12 anything you don't know, as it was when the frontiers came  
13 through. It is authentic. It is impressive, and people are  
14 drawn to water.

15                   I hear everything you're saying about  
16 practicality. I have seen the Muskegon study, and there are  
17 a couple of flaws in the logic there. For one thing, people  
18 always want to compare us to that river, and that's not a  
19 fair comparison because they don't end up anyplace on a  
20 destination. So, you cannot think that the number of  
21 visitors that would come to that would come to Frankfort from  
22 the Ohio River down here as opposed to along the Muskegon.

23                   Another issue is the fact that once you  
24 take this step -- and I agree with you, Dr. Haney, that it

1 can be reopened -- that is a reality -- but we all know from  
2 history the likelihood of that happening is far less to  
3 reopen it than it is to keep it all open.

4 I also know that many of us, and Steve  
5 would certainly verify this, that many of us in this city and  
6 this county worked very, very hard lobbying, trying to get  
7 the money for the present appropriations that you all  
8 received, I mean, very hard.

9 And we were under the impression that  
10 that was to help us with our locks. Now, that may have been  
11 misguided and I acknowledge that that's possible because I'm  
12 an eternal optimist and maybe I misconstrued something that  
13 was said.

14 But I am telling you with all my heart  
15 that I believe that the economic value of what we're getting  
16 ready to do along this river is not represented by three or  
17 four hundred lockages. And because it has been so sporadic  
18 in recent decades, I don't think it's any surprise we've not  
19 done any marketing up to the Ohio River because there's been  
20 no reason. It was too risky.

21 We have had multiple groups from Ohio  
22 contact us this year wanting to come down. And from our  
23 perspective, I am pleading with you not to make this  
24 decision.

1                   I had a wonderful quote given to me  
2 this week, and I wish I had brought it today. And the quote  
3 somehow said that if you have little plans, you're going to  
4 accomplish little goals. This is very, very oversimplified.  
5     However, if you have big plans and big visions and you put  
6 them down and make them into something concrete -- no pun  
7 intended -- your likelihood of success become exponentially  
8 larger.

9                   I plea with you, as our dear brother  
10 said, you have nothing to lose by asking. I can tell you  
11 you've got a lot of people in Frankfort that would do  
12 everything we could to help lobby to get those dollars. Do I  
13 know if you can get them? No, I don't have a clue. Do I  
14 know that that's what you ought to ask for? No, I don't.

15                   And I respect you all for sitting here  
16 and taking this responsibility, but I plea with you for our  
17 case. We need these locks to remain open and not just two  
18 times a season but multiple times. And I thank you for  
19 listening.

20                   CHAIRMAN CHRISTOPHER: Thank you.  
21 Anyone else? Yes, sir.

22                   MR. HASSALL: I'm Don Hassall with the  
23 Bluegrass Area Development District in Lexington. When Steve  
24 started talking a while ago and he said you've heard this

1 before and you're going to hear it again, and I guess that's  
2 kind of the way I'm starting, too. You've heard this from me  
3 before but you're going to hear it again.

4                   Your Chairman here was talking that he  
5 suspected that no one in the room opposes the opening or  
6 reopening of the locks, and I think that's probably a true  
7 statement.

8                   That having been said, there are eleven  
9 municipal water utilities that draw water on the river  
10 starting at Pool 4 and ending at Pool 11. The Tier II fee  
11 has just been raised on those folks.

12                   And as Mr. Ware and others have already  
13 said, the primary objective of the Kentucky River Authority  
14 is to deal with and be the guardian of water supply. And I  
15 would just remind you that that statement I think was your  
16 goal back in 2000.

17                   And if there's any thought that there  
18 might be an increase in the Tier II fees to deal with issues  
19 other than water supply, I think you're going to run into  
20 some opposition.

21                   Looking around the room today, I see  
22 nine folks here that have an interest in water supply. Only  
23 one of those is at the main table, the rest of them around  
24 the edges. They're interested in water supply.

1                   And we understand that over the years,  
2 the Tier II fee is likely to go up, but we do feel like that  
3 if the Tier II fee is intended to be paid for by the water  
4 suppliers and by the customers of the water suppliers, that  
5 the Tier II fees should be going toward issues that deal with  
6 water supply.

7                   Thank you very much.

8                   MR. TALLEY: Mr. Chairman, my name is  
9 Damon Talley, and I'm the attorney for the Bluegrass Water  
10 Supply Commission.

11                   I feel like I'm preaching to the choir  
12 here because I know that all of you sincerely take your job  
13 seriously about being, as Don said, the guardian for water  
14 supply for Central Kentucky of the Kentucky River.

15                   What I do want to do is just reiterate  
16 a few things that the 2000 General Assembly adopted. You  
17 know probably better than me, there was a House bill in the  
18 2000 Session and Senate bill and they were almost identical,  
19 if not identical, that were passed, and it just really  
20 reiterated the role of the Kentucky River Authority in  
21 protecting the water supply for Central Kentucky.

22                   First, in Chapter 151.700, it says  
23 the General Assembly recognizes the historic importance of  
24 the Kentucky River in providing the source of clean water

1 supply for several hundred thousand citizens of the  
2 Commonwealth. And it goes on to talk about to protect the  
3 health and welfare of the citizens dependent upon the source  
4 of water, the source of clean water.

5                   Then over in 710, it talks again about  
6 the Kentucky River Authority created to carry out the  
7 essential public purpose of protecting the health and welfare  
8 of the people of the Commonwealth.

9                   Then a couple of more. On 151.720(11),  
10 the law says, as you know, the River Authority is charged  
11 with developing comprehensive plans for the management of the  
12 Kentucky River within the basin, including a long-range water  
13 resource plan and a drought response plan. And it goes on to  
14 talk about the two-year and the six-year plan and the  
15 twenty-year plan.

16                   And then one last point is in  
17 151.727(1) about the River Authority shall undertake a  
18 continuing study of the water available within the Kentucky  
19 River and the water needs within the Kentucky River Basin.  
20 The study shall focus on necessary capital construction to  
21 maintain or increase water availability within the Kentucky  
22 River, including bringing existing facilities up to the  
23 acceptable standards or replacing existing facilities where  
24 required.

1                   And we can't thank you enough for what  
2 you've done in recognizing that responsibility with  
3 rebuilding Dam 9 and in the process of building the new  
4 Dam 3.

5                   And then the last point is about in  
6 order to meet the water supply needs of the citizens within  
7 the Kentucky River Basin, and that's your charge in  
8 151.727(2).

9                   It all is a matter of priorities. As  
10 Don said and others have said, it would be wonderful if the  
11 locks could be open and operated safely, but you've got to  
12 set priorities.

13                   And on behalf of the Bluegrass Water  
14 Supply Commission, we would urge this group to set as your  
15 highest priority is maintaining the stability and integrity  
16 of all the dams up and down the river, do whatever it takes  
17 to preserve the pools for water supply.

18                   And we supported this body's decision a  
19 couple of years ago to raise the withdrawal fee rates because  
20 the money was going to be spent on water supply, to enhance  
21 the water supply. And we would support that again if it's  
22 necessary for water supply.

23                   I'll let the individual communities  
24 around the room speak to supporting raising the fees for

1 operating the locks. I'll let them speak for themselves, but  
2 I can anticipate what they might say.

3                   But we would urge this body to set as  
4 your highest priority is to maintaining the integrity of the  
5 dams up and down the river. And if that means putting a  
6 concrete barrier in front of one or more of the dams to  
7 preserve that pool, so be it, we would support that; but we  
8 could not support using limited resources from the withdrawal  
9 fees to repairing and rehabilitating or replacing the locks  
10 so that they could be used for recreational boating.

11                   CHAIRMAN CHRISTOPHER: We have a motion  
12 and a second. I guess a comment that I have, I will say  
13 again that I agree with the statement that we've said and has  
14 been presented. I personally would not be in favor of trying  
15 to repair the locks with increasing any fees.

16                   But I certainly appreciate Ms.  
17 Jeffries' thoughts and comments because I do think that is an  
18 extremely viable target project that they have. And I agree,  
19 I, too, would like to be able to move up and down the river.

20 I think that's a good thing.

21                   I guess my question is, if I could  
22 think out loud here, I know what we are trying to focus on  
23 here is coming up with a capital project. And I know what  
24 Jerry has talked about is what do we place in this last four

1 years possibly or two years of this capital project plan that  
2 we're trying to develop.

3 I still have a hard time wanting to ask  
4 for dollars to spend on locks when I feel like I'd rather ask  
5 for dollars to spend on dams.

6 Are there other things that we could do  
7 that allows us to keep our capital project plan as I just  
8 somewhat stated, etcetera, but is there something else that  
9 we can do as a show of support and encouragement to help this  
10 cause as well besides putting it in our capital construction  
11 project?

12 I'm thinking, because of the Bluegrass  
13 Water Commission, didn't we draft some resolutions of support  
14 and some specific things that you all were trying to  
15 accomplish, and we as a Board came up with some resolutions  
16 of support that you all used to further the cause that you  
17 were trying to accomplish?

18 MR. TALLEY: Yes, you did.

19 CHAIRMAN CHRISTOPHER: Could we come up  
20 with something of that nature?

21 MR. MILLER: At one time, I think the  
22 time before last when this came up, the motion was or what we  
23 decided was to vote to put the cutoff walls in but to work  
24 with tourism groups and other organizations in the state to

1 obtain any non-fee revenue to enhance the recreation  
2 possibilities of all the locks and dams, something to that  
3 effect. Do you remember that, Dr. Haney?

4 DR. HANEY: Yes.

5 MR. WARE: The aesthetic values of the  
6 Kentucky River Basin don't hinge upon contiguous flow from  
7 the headwaters to the Ohio River.

8 CHAIRMAN CHRISTOPHER: Well, I just  
9 bring this up because I do know that we've got to address or  
10 I think Steve wants us to address our capital plan. Is that  
11 not correct?

12 MR. REEDER: Yes.

13 CHAIRMAN CHRISTOPHER: And obviously  
14 what we put in there is vital here. So, I'm not trying to  
15 put two agendas here on the table at the same time. I'm just  
16 trying to throw out some options of what we can do.

17 MR. COLLINS: Mr. Chairman, it's more  
18 than just recreational boats going up and down 1 through 4 to  
19 the Ohio River.

20 It's the economic development that Joy  
21 Jeffries spoke about, and that's far-reaching dollars and it  
22 spills over and over into all types of businesses,  
23 restaurants, all type of boating activities other than a few  
24 people on houseboats and pontoons and runabouts.

1                   So, I know it's a difficult decision.  
2 And no offense to the other counties, but you are talking  
3 about something that affects your capital city. It takes  
4 quite a bit of deliberation.

5                   DR. HANEY: Well, I sit on this  
6 commission as a representative for the entire basin, 700,000  
7 water users. And while I think Frankfort is very important,  
8 of course it is and such, but my first priority is to look at  
9 those 700,000 residents in this river basin and make sure  
10 they have a water supply, and it has a greater economic  
11 impact than anything you can talk about locks 1 through 4.

12                   What we've got to do is lose one dam  
13 and then you'll understand.

14                   MR. CAINES: Mr. Chairman, of course,  
15 I'm probably caught in between more than anybody---

16                   CHAIRMAN CHRISTOPHER: Are you sure you  
17 want to talk then?

18                   MR. CAINES: I have to vote anyway, and  
19 I look at it from the standpoint that recreation and what can  
20 happen to Frankfort if those locks were kept open has a  
21 tremendous possibility. Then I look at the water supply that  
22 we have to maintain and the rate increases that people are  
23 hit with every day.

24                   And we just had a recent rate increase

1 on the tiers and a rate increase on electric, a rate increase  
2 on cable and sewer rate increases, and another rate increase,  
3 people don't want rate increases.

4                   And even though it's an important thing  
5 to the future of the community. If it developed the way they  
6 would like, I'm certainly for that, but the water supply is  
7 the main factor in my operation. And if we don't have water  
8 in Frankfort, we've got a problem.

9                   CHAIRMAN CHRISTOPHER: Anyone else?

10                   DR. HANEY: Would it be proper to call  
11 for the question?

12                   MR. REEDER: Before you call for the  
13 question, I want to reiterate something on those cutoff  
14 walls, Dr. Haney.

15                   CHAIRMAN CHRISTOPHER: It's got to be  
16 paid for.

17                   MR. REEDER: They've got to be paid for  
18 in order for it to go in the capital plan.

19                   On the other hand, I don't feel strong  
20 enough, I don't feel like we're in danger and have to put  
21 them in there tomorrow either. I mean, I don't think they're  
22 going to fall in that quick.

23                   Down the road if you do nothing, you're  
24 going to do that. But right now, I don't think there's

1 enough evidence to try to suggest that we put them in there  
2 right now.

3                                 Now, not operating them is another  
4 matter. We may be forced to not operate them just because we  
5 can't get the wood cleaned out at 4, and certainly at 3, the  
6 dam is under construction and we can't get to it anyhow right  
7 now, and 1 and 2 are not going to be used very much. But the  
8 cutoff walls will be necessary within a few years if you  
9 don't do nothing else to them. I don't think putting them in  
10 there in the morning is necessary.

11                                 DR. HANEY: But don't you think that  
12 it's prudent to get one in here at 4?

13                                 MR. REEDER: If you put one in 4,  
14 you've secured 4, that's for sure.

15                                 But going back a little bit, and let's  
16 look at this question a minute. Do we want to ask for  
17 something that we're not going to get like General Fund money  
18 for this stuff, or do you want to stair-step it out  
19 throughout the six-year plan and ask for one lock, two,  
20 three. You've got six years to be asking for this stuff, and  
21 you may or you may not get it.

22                                 If it's the consensus of the people  
23 they're not going to raise rates, well, don't throw them with  
24 a \$15 million figure in one year if you put it out there

1 because you're probably going to have some problems to get  
2 them both to contract anyway in two years. So, stair-step  
3 them out there if you want to do that and ask for the money  
4 for that or some external source, if you want to leave it in  
5 there.

6                   Of course, if you put it in there,  
7 you're asking for something. If the money came by way of  
8 some grant out of the woodwork, you would go ahead and do it  
9 anyway. If Congress or somebody came here and said do Lock  
10 1, here's the money to do it. Well, okay, do Lock 1. I  
11 mean, it's not any skin off of our nose to do it that way,  
12 and that's understood. You don't have to put that in any  
13 plan.

14                   But if you want to put it in a plan at  
15 all or have any reference to it, I say you soften the  
16 suggestion, don't stick it all there at one time because when  
17 they see that big number, they're not likely to give it to  
18 you.

19                   CHAIRMAN CHRISTOPHER: So, let me see  
20 if I can understand those thoughts. In the capital plan,  
21 we're thinking about putting in that plan the renovation of  
22 one of the four locks, requesting funding for that.

23                   MR. REEDER: At some level, whether it  
24 be the high level or the lower level.

1 MR. DAY: I thought his motion was to  
2 put barrier walls, cutoff walls in.

3 CHAIRMAN CHRISTOPHER: It is, yes, sir.

4 DR. HANEY: And we're now mixing apples  
5 and oranges in that.

6 MR. WARE: Would that be consistent  
7 with what was recommended by Stantec in the comprehensive  
8 prioritization that we paid quite a bit of money for  
9 recently?

10 MR. REEDER: You mean cutoff walls?

11 MR. WARE: No. I mean rehabilitation,  
12 repair of the locks.

13 MR. REEDER: They offered all four  
14 options within that plan. So, it would be consistent with  
15 it. You're talking about the low end?

16 MR. WARE: Yes. I'm just talking about  
17 how it fits with respect to the priorities, within the six-  
18 year priorities.

19 DR. HANEY: I might remind this group  
20 that several years ago, we had this same discussion over  
21 Boonesboro, Lock 10. Lock 10 had more traffic than this area  
22 has ever had. We went ahead and put the barrier in, or we  
23 went ahead and moved forward out there closing the lock  
24 because we were fearful of safety and such. And, to me, this

1 is no different.

2 If I lived in that area, I would be mad  
3 as hell if we let this one slip by and you closed my lock.

4 CHAIRMAN CHRISTOPHER: At a state park.

5 MS. ELLISTON: Steve, if you do include  
6 this in the capital plan, will you be also including I would  
7 need more operating expenses for the lock and dam section  
8 also which would also be dredging?

9 MR. REEDER: Yes, sure would.

10 MS. ELLISTON: And I would need two  
11 more personnel. So, that's something else you need to look  
12 at, too, because they've already cut the budget down.

13 MR. REEDER: You don't have to put that  
14 in the capital plan.

15 MS. ELLISTON: No. That's not in the  
16 capital plan, but that would be something else that you would  
17 need to ask for if this is something else you would want to  
18 do.

19 MR. REEDER: When we get to the budget  
20 approval in about a month or so, we would ask for that.

21 MR. ALTHAUSER: I'm Scott Althausen  
22 with Richmond Utilities and I represent some 60,000 consumers  
23 of the river, and we appreciate all you do.

24 I along with Mr. Talley do agree that

1 if you do ask for this money, another stipulation would be it  
2 wouldn't be a matching grant. What are you going to match it  
3 with is our user fee money. So, if you're going to go after  
4 the money, we hope it will be 100% of extra revenue above and  
5 beyond the tier money if you do anything with the locks, to  
6 repair the locks. Thank you.

7 MR. REEDER: I think the line of  
8 thought that Mr. Graves threw out involves General Fund  
9 money, though.

10 MR. GRAVES: Correct.

11 MR. ALTHAUSER: How many things in  
12 these days and times has ever been--these things are  
13 matching. And if you're going to do it, you're going to have  
14 to have permission to match it with your existing funds  
15 coming from our consumers. I just ask that you all consider  
16 that in your proposal.

17 MR. DAY: Question on the motion, Mr.  
18 Chairman. We've beat this old dog pretty much.

19 CHAIRMAN CHRISTOPHER: I'm sorry. What  
20 did you say?

21 MR. DAY: I said we've beat this old  
22 dog pretty much. Let's act on the motion one way or the  
23 other because we're only talking, it looks to me, like about  
24 one and a half million dollars here to put in these at

1 \$350,000 for each cutoff wall.

2 MR. REEDER: Yes, sir. That's about  
3 right.

4 CHAIRMAN CHRISTOPHER: Don, are you  
5 still good with your motion?

6 DR. HANEY: Yes. And we now have a  
7 call for the question.

8 CHAIRMAN CHRISTOPHER: All in favor.  
9 Can we do a raise of hands? Opposed. I see that eight to  
10 three. Motion carries.

11 MR. REEDER: What stage do you want me  
12 to put these cutoff walls in?

13 MR. DAY: Get the money first.

14 MR. REEDER: Well, that would be tier  
15 money. We'll be talking about that in a minute on the cutoff  
16 walls.

17 MR. HAZLETTE: Mr. Chairman, I don't  
18 want to belabor the point, but I just ask for a point of  
19 information.

20 Seeing that this is a six-year capital  
21 plan, it has a lot of resemblances to the road plan. And I'm  
22 not trying to make that comparison; but if we were able to  
23 itemize the fourteen different locks and dams that we have  
24 and ask for the top level appropriation for each of those and

1 then that allows the decision-makers and appropriators to  
2 pick the ones that they want to fund rather than it being an  
3 all or none kind of thing.

4                   It seems like it would be prudent on  
5 this Board to be able to at least make that offer because if  
6 we don't ask for it, we don't know if we're going to get it  
7 or not.

8                   I pay a water bill off the Kentucky  
9 River just like everybody else does. And I'm not suggesting  
10 we raise fees because I think it's not because of the work of  
11 this group right here has done but probably more from what's  
12 happened in Washington than anything else is probably what's  
13 got everybody riled up a bit.

14                   But I would suggest that we look at it  
15 that way. And then if need be, then, we can come back and do  
16 maybe a fee adjustment. I'd like for somebody to show me how  
17 you can separate out the money that you generate and spend  
18 is for pool stabilization or expansion versus transportation.

19 I'm not smart enough or don't have enough knowledge of it to  
20 be able to differentiate that, and I suspect most other  
21 people can't either.

22                   So, while that's an argument and a  
23 statutory requirement that user fees are for the pool  
24 development, but somebody would have to show me that you can

1 make a distinction between what you do on the river favors  
2 one function over another. But I think---

3 DR. HANEY: Excuse me. Are you talking  
4 about recreation versus water supply?

5 MR. HAZLETTE: I'm talking about  
6 transportation versus just holding water, mechanical and  
7 structural kind of things.

8 And that's really not where I was  
9 wanting to go. I was just wanting to say if we can put in  
10 this plan itemized appropriations for each of the locks and  
11 dams and then give the decision-makers who appropriate the  
12 money the option then to fund whichever ones they maybe deem  
13 is best in the interest of the Commonwealth or the customers.

14 CHAIRMAN CHRISTOPHER: Well, it sounds  
15 like we need to move to our capital plan.

16 MS. HUDSON: I have a question. Last  
17 year, August 15th of '08, we had the list of projects and we  
18 approved this. Why is that not being used for the capital  
19 plan?

20 MR. REEDER: They are.

21 CHAIRMAN CHRISTOPHER: They are. I was  
22 getting to that because my response was going to be any  
23 prioritized list that we have, that should be it.

24 MS. HUDSON: Right, should come from

1 this.

2 CHAIRMAN CHRISTOPHER: Right, because  
3 that was our purpose. That's the one we paid for and we  
4 asked for that for many months.

5 MS. HUDSON: And I don't know if any of  
6 the new members have received this list yet.

7 MR. CAINES: Mr. Chairman, let the  
8 record show that I'm leaving.

9 CHAIRMAN CHRISTOPHER: Thank you,  
10 Warner. Okay. Let's go on to our capital plan discussion.  
11 Steve, do you have something you want to start us with here?

12 MR. REEDER: David and Don are involved  
13 with this also. You've got a handout or should have a  
14 handout which sets out what the capital plan would look like  
15 or at least to consider what the capital plan would look like  
16 for the next six years.

17 CHAIRMAN CHRISTOPHER: It's a page  
18 narrative.

19 MR. REEDER: Yes. It's a page  
20 narrative produced for discussion purposes and it starts at  
21 2010.

22 To reiterate a few things that are  
23 going on right now, we've got a small amount of repair work  
24 on Dam 7. That's going to be put on the street. It's a

1 tract between the power house and the dam.

2                   The other two are rock armoring at Dams  
3 1 and 2 and that's all about a two-and-a-half-million-dollar  
4 thing that the Finance Cabinet is procuring for us right now  
5 and it has nothing to do with the next six years.

6                   So, the first amount up there of  
7 \$375,000, that's a matching thing. That goes with Dam 10.  
8 That probably is not going to come about. It's put in there  
9 because it's still technically a live project that we're  
10 paying 25% of that. We're paying 20% of it, but at this  
11 stage, we're paying 25 and it will be readjusted later. So,  
12 that's the first one there.

13                   The Dam 7, we have put in the Dam 7  
14 repair which is in addition to what we're working on now, and  
15 that's \$2.7 million. That's new sheetpiling, new rock. It's  
16 kind of a redo of what the Corps did. Each of these scope of  
17 projects gives you about twenty years of extra life on these  
18 things, twenty to twenty-five, so we're told. So, we moved 7  
19 over there in the next biennium.

20                   We had that Dam 8 replacement project.  
21 We thought that these will all be fee projects, the Dam 8  
22 replacement using the same numbers, the \$2.6 million for  
23 design and environmental work to replace Dam No. 8 and then  
24 begin that within that next fiscal year.

1                   Dam 6, same scope of repair. David,  
2 you can tell them in a second just exactly how these things  
3 rated in that structural analysis book.

4                   Dam 12, the same level of repair plus  
5 the rock armoring on the sides. And Dam 13 the same way.  
6 Those are more expensive projects, but that gives you the  
7 projects that we--we didn't want to overload that thing too  
8 much because, if you do, you've got contracting problems and  
9 everything else. So, that's about all we could get rolling  
10 and do in a biennium in any sensible way.

11                   The Dam 8 reconstruction, which is a  
12 new dam at Nicholasville, it would commence in 2012 and  
13 probably would run into the following biennium into the fifth  
14 and sixth year simply because the Dam 8 reconstruction might  
15 not be ready by that time.

16                   David is going to tell you that Dam No.  
17 8 didn't rank as high as 7. However, there are more problems  
18 associated with 8. Even though the structure, I guess, tests  
19 out to be a little bit better than the one at 7, it's ranked  
20 No. 14 overall in that book. But due to the explosive nature  
21 of the population there at South Lexington and Nicholasville,  
22 that, we feel like as a staff, is a pretty strong item that  
23 needs to be addressed.

24                   Then we go over to the 2012 biennium,

1 we still have a couple of problems with Dam 4 and 5 of a  
2 minor nature. David can tell you what they are. That's the  
3 \$860,000 number. We slipped those over into the other  
4 biennium, and then you've got \$2.8 million sitting over there  
5 in the 2012-2014 biennium for 11 and 14 and that's to address  
6 some sheetpiling and rock and that sort of thing.

7                   And, so, that's the way we revamped  
8 that thing. We did not put any reference in this particular  
9 thing to any locks, depending on what the Board wanted to do,  
10 given the prior discussion.

11                   If a cutoff wall becomes necessary,  
12 we need to put an item in there to address those, but I think  
13 we could install those sort of along a schedule that the  
14 engineers would recommend.

15                   And in the case of 3, I think what  
16 you've got to look at would be a change order on 3. As you  
17 were talking, Bob, instead of putting a cutoff wall, you've  
18 got to consider if nothing else happened to these locks,  
19 you've got to consider that before they leave the scene down  
20 there, but, otherwise, a cutoff wall in time.

21                   But like I said a while ago, I don't  
22 think we need to look at something tomorrow, but they're  
23 coming, and they're probably going to come at the same time,  
24 4 being the closest one to watch because more people are

1 riding on that.

2 But we will need to put items in there  
3 for that based on the prior action, unless, of course,  
4 funding from some other place comes out of the blue and we  
5 fix them beyond what our own sources are.

6 David, do you want to talk a little bit  
7 about the nature of the work?

8 DR. HANEY: Excuse me. Question. Is  
9 the design of that dam at 3, is it such that it could  
10 accommodate another cylinder?

11 MR. REEDER: A cylinder? Probably so.  
12 We'd have to ask the engineers. We assumed it is an  
13 operating waterway. And, so, we didn't consider it and it  
14 wasn't considered in the design. Staff has asked about that,  
15 and it makes a lot of sense if you're never going to use it.  
16 But we've stayed away from that subject simply because we  
17 thought that there would be a possibility maybe of having the  
18 thing operating.

19 MR. WARE: Steve, what has happened to  
20 the crest gate for 9?

21 MR. REEDER: We've just pushed it off  
22 because of the water plant at 3. We haven't put it in the  
23 plan. The dam was built to accommodate the gates, but we'll  
24 see how the plant operates and the plans of the Water Supply

1 Commission to interconnect these different cities, how that  
2 all shakes out in terms of water needs up at that level, but  
3 that dam is built to accommodate one.

4 MR. WARE: So, a crest gate is 10 is  
5 more important than a crest gate at 9?

6 MR. REEDER: No, no, 9.

7 MR. WARE: Because I noticed there's  
8 construction with a crest gate at 10 shown in the 2014-2016  
9 biennium.

10 MR. REEDER: That's according to the  
11 original scope of work. That might not occur either. We'll  
12 be back here probably addressing 10 because that project is  
13 going to die and we're going to be stuck with the near-term  
14 solution.

15 What we're going to do, we also have  
16 out on the street or will have out on the street for bids  
17 is some corrections to 10 to finish what the Corps of  
18 Engineers didn't do.

19 And that money has already been set  
20 aside up to about \$800,000 which will take care of a cutoff  
21 wall at 10 and an operating valve and some struts to hold  
22 that lock apart. So, that's going to be taken care of, and  
23 then that will give that structure some life along with what  
24 the Corps has already done to it.

1                   If we had any intention of building a  
2 crest gate at this point in time, it would be at 9, but not  
3 right now, not until we see how the needs come about.

4                   DR. HANEY: Have you got any projected  
5 data on anything that 3 will have---

6                   MR. REEDER: Yes, somewhat.

7                   DR. HANEY: ---since it's  
8 interconnected?

9                   MR. REEDER: And it depends on how much  
10 interconnection you do, I guess, obviously. David, can you  
11 address that?

12                   MR. HAMILTON: What was the question?

13                   MR. REEDER: The question concerning  
14 any projections with respect to how the new water plant at  
15 No. 3 is going to, I guess for lack of a better way to say  
16 it, to take pressure off of the system.

17                   DR. HANEY: Assuming you get a  
18 distribution network set up.

19                   MR. REEDER: Yes, assuming a better  
20 network.

21                   MR. HAMILTON: Well, obviously, worst  
22 case, I think Kentucky American's permit is thirty-five. Is  
23 that correct, Ms. Bridwell?

24                   MS. BRIDWELL: Up at 9? Thirty-five.

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DR. HANEY: Thirty-five what?

MR. HAMILTON: That's their limit of withdrawal during a worst-drought phase at their Dam 9 plant for Kentucky American. So, you would be taking thirty-five and then you've got twenty down at your new plant. So, you would be sitting at around 55 mgd that they would be at worst-case drought and be able to withdraw.

DR. HANEY: You can only treat thirty-five at 9?

MS. BRIDWELL: No. We can treat more, but during the drought conditions I think David is speaking of. The permit restricts us to thirty-five.

MR. HAMILTON: They've got more capacity but their permit---

DR. HANEY: Yes. I thought so.

MR. HAMILTON: And during the drought of 2007, they were running around the mid-forties' range with no mandatory restrictions but there was some---

MS. BRIDWELL: Mandatory odd/even required.

MR. HAMILTON: That's right, odd/even water but no total bans on it. They were up around the mid-forty range.

DR. HANEY: So, drought of record, what

1 can you produce at 3?

2 MS. BRIDWELL: The studies are showing  
3 and the permit would allow us up to twenty.

4 DR. HANEY: Any idea how far that would  
5 take you into the future?

6 MS. BRIDWELL: Right now, the  
7 projections are showing the 2028 to 2030 range.

8 MR. GRAVES: That won't bother me.  
9 I'll be gone.

10 MR. REEDER: So, the crest gate at 9 is  
11 a live thing but it's a long-range plan, Bob.

12 MR. WARE: Beyond a six-year plan.

13 MR. REEDER: Yes, beyond a six-year  
14 plan. If that plant for some reason didn't come to fruition,  
15 it would be back on the radar in a couple of years.

16 MR. WARE: I just saw it included under  
17 10, but we're not really thinking that's going to be a  
18 reality anyway.

19 MR. REEDER: Ten initially had the  
20 permanent six-foot raise on it, and then we came to the  
21 conclusion it was an awful lot cheaper to use that crest  
22 gate, which was a Corps' recommendation, but it doesn't look  
23 like it's a project itself. It looks like whatever make work  
24 we're doing on it to hold it is going to have to hold it.

1 And that might be the next one the State would take over and  
2 do at some point in time.

3 CHAIRMAN CHRISTOPHER: Okay. We've got  
4 that capital project information. Anything else? Any other  
5 discussion about that?

6 MR. REEDER: We would add right there,  
7 I think just out of an abundance of caution, we would add the  
8 cost of the cutoff walls in there to make it consistent with  
9 the budget request in the event we had to do it.

10 DR. HANEY: Would you justify that as  
11 deemed necessary or would you make a recommendation for 4 at  
12 this time?

13 MR. REEDER: I wouldn't make a  
14 recommendation for 4 at this time. I don't think I'd put it  
15 in there. I haven't seen anything to suggest to me it's  
16 going to fall in that quick unless it falls in under use,  
17 under use.

18 DR. HANEY: So, you will close it?

19 MR. REEDER: Yes. My inclination, we  
20 have to address that specifically with 4. Four would not in  
21 my mind pose a -- you can correct me, David -- but would pose  
22 a problem sitting there by itself right now unless there's  
23 more distress to it.

24 CHAIRMAN CHRISTOPHER: Use or non-use.

1 MR. REEDER: But the difference is  
2 whether you're going to use it.

3 DR. HANEY: But that is a decision you  
4 could make as needed?

5 MR. REEDER: Yes. If we run it any  
6 more and it shows any more distress, we're going to have to  
7 do something with it.

8 DR. HANEY: I wouldn't run it anymore.

9 MS. ELLISTON: That was going to be my  
10 next question. Are we going to keep running the lock?

11 MR. REEDER: We'll talk with the  
12 personnel before we do it on a week-to-week basis, you and  
13 the rest of them and see what you think. Right now the logs  
14 pose more trouble than the structure does.

15 CHAIRMAN CHRISTOPHER: A motion to  
16 accept this plan as presented by Steve.

17 DR. HANEY: So moved.

18 MR. WARE: Second.

19 CHAIRMAN CHRISTOPHER: All in favor,  
20 signify by saying aye. Opposed, like sign. Motion carries.  
21 Engineer's Report.

22 MR. HAMILTON: I'll give you an update  
23 on Dam 9. We're looking at about nine weeks left until  
24 substantial completion. In fact, they started cleaning up

1 parts of the site where they are done constructing.

2                   Dam 3 I didn't provide any photos, but  
3 primarily they've been mobilizing to the site and doing site  
4 prep. They haven't really done too much construction. They  
5 should start doing the sheetpiling next week, and I should  
6 have some good photos on that by the next meeting. But like  
7 I said, they've just been mobilizing to the site.

8                   We've met out there a couple of times  
9 so far and it seems like the contractor seems to be on top of  
10 things. So, so far so good on Dam 3.

11                   MR. GRAVES: Can I muddy the water  
12 again? Steve and I have talked about this. What would be  
13 the difference in building a real dam as opposed to a  
14 retaining wall?

15                   MR. HAMILTON: Basically like what  
16 you've got out there but just as full concrete---

17                   MR. GRAVES: Well, like on the Ohio  
18 River. You go in and you put a coffer dam. You actually put  
19 a dam in. This, to me, is a retaining wall. It's good for,  
20 what, fifty years?

21                   MR. HAMILTON: Well, they stick that on  
22 there. It's hard to nail down -- fifty, seventy-five.

23                   MR. GRAVES: I'm just asking the  
24 question why not go ahead and explore the possibilities that

1 if you're going to do something, do it right if you're going  
2 to spend within the same amount of money and put a dam in  
3 that's going to give you a 100-year longevity as opposed to  
4 doing something at fifty. I don't know if that's feasible,  
5 if that's practical. I'm just asking the question to educate  
6 myself.

7 MR. HAMILTON: I could for the next  
8 meeting address that a little bit. For Dam 10, the Corps was  
9 designing that. During one of their preliminary phases, they  
10 looked at about six alternatives, and one of those was  
11 instead of doing this cellular dam, doing like you said---

12 MR. GRAVES: I understand that every  
13 time water comes up three foot, you've got a work stoppage.  
14 If you build a coffer dam, you can still work to a certain  
15 point, and at a certain point, the water does seep.

16 DR. HANEY: I guess it would be the  
17 difference in expense.

18 MR. GRAVES: That's what I'm asking. I  
19 would like to know if these work stoppages, the pumping, you  
20 know, can we get a little more bang for our dollar by  
21 building a 100-year dam as opposed to a 50-year dam, if  
22 you're talking about a little bit more money. And I don't  
23 know what it would be, but I'm just throwing that question  
24 out.

1 MR. HAMILTON: I can go to those  
2 numbers that the Corps came up with for those other designs  
3 for 10 because it would be a very similar---

4 MR. GRAVES: I'd like to educate myself  
5 to see if there is a difference.

6 DR. HANEY: What were they projecting  
7 at Boonesboro when they put those---

8 MR. HAMILTON: That's what I'm talking  
9 about.

10 DR. HANEY: Was it fifty?

11 MR. HAMILTON: It was higher. I can't  
12 remember exactly.

13 MR. GRAVES: Being in Facilities, we  
14 seem to be doing things for twenty or twenty-five years and  
15 that's as far as we go. We don't look any further than our  
16 nose. I stop.

17 MR. REEDER: The general reason we were  
18 given, of course, when they came up with those cylinder dams  
19 is just money, but I don't think there was ever an actual  
20 cost nailed down on it.

21 MR. HAMILTON: They never really  
22 analyzed the longevity of it either. They got into the price  
23 part of it but they didn't say one specifically was superior.

24 DR. HANEY: I thought they did at that

1 meeting we had at Boonesboro when they had their display down  
2 there. I thought there was some discussion of longevity. It  
3 might not have been formal.

4 MR. REEDER: I was there but I don't  
5 remember.

6 DR. HANEY: Well, I remember hearing it  
7 but I don't know how formal it was.

8 CHAIRMAN CHRISTOPHER: Before we go on,  
9 while you're talking about 3, would you like, Ms. Bridwell,  
10 to talk a little bit about your project?

11 MS. BRIDWELL: Well, I just passed the  
12 Chairman a note. Thank you. Since I'm here today, for those  
13 of you who don't know me, I'm Linda Bridwell. I'm the  
14 Project Manager for the new water treatment plant being built  
15 at Pool 3 for Kentucky American Water.

16 And I thought, well, since I'm here  
17 today and there has been some discussion, I'll be happy to  
18 update the Board just briefly on the project.

19 We are about 65 to 70% complete on the  
20 treatment plant facility itself. If you haven't had an  
21 opportunity to drive up that way, you can't see a whole lot  
22 from the road, but the construction has been going like  
23 gangbusters.

24 The week of Labor Day, after Labor Day,

1 they were putting basically the treatment plant under roof.  
2 And, so, with that, we've essentially taken all of the  
3 weather-related issues out of the construction. So, we are  
4 on schedule to finish in 2010, the Summer of 2010 and have  
5 water available at the end of the summer.

6 The rest of the facilities are a little  
7 bit further along. The pipeline that's connecting that  
8 system into Lexington and the booster station is probably  
9 about 70, 75% complete.

10 So, it is moving forward, and, again,  
11 we appreciate the efforts of the KRA on all of the facilities  
12 for water supply.

13 Certainly, if you are interested in  
14 seeing the facilities during construction, we have been  
15 taking groups out and we would be happy to arrange something  
16 if anybody is interested in going up and seeing what's going  
17 on or certainly after it's built at anytime.

18 So, unless anybody has any questions.

19 MR. COLLINS: Linda, didn't you have a  
20 date set for a tour?

21 MR. BRIDWELL: We asked the Bluegrass  
22 ADD and I think their Water Resources Committee, if some of  
23 the utility managers wanted to come, and I think September  
24 25th, if any of you all are available and want to join us at

1 that. We've had the PSC, some of the staff members regularly  
2 come out through our facilities, and this year we took them  
3 out to the treatment plant as well.

4 MR. WARE: So, Linda, you've obtained  
5 all the easements as far as the transmission?

6 MS. BRIDWELL: There are three  
7 easements still left to obtain that are in different stages  
8 of negotiations. The pipeline is probably about 70, 75%  
9 along and we're in the final stages on those.

10 MR. REEDER: How far is the pipeline  
11 physically going east?

12 MS. BRIDWELL: Well, the project  
13 actually started at both ends working towards the middle and  
14 there's a booster station in the middle. The Scott County  
15 portion is not quite--it's coming up Iron Works Pike. We've  
16 got twenty-three miles of pipe in the ground out of thirty  
17 miles of pipe.

18 So, from the Scott County end, they've  
19 got twelve, thirteen miles out of the eighteen on that  
20 contract. The Franklin County end actually we have  
21 completed. There are a couple of segments that are still  
22 left. There's probably less than a half a mile in Franklin  
23 County as far as that portion up to the booster to complete.

24 CHAIRMAN CHRISTOPHER: Thank you.

1 Appreciate that.

2 Steve, anything else from the  
3 Director's Report?

4 MR. REEDER: No.

5 CHAIRMAN CHRISTOPHER: I don't have  
6 anything else in the Chairman's Report. Anything else from  
7 any of the Board members?

8 MR. COLLINS: Move to adjourn.

9 MR. DAY: Second.

10 CHAIRMAN CHRISTOPHER: We're adjourned.

11 (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 29th day of September, 2009.

---

Notary Public  
State of Kentucky at Large

My commission expires February 10, 2013.