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RECEIVED

JUN 12 2014

PUBLIC SERVICE  
COMMISSION

BRUCE E. SMITH  
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HENRY E. SMITH  
[henry@smithlawoffice.net](mailto:henry@smithlawoffice.net)

June 11, 2014

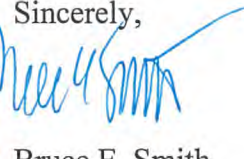
**US MAIL – FIRST CLASS**

Mr. Jeff R. DeRouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

Re: Jessamine-South Elkhorn Water District Response

Dear Mr. Derouen:

Delivered under cover of this letter is an original and nine (9) copies of my client's Response to Commission's Order that was entered June 5, 2014.

Sincerely,  
  
Bruce E. Smith

Enclosures

g:\...\JSEWD\Forest Hills\Derouen ltr 061114

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**RECEIVED**

JUN 12 2014

PUBLIC SERVICE  
COMMISSION

**In the Matter of:**

**APPLICATION OF JESSAMINE-SOUTH ELKHORN )**  
**WATER DISTRICT FOR A CERTIFICATE OF )**  
**PUBLIC CONVENIENCE AND NECESSITY TO )**  
**CONSTRUCT AND FINANCE A WATERWORKS )** **CASE NO 2014-0084**  
**IMPROVEMENTS PROJECT PURSUANT TO KRS )**  
**278.020 AND 278.300 )**

**JSEWD RESPONSE TO COMMISSION'S ORDER**

Comes the Jessamine-South Elkhorn Water District (“District” or “JSEWD”), by counsel, and responds to the Kentucky Public Service Commission’s Order, dated and entered June 5, 2014, in the same sequence as the numerical paragraphs of that Order:

1. Although the District has diligently pursued curing the deficiencies in its CPCN Application herein, it now appears that the District’s initial prediction as to when it would complete this process was overly optimistic. However, the District has completed the plans and specifications for the 750,000-gallon tank and it has obtained all permits except one. An application for approval, along with the plans and specifications, was submitted to the Energy and Environmental Cabinet, Department for Environmental Protection, Division of Water (“DOW”) on June 6, 2014. The District has no control over and does not know how long DOW will need to process and approve the District’s DOW application. Accordingly, the District offers no prediction as to the date on which the plans, specifications and all permits will be submitted to the Commission, but it will file same promptly after receipt of DOW’s approval.

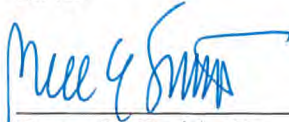
JSEWD submits with this Response a letter from its engineer, Horne Engineering, Inc., containing an estimate of the cost of constructing the proposed 750,000-gallon tank. This submission replaces the previous estimate submitted with Group Exhibit "B" to the District's CPCN Application. Also submitted herewith to supplement the District's CPCN Application is a letter from Kentucky American Water Company ("KAWC") President, Cheryl D. Norton, previously mailed to Mr. Derouen. As can be seen, this correspondence addresses KAWC's meeting with the District, KAWC's inability to guarantee water storage capacity for the District and the contractual obligations between KAWC and JSEWD requiring JSEWD to provide its own storage capacity.

2. Grants totaling \$1,440,000.00 are currently available for use by the District in the construction of the proposed 750,000-gallon tank. These grants are without question available to the District for approximately two years or until the Kentucky Legislature meets in its regular session for calendar year 2016.

3. JSEWD did not intend to obtain bids for construction of this project unless and until the Commission approves its CPCN Application herein. JSEWD's decision in this regard is based on its understanding that securing bids is not a requirement for moving forward with the Application and also on its desire to avoid the additional time and expense of obtaining and awarding a bid prior to the Commission's ruling. Further, the District anticipates that once a determination is made by the Commission, there will likely be continued litigation over the result which will delay the commencement of construction and will pose problems with starting the work within the period that the bid is still effective.

Anthony G. Martin, Esq.  
P.O. Box 1812  
Lexington, Kentucky 40588  
agmlaw@aol.com  
(859)268-1451

**AND**



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Bruce E. Smith, Esq.  
Henry E. Smith, Esq.  
Bruce E. Smith Law Offices, PLLC  
201 South Main Street  
Nicholasville, Kentucky 40356  
bruce@smithlawoffice.net  
(859)885-3393

**CO-COUNSEL FOR DISTRICT**

CERTIFICATE OF SERVICE

The undersigned certifies that a true copy of the foregoing JSEWD Response to Commission's Order was mailed to the following individuals, postage prepaid, on June 11, 2014.

Robert M. Watt, III, Esq.  
Monica H. Braun, Esq.  
300 West Vine Street, Suite 2100  
Lexington, KY 40507

Jennifer Black Hans, Esq.  
Gregory T. Dutton, Esq.  
Assistant Attorneys General  
1024 Capital Center Drive, Suite 200  
Frankfort, KY 40601-8204



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Bruce E. Smith

# Horne Engineering, Inc.

216 SOUTH MAIN STREET • NICHOLASVILLE, KENTUCKY 40356 • (859)885-9441 • FAX (859)885-5160

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ENGINEERS • LAND SURVEYORS • PLANNERS  
*email@horneeng.com*

April 16, 2014

Bruce E. Smith  
Bruce E. Smith Law Offices, PLLC  
201 S. Main Street  
Nicholasville, KY 40356

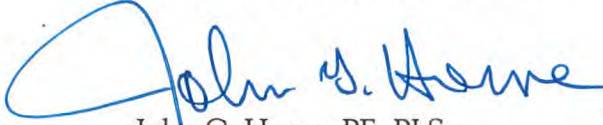
Re: Engineer's Estimate  
Funding/Construction Budget  
Catnip Hill Pike .75 MG  
Elevated Storage Tank, Project # 4049  
Jessamine County, Kentucky

Dear Bruce:

Enclosed, please find an Engineer's Estimate for construction and funding of the proposed Catnip Hill Pike 750,000 gallon elevated storage tank. This information is the same as contained in paragraph 12 of my pre-filed testimony. However, we have included, as a footnote to the Legislative Grants, the budget source reference to reallocation under the 2014 budget.

Should you have any questions and/or comments, please contact me at (859) 885-9441.

Sincerely,  
HORNE ENGINEERING, INC.



John G. Horne, PE, PLS  
President

JGH/jt

enc.

cc: Board of Commissioners  
Glenn T. Smith  
Richard Decker  
Diana Clark  
Engr/4049  
Engr/4044  
Corr.

**ENGINEER'S ESTIMATE  
FUNDING/CONSTRUCTION BUDGET**

**CATNIP HILL PIKE .75 MG  
ELEVATED STORAGE TANK, PROJECT # 4049  
Jessamine County, Kentucky**

**Jessamine-South Elkhorn Water District  
802 S. Main Street  
Nicholasville, KY 40356**

**CONSTRUCTION ESTIMATE**

<u>Project Cost Classification</u>	<u>Amount</u>
Administrative	\$10,000
Legal	\$15,000
(1) Land, Appraisals, Easements	\$0
Relocation Expense	\$0
Planning	\$5,000
Design Fee	\$125,000
Construction Engineering	\$30,000
Inspection Fee	\$85,000
Engineering Fees - Other	\$10,000
(2) Construction	\$1,510,000
Equipment	\$0
(3) Miscellaneous - Other	\$35,000
Contingencies	<u>\$175,000</u>
<b>TOTAL PROJECT COST</b>	<b>\$2,000,000</b>

- (1) The tank site consisting of one (1) acre and access easement was purchased in 2004.
- (2) Based on a tank cost of \$1,350,000 from information supplied by Caldwell Tank, Inc. and a site cost of \$160,000 based on information contained in bids received and filed in CPCN Case No. 2012-00470.
- (3) Kentucky Infrastructure Authority (KIA) Administrative Fee.

FUNDING SOURCES

(4)	Legislative Grants		\$1,440,000
	229N-2008	\$1,000,000	
	355N-2007	\$110,000	
	356N-2007	\$180,000	
	357N-2007	\$150,000	
	Kentucky Rural Water Finance Corp. (KRWFC) - Bond Issue - \$560,000.		<u>\$560,000</u>
	TOTAL FUNDING		\$2,000,000

(4)14 RS HB 235/Enacted, Page 116 of 260, Lines 8 through 19 - 003. Jessamine-South Elkhorn Water District - Catnip Hill Pike 1.0 MG Elevated Storage Tank Project (WX21116016) Reauthorization and Reallocation (\$440,000 Bond Funds)



2300 Richmond Road  
Lexington, KY 40502

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[www.kentuckyamwater.com](http://www.kentuckyamwater.com)

March 18, 2014

Jeff R. DeRouen, Executive Director  
Kentucky Public Service Commission  
P.O. Box 615  
211 Sower Boulevard  
Frankfort, Kentucky 40602-0615

RE: Jessamine-South Elkhorn Water District CPCN Application

Dear Mr. Derouen,

It is my understanding that a letter dated March 7, 2014 was sent to you by South Elkhorn Water District's counsel in regard to an application filed by South Elkhorn Water District ("the Water District") for approval of construction and financing of an above-ground storage tank. In addition, it is my understanding that this letter represented that Kentucky American Water would be sending a statement to the Public Service Commission confirming certain statements in the letter.

I can confirm that I requested a meeting with the Water District to discuss several matters, and that the meeting occurred with Nick Strong, Water District Board Member, on March 7, 2014. During the meeting, we discussed Kentucky American Water's storage capacity and the inability of Kentucky American Water to guarantee additional capacity to serve the Water District in an emergency situation.

I can also confirm that Kentucky American Water's agreement with the Water District places responsibility for storage solely on the Water District. Any changes to this agreement would require analysis, negotiation and a written agreement signed by both parties, none of which has occurred at this time.

Sincerely,

Cheryl D. Norton  
President

c: Sen. Tom Buford  
Rep. Robert R. Damron  
Nick Strong  
Bruce Smith, Esq.