

Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet



Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Linda Breathitt
Commissioner

July 30, 2014

PARTIES OF RECORD

Re: Case No. 2014-00163
Bullitt Utilities, Inc.

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum please do so within five days of receipt of this letter. If you have any questions, please contact Ann Ramser, Staff Attorney, at (502) 782-2585.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeff Berouen".

Jeff Berouen
Executive Director

Attachment

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File – Case No. 2014-00163
FROM: Ann Ramser, Staff Attorney
DATE: July 30, 2014
RE: Informal Conference of July 17, 2014

Pursuant to Commission Staff's July 11, 2014 Notice, an informal conference was held in this matter on July 17, 2014. Attached is a copy of the attendance roster.

The purpose of the meeting was to discuss the provision of a permanent wastewater treatment system to service the approximately 700 customers of Bullitt Utilities, Inc. ("Bullitt Utilities"). The customers reside in the cities of Hillview and Hunters Hollow. In attendance were representatives of the two parties to the case, Bullitt Utilities, Inc. ("Bullitt Utilities") and the Attorney General's Office of Rate Intervention ("AG"); State Senator Dan Seum and a representative of Senate Leadership Staff; Bullitt County Judge-Executive Melanie Roberts and the Deputy Judge-Executive; Mayor Linda Parker of the city of Hunters Hollow; Mayor James Eadens of the city of Hillview; representatives of Bullitt County Sanitation District ("BCSD"); representatives of the Energy and Environment Cabinet ("EEC") through its Division of Water ("DOW") and Division of Enforcement; and Commission Staff.

Ms. Ramser started the meeting by acknowledging that Bullitt Utilities and BCSD were attempting to negotiate an agreement. Chris Cogan, a representative of Bullitt Utilities; Mr. Moore, counsel for Bullitt Utilities; and Mr. Kennedy, a representative of BCSD; indicated that any agreement would be contingent on PSC allowing Bullitt Utilities to collect a surcharge from its customers. Bullitt Utilities wants a surcharge to cover the cost for a new plant and for costs incurred as a result of the failure of its wastewater treatment plant on March 29, 2014. Mr. Cogan estimates that the surcharge will be in the high teens. The current proposal required the cities of Hunters Hollow and Hillview and Bullitt County to provide funding if Bullitt Utilities should default on any agreement. Mr. Cogan indicated that he would demonstrate that Bullitt Utilities will be able to fund any obligation should Bullitt Utilities and BCSD enter into an agreement.

During the informal conference held on July 2, 2014, one long term solution discussed was for the flow from Bullitt Utilities to be sent to Louisville and Metropolitan Sewer District ("MSD"). Mr. Heitzman, a representative of MSD, indicated that MSD and Bullitt Utilities had not been in contact since the informal conference held on July 2, 2014.

According to Mr. Heitzman, MSD would need to construct approximately 4,000 feet of gravity mains in Jefferson County to extend wastewater service to the

Bullitt/Jefferson County line. Approximately 5,000 feet of additional wastewater mains and a lift station would have to be constructed in Bullitt County to provide service to Bullitt Utilities' customers. Previously, the estimate for wastewater mains in Bullitt County was 3,000 feet.

The estimated cost for MSD to construct a permanent solution to treat the effluent from Bullitt Utilities is approximately \$3.5 million and could take up to 24 months to complete. This is higher than previously estimated. The higher cost is due to the longer distance; dual system of pump and gravity; and to enlarge the Jefferson County system. The project will also benefit MSD's Jefferson County customers, therefore the potential exists that the cost to Bullitt County customers could be reduced to \$2.5 million.

Mr. Moore advised that the Veolia temporary wastewater treatment plant was turned on July 17, 2014 but that a shakedown period was necessary. The combined monthly cost for the Pecco and Veolia temporary wastewater treatment plants is \$120,000 to \$160,000. Mr. Cogan indicated that Bullitt Utilities was operating on borrowed funds and will not be able to continue to pay for the temporary wastewater treatment plants for much longer.

BCSD does not have the capacity for all of Bullitt Utilities wet weather flow due to the inflow and infiltration issue. BCSD would be able to temporarily start treating all of the dry weather flow on approximately September 1, 2014 once the above ground piping was installed at a cost of \$150,000.

BCSD currently has ongoing problems with its current package plants. Enforcement actions may soon be issued.

The EEC, through its Division of Enforcement, indicated that the best long term solution is for MSD to take the flow, fix the Inflow/Infiltration issue, and use BCSD to temporarily treat the effluent in the short term. Mr. Cogan indicated that BCSD will be needed for a short term solution. Mr. Kennedy expressed concerns that BCSD will still need a new plant and that Bullitt Utilities' current rates will be insufficient to cover BCSD's costs to treat the flow from Bullitt Utilities on an interim basis.

At this point, the EEC recommended the meeting adjourn and a smaller group representing the EEC's DOW and Division of Enforcement, the AG, BCSD, Bullitt Utilities, and Commission's legal staff, convened. During the smaller group meeting, short term and long term solutions were discussed. Mr. Moore agreed to draft proposals and submit them to the EEC's Division of Enforcement for its review by July 23, 2014.

The informal conference then ended.

Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF EXISTING AND FUTURE
SERVICE OF BULLITT UTILITIES, INC.

) CASE NO.
) 2014-00163

Please sign in:

NAME

REPRESENTING

Jeffrey Cummings
Diane Schulz Fleming

KDEP - DENF

EEC - Gen Counsel Office

Mike Higgins

City of Fox Chase

Rupertanski

Bullitt Co.

Steve Emly

Louisville MSD

BRIAN Bingham

Louisville MSD

SCOTT Poffner

MSD

Maya Linda Parker

Hunter's Hollow City

Jim Bohannon

City of Hillview

Lisa W. Craddock

Bullitt Co. Deputy Judge Exec.

Melanie G. Roberts

Bullitt Co. Judge Executive

JIM EDENS

Mayor City of Hillview

SCOTT STURER

Bullitt County Attorneys Office

David Spence

PSC

Ronald Parker

Hunter's Hollow

Lynn Spencer

Judy Kennedy

Gregory Dutton

JAMES RICE

Bob Moore

Chris Coe

RICHARD RAFF

Dave Derrick

REGGIE VAN STOKUM

Greg Hatzman

John [unclear]

Bruce Scott

DANIEL CLEVELAND

Ann Ramsey

Stephanie Bell

BCSD Commissioner

BCSD

JAG

PSC

BULLITT UTILITIES

BULLITT UTILITIES

PSC-LEGAL

Derrick Engman (Bullitt Util)

ATTORNEY FOR BULLITT UTILITIES

Louisville (MD)

38TH STREET

1410

EEC/OGC

PSC Staff

PSC