

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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MAR 25 2015

In the Matter of:

APPLICATION OF BULLITT UTILITIES, INC.)
FOR A CERTIFICATE OF CONVENIENCE AND)
NECESSITY AND SURCHARGE FOR SAME)

PUBLIC SERVICE
COMMISSION
CASE NO 2014-00255

**ANSWERS OF BULLITT UTILITIES, INC., TO COMMISSION STAFF'S FIRST
INFORMATION REQUESTS**

Comes Bullitt Utilities, Inc. ("Bullitt Utilities"), and for its Answers to Commission Staff's First Information Requests, states as follows:

Information Request No. 1: At pages 2-3 of the Amended Application, Bullitt Utilities explains that in accordance with the requirements of the Kentucky Pollutant Discharge Elimination System permit, it was required to take immediate action, and that Bullitt Utilities therefore entered into a contract with Pecco, Inc. ("Pecco") to install a mobile wastewater treatment plant (Temporary Plant").

a. Describe the process that Bullitt Utilities used in evaluating the alternatives that were initially considered and explain how it ultimately chose the Pecco mobile wastewater treatment plant alternative. The response should include the following:

- (1) A description of each alternative that was considered, with a list of the pros and cons of each alternative.
- (2) A breakdown of the installation and operational costs of each alternative.
- (3) The reason (s) each alternative was rejected and the reason(s) the Pecco alternative was chosen.

ANSWER: On Saturday March 29, 2014, Bullitt Utilities was notified by the local Fire Department that the Hunters Hollow wastewater treatment plant (“WWTP”) located on Bluelick Road, Bullitt County, Kentucky had suffered a total failure and breach of the primary treatment tanks, resulting in a discharge of wastewater. Immediately upon receiving this information, the appropriate regulatory agencies were notified of the WWTP’s failure, and the certified plant operator responded on the scene to assess the situation. Bullitt Utilities began to assess the options that were available to it to deal with catastrophic failure of the WWTP.

During the initial discussions with personnel from the Kentucky Division of Water, Charles Roth and Kevin Strohmeier, concerning the need to stop the discharge of untreated wastewater from the Hunters Hollow collection system, Mr. Roth and/or Mr. Strohmeier informed Bullitt Utilities that PECCO, Inc. (“PECCO”), may be able to provide a temporary WWTP to treat the wastewater discharging from the Hunters Hollow collection system. Mr. Roth is the Supervisor of the Louisville Regional Office of the Kentucky Division of Water (“DOW”). Mr. Strohmeier is a member of the DOW’s Emergency Response Team. Bullitt Utilities immediately contacted PECCO to determine whether it could provide assistance in responding to the failed WWTP.

On March 31, 2014, Kevin Stanfield, MPH, the Special Projects Manager for PECCO, provided a quote for the installation, set-up and operation of the PECCO mobile WWTP.

The advantages to the installation of the PECCO WWTP were that it was available, could be transported to the Hunters Hollow site within a very short period of time, could be installed and be operational within several days, could treat most if not all of the dry weather flow from the Hunters Hollow collection system, PECCO would provide the personnel to operate the

WWTP on a daily basis, excluding the certified operator, and the Kentucky DOW personnel were aware of PECCO and its capabilities and agreed with the decision to implement this option.

Bullitt Utilities also considered the option of installing a used WWTP at the site of the failed WWTP. This option was ruled out as it would take approximately six (6) months to locate and install a used WWTP capable of treating the flow from the Hunters Hollow collection system.

Bullitt Utilities also considered connecting its line to the sanitary sewer system owned and operated by the Bullitt County Sanitation District ("BCSD"). This option was ruled out due to the amount of time it would take to connect the Hunters Hollow collection system to BCSD's collection system, and at that time BCSD said it could only accept approximately 60,000 gpd of wastewater flow. Again, the options of locating, purchasing and installing a used WWTP and connecting to BCSD's sanitary sewer system were ruled out due to the length of time it would take to implement same.

b. Describe in detail the Kentucky Division of Water's ("DOW") involvement in Bullitt Utilities' evaluation and its decision to enter into the contract with Pecco for the installation of the Temporary Plant.

ANSWER: See Answer to Request for information No. 1.

Information Request No. 2: At page 3 of the Amended Application, Bullitt Utilities states that the Pecco Temporary Plant was originally designed to treat approximately 160,000 gallons per day ("gpd") of wastewater, but was modified to increase its treatment capacity to 200,000 gpd.

a. Given that the Hunters Hollow wastewater treatment plant's treatment capacity

was 250,000 gpd of wastewater, explain why Bullitt Utilities decided to use the 200,000 gpd Pecco Temporary Plant.

ANSWER: The average daily dry weather flow of the Hunters Hollow WWTP was estimated to be approximately 160,000-180,000 gpd. Accordingly, the PECCO WWTP would be able to treat most, if not all, of the dry weather flow generated by the Hunters Hollow collection system. Working closely with officials from the Kentucky DOW and the Kentucky Division of Enforcement (“DEF”), Bullitt Utilities determined, with the concurrence of these officials, that the PECCO WWTP was the most effective response to the failure of the Hunters Hollow WWTP. Additionally, Bullitt Utilities was working with BCSD to determine whether it could accept for treatment a portion of the flow generated by the Hunters Hollow collection system. BCSD initially agreed to accept 60,000 gpd of the flow from the Hunters Hollow collection system, but then ultimately refused to accept this flow after Bullitt Utilities paid for the work BCSD performed to make the connection.

b. Explain whether the DOW was consulted and whether the DOW approved of Bullitt Utilities' decision to install the 200,000 gpd Pecco Temporary Plant.

ANSWER: During the initial discussions with personnel from the Kentucky Division of Water, Charles Roth and Kevin Strohmeier, concerning the need to stop the discharge of untreated wastewater from the Hunters Hollow collection system, Mr. Roth and/or Mr. Strohmeier informed Bullitt Utilities that PECCO, Inc. (“PECCO”), may be able to provide a solution to the discharge of untreated wastewater from the Hunters Hollow collection system. Bullitt Utilities determined, with the concurrence of these officials, that the PECCO WWTP was the most effective response to the failure of the Hunters Hollow WWTP. The Kentucky DOW

approved the installation of the PECCO temporary WWTP, and Mr. Roth is the individual that suggested the changes to the piping of the PECCO WWTP so that it could treat between 200,000 and 210,000 gpd of wastewater. It is important to note that during this time period, Bullitt Utilities met with DOW and DEF on an almost weekly basis to address the failure of the Hunters Hollow WWTP, and obtained its approval and concurrence before taking action to address the WWTP's failure.

c. At page 2 of the Amended Application, Bullitt Utilities explains that the average daily flow of the Hunters Hollow treatment plant (dry weather) was between 160,000 gpd and 200,000 gpd. Explain whether Bullitt Utilities was aware that during wet weather, the daily flow of Hunters Hollow would exceed the capacity of the 200,000 gpd Pecco Temporary Plant.

ANSWER: Bullitt Utilities was aware that during wet weather the daily flow of Hunters Hollow would exceed the capacity of the PECCO WWTP. To address this concern, Bullitt Utilities requested BCSD to accept for treatment a portion of the flow generated by the Hunters Hollow collection system. BCSD initially agreed to accept 60,000 gpd of the flow from the Hunters Hollow collection system and Bullitt Utilities paid BCSD \$14,603.90 for the work performed by BCSD to construct the line connecting the two systems. A pump had been ordered by BCSD to start pumping the 60,000 gpd of wastewater to BCSD's system, but BCSD then refused to accept this flow.

Information Request No. 3: At page 3 of the Amended Application, Bullitt Utilities explains that the Pecco Temporary Plant was unable to treat the flow from the Hunters Hollow collection system during wet weather and meet its DOW permit requirements. For that reason, Bullitt Utilities states, Bullitt Utilities entered into a contract on June 1, 2014, with Veolia Water

Solutions and Technologies, North America, Inc. ("Veolia") to install a second Temporary Plant.

a. Describe the process that Bullitt Utilities used in evaluating the alternatives that were initially considered and explain how it ultimately chose to enter into the contract with Veolia for the second Temporary Plant. The response should include the following:

- (1) A description of each alternative that was considered with a list of the pros and cons of each alternative.
- (2) A breakdown of the installation and operational costs of each alternative.
- (3) The reason(s) each alternative was rejected and the reason(s) the Veolia alternative was chosen.

ANSWER: During April of 2014, the PECCO WWTP was treating between 200,000 to 210,000 gpd of wastewater from the Hunters Hollow collection system. The PECCO WWTP was capable of treating most, if not all, of the dry weather flow, but was not capable of treating all of the wet weather flow from the collection system. Throughout this time period, Bullitt Utilities was considering the following options for addressing the catastrophic failure of the Hunters Hollow WWTP. The following are the alternatives considered by Bullitt Utilities. The alternatives are not listed in the order of their priority or by effectiveness.

Alternative No. 1. The installation and operation of the Veolia Actiflo temporary WWTP. The advantages of installing the Veolia WWTP is that it could be installed and begin operation within a short time frame. Additionally, the Veolia WWTP was reported to be capable of treating in excess of 2,000,000 gpd of wastewater in compliance with the limits of Bullitt Utilities' KPDES permit. Accordingly, upon the installation of the Veolia WWTP, Bullitt Utilities would be able to treat the dry weather and wet weather flow of the Hunters Hollow

WWTP. The disadvantage of the Veolia WWTP was that it was only a temporary solution, and it was costly to install and operate.

Alternative No. 2. The installation of a used 300,000 gpd WWTP. The advantage of installing a used 300,000 gpd WWTP was that it would be a permanent solution to the failure of the WWTP. The disadvantages of this resolution was that no 300,000 gpd used WWTP could be found on the market by Larry Smither and 4 other individuals that were working with him to locate such a WWTP, and it would take approximately 6 months to purchase, transport and install such a WWTP, including the completion of the necessary engineering and site work. The cost of purchasing and installing such a used WWTP is unknown, as Bullitt Utilities was unable to locate one for purchase. BCSD owns a used 300,000 gpd WWTP, but upon inspection by Larry Smither and Chris Crumpton, an engineer with BlueStone Engineers, it was determined to be in such poor condition that it could not be used.

Alternative No. 3. The installation of a new 300,000 gpd WWTP. The advantage of installing a new 300,000 gpd WWTP was that it would be a permanent solution to the failure of the WWTP. The disadvantages of this resolution was that a new 300,000 gpd WWTP would cost in excess of \$800,000, and this cost does not include the completion of the necessary engineering and site work. Additionally, it would take more than 6 months to purchase, transport and install such a WWTP, including the completion of the necessary engineering and site work.

Alternative No. 4. Bullitt Utilities entered into discussions with officials from the Louisville and Jefferson County Metropolitan Sewer District ("MSD") to see if it could assist in providing a short term or long term solution to the failure of the Hunters Hollow WWTP. MSD was unable to provide assistance on a short term basis due to the distance of its sanitary sewer

lines from Bullitt Utilities lines, and Bullitt Utilities' service area is out of MSD's service area of Jefferson County, Kentucky.

Alternative No. 5. Continue the operation of the PECCO WWTP and divert approximately 60,000 gpd of wastewater flow to BCSD for treatment. The advantage to this option is that the PECCO WWTP would continue to treat between 200,000 and 210,000 gpd of wastewater and BCSD would treat approximately 60,000 gpd of wastewater, resulting in the treatment of approximately 270,000 gpd. The initial cost to implement this option to connect to BCSD was less than \$20,000. The disadvantage to implementing this option is that it would not result in the treatment of all of the wastewater generated by the Hunters Hollow collection system during wet weather conditions. Additionally, by letter dated April 22, 2014, BCSD informed Bullitt Utilities that it would not accept this 60,000 gpd flow unless Bullitt Utilities paid, up front, an amount exceeding \$1,000,000, which was the estimated cost to construct a new WWTP. Bullitt Utilities did not have this amount of money, nor did it have the capacity to borrow this amount of money.

Alternative No. 6 Continue the operation of the PECCO WWTP and divert excess flow to the WWTP owned by the City of Hillview. The advantage to this option is that the PECCO WWTP would continue to treat between 200,000 and 210,000 gpd of wastewater and the City of Hillview's WWTP would treat excess flow of wastewater. The disadvantage to this option was that the WWTP owned by the City of Hillview had no excess capacity available for use by Bullitt Utilities and was unwilling to accept wastewater from Bullitt Utilities. Additionally, it would take a significant period of time to engineer and construct a line connecting the Bullitt Utilities system to this WWTP.

- c. Identify the gpd wastewater capacity of the Veolia Temporary Plant.

ANSWER: The gpd wastewater capacity of the Veolia temporary WWTP was reported to be approximately 2,100,000 gpd. It is currently treating the flow generated by the Hunters Hollow collection system.

Information Request No. 4: At pages 3-4 of the Amended Application, Bullitt Utilities explains that the Veolia temporary Treatment Plant requires the use of the equipment provided by Pecco. Explain in detail why the Pecco equipment is required to operate the Veolia Temporary Plant.

ANSWER: The PECCO equipment used in the operation of the Veolia WWTP is a 4" trash pump, two 2" trash pumps, 190' of 2" hose, 2 light plants, 5 frac tanks, 2 open-top frac tanks, a roll-off box, 3 connex boxes and a cat telehandle. This equipment is needed because the Veolia WWTP works most efficiently at full capacity loads. The normal flow generated by the Hunters Hollow collection system is insufficient for the Veolia WWTP to operate efficiently. Therefore, the flow is accumulated in the PECCO equipment and run through in batches to enable the Veolia WWTP to operate at capacity or near capacity. Additionally, the PECCO equipment acts as a primary treatment stage by eliminating and/or greatly reducing the solids in the wastewater. This also improves the treatment efficiency of the Veolia WWTP.

Information Request No. 5: At pages 9-10 of the Amended Application, Bullitt Utilities explains that it has obtained loans to pay the extraordinary cost incurred to respond to the failure of the Hunters Hollow treatment plant and that it will be required to borrow additional funds.

- a. Provide a copy of the loan agreement, and include a copy of the amortization

schedule that includes the entire life of the loan. The amortization schedule should include the payment amounts, principal retirements, interest payments, interest rates, and outstanding annual balances.

ANSWER: Promissory note in favor of Tigers and Rockets, LLC dated May 28, 2014, in the amount of \$70,000. The promissory note is to be paid by no later than May 28, 2014; Promissory note in favor of Tigers and Rockets, LLC dated April 21, 2014, in the amount of \$32,000. The promissory note is to be paid by no later than April 21, 2015; Promissory note in favor of Tigers and Rockets, LLC dated May 20, 2014, in the amount of \$130,000. The promissory note is to be paid by no later than May 20, 2015. Additional information to be provided.

b. Provide an estimate of the additional loans Bullitt Utilities expects to obtain and include the date that Bullitt Utilities will obtain the loan.

ANSWER: Bullitt Utilities estimates that it will need to borrow an additional amount exceeding \$1,649,956. The date that Bullitt Utilities will obtain the loan is unknown.

Information Request No. 6: At pages 10-11 of the Amended Application, Bullitt Utilities provides an itemized breakdown of the \$1,614,731 in costs it had incurred as a result of the failure of the Hunters Hollow treatment plant. Bullitt Utilities estimates that the total cost will be \$1,881,956, which is \$267,225 above the expenditures as of the date of the application.

a. Provide an itemized breakdown of the estimated additional costs of \$267,225.

ANSWER: The total cost to prepare the detailed survey and site design (\$2,800), pump station design for triplex pump (\$17,500), pump remodeling and system head design (\$2,500), structural engineering for wet well, slabs, vaults (\$7,000), project administration and

management (\$2,500), and bidding/construction inspections (\$3,350) is \$35,650. The estimated cost to construct the wet well, pump and any line to connect the Hunters Hollow system to the BCSD system is \$50,000. The balance of the estimated additional cost, \$181,575.00, was attributed to expenses incurred to rent the Veolia WWTP, including the PECCO equipment, and to operate same. The cost to construct the wet well and pump station is now estimated to be \$345,384, based on the bid of Larry Clark Construction Co. And the cost of the control panels and other electrical equipment, and the remaining engineering fee. The additional amounts to be paid PECCO and Veolia have not yet been determined as the Hunters Hollow system has not yet been connected to the BCSD system.

b. Provide an itemized breakdown of the total actual costs that have been incurred by Bullitt Utilities as of February 28, 2015. Include copies of any supporting invoices that were not included in the Amended Application.

ANSWER: As indicated in detail above, Bullitt Utilities has incurred the following costs to address the catastrophic failure of the Hunters Hollow WWTP:

- a) Payments to BCSD for assistance in responding to the failure - \$139,603.90
- b) Payments to Headden Septic Service and Environmental Services, Inc., (\$9,064.58), Bullitt Septic Service (\$22,952.18), and Okolona Septic Tank Service, Inc., (\$950.00) total to clean the receiving stream - \$32,220.58
- c) Payments to Pecco, Inc., to install and operate the temporary WWTP, including the equipment needed to operate the Veolia temporary WWTP - \$663,544.84
(This does not include three invoices issued in March of 2015 in the amount of \$20,848.08)

- d) Payments to Veolia to install the Veolia temporary WWTP - \$1,167,877.20. This amount does not include one invoice issued in March of 2015 in the amount of \$2,803.47)
- e) Payments to Arrow Electric to install the electrical connections needed to operate the Veolia temporary WWTP - \$16,902.58
- f) Payments to Covered Bridge Utilities for work in responding to the catastrophic failure and assisting the installation and operation of the temporary WWTP plants - \$53,025.58. (This amount does not include three invoices issued in March of 2015 in the amount of \$14,035.90)
- g) Payments to Blue Stone Engineers - \$36,655.00
- h) Payments to River City Controls, Inc. - \$2,720.90. (This does not include one invoice issued in March of 2015 in the amount of \$600)
- i) Payments to Plumbers Supply Co. - \$869.04
- j) Payments to Ryan Herco Flow Solutions - \$5,519.42
- k) Payments to Masters Supply, Inc.- \$4,095.41
- l) Payments to Grainger - \$605.05
- m) Payments to Lawrence W. Smither - \$7,371.15
- n) Payments to Hazelrigg & Cox, LLP and Reginald R. Van Stockum, Jr., in the amount of \$91,414.71
- o) (Payments to DXP Enterprises, Inc. For submersible pump. Invoice issued in the amount of \$10,975.31 in March of 2015)
- p) (Payment to Strothman & Co for accounting services provided in connection with

surcharge request. Invoice issued in the amount of \$5,847.00 in March of 2015)

q) (Payment to Nu-Way Rental & Sales, Inc. issued two invoices in March of 2015 in the amount of \$1,178.73)

r) Payment to Salt River Electric in the amount of \$11,191.64

TOTAL EXPENSES INCURRED TO DATE - \$2,233,627.00

c. Identify the itemized costs provided by Bullitt Utilities in its response to 6.b. as:
(1) funded with operating revenues; (2) funded with loan proceeds; or (3) unpaid.

ANSWER: The total amount of \$0.00 has been funded with operating revenues and an amount exceeding \$600,000 has been funded with loan proceeds. The balance remains unpaid.

Information Request No. 7: At page 8 of its Amended Application, Bullitt Utilities explains that: (1) the \$30,000 DOW penalty will be abated upon development and implementation of a corrective action plan to eliminate sources of inflow and infiltration within the customers' sewer lines; and (2) the \$125,000 DOW penalty will be abated upon Bullitt Utilities' connection to the Bullitt County Sanitation District's ("BCSD") sewer system, which includes a \$125,000 payment to BCSD.

a. Confirm that Bullitt Utilities is proposing to recover the cost of the inflow and infiltration corrective action plan of \$30,000 through the \$32.19 monthly surcharge.

ANSWER: Bullitt Utilities is not proposing to recover the cost of the inflow and outflow corrective action plan through the requested \$32.19 monthly surcharge.

b. Confirm that Bullitt Utilities is proposing to recover the cost of the payment of \$125,000 to BCSD through the monthly surcharge.

ANSWER: Bullitt Utilities is proposing to recover the cost of the payment of \$125,000

to BCSD through the monthly surcharge.

c. If the responses to 7.a. and/or 7.b. are no, explain how the payments are being funded.

ANSWER: Bullitt Utilities is planning to pay for the cost of the inflow and infiltration corrective action plan through operating revenues.

d. If the responses to 7.a. and/or 7.b. are yes, given the Commission's longstanding practice not to allow a utility to recover penalties that are paid for the violation of a regulatory guideline, explain why the \$30,000 and \$125,000 should not be viewed as penalties and excluded from the proposed monthly surcharge.

ANSWER: The \$125,000 was paid to BCSD to enable BCSD to construct a line from its sanitary sewer system to accept the flow from the Hunters Hollow collection system. Contrary to a penalty, this \$125,000 was not paid to the Energy and Environment Cabinet. This \$125,000 was paid to complete a supplemental environmental project, which is not a penalty. This payment will provide a direct benefit the customers of the Hunters Hollow collection system by enabling the treatment of their wastewater by BCSD and will allow Bullitt Utilities to stop using the Veolia WWTP and the associated PECCO equipment.

Information Request No. 8:

a. Provide an itemized schedule listing the monthly chemical costs paid by Bullitt Utilities for the calendar years 2012 and 2013.

b. Provide an itemized schedule listing the monthly chemical costs paid to Pecco and Veolia since each began operating the Temporary Plant.

ANSWER: To be provided.

Information Request No. 9: Bullitt Utilities' Amended Application requests the proposed surcharge to be in effect for seven years.

a. What is the basis for the seven-year period?

ANSWER: The use of the seven year period resulted in a monthly surcharge that did not appear to be overly burdensome to the customers, while enabling Bullitt Utilities to pay the extraordinary costs incurred to provide wastewater treatment after the catastrophic failure of the Hunters Hollow WWTP.

b. Did Bullitt Utilities consider a period longer than seven years?

ANSWER: Bullitt Utilities considered both a shorter and a longer time period for the requested surcharge.

c. Did Bullitt Utilities consider a period shorter than seven years?

ANSWER: Bullitt Utilities considered both a shorter and a longer time period for the requested surcharge.

d. Explain in detail Bullitt Utilities' position concerning the use of a shorter or longer effective time frame for the surcharge.

ANSWER: Bullitt Utilities is concerned that the use of a shorter time period for the surcharge will result in a monthly surcharge that is overly burdensome to its customers. Bullitt Utilities is agreeable to the use of a longer time period if that will enable it to meet its financial obligations.

Certification: The Responses of Bullitt Utilities set forth above are true and accurate to the best of my knowledge, information and belief.

Chris Cogan

STATE OF KENTUCKY

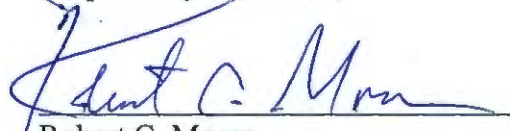
COUNTY OF FRANKLIN

Subscribed and sworn to before me by Christopher G. Cogan, as Attorney-in-Fact for Carroll F. Cogan, President, Bullitt Utilities, Inc., this _____ day of March, 2015.

My commission expires: _____

Notary Public

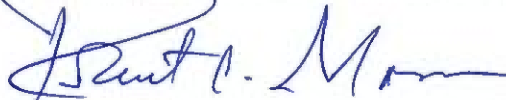
Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by hand delivery on Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Blvd., P.O. Box 615, Frankfort, Kentucky 40602 and Gregory T. Dutton and Jennifer Black Hans, Assistant Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204, on this the 25TH day of March, 2015.



Robert C. Moore