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MAY 18 2018

PUBLIC SERVICE
COMMISSION



BRIAN CUMBO

ATTORNEY AT LAW

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ADMITTED IN KY AND WV

May 15, 2018

Public Service Commission
P.O. Box 615
Frankfort, KY 40602

RE: Martin County Water District
PSC Case No. 2016-00142

To Whom It May Concern:

Enclosed please find original and six (6) copies of Martin Water District's Response to MCCC's Second Request for Information and Response to PSC's Post Hearing Request dated May 1, 2018 regarding the above matter.

Thank you for your attention to this matter.

Very truly yours,

BRIAN CUMBO

BC/ld
Enclosure

RECEIVED

MAY 18 2018

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION OF THE OPERATING)
CAPACITY OF MARTIN COUNTY WATER) CASE NO. 2016-00142
DISTRICT PURSUANT TO KRS 278.280)

**MARTIN COUNTY WATER
DISTRICT'S RESPONSE TO
MCCC'S SECOND REQUEST
FOR INFORMATION DATED
APRIL 16, 2018**

CERTIFICATE OF SERVICE

This will certify that a true and correct copy of the foregoing was emailed and mailed, postage paid, on this the 15 day of May, 2018, to the following:

Public Service Commission
P.O. Box 615
Frankfort, KY 40602
brittany.koenig@ky.gov

Hon. Mary Varson Cromer
Appalachian Citizens' Law Center, Inc.
317 Main Street
Whitesburg, KY 41858
mary@appalachianlawcenter.org

Hon. M. Todd Osterloh
Hon. James Wilson Gardner
Sturgill, Turner, Barker & Moloney, PLLC
333 West Vine Street, Ste. 1400
Lexington, KY 40507
tosterloh@sturgillturner.com
jameswilsongardner@gmail.com


BRIAN CUMBO

1. With regard to the “fuel procedures,” which were provided as Exhibit 6 to Martin County Water District’s Response to PSC’s Post-Hearing Request for Information dated March 6, 2018-
 - a. Provide a copy of the spreadsheet showing all purchases authorized and completed under new Fuel Procedures.
 - b. The "Fuel Procedures" state that field workers must call the office before making a purchase. Yet, the worker is supposed to give the office the number of gallons purchased and the final total of the purchase at that time. Please explain how the field worker provides the gallons purchased and the final total prior to making the purchase.
 - c. During the hearing on February 28,2018, Jimmy Don Kerr testified that the District was undertaking efforts to put controls in place regarding employee purchases from ZipZone. If the controls mentioned by Mr. Kerr involve anything more than the "Fuel Procedures*" provided, please describe the additional efforts and provide a copy of any new written procedures.

RESPONSE: (a) See Exhibit #1.
 (b) It is initially authorized; a second call is made to provide the additional information.
 (c) Those procedures are attached as Exhibit #2.

2. Describe any new purchase order procedures instituted by the District since January 1, 2018. Provide a copy of those procedures.

RESPONSE: See Exhibit #3.

3. State whether the District has modified its procurement procedures originally approved on April 27, 2009. If new procedures have been adopted, provide a copy of those.

RESPONSE: See Exhibit #3.

4. Explain whether employees of the District who use their own vehicles for work are reimbursed by mileage, whether the District covers their fuel, or whether their reimbursement is a combination of those. If fuel costs are covered, explain the procedures the District uses to ensure that all fuel purchased by the District is used for only MCWD purposes.

RESPONSE: Martin County Water District has recently implemented a mileage reimbursement policy for employees who use personal vehicles, 54 ½ cents per mile.

5. Explain the District's policies and/or procedures regarding employee’s use of MCWD vehicles. Provide any written documents that describe the District's policies or procedures regarding employee's use of the District's vehicles.

RESPONSE: Due to the volume of after hours call outs due to leaks, employees have been driving MCWD vehicles to their homes. This puts resources closer to the problem areas. Use of company vehicles for private purposes is strictly prohibited.

6. With regard to the water use reports provided as Exhibit 5 of Martin County Water District's Response to PSC's Post-Hearing Request for Information Dated March 6, 2018—

- a. The reports provided contain obvious errors. For examples, all water use reports indicate that for each month either 100% of water was purchased or 100% of water was produced; the data for December 2017 through February 2018 appear to have significant errors based on misplaced decimal points; and many months show 0% commercial use. Please provide corrected water use reports for January 2017 to the present.
- b. To what does “other loss” in the “breakdown of water lost” in the Monthly Water Use Reports refer? Describe each type of water loss that may be categorized as “other loss.”

RESPONSE: (a) The reports current management promulgated are attached. (b) Current management does not utilize that category.

- 7. Who is responsible for preparing the District's water loss reports? Describe the process by which that persons) prepares the reports.

RESPONSE: Greg Scott as of March, 2018.

- 8. With regard to the negotiations between Prestonsburg City Utilities Commission (“PCUC”) and the District-
 - a. Has a new agreement been reached regarding leasing the Honey Branch tank? If so, provide a copy of the agreement
 - b. b. Have new offers been made or a new agreement been reached regarding PCUC's proposed purchase of the Honey Branch tank? If so, provide a copy of all such offers or correspondence,
 - c. c. Are water purchases between PCUC and the District still covered under the terms of the 2017 First Amendment to the Joint Operating Agreement between PCUC and the District?

RESPONSE: See Exhibit #4.

- 9. Provide a copy of all invoices for water purchases for 2018.

RESPONSE: See Exhibit #5.

- 10. Describe the process used to determine whether line replacements are accounted for as capital expenses or as operation and maintenance expenses. List all line replacements accounted for as capital expenditures since January 1,2016.

RESPONSE: None to our knowledge.

- 11. Describe any efforts the District has made since February 28,2018 to hire a General Manager.

RESPONSE: We have hired an interim General Manager, Greg Scott.

- 12. State whether an engineer of record has been selected for the AML grant If so, what company will provide this service?

RESPONSE: Not at this time.

RESPONSE: The current plan is to install a floating pump connecting directly to the reservoir supply line. If successful, utilize remaining funds for plant upgrades.

14. Provide a copy of any Memorandum of Agreement related to either the ARC grant or the AML grant.

RESPONSE: None.

15. See attached Exhibit #1 to this Data Request. State what was meant by the statement that the District "lends its full support to Prestonsburg being considered the sole support of said water needs at USP Big Sandy."

RESPONSE: No management presently at Martin County Water District can provide that information.

16. Describe the District's efforts to get a loan to cover its past due accounts payable since February 28, 2018.

RESPONSE: The District is working with Inez Deposit Bank to obtain a \$250,000.00 loan and may take 3-4 months to accomplish. It is still in preliminary steps, and is still very much in doubt at this time.

17. State whether the District is working toward refinancing its KIA loan as was discussed during Greg Heitzman's testimony on February 28, 2018.

RESPONSE: Not at this time.

18. State whether the General Manager is developing or has developed the Corrective Action Plan for the District that was discussed in Greg Heitzman's testimony on February 28, 2018. Provide a copy of such plan if it has been developed.

RESPONSE: Not at this time.

19. With regard to the District's response to Data Request #4 in Martin County Water District's Response to PSC's Post-Hearing Request for Information Dated March 6, 2018, state whether the water demand at the site will change if the new route for the water line that runs along the four-lane is approved and funded.

RESPONSE: No changes in demand are anticipated.

VERIFICATION

I, Greg Scott, of the Martin County Water District, hereby verify that the responses and exhibits attached hereto are true and correct to the best of my knowledge.



GREG SCOTT

STATE OF KENTUCKY)

COUNTY OF MARTIN)

SUBSCRIBED, SWORN and ACKNOWLEDGED before me by Greg Scott this 14
day of May, 2018.

My Commission Expires: 9-18-18.



NOTARY PUBLIC, STATE AT LARGE

EXHIBIT #1

Martin County Water Fuel Log

Date	Vendor	Unit	By	Gallons		Inv. Amt	Mileage
				Purchased	Cost/Gl		
3/5/2018	Zip Zone #4	70	RJ	14.39	\$ 2.499	\$ 35.97	
3/5/2018	Zip Zone #2	4	JS	9.148	\$ 2.499	\$ 22.86	
3/5/2018	Zip Zone #2	1	JM	26.01	\$ 2.499	\$ 65.00	
3/6/2018	Zip Zone #3	5	CM	16.007	\$ 2.499	\$ 40.00	
3/6/2018	Zip Zone #7	3	RS	12.08	\$ 2.499	\$ 32.01	
3/7/2018	Zip Zone #3	4	JS	7.02	\$ 2.499	\$ 18.00	
3/7/2018	Zip Zone #1	70	RJ	21.611	\$ 2.499	\$ 54.01	
3/8/2018	Zip Zone #2	3	RS	17.02	\$ 2.499	\$ 43.00	
3/8/2018	Zip Zone #3	2	JS	20	\$ 2.990	\$ 60.02	
3/8/2018	Zip Zone #2	1	JM	28.61	\$ 2.499	\$ 71.50	
3/8/2018	Zip Zone #4	Joe	JH	21.648	\$ 2.499	\$ 54.10	
3/9/2018	Zip Zone #7	4	JS	10.1	\$ 2.499	\$ 27.51	
3/9/2018	Zip Zone #7	70	RJ	19.335	\$ 2.499	\$ 48.32	
3/9/2018	Zip Zone #2	5	CM	17.207	\$ 2.499	\$ 43.00	
3/9/2018	Zip Zone #7	7	RS	13.607	\$ 2.499	\$ 34.00	
3/11/2018	Zip Zone #4	3	RS	14.804	\$ 2.499	\$ 37.00	
						\$ -	
3/12/2018	Zip Zone #7	70	RJ	17.937	\$ 2.499	\$ 44.82	
3/12/2018	Zip Zone #7	6	RJ	20.452	\$ 2.499	\$ 51.11	
						\$ -	
3/13/2018	Zip Zone #7	4	JS	12.406	\$ 2.499	\$ 31.00	
3/13/2018	Zip Zone #2	1	JM	28.011	\$ 2.499	\$ 70.00	
3/13/2018	Zip Zone #3	2	JS	21.2	\$ 2.499	\$ 53.00	
3/13/2018	Zip Zone #1	3	RS	14.407	\$ 2.499	\$ 36.00	
						\$ -	
3/14/2018	Zip Zone #7	2	JS	15.606	\$ 2.499	\$ 39.00	
3/14/2018	Zip Zone #7	5	JM	17.607	\$ 2.499	\$ 44.00	161341

3/14/2018	Zip Zone #7	70	RJ	24.51	\$ 2.499	\$ 61.38	
3/15/2018	Zip Zone #7	2	JS	24.359	\$ 2.990	\$ 73.05	9204.7
3/15/2018	Zip Zone #7	4	JS	10.933	\$ 2.499	\$ 27.32	138302
3/15/2018	Zip Zone #7	3	RS	15.607	\$ 2.499	\$ 34.00	
3/16/2018	Zip Zone #7	5	JM	13.004	\$ 2.499	\$ 32.40	161517
3/16/2018	Zip Zone #2	4	JS	9.768	\$ 2.499	\$ 24.41	138405
3/16/2018	Zip Zone #4	1	JM	31.2	\$ 2.499	\$ 78.01	184640
3/17/2018	Zip Zone #4	3	RS	15.605	\$ 2.499	\$ 39.00	
3/20/2018	Zip Zone #7	4	JS	5.731	\$ 2.499	\$ 14.32	138477
3/20/2018	Zip Zone #7	2	TH	12.637	\$ 2.990	\$ 37.90	9277.9
3/20/2018	Zip Zone #2	3	RS	14.08	\$ 2.499	\$ 37.00	personal
3/20/2018	Zip Zone #7	70	RJ	22.34	\$ 2.499	\$ 55.85	97132.4
3/20/2018	Zip Zone #4	1	JM	14.04	\$ 2.499	\$ 36.00	184820
3/21/2018	Zip Zone #7	5	JM	11.403	\$ 2.499	\$ 28.50	161673
3/21/2018	Zip Zone #4	4	JS	11.066	\$ 2.499	\$ 27.65	138705
3/21/2018	Zip Zone #2	3	RS	13.604	\$ 2.499	\$ 34.00	168036
3/22/2018	Zip Zone #7	2	JS	15.671	\$ 2.990	\$ 47.00	9374.4
3/23/2018	Zip Zone #4	5	JM	16.606	\$ 2.499	\$ 41.50	
3/23/2018	Zip Zone #7	2	JS	9.851	\$ 2.999	\$ 29.54	9427
3/23/2018	Zip Zone #7	4	JS	12.006	\$ 2.499	\$ 30.00	138737
3/23/2018	Zip Zone #7	70	RJ	28.424	\$ 2.499	\$ 71.03	97559
3/23/2018	Zip Zone #2	1	JM	32.6	\$ 2.499	\$ 81.50	185200
3/23/2018	Zip Zone #7	3	RS	12.703	\$ 2.499	\$ 31.89	168189
3/23/2018	Zip Zone #7	6	RJ	18.012	\$ 2.499	\$ 45.01	167702
3/24/2018	Zip Zone #7	3	JH	20.179	\$ 2.499	\$ 50.43	personal
3/24/2018	Zip Zone #7	4	JS	7.297	\$ 2.499	\$ 18.24	
3/24/2018	Zip Zone #7	2	JS	13.968	\$ 2.990	\$ 41.89	9530.1
3/25/2018	Zip Zone #7	3	JH	20.373	\$ 2.499	\$ 50.91	personal
3/25/2018	Zip Zone #1	5	RS	19.224	\$ 2.499	\$ 48.04	112473
3/26/2018	Zip Zone #7	4	JS	10.622	\$ 2.499	\$ 26.54	138866
3/26/2018	Zip Zone #1	5	RS	15.06	\$ 2.499	\$ 39.00	162144
3/26/2018	Zip Zone #7	70	RJ	18.82	\$ 2.499	\$ 50.04	97849
3/26/2018	Zip Zone #7	2	JS	17.31	\$ 2.999	\$ 51.93	9594
3/27/2018	Zip Zone #7	4	JS	12.155	\$ 2.650	\$ 32.32	139032

3/27/2018	Zip Zone #4	1	JM	28.2	\$ 2.650	\$ 75.01	184550
3/27/2018	Zip Zone #7	JS	4	12.155	\$ 2.659	\$ 32.32	
3/27/2018	Zip Zone #7	JS	4	5.716	\$ 2.699	\$ 15.28	139098
3/28/2018	Zip Zone #2	RS	5	16.9	\$ 2.659	\$ 45.00	162409
3/28/2018	Zip Zone #2	RJ	70	11.722	\$ 2.659	\$ 40.55	98025
3/29/2018	Zip Zone #7	RS	5	11.283	\$ 2.659	\$ 30.00	162587
3/30/2018	Zip Zone #7	JS	4	13.297	\$ 2.659	\$ 35.36	139330
3/30/2018	Zip Zone #7	JS	2	24.312	\$ 2.999	\$ 73.00	9806.7
3/30/2018	Zip Zone #1	RJ	70	24.984	\$ 3.459	\$ 86.42	98410
3/30/2018	Zip Zone #4	JM	1	25.949	\$ 2.659	\$ 69.00	184716

Martin County Water Fuel Log

Date	Vendor	Unit	By	Gallons		Inv. Amt	Mileage
				Purchased	Cost/Gl		
4/1/2018	Zip Zone #4	4	JS	7.523	\$ 2.659	\$ 20.00	139470
4/1/2018	Zip Zone #1	4	TH	9.62	\$ 2.599	\$ 25.00	139510
4/2/2018	Zip Zone #7	2	JS	26.305	\$ 2.990	\$ 78.89	10038.4
4/3/2018	Zip Zone #1	4	TH	10.527	\$ 2.599	\$ 27.36	139580
4/3/2018	Zip Zone #2	1	JM	28.283	\$ 2.599	\$ 73.51	184960
4/3/2018	Zip Zone #7	60	TH	20.007	\$ 2.599	\$ 52.00	129699 (p)
4/4/2018	Zip Zone #7	70	RJ	23.41	\$ 2.599	\$ 60.99	99534
4/5/2018	Zip Zone #7	1	JS	7.913	\$ 2.990	\$ 23.73	10076.3
4/5/2018	Zip Zone #7	70	RJ	24.561	\$ 2.499	\$ 61.38	
4/5/2018	Zip Zone #2	5	RS	16.05	\$ 2.590	\$ 43.00	162839
4/5/2018	Zip Zone #1	60	TH	15.931	\$ 2.699	\$ 43.00	129914 (p)
4/5/2018	Zip Zone #7	4	JS	10.376	\$ 2.699	\$ 28.00	139743
4/6/2018	Zip Zone #7	1	JS	7.771	\$ 2.990	\$ 23.31	10127.1
4/6/2018	Zip Zone #7	70	RJ	15.173	\$ 2.699	\$ 40.95	99750
4/6/2018	Zip Zone #2	1	JM	23.898	\$ 2.699	\$ 64.50	182127
4/6/2018	Zip Zone #3	5	RS	14.821	\$ 2.699	\$ 40.00	163089
4/9/2018	Zip Zone #7	60	TH	16.543	\$ 2.599	\$ 43.00	130131 (p)
4/8/2018	Zip Zone #7	44	JS	11.114	\$ 2.699	\$ 30.00	154525 (p)
4/9/2018	Zip Zone #1	4	JS	11.194	\$ 2.859	\$ 32.00	140915
4/9/2018	Zip Zone #7	70	RJ	19.897	\$ 2.599	\$ 51.71	10008
4/9/2018	Zip Zone #7	5	RS	16.514	\$ 2.599	\$ 43.00	163362
4/10/2018	Zip Zone #1	60	TH	12.56	\$ 2.599	\$ 32.64	130290
4/11/2018	Zip Zone #1	3	RS	16.933	\$ 2.599	\$ 44.01	163631
4/11/2018	Zip Zone #7	2	JS		\$ 2.999	\$ 54.37	10231.4
4/11/2018	Zip Zone #7	44	JS	11.548	\$ 2.599	\$ 30.01	154625
4/11/2018	Zip Zone #4	1	JM	30	\$ 2.599	\$ 78.00	182612
4/12/2018	Zip Zone #7	70	RJ	17.487	\$ 2.599	\$ 45.45	100334
4/12/2018	Zip Zone #7	3	JH	20.497	\$ 2.750	\$ 56.55	

4/12/2018	Zip Zone #4	5	RS	15.947	\$ 2.759	\$ 44.00	
4/13/2018	Zip Zone #7	5	RS	12.684	\$ 2.759	\$ 35.00	164119
4/13/2018	Zip Zone #7	60	TH	16.761	\$ 2.750	\$ 46.24	130497
4/16/2018	Zip Zone #4	1	JM	33.709	\$ 2.759	\$ 93.00	183129
4/16/2018	Zip Zone #7	2	JS	20.473	\$ 2.990	\$ 61.40	10357.7
4/16/2018	Zip Zone #7	6	RJ	17.659	\$ 2.750	\$ 48.72	167876
4/16/2018	Zip Zone #2	5	RS	148.59	\$ 2.790	\$ 41.00	164370
4/16/2018	Zip Zone #7	70	RJ	26.278	\$ 2.750	\$ 12.50	100729
4/16/2018	Zip Zone #7	44	JS	10.873	\$ 2.750	\$ 30.00	154750
4/16/2018	Zip Zone #7	6	RJ	17.659	\$ 2.750	\$ 48.72	167876
4/17/2018	Zip Zone #7	4	JS	11.124	\$ 2.750	\$ 30.69	139850
4/17/2018	Zip Zone #7	70	RJ	14.464	\$ 2.759	\$ 39.91	100976
4/18/2018	Zip Zone #1	3	TH	11.456	\$ 2.759	\$ 31.61	139993
4/18/2018	Zip Zone #7	70	RJ	22.718	\$ 2.750	\$ 62.68	
4/18/2018	Zip Zone #7	5	RS	15.223	\$ 2.750	\$ 42.00	164604
4/19/2018	Zip Zone #7	60	TH	20.458	\$ 2.759	\$ 56.44	130789
4/19/2018	Zip Zone #7	2	JS	21.635	\$ 2.990	\$ 64.88	10575
4/19/2018	Zip Zone #7	2	JS	6.283	\$ 2.990	\$ 18.84	
4/19/2018	Zip Zone #7	2	JS	18.259	\$ 2.990	\$ 54.76	
4/19/2018	Zip Zone #2	1	JM	17.055	\$ 2.750	\$ 47.00	183373
4/20/2018	Zip Zone #7	70	RJ	21.091	\$ 2.759	\$ 58.19	
4/20/2018	Zip Zone #7	60	TH	9.422	\$ 2.759	\$ 26.00	130915
4/20/2018	Zip Zone #7	4	JS	9.064	\$ 2.759	\$ 25.01	140214
4/20/2018	Zip Zone #7	4	JS	12.69	\$ 2.759	\$ 35.01	140051
4/20/2018	Zip Zone #1	5	RS	17.037	\$ 2.759	\$ 47.01	164860
4/23/2018	Zip Zone #7	5	RS	14.139	\$ 2.759	\$ 39.01	165064
4/23/2018	Zip Zone #3	2	JS	19.187	\$ 2.999	\$ 57.54	10628.6
4/24/2018	Zip Zone #2	60	TH	17.397	\$ 2.759	\$ 48.00	131177
4/24/2018	Zip Zone #7	4	JS	10.153	\$ 2.750	\$ 28.01	140230
4/25/2018	Zip Zone #7	70	RJ	28.471	\$ 2.750	\$ 78.55	101715
4/25/2018	Zip Zone #7	1	JM	32.985	\$ 2.750	\$ 91.01	183892
4/25/2018	Zip Zone #7	5	RS	16.311	\$ 2.750	\$ 45.00	165308
4/26/2018	Zip Zone #7	44	JS	10.494	\$ 2.859	\$ 30.00	154973

4/26/2018	Zip Zone #7	4	TH	11.449	\$ 2.859	\$ 32.73	
4/26/2018	Zip Zone #7	2	JS	11.472	\$ 2.990	\$ 34.40	10735.9
4/27/2018	Zip Zone #7	60	TH	9.444	\$ 2.859	\$ 27.00	131300
4/27/2018	Zip Zone #7	70	RJ	15.934	\$ 2.850	\$ 45.56	168030
4/27/2018	Zip Zone #7	5	RS	16.09	\$ 2.859	\$ 46.00	165577
4/30/2018	Zip Zone #2	70	RJ	32.23	\$ 2.855	\$ 86.23	102211
4/30/2018	Zip Zone #4	4	JS	8.744	\$ 2.859	\$ 25.00	140540

EXHIBIT #2

Martin County Water District

Fuel Procedures

- Field workers call office when fuel is purchased.
- Give office the following information:
 1. Unit number
 2. Price per gallon
 3. Gallons purchased
 4. Final total
- Recorded in office.

EXHIBIT #3

Martin County Water District

Purchase Order Procedures

- Beginning March 5, 2018, a purchase order system will be used.
- When materials are bought for the Martin County Utility:
 - A. Request from field to office.
 - B. Request researched through three vendors.
 - C. Once satisfied with price, P.O. is issued.
 - D. E.T.A. of material ordered.
 - E. Purchase order and work orders mated.
- Recorded in office.

MARTIN COUNTY UTILITY BOARD

387 East Main Street Suite 140
INEZ, KY 41224

606-298-3885 OFFICE

606-298-4913 Fax

Gwen Pinson
P.S.C. Executive Director

In Response to case # 2018-00017:

1. A P.O. system has been implemented for all vendors.
 - Distribution supervisor will request supplies
 - An invoice is generated to the office and accounting
 - I will then review it
 - Talk to accounting, issue a P.O. and authorize a check
2. See attachment for fuel purchase.
 - Employee must call office with unit #, mileage, cost per gallon, number of gallons purchased, and final cost.
3. Arrangements have been made with vendors for monthly payments on past due payables.
 - Any and all current purchases that are made are C.O.D.
4. We have written off many past due accounts of deceased customers and are still in the process of obtaining a collection agency.

I hope this description helps you understand our process, and if we can be helpful, don't hesitate to call.

Yours truly,

Greg Scott



EXHIBIT #4

MARTIN COUNTY UTILITY BOARD

387 East Main Street Suite 140
INEZ, KY 41224

606-298-3885 OFFICE

606-298-4913 Fax

May 14, 2018

Turner Campbell
Superintendent/CEO
Prestonsburg City's Utilities Commission
2560 South Lake Drive
Prestonsburg, KY 41653

Re: Martin County Water District/Prestonsburg Joint Operation Agreement
Termination of Emergency Water Supply

Dear Mr. Campbell:

Thank you for your letter dated April, 24, 2018. We appreciate the emergency water service provided to the District during our time of emergency from December 2017 to March 2018. Without this supply, our water outages would have been more extensive than actually experienced during this winter emergency.

We regret that appreciation was not expressed to your satisfaction. We do acknowledge the District owes Prestonsburg for the water supplied during the emergency period and it is our intention to pay you as soon as possible. As you are aware, the District is making every effort to pay its creditors and at present, we are attempting to obtain a loan, funded by the recently approved surcharge by the Kentucky PSC, to pay our creditors.

The District has reviewed the proposed Honey Branch Tank Lease provided with your letter of March 6, 2018. The proposed Lease contains a provision that was not negotiated at the meeting held February 28, 2018 at the office of the Kentucky PSC in Frankfort. The Lease includes a provision in Section 14 that terminates the Joint Operating Agreement and the Amendment to the Joint Operating Agreement. This provision will eliminate the ability of the District to receive any future revenue from Prestonsburg for water sold to the Prison. There was no discussion of termination of the Joint Operation Agreement at the February 28, 2018 meeting in Frankfort, and the District understood a short term, three year lease was agreeable, allowing the District to stabilize its operations and begin supplying 50 percent of the water to the Prison and sharing in the Prison water revenue. With the Prison using a monthly average of 8,500 gallons a month, the District's share of the revenue would be approximately \$34,000 at \$7.95 per 1,000 gallons. It would not be fiscally responsible for the District to forgo the much needed revenue and walk away from the Joint Operating Agreement.

After many months of frustration and multiple efforts at negotiating a fair lease agreement, we can only conclude that Prestonsburg has no intention of assisting the District on a short term basis with a lease agreement that retains the original sharing of the benefits of the Federal Prison located Martin County. It is unfortunate that the two parties are not able to reach an agreement and that you will be terminating emergency water service to the District on May 30, 2018.

As an alternative to the lease, the District has reconsidered your request to purchase the Honey Branch Tank. We have evaluated the operations of the Honey Branch pressure zone, from the District's Devella Pump Station to the Airport Industrial Park. This pressure zone is on the fringe of our system, and selling only the tank will continue to compromise operations between the District and Prestonsburg. After careful evaluation, it appears a sale of the Honey Branch Tank, the water mains and the customers (current and future) in this pressure zone is more practical and will end the long standing dispute between the District and Prestonsburg. To this end, the District has evaluated the value of the revenue stream of the customers served by the Honey Branch pressure zone (including the Prison), the value of the assets and the remaining loan balance. The District's Board has agreed to sell these assets and customers to Prestonsburg for \$5,000,000. If you agree, we can proceed with drafting a purchase agreement.

In closing, we regret a lease agreement was not reached for the benefit of our respective customers. In light of your termination notice, we feel a sale of the Honey Branch system assets are the next best alternative to maintaining a reliable supply to the Prison and providing service to Martin County Water District customers. We look forward to your response to our offer to sell these assets and customers.

Sincerely,



John Horn
Chair, Martin County Water District

Cc: Judge Executive Kelly Callaham
Martin County Water District Board
Kentucky Public Service Commission

EXHIBIT #5

Prestonsburg City Utilities Commission

2560 South Lake Drive

Prestonsburg, KY 41653

INVOICE: 1312018

February 1, 2018

Martin County Water and Sewer District
387 East Main Street
Suite 140
Inez, KY 41224

Water Provided ~~to~~ Martin County December 26, 2017 through January 26, 2018

Total Provided	5,782,000 Gallons
First 112,000 Gallons @ \$348.50 (Minimum)	\$ 348.50
Over 112,000 @ \$7.75/1,000 Gallons	<u>43,942.50</u>
Total <u>due</u> Prestonsburg City's Utilities	<u>\$ 44,291.00</u>

Prestonsburg City Utilities Commission

2560 South Lake Drive

Prestonsburg, KY 41653

INVOICE: 2282018

March 1, 2018

Martin County Water and Sewer District
387 East Main Street
Suite 140
Inez, KY 41224

Water Provided to Martin County January 26, 2018 through February 26, 2018

Total Provided	3,488,000 Gallons
First 112,000 Gallons @ \$348.50 (Minimum)	\$ 348.50
Over 112,000 @ \$7.75/1,000 Gallons	<u>26,164.00</u>
Total <u>due</u> Prestonsburg City's Utilities	<u>\$ 26,512.50</u>

Prestonsburg City Utilities Commission

2560 South Lake Drive

Prestonsburg, KY 41653

INVOICE: 3312018

April 1, 2018

Martin County Water and Sewer District
387 East Main Street
Suite 140
Inez, KY 41224

Water Provided ~~to~~ Martin County February 26, 2018 through March 26, 2018

Total Provided	833,000 Gallons
First 112,000 Gallons @ \$348.50 (Minimum)	\$ 348.50
Over 112,000 @ \$7.75/1,000 Gallons	<u>5,587.75</u>
Total <u>due</u> Prestonsburg City's Utilities	<u>\$ 5,936.25</u>

Prestonsburg City Utilities Commission

2560 South Lake Drive

Prestonsburg, KY 41653

INVOICE: 4302018

May 1, 2018

Martin County Water and Sewer District
387 East Main Street
Suite 140
Inez, KY 41224

Water Provided ~~to~~ Martin County March 27, 2018 through April 25, 2018

Total Provided	1,250,000 Gallons
First 112,000 Gallons @ \$348.50 (Minimum)	\$ 348.50
Over 112,000 @ \$7.75/1,000 Gallons	<u>8,819.50</u>
Total <u>due</u> Prestonsburg City's Utilities	<u>\$ 9,168.00</u>



P. O. BOX 3157
 PIKEVILLE, KY 41502-3157
 PHONE: (606) 631-9162
 FAX (606) 631-3087
 Phone Pay: 1-855-984-1204

Office Hours:
 Monday - Friday
 8:00 a.m. - 4:30 p.m.
 (606) 631-9162
 Phone Pay: 1-855-984-1204
www.mountainwaterdistrictky.com

LAST DATE TO PAY	ACCOUNT NUMBER
3/13/2018	0507-00721-002
CUSTOMER NAME:	
Martin Co Water #2	
SERVICE ADDRESS:	
Before Nolan Bridge Turkey Creek, KY 41570	
CUT-OFF DATE	AMOUNT DUE
3/14/2018	447.07
DELINQUENT NOTICE	

**YOUR ACCOUNT IS
 NOW PAST DUE.
 PAYMENT IS DUE UPON
 RECEIPT OF THIS
 NOTIFICATION**

THIS NOTICE SERVES AS A REMINDER BEFORE DISCONNECTION.

Dear Customer:

Our records indicate that your bill is past due. If payment has been made prior to receiving this notice, please accept our thanks, and disregard this notice.

However, if payment has not been made, please do so to avoid the inconvenience and expense of interrupted service. If payment is not received by the last date to pay your services will be disconnected. After disconnection you will be required to pay a disconnection and reconnection charge and a security deposit (if you do not have one on file) for each service you have (water and/or sewer). The reconnection charge would increase for same day service if paid after 3:00 p.m. but still within normal operating hours. If, however, prior to the disconnection date a written certificate signed by a physician, registered nurse or public health officer stating that discontinuance of service would aggravate an existing illness, is received, service shall be continued for a period of thirty (30) days. No customer shall be given this extension in two (2) consecutive months.

Reminder: You can pay your bill online at www.mountainwaterdistrictky.com or by phone at 1-855-984-1204 any time, day or night (Fees Apply). You can also pay at our office located at 6332 Zebulon Hwy. during normal operating hours or use our drop box after hours. Payments made online or by phone will post to your account the following business day.



P. O. BOX 3157
 PIKEVILLE, KY 41502-3157
 PHONE: (606) 631-9162
 FAX (606) 631-3087
 Phone Pay: 1-855-984-1204
 Return Service Requested

ACCOUNT NUMBER	0507-00721-002
AMOUNT DUE	447.07
LAST DATE TO PAY	3/13/2018
CUT-OFF DATE	3/14/2018

DELINQUENT NOTICE

Martin Co Water #2
 Hc 69 Box 875
 Inez, KY 41224

KERMIT WATER AND SEWER • P.O. Box 385 • Kermit, WV 25674
304-393-3563

Return Service Requested

PRESORTED
FIRST CLASS MAIL
U.S. POSTAGE
PAID
Kermit, WV
PERMIT NO. 285

PREVIOUS READING	PRESENT READING	GALLONS	CODE	AMOUNT
70543247	71053705	510458	WA	

PLEASE RETURN BOTTOM PORTION
(THE BAR CODE PORTION)



BILL DUE DATE **\$ 000.350** PAYMENT DUE DATE
0000308/18 JAN 20 2018
MAILED FROM SERVICE PER 25674

SERVICE FOR:	PREVIOUS BALANCE	PENALTY
HC 69 BOX 875	.00	
AVOID PENALTY PAY NET BY LATEST PAY DATE		
ACCOUNT NUMBER	LATEST PAY DATE	NET
1-0010-00	2/21/18	1,020.87
		AFTER LATEST PAY DATE, PAY
		1,122.96
1-0010-00	2/21/18	1,020.87
		AFTER LATEST PAY DATE, PAY
		1,122.96

MARTIN COUNTY WATER DIST.
387 E. MAIN STREET
SUITE 140
INEZ KY 41224



