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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

DEC 10 2008
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

AN INVESTIGATION INTO THE ADEQUACY) CASE
OF THE WATER SUPPLY OF MAGOFFIN) NO. 2008-00443
COUNTY WATER DISTRICT)

**RESPONSE OF THE CITY OF SALYERSVILLE
TO COMMISSION STAFF'S FIRST SET OF INTERROGATORIES
AND REQUEST FOR PRODUCTION OF DOCUMENTS**

* * * * *

Comes now Stanley Howard, Mayor of Salyersville and Thomas Howard, Superintendent of Salyersville Water Works and for their Response to Commission Staff's First Set of Interrogatories and Requests for Production of Documents to the City of Salyersville, respectfully states as follows:

1. Identify the persons who prepared and are responsible for Magoffin District's Response to the Commissioner's Order of October 17, 2008.

RESPONSE: (1) Thomas Howard, Superintendent, Salyersville Water Works; (2) Judy Jackson, chairperson, Salyersville Water Works; (3) Karen Howard, City Clerk/DES Coordinate; (4) Nora Howard, Chief Operator, Salyersville Water plant; (5) Paul Howard, Board member, Salyersville Water Commission; (6) Stanley Howard, Mayor of Salyersville; (7) Kevin Howard, Summit Engineering.

2. Provide a map of Magoffin District's water distribution system at a scale of

at least one each equals two miles, marked to show Magoffin District's distribution system. This map shall show pipeline sizes, locations, and connections as well as pumps, water storage tanks, and sea level elevation points.

RESPONSE: See attached Exhibit 1.

3. Refer to Salyersville's response to the Commission's Order of October 17, 2008, Item 5.

- a. Identify the person or persons who prepared the "City of Salyersville Water Shortage Response Plan."
- b. State whether this plan has been updated since April 1996.
- c. If the Water Shortage Response Plan has been updated, state the date(s) when revisions were made, provide a copy of each revision.

RESPONSE: (a) Division of Water/Big Sandy Rural Development assisted Salyersville; (b) No. It has not been updated except for page 4. See Exhibit 2; (c) No revisions have been made.

4. Provide a copy of Salyersville's most current water withdrawal permit from the Kentucky Division of Water.

RESPONSE: See attached Exhibit 3.

5. For each of Salyersville's existing surface water treatment plants, state:
- a. The plant's location;
 - b. The water source for the plant; and
 - c. The plant's rate capacity.

RESPONSE: (a) 402 College Street, Salyersville, Kentucky 41465; (b) Licking River surface intake at Salyersville Middle School; one water well at Gardner farm; one water well at old treatment plant. (c) 1,000,000 gallons per day.

6. a. State the number and location of Salyersville's active water wells.
- b. For each well, state it's maximum daily capacity.
- c. Provide all studies and reports regarding the capacity and service life of its water wells that Salyersville has commissioned or prepared.
- d. List and describe all water quality problems that Salyersville has experienced since January 1, 2003, with water drawn from its active water wells.

RESPONSE: (a) 2 wells, 1 water well at Gardner farm, 1 water well at old treatment plant; (b) 318,000 gallons per day combined; (c) these wells are unmetered. These wells have high salt concentration and are used only to supplement Licking River surface water intake. (See U. K. Geological survey report attached as Exhibit 4); (d) high salt concentration.

7. a. Describe the conditions under which Salyersville will withdraw water from its water wells to meet its system demand.
- b. Provide all written operating procedures and manuals that govern the operation of Salyersville's wells.

RESPONSE: (a) only when there is insufficient water from the Licking River surface water intake. (b) annual samples are submitted to the Division of Water for the

wells. Pumps are inspected and exercised quarterly. All 4 pumps on the wells are new.

8. Describe Salyersville's existing water storage capacity. For each storage facility, state:

- a. Location;
- b. Maximum capacity; and
- c. Type (e.g., standpipe, elevated, clearwell).

RESPONSE: (a) (1) 401 College Street, Salyersville, Kentucky 41465 - clear well 200,000 gallon capacity, (2) downtown, stand pipe, 200,000 gallon capacity; (3) Route 7, stand pipe 500,000 gallon capacity; (4) State Road stand pipe 100,000 gallon capacity; (5) Belsey Tank stand pipe, 500,000 gallon capacity.

9. Provide the findings and reports of all studies that Salyersville has commissioned, prepared, or been involved in that address the adequacy of Salyersville's water supply.

RESPONSE: (a) a study was performed by Kentucky Geological Survey, a copy of which is attached as Exhibit 4; (b) preliminary investigation of supply alternates during last supply outage. See Exhibit 5.

10. Provide the findings and reports of all studies that Salyersville has commissioned, prepared, or been involved in that address the adequacy of Salyersville's water facilities.

RESPONSE: A report was prepared to support aging main replacement project WX21153515. A new 500,000 gallon tank, the Belsey tank was constructed. Phase 2 is

in the funding phase. Also see 9(b) above.

11. a. List each interconnection that Salyersville presently has with other water distribution systems.

b. For each interconnection, state the capacity of the interconnection (in gallons per day) and whether Salyersville has a contract to purchase water through the interconnection.

c. For each interconnection for which Salyersville presently has a contract to purchase water, provide a copy of that contract.

RESPONSE: (a) Route 40 with PUC is an emergency supply interconnect; (b) 300,000 gallons per day capacity but it is hooked to a 4 inch line which limits capacity to 100,000 to 150,000 gallons per day; (c) Yes, copy attached as Exhibit 6.

12. a. List all water distribution systems for which Salyersville has considered or studied the possibility of an interconnection.

b. For each system listed:

(1) Describe the actions that Salyersville undertook to study a possible interconnection.

(2) Provide a copy of all correspondence and other communication with the system in which interconnection was discussed.

(3) If Salyersville determined that an interconnection was not feasible or practical, state the reasons for this determination.

RESPONSE: (a) Paintsville Utility Commission is the only water distribution

system which is adjacent to Salyersville Water lines. Magoffin County Water District is adjacent to Prestonsburg Utility and Morgan County Water. (b) (1) Interconnection has been made with PUC; however, there is a possibility that system levels would have to drop to a dangerously low level for the water to flow from interconnection to Salyersville system; (2) See copy of purchase agreement attached as Exhibit 6; (3) the rates charged for water would exceed Salyersville billing rates; there is a 4 inch supply line which limits capacity to 100,000 gallons to 150,000 gallons per day and there is a potential problem with the system pressure levels.

13. a. State whether Salyersville presently has any loan agreements with or has issued revenue bonds to Rural Development or its predecessors.

If yes, for each agreement:

- (1) List the date of the agreement;
- (2) The amount of the loan
- (3) The current amount owed on the loan; and
- (4) The expected date that the loan will be retired.

RESPONSE: Farmers Home loans which are as follows: (a) (1) 02/19/1985, (2) \$369,000, (3) principal payoff is \$208,271.65, (4) payoff date is 2023 (water); (b)(1) 1989, (2) \$475,000, (3) principal payoff is \$346,541.28, (4) payoff date is 2029 (sewer); (c)(1) 1989, (2) \$59,000 (3) principal payoff is \$42,965.51, (4) payoff date is 2029 (sewer).

14. Refer to the Emergency Water Supply Agreement of October 13, 2008,

between Salyersville and Paintsville Utilities Commission (“PUC”)

- a. State whether a connection between PUC and Salyersville presently exists.
- b. If a connection exists, describe the current state of such connection. This description should address whether water can presently be obtained through this connection.
- c. State whether Salyersville has procured a bond in the amount of \$10,000 to cover the cost of the emergency supply. If Salyersville has not yet procured a bond, state when Salyersville expects to procure such bond.

RESPONSE: (a) Yes; (b) this is a 4 inch line which would allow a flow between 100,000 to 150,000 gallons per day; (c) yes. Copy attached as Exhibit 7.

15. State all objections, if any, that Salyersville may have to Magoffin County Water District (“Magoffin District”) contracting with PUC to purchase water on a regular non-emergency basis.

RESPONSE: Salyersville Water needs the revenue from water sales to Magoffin Water District to pay off existing debt on water plant and system.

16. Provide all correspondence between Salyersville and Magoffin District in which potential Magoffin District purchases from PUC are discussed.

RESPONSE: All discussion has been informal verbal communication between managers.

17. State Salyersville’s maximum daily demand and the date on which it was recorded.

RESPONSE: Highest date of production was 02/19/2007 with 996,466 gallons.

18. For each calendar year from 2002 to 2007, state:
- a. Salyersville's maximum daily demand for the year;
 - b. Salyersville's average daily demand;
 - c. Magoffin District's average daily purchases from Salyersville for the year;
and
 - d. Magoffin District's maximum daily purchase from Salyersville for the year
and the date on which maximum purchase occurred. (If information
regarding actual daily purchases is unavailable, provide maximum monthly
purchases and months in which the purchases occurred).

RESPONSE:

- (A) 2002 - 08/28/2002 - 868,373 gallons
2003 - 09/05/2003 - 901,521 gallons
2004 - 07/16/2004 - 955,819 gallons
2005 - 08/11/2005 - 956,909 gallons
2006 - 06/06/2006 - 936,015 gallons
2007 - 08/23/2007 - 936,932 gallons
- (b) 2002 - 675,794 gallons average daily demand
2003 - 703,060 gallons average daily demand
2004 - 805,448 gallons average daily demand
2005 - 789,377 gallons average daily demand

2006 - 759,262 gallons average daily demand

2007 - 760,684 gallons average daily demand

(c) 2002 - 455,470 gallons

2003 - 431,480 gallons

2004 - 511,610 gallons

2005 - 512,420 gallons

2006 - 529,390 gallons

2007 - 496,170 gallons

(d) 07/21/04 - 605,429 gallons

06/29/05 - 600,857 gallons

08/09/06 - 585,857 gallons

06/20/07 - 610,143 gallons

19. State the date, duration and reason for each boil water advisory that Salyersville has issued since January 1, 2003.

RESPONSE: See attachments, Exhibit 8.

20. State the date, duration and reason for each water shortage advisory that Salyersville has issued since January 1, 2003.

RESPONSE: On August 22, 2008, a water shortage advisory was issued to conserve water and remained in effect during a crisis which was in effect until November 26, 2008. On September 28, 2007, a water shortage advisory was issued to conserve water and remained in effect during a crisis which was in effect until October 13, 2007.

These shortages were caused by drought conditions and low water at the Licking River surface water intake.

21. a. State each time period since January 1, 1996, during which Salyersville implemented water restrictions.

b. For each time period listed;

(1) State the reason for implementing water restrictions; and

(2) State the customer classes (e.g., retail, wholesale) that were subject to the restrictions.

RESPONSE: (A) 2 times in the last four years. There are no records prior to that date. From 09/28/07 - 10/13/07 and 09/03/08 - 11/26/08. (B)(1) drought and low water at the intake on the Licking River surface water intake; (2) commercial users such as car washes, some restrictions were placed on residential users. See Exhibit 9.

22. Provide a copy of Salyersville's current ordinances of the Salyersville City Council related to water shortage response and water rationing.

RESPONSE: See attached Exhibit 10.

23. a. State whether Magoffin District has formally accepted and agreed to implement Salyersville's water shortage response plan.

b. State the date of Magoffin District's acceptance and agreement.

c. Provide a copy of all written documents in which Magoffin District stated its acceptance and agreement to Salyersville's water shortage response plan.

RESPONSE: (a) There is no formal agreement but there has been unilateral

cooperation; (b) The dates that water restrictions were implemented by the City of Salyersville, see answer to Interrogatory No. 21(a) above.; (c) no written documents.

24. Provide all correspondence and other written communication, including electronic mail messages, between Salyersville and the Division of Water since January 1, 1996, regarding Salyersville's water shortage response plan.

RESPONSE: See Exhibits 2, 5 and 14.

25. Provide a copy of Salyersville's current contract with Magoffin District for the sale of water.

RESPONSE: See attached as Exhibit 11.

26. Provide all correspondence and other written communication, including electronic mail messages, between Salyersville and Magoffin District since January 1, 2003, regarding the adequacy of Salyersville's water supply.

RESPONSE: No written correspondence. Water was supplied without restriction until 2008 water shortage.

27. Provide the minutes of all meetings of the Salyersville City Council since January 1, 2003, in which the adequacy of Salyersville's water supply was discussed.

RESPONSE: See highlight sections of minutes supplied in Exhibit 12.

28. At its Response to Item 4 of the Commission's Order of October 17, 2008, Salyersville states that the quoted rate for purchased water from PUC "exceeds the cost Salyersville Water can charge Magoffin District by almost 50%." State whether Salyersville considered applying to the Commission for an adjustment in its wholesale

rate to Magoffin District to recover any increased costs resulting from purchases of water from PUC. If no, explain why not.

RESPONSE: Salyersville did not foresee the extended drought conditions which restricted intake from the Licking River. There was not sufficient time to petition for a rate increase. There have been rate increases in 2006 and 2008. Recent rains have cured water supply problem.

29. List and explain the criteria that Salyersville will use to determine purchases of water from PUC should be made.

RESPONSE: The rates charged by PUC for water supplied; PUC's ability to supply sufficient water through a 4 inch line; a potential problem with supply because of system pressure levels; amount of available raw water from deep water wells.

30. a. State whether Salyersville is aware of the Regional Emergency Water Interconnection Plan ("Water Interconnection Plan") that Big Sandy Area Development District issued in April 2005.

b. If yes, state the actions, if any, that Salyersville took in response to the findings and recommendations contained in the Water Interconnection Plan.

RESPONSE: (a) Yes; (b) project WX21153515 aging main replacement and project WX221153516 negotiation of a water purchase agreement with Paintsville Utilities Commission.

31. State whether Salyersville's representatives or employees participated in preparation of the Water Interconnection Plan.

RESPONSE: (a) Yes; (b) Mayor Stanley Howard; Thomas Howard, Superintendent, Salyersville Water Works; and Kevin Howard, Summit Engineering.

32. Describe the purpose and the current status of the following projects for which Salyersville has sought funding from the Kentucky Infrastructure Authority:

- a. WRIS Project No. WX21153516;
- b. WRIS Project No. WX21153502
- c. WRIS Project No. WX21153501; and
- d. WRIS Project No. WX21153512.

RESPONSE: (a) water security project providing a larger line in to PUC; (b) additional water source unfunded and inactive; (c) increase water treatment plant capacity unfunded and inactive; (d) additional water source from Paintsville Lake, currently unfunded and inactive.

33. a. Describe the actions, if any, that Salyersville took to request and obtain Executive Order 2008-001056, which announced a state of emergency in Magoffin County.

b. Provide a copy of all correspondence and other written communications, including electronic mail messages, which Salyersville officials sent or received from state officials discussed a declaration of a state of emergency.

RESPONSE: (a) Salyersville Mayor Stanley Howard requested that the Governor issue a state of emergency in letter dated 10/09/08, See Exhibit 13. The order was entered later that day; (b) the letter with attachments and the executive order are included as

Exhibit 13.

34. Provide a copy of the most recent version of the water supply plan for Magoffin County.

RESPONSE: We have no copy of Magoffin County's plan.

35. List all entities to which Salyersville provides wholesale water service.

RESPONSE: Magoffin County Water District.

36. Describe all discussions that Salyersville's officials have had since January 1, 2003, with all other utilities about obtaining an emergency source of supply of water.

RESPONSE: Discussed and implemented with Paintsville Utility Commission, see Water Purchase Agreement, Exhibit 6.

37. a. Identify the person(s) responsible for the planning and operation of Salyersville's water distribution system. For each person listed, state his or her position with Salyersville.

b. Identify the person(s) responsible for the negotiation of water supply contracts on behalf of Salyersville. For each person listed, state his or her position with Salyersville.

RESPONSE: (a) Stanley Howard, Mayor; Thomas Howard, Superintendent; Water Commission members and city council members; (b) Mayor Stanley Howard with consent of Salyersville City Council.

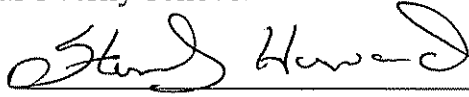
38. a. State whether, prior to October 13, 2008, Salyersville purchased water from PUC.

- b. If Salyersville previously purchased water from PUC,
- (1) Provide for each year since 1996 Salyersville's total annual purchases from PUC.
 - (2) State the reasons why Salyersville ceased purchasing water from PUC.

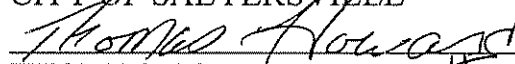
RESPONSE: (a) No.; (b) N/A.

VERIFICATION:

The foregoing is true and correct as I verily believe.



STANLEY HOWARD, MAYOR
CITY OF SALYERSVILLE



THOMAS HOWARD, SUPERINTENDENT
SALYERSVILLE WATER WORKS

STATE OF KENTUCKY

COUNTY OF MAGOFFIN

SUBSCRIBED AND SWORN to before me by STANLEY HOWARD, Mayor
of the City of Salyersville on this the 9th day of December, 2008.

My Commission Expires:

4/23/2011



NOTARY PUBLIC

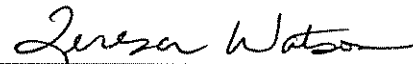
STATE OF KENTUCKY

COUNTY OF MAGOFFIN

SUBSCRIBED AND SWORN to before me by THOMAS HOWARD,
Superintendent of Salyersville Water Works on this the 9th day of December,
2008.

My Commission Expires:

4/23/2011



NOTARY PUBLIC

CERTIFICATE

This is to certify that a true and correct copy of the foregoing was this the 10th
day of December, 2008, mailed postage prepaid to the following:

DEP Division of Water
Frankfort Office Park
14 Reilly Road
Frankfort, KY 40601

Magoffin County Water District
P. O. Box 490
Salyersville, KY 41465

Billy J. Rowe, Sr.
HC 60, Box 255
Salyersville, KY 41465

Paintsville Utilities Commission
P. O. Box 630
Paintsville, KY 41240

Hon. David Edward Spenard
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

the original to:

Public Service Commission
211 Sower Blvd.
P. O. Box 615
Frankfort, KY 40602-0615


STANLEY HOWARD, MAYOR

