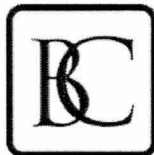


RECEIVED

MAY 29 2018

PUBLIC SERVICE  
COMMISSION



**BRIAN CUMBO**

ATTORNEY AT LAW

86 W. Main St., Suite 100  
P.O. Box 1844  
Inez, KY 41224  
(606) 298-0428  
FAX: (606) 298-0316  
cumbolaw@cumbolaw.com

ADMITTED IN KY AND WV

May 25, 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 Supplemental Response to PSC's Post Hearing Request for Information regarding the above matter.

Thank you for your attention to this matter.

Very truly yours,

BRIAN CUMBO

BC/ld  
Enclosure

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MAY 29 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 SUPPLEMENTAL  
RESPONSE TO PSC'S POST  
HEARING REQUEST FOR  
INFORMATION DATED  
MAY 1, 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 25 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

6. Provide an update with regard to the negotiations with the Prestonsburg City's Utilities Commission ("PCUC") for the lease and use of the Honey Branch Tank. Include any correspondence between PCUC and Martin District as well as any agreements or draft agreements.

RESPONSE: See attached correspondence from Prestonsburg City's Utilities Commission dated May 21, 2017.

# *Prestonsburg City's Utilities Commission*

Water, Waste Water and Natural Gas System

(Municipally Owned)

2560 South Lake Drive

Prestonsburg, Kentucky 41653-1048

Phone (606) 886-6871 • Fax (606) 886-8779

TDD: Ky Relay #711

May 21, 2018

Mr. John Horn, Chair  
Martin County Water District  
387 East Main Street  
Suite 140  
Inez, KY 41224

Re: Honey Branch/Davella Road Pressure Zone Assets – Counteroffer

Dear Mr. Horn,

Thank you for your prompt response to my April 24, 2018 letter to you.

We truly appreciate your offer to sell to Prestonsburg City's Utilities Commission the assets comprising your self-described Honey Branch pressure zone, from the District's Davella Pump Station to the Airport Industrial Park; said pressure zone assets being more detailed in description as the Honey Branch Tank, the water mains and the customers (current and future). I am confident you and your board gave much consideration to all aspects involved to arrive at your offer of \$5,000,000 to sell these assets and customers as well as the retiring of any loan balance. We appreciate those efforts.

According to the District's calendar year 2000 Annual Report on file with the Kentucky Public Service Commission the District completed a capital construction project that year constructing/installing the very assets being considered for sale to Prestonsburg. The District utilized \$2,583,950 to construct/install the assets. This funding was to be comprised of \$29,000 from the District; a grant from the USDA/Rural Development of \$714,000; an Appalachian Regional Commission (ARC) grant of \$400,000; a KY Economic Development (coal severance) grant of \$840,000; and a USDA/Rural Development loan of \$600,000. Applying an economic life of 40 years this group of assets would have an approximate economic book value today of \$1,458,855 (\$2,583,950 less estimated depreciation of \$1,125,090).

John, in addition to the District being the potential beneficiary of a very timely infusion of funds with which to utilize in whatever operating manner you and your board/management decide, the sale of the assets being considered here should enhance the District in other operational areas as well, including but not limited to reduced power costs due to much less pumping in your distribution system, reduced repairs and maintenance costs due to less infrastructure, and an overall smaller, more manageable service area.

Mr. John Horn, Chair  
May 21, 2018  
Page Two

After careful analysis and consideration we offer an amount of \$1,850,000 to purchase the assets of the Honey Branch pressure zone (the Honey Branch Tank, the water mains and service lines and the customers (current and future) in this pressure zone from the Davella Pump Station to the Airport Industrial Park.

If this offer is agreeable to you and your board please let me know so we can mutually draft a purchase agreement.

Respectfully,



Turner E. Campbell  
Superintendent/CEO

Copy: Mayor Les Stapleton  
Chairman Jimmy Calhoun  
Kentucky Public Service Commission