

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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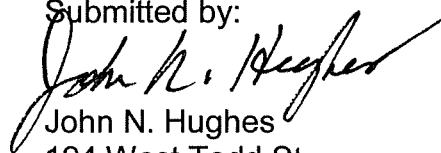
In the Matter of:

The Contract filing of Christian County )  
Water District to Purchase Water from ) Case No. 2006-00068  
Barkley Lake Water District )

**RESPONSE OF CHRISTIAN COUNTY WATER DISTRICT**

Christian County Water District, by counsel, provides the following responses to the Commission's order of February 24, 2006. A copy of this response has been delivered to Barkley Lake Water District.

Submitted by:



John N. Hughes  
124 West Todd St.  
Frankfort, KY 40601

Attorney for Christian County  
Water District

Witness: James Owen

1. Provide a copy of the minutes of each meeting of Christian District's Board of Commissioners in which the proposed contract was discussed.

Response: Attached

Minutes  
October 6, 2005

5

**Coal Severance**

After discussion, it was decided that, when the appropriate time comes, the Commission may request quotes which would be used to determine who would perform the engineering design work on this project.

**VII. NEW BUSINESS**

**Water Purchase Agreement**

Mr. Owen told the Commission that he had been contacted by Barkley Lake Water District about CCWD once again purchasing water at a wholesale rate from the Gracey metering location on a gravity flow basis. Mr. Owen and Mr. Hamby will work with Barkley Lake Water District in determining the amount of water that is to be purchased and the areas to be serviced. This Water Purchase Agreement is a continuation of the previous Agreement between CCWD and Barkley Lake Water District.

**VIII. OTHER BUSINESS**

**Condemnation Update**

There was no new discussion or information given at this time.

**HWEA Rate Increase**

After discussion, Barbara Morris made a motion to retain Carryn Lee of Kentucky Rural Water Association as consultant to calculate the determinable wholesale rate which HWEA should charge CCWD. Steve Hunt seconded the motion. The Commission approved the motion.

Minutes  

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Nov 3, 2005

4.

**Abandoned Mine Land (AML)**

Bob Pickerill, with Howard K. Bell engineering presented a progress report on the AML project. Mr. Pickerill also presented invoices from Howard K. Bell for General Engineering work in the amount of \$1,212.30 and for Resident Engineering Inspection work in the amount of \$4,335.30. An invoice for Horsley Construction was also presented in the amount of \$39,627.06 with \$724.00 to be paid by CCWD for non-reimbursable meters. David Johnson made a motion to approve this pay request. Steve Hunt seconded the motion. The commission approved these pay requests.

**Coal Severance Resolution**

After discussion, David Johnson made a motion to approve a resolution authorizing the Fiscal Court to give sole responsibility of the administration of the Coal Severance money to CCWD. Barbara Morris seconded the motion. The Commission approved the motion.

**Water Purchase Agreement**

Steve Hunt made a motion to accept the new water purchase agreement from Barkley Lake Water District. Barbara Morris seconded the motion. The Commission approved the motion.

Update To Board of Commissioners Meeting  
for NOV. 3, 2006 Meeting

AML, so far, has been easier to work with than what folks have said. The new guy for AML has been dependent on us to tell him what they can accept and pay for and what they can't pay for. We've developed a decent rapport with him and right now, he trusts us more than he trusts the engineer or the contractor.

### **Coal Severance**

We have some resolutions to pass and some paperwork to take care of Thursday night. The big item we have to take care of is the acceptance of an engineering agreement. What I would like to propose to the Board is that we go ahead and award the first part, the county coal severance money of \$200,000 to McGhee Engineering. My reasoning is, we have already had McGhee do some Engineering work. We need to get this paperwork into Frankfort quickly. We have PVC pipe to pay for and other materials to order, and we need to get someone to work on some additional road plans.

Should you decide to award the other work (the state portion of the Coal Severance funds) for \$500,000 to someone else, this will take some of the sting out of splitting this program. We have a little more time on the engineering selection for the \$500,000 (state portion) than we do for the \$200,000 (County portion).

I have spoken to both Bob Prickerill and Mike McGhee about the Board's desire to get competitive proposals. Both firms are interested. However, Howard K. Bell may have a problem preparing a quote since the District will be doing its own line construction.

### **Barkley Lake Water District**

John Hughes prepared the enclosed contract for us using the information from the old Rural Development format as requested by Barkley Lake Water District. We did have to make a few minor changes. We forwarded a draft to Terry Goins, the new manager with Barkley Lake Water District. He seemed pleased and said he would get his Chairman to sign it and return it back to us. They want to start selling us a little water as soon as possible.

Update Board of Commissioners ~~Meeting~~  
For Oct 6, 2005 Meeting

HWEA

We received a six inch thick note book from the HWEA attorney with their response to the PSC. The ball is totally in their court and it seems they are heading full stream ahead with a planned PSC hearing. It makes you wonder if the occasional attempt to "negotiation" might be a decoy to catch you off guard, so that you are not prepared to defend yourself at the hearing. Facts are facts. If two folks sincerely wish to compromise, you can not keep them from compromising. However, if one wants to compromise and one wants to manipulate, compromise will not occur. If we have not received a satisfactory response prior to Thursday night, we also must decide to prepare for a hearing in Frankfort. Then if Len wishes to compromise, we can reach an agreement. But, we are not going for a hearing and coming out the loser. The most we can expect to lose, our worse case scenario, is that we will get stuck with a fixed wholesale rate of \$1.84 per thousand gallons per master meter. Probably the best we can hope for is \$1.54 to \$1.59 per thousand gallons per master meter.

BARKLEY LAKE WATER .

Recently, we have been approached by Barkley Lake Water District's new manager, Terry Goins. It appears once again Frankfort is a little put out with HWEA unwillingness to work with everyone or anyone. An a carrot is being dangled in front of Barkley Lake and some other water systems. It appears unofficially if they or any system will work with Christian County Water District their will be unofficial incentives offered to that system for system improvement to serve Christian County. This is all unofficial and is not to be spoken of, however, Burlin Moore went to Frankfort on other matter and walked into some rooms where our maps were laid out on some large tables and they were quizzed for two hours on why we were not being offered affordable wholesale water rates.

Apparently they came out believers, we have received a very simple and straight forward contract extension request from them that would allow us to purchase water for \$1.65 per thousand gallons. No hided fees, no hided language. All they ask is that we work with them and withdrawl water gradually to allow them to see how much we can purchase. Currently we

can purchase about 100,000 gallons a day, with a potential to purchase perhaps 350,000 gallons per day within approximately two years.

We have included a copy of the contract they submitted for your review, it is simply a extension of our existing contract with an affordable rate. If we average the two rates and project a eventually 350,000 gallon withdrawl from Barkley Lake we would be in the \$1.78 per thousand rate on our total water purchased. That would be with HWEA at a \$1.84 average cost per thousand gallons. We have also included a copy of a recent rate survey conducted by the Allen&Hoshall Company for water systems who responded in Kentucky to their request for information.

#### OTHER SHORTLINES

Our request for shortline extension had dropped off over the last several weeks, however, this Monday I have had two.

#### RASCOE ROAD

Richard Tomberlin has purchased a home and 21 acres on Rascoe Road and has sold the existing house on a land contract. He has subdivided the remaining property and plans on building nine additional homes. Rascoe Road is located off Clarkstore Road / Hwy 1026.

Mr. Tomberline requested line extension will be approximately 1800 feet. There are two residents who live a little farther down the road, who might wish to obtain water service (these folks have not been contacted). We have an existing water main on the other end of this road. If there is sufficient interest, it might be possible to connect the two ends of this road. Mr. Tomberline will provide the District with the necessary easements for his property. All the new proposed homes will front on either Clarkstore Road or Rascoe Road. He would like to do a cost-share line extension with the Water District.

Witness: James Owen

2. Identify the person(s) who negotiated the proposed contract on Christian District's behalf.

Response: The General Manager for CCWD, James Owen negotiated the contract with BLWD manager, Terry Goins, which was approved by the CCWD Board of Commissioners.



Witness: James Owen

3. State why Christian District requires an additional supply of treated water.

Response: Throughout the years, the Christian County Water District (CCWD) has found it necessary to purchase water from the City of Crofton, Barkley Lake Water District, and Hopkinsville Water Environmental Authority (HWEA).

Only recently has it been viable for CCWD to limit our purchases to a single source. The closing of the City of Crofton's treatment plant by HWEA, and the relocation of US Hwy 68, which temporarily limited our ability to purchase water from Barkley Lake Water District, brought about these changes. These two events forced us to become temporarily dependent on HWEA's Hopkinsville water treatment plant as our single source of supply. We had to make system changes to protect our customers, so that both of these events would not interrupt service for them.

The completion of the US Hwy 68 relocation project opened the door once again, for future long-term purchases from Barkley Lake Water District. These purchases will allow CCWD several conveniences. It will give us the flexibility to monitor our system in smaller more controlled areas, to have both a primary, and a back-up supply available for some areas, to better control pressure and chlorine residuals, and to assist our ratepayers and staff in a more through cost comparison of services provided by our wholesale suppliers. This will also allow for system growth beyond the current consumption and withdrawal levels, as allowed by the current HWEA withdrawal contract limits. CCWD also assists the Department of Defense (US Army) in supplying an area of the Ft. Campbell Military base. We supply water to troops performing various extended training maneuvers in this area. We proudly support Ft. Campbell and the Department of Defense in their mission. Therefore, we have the added responsibility to ensure an uninterrupted and ample supply of water, not only to the Department of Defense customers, but also to all of our customers.

Witness: James Owen

4. State Christian District's estimated demand from Barkley Lake District for the next five calendar years.

Response: Originally, we estimated that, on average with no system adjustments, CCWD could purchase approximately 50,000 gallons per day, with the potential to work toward a winter season withdrawal of 100,000 gallons per day. We have also estimated that, over the next five years, with additional interconnection possibly allowed by the future expansion plans of the Barkley Lake Water District; we might anticipate the possibility of accessing up to 350,000 gallons per day, if it is seasonably available and if we need that much water.

Witness: James Owen

5. State whether any restrictions have been placed upon when Christian District can make purchases of water from Barkley Lake District.

Response: CCWD realizes that we cannot purchase more water than Barkley Lake Water District is able to supply at a satisfactory pressure. Currently, this limit appears to be in the 80,000 to 100,000 gallon per day range. In deriving this estimate, CCWD and Barkley Lake Water District's staff have conducted flow tests on two occasions. During these tests, we have monitored the pressure on the system, as well as the pressure on Barkley Lake Water District's booster pump. Moving water (selling water) in this area holds several advantages for the Barkley Lake District. It allows this pressure system to operate as designed; this area was originally designed to service the residents of Christian County, as it has successfully done since 1977. It allows them to provide adequate turn over in this area; and it allows for adequate utilization of their booster pump station. This has not occurred since the Hwy US 68 relocation program forced the suspension of this service. It also allows them to regain lost revenue. They based their original system's design and rate structure upon this revenue. This design and rate structure was yet another aspect, which the relocation program interrupted.

Witness: James Owen

6. Provide a copy of all correspondence, electronic mail, notes, and other documents between Barkley Lake District and Christian District in which Barkley Lake District's provision of wholesale water service to Christian District is discussed.

Response: Prior to the October 6 2005 meeting of the Board of Commissioners of the Christian County Water District Terry Goins General Manager of the Barkley Lake Water District, visited our office, and left a draft of a proposed contract extension with the provisions his board felt were pertinent

Form RD 442-30  
(Rev. 10-96)

Position 5  
UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL DEVELOPMENT

FORM APPROVED  
OMB NO. 0575-0015

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, between the Barkley Lake Water District  
P.O. Box 308 Cadiz, Ky. 42211

hereinafter referred to as the "Seller" and the Christian County Water District  
Hopkinsville, Ky.

hereinafter referred to as the "Purchaser".

WITNESSETH:

Whereas, the Purchaser is organized and established under the provisions of Chapter 74 of the Code of Kentucky Revised Statutes, for the purpose of constructing and operating a water supply distribution system serving water users within the area described in plans now on file in the office of the Purchaser and to accomplish this purpose, the Purchaser will require a supply of treated water, and

Whereas, the Seller owns and operates a water supply distribution system with a capacity currently capable of serving the present customers of the Seller's system and the estimated number of water users to be served by the said Purchaser as shown in the plan of the system now on file in the office of the Purchaser, and

Whereas, by Resolution No. \_\_\_\_\_ enacted on the \_\_\_\_\_ day of \_\_\_\_\_, 2005 by the Seller, the sale of water to the Purchaser in accordance with the provisions of the said Resolution was approved, and the execution of this contract carrying out the said Resolution by the Chairman, and attested by the Secretary, was duly authorized, and

Whereas, by Resolution of the Commission of the Purchaser, enacted on the \_\_\_\_\_ day of \_\_\_\_\_, 2005, the purchase of water from the Seller in accordance with the terms set forth in the said Resolution was approved, and the execution of this contract by the Chairman, and attested by the Secretary was duly authorized;

Now, therefore, in consideration of the foregoing and the mutual agreements hereinafter set forth,

A. The Seller Agrees:

- (Quality and Quantity) To furnish the Purchaser at the point of delivery hereinafter specified, during the term of this contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the Dept. of Health and the Division of Water, Commonwealth of Ky. In such quantity as may be required by the Purchaser not to exceed N/A gallons per month.

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to U.S. Department of Agriculture, Clearance Officer STOP 7892, 1470 Independence Avenue, S.W., Washington, D.C. 20250-7892. Please DO NOT RETURN this form to this address. Forward to the local USDA office only. You are not required to respond to this collection of information unless it displays a currently valid OMB control number.

2. (Point of Delivery and Pressure) That water will be furnished at a reasonably constant pressure calculated at

45 psi from an existing Six inch main supply at a point located

Near the intersection of Ky 128 and U.S. Hwy 68

If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the cost of providing such greater pressure shall be borne by the Purchaser. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the Seller from this provision for such reasonable period of time as may be necessary to restore service.

3. (Metering Equipment) To furnish, install, operate, and maintain at its own expense at point of delivery, the necessary metering equipment, including a meter house or pit, and required devices of standard type for properly measuring the quantity of water delivered to the Purchaser and to calibrate such metering equipment whenever requested by the Purchaser but not more frequently than once every twelve (12) months. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate.

The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the two (2) months previous to such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless Seller and Purchaser shall agree upon a different amount. The metering equipment shall be read on

20th day of each month An appropriate official of the Purchaser at all reasonable times shall have access to the meter for the purpose of verifying its readings.

4. (Billing Procedure) To furnish the Purchaser at the above address not later than the tenth (10) day of each month, with an itemized statement of the amount of water furnished the Purchaser during the preceding month.

B. The Purchaser Agrees:

1. (Rates and Payment Date) To pay the Seller, not later than the twentieth day of each month, for water delivered in accordance with the following schedule of rates:

a. \$ N/A for the first \_\_\_\_\_ gallons, which amount shall also be the minimum rate per month.

b. \$ N/A cents per 1000 gallons for water in excess of \_\_\_\_\_ gallons but less than \_\_\_\_\_ gallons.

c. \$ N/A cents per 1000 gallons for water in excess of \_\_\_\_\_ gallons.

One Dollar and Sixty-Five Cents per (\$1.65)  
per thousand gallons for all water.

2. (Connection Fee) To pay as an agreed cost, a connection fee to connect the Seller's system with the system of the Purchaser, the sum of No dollars which shall cover any and all costs of the Seller for installation of the metering equipment and \_\_\_\_\_

c. It is further mutually agreed between the Seller and the Purchaser as follows:

1. (Term of Contract) That this contract shall extend for a term of two years from the date of the initial delivery of any water as shown by the first bill submitted by the Seller to the Purchaser and, thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the Seller and Purchaser.

2. (Delivery of Water) That thirty days prior to the estimated date of completion of construction of the Purchaser's water supply distribution system, the Purchaser will notify the Seller in writing the date for the initial delivery of water.

3. (Water for Testing) When requested by the Purchaser the Seller will make available to the contractor at the point of delivery, or other point reasonably close thereto, water sufficient for testing, flushing, and trench filling the system of the Purchaser during construction, irrespective of whether the metering equipment has been installed at that time, at a flat charge of \$ 1.65/1000 g. which will be paid by the contractor or, on his failure to pay, by the Purchaser.

4. (Failure to Deliver) That the Seller will, at all times, operate and maintain his system in an efficient manner and will take such action as may be necessary to furnish the Purchaser with quantities of water required by the Purchaser. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's consumers is reduced or diminished.

5. (Modification of Contract) That the provisions of this contract pertaining to the schedule of rates to be paid by the Purchaser for water delivered are subject to modification at the end of every two year period. Any increase or decrease in rates shall be based on a demonstrable increase or decrease in the cost of performance hereunder, but such costs shall not include increased capitalization of the Seller's system. Other provisions of this contract may be modified or altered by mutual agreement.

6. (Regulatory Agencies) That this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in this State and the Seller and Purchaser will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.

7. (Miscellaneous) That the construction of the water supply distribution system by the Purchaser is being financed by a loan made or insured by, and/or a grant from, the United States of America, acting through Rural Development of the United States Department of Agriculture, and the provisions here of pertaining to the undertakings of the Purchaser are conditioned upon the approval, in writing, of the State Director of Rural Development.

8. (Successor to the Purchaser) That in the event of any occurrence rendering the Purchaser incapable of performing under this contract, any successor of the Purchaser, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the Purchaser hereunder.

In witness whereof, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed in 6 counterparts, each of which shall constitute an original.

Seller:

Baskley Lake Water Dist.

By \_\_\_\_\_

Title Chairman

Attest:

\_\_\_\_\_  
*Secretary*

Purchaser:

Christian County Water Dist

By \_\_\_\_\_

Title Chairman

Attest:

\_\_\_\_\_  
*Secretary*

This contract is approved on behalf of Rural Development this \_\_\_\_\_ day of \_\_\_\_\_,

\_\_\_\_\_

By \_\_\_\_\_

Title \_\_\_\_\_



Witness: James Owen

7. Provide all internal memoranda, correspondence, and other documents in which Barkley Lake District's provision of wholesale water service to Christian District is discussed.

Response:

Excerpt: This comes from an update sent to the Board of Commissioner's of the Christian County Water District prior to the November 3, 2006 meeting of the Board of Commissioners.

Barkley Lake Water District

John Hughes prepared the enclosed contract for us using the information from the old Rural Development format as requested by Barkley Lake Water District. We did have to make a few minor changes. We forwarded a draft to Terry Goins, the new manager with Barkley Lake Water District. He seemed pleased and said he would get his Chairman to sign it and return it back to us. They want to start selling us a little water as soon as possible.