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Vice Chairman

January 24, 2012

Mr. James S. Bruce
Hardin County Water District No. 1
1400 Rogersville Road
Radcliff, Kentucky 40159-0489

David T. Wilson II, Esq.
Skeeters, Bennett, Wilson & Pike
P.O. Box 610
Radcliff, Kentucky 40160

Re: Case No. 2011-00416
Hardin County Water District No. 1

Gentlemen:

The enclosed documents have been filed in the record of the above-referenced case. Any objections to this action should be submitted to the Commission within five days of receipt of this letter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

gw
Enclosures

Wuetcher, Jerry (PSC)

From: Wuetcher, Jerry (PSC)
Sent: Tuesday, January 10, 2012 10:51 AM
To: david.wilson@sbw-law.com
Subject: Case No. 2011-00416: Hardin County Water District No. 1

Mr. Wilson:

I am writing in regard to the above-reference case. Commission Staff reviewing Hardin County Water District No. 1's application and expects an Order on the application to be entered on or about 20 Jan 2012.

During the course of its review, two issues have arisen.

First, under the proposed arrangement, HCWD1 will assume ownership and control of the Fort Knox Water Treatment Facilities, but not of the Facilities' water supply. HCWD1 will not, therefore, be selling water to the U.S. Government. HCWD1 currently purchases water from Fort Knox and intends to continue such arrangements after the transaction is complete. Since HCWD1 will own the water distribution system, how will these water sales be processed? Will HCWD monitor the sales on the U.S. Government's behalf and issue a bill to HCWD1 for water purchased? Will the purchase amount continue to be billed by the U.S. Government? Will it be reported as a credit on the U.S. Government's monthly bill from HCWD1? Please provide a description of how these water sales will be processed and the changes, if any, to HCWD1's current accounting and billing practices that will result once HCWD1 assumes ownership of the Fort Knox facilities.

Second, in its application, HCWD1 makes reference to potential territory changes. Does HCWD1's territory currently include the Fort Knox Military Installation? Are changes to HCWD1's territory necessary to ensure that all the acquired facilities will be with HCWD1's territory? If so, what changes are necessary? When will these changes in HCWD1's territory be enacted? At what stage is HCWD1 currently in the process of modifying its territorial boundaries?

A reply by e-mail to these questions is acceptable. Once HCWD1's response is received, Commission Staff will take steps to ensure the response is placed in the case record.

If you have any questions, please contact me. Thank you for your attention to this request.

Sincerely,

Gerald E. Wuetcher
Executive Advisor
Public Service Commission of Kentucky
(502) 564-3940, Extension 259
(502) 229-6500 (cell)
gerald.wuetcher@ky.gov

From: [David Wilson](#)
To: [Wuetcher, Jerry \(PSC\)](#)
Subject: FW: Hardin County water #1
Date: Tuesday, January 17, 2012 12:46:37 PM
Attachments: [20120116132531114.pdf](#)

-----Original Message-----

From: David Wilson
Sent: Monday, January 16, 2012 2:11 PM
To: 'jwuetcher@ky.gov'
Cc: 'Jim Bruce'; David Wilson
Subject: FW: Hardin County water #1

Hello Jerry. See attached and let me know your thoughts. Thanks. dtw

-----Original Message-----

From: documents@SBW-LAW.com [<mailto:documents@SBW-LAW.com>]
Sent: Monday, January 16, 2012 1:26 PM
To: David Wilson
Subject:

This E-mail was sent from "RNP015B5B" (Aficio MP C4000).

Scan Date: 01.16.2012 13:25:30 (-0500)
Queries to: documents@SBW-LAW.com

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January 16, 2012

Gerald E. Wuetcher, Executive Advisor
Public Service Commission of Kentucky

VIA email: JWuetcher@ky.gov

Re: Hardin County Water District No. 1, Case No. 2011-00416

Dear Jerry,

Question No. 1: Since Hardin County Water District No. 1 will own the water distribution system, how will these water sales be processed?

Answer: The Water District will read the meter. The Water District is then going to notify the Garrison Resource Management Center of the gallons of water consumed during a given period. The Water District will then be billed by the Garrison Resource Management Center as has been the practice for many years.

Question No. 2: Will Hardin County Water District monitor the sales on the U.S. Government's behalf and issue a bill to Hardin County Water District No. 1 for water purchased?

Answer: Yes, Hardin County Water District will monitor the sales on the government's behalf. No, the District will not issue a bill for water purchased.

Question No. 3: Will the purchase amount continue to be billed by the U.S. Government?

Answer: Yes.

Question No. 4: Will it be reported as a credit on the U.S. Government's monthly bill from the Hardin County Water District No. 1?

Answer: No.

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Question No. 5: Please provide a description of how these water systems will be processed and the changes, if any to Hardin County Water District No. 1's current accounting and billing practices that will result once Hardin County Water District No. 1 assumes ownership of the Fort Knox Facilities.

Answer: The District will continue to be billed for water purchased at the presently-existing rate which is \$1.672 per 1,000 gallons. This will be paid out of Water operating funds. The only change of any consequence is that the District will read its own meter as opposed to the meter being read by Nolin RECC.

Your second set of questions pertains to potential territory changes. Specifically, you asked the following:

Question 1: Does Hardin County Water District No. 1's territory currently include the Fort Knox Military Installation?

Answer: No.

Question 2: Are changes to Hardin County Water District No. 1's territory necessary to insure that all the acquired facilities will be within the Hardin County Water District No. 1's territory?

Answer: If the applicable statute requires that the acquired facilities be within the District's territory, then the answer is yes, changes to the District's territory will be required. However, I think it is a reasonable interpretation of KRS 74.115, in the context of the entire chapter, to conclude that an expansion of the District's territory would not be required as the District will not be providing water to any entity on Post. Stated differently, given that the District's only obligation is to operate the system, I do not necessarily think it necessary to expand the District boundaries. If and when the District begin to actually sell water to the installation, then certainly it would be necessary to expand the District boundaries. Under the present proposal, however, the District will not be providing water and will not be paid to provide water. The District is merely being paid to operate the system.

Having said that, certainly Hardin County Water District has no particular objection to expanding its Districts if the Commission deems that necessary. As with the acquisition of the sewer system, we have not taken the steps to implement expansion of the District under KRS 74.115 until such time as the Commission approves the application. As with the sewer system, if the Commission deems an expansion necessary, then certainly that can be facilitated.

Question 3: If so, what changes are necessary?

Answer: If the Commission requires an expansion of the District's territory, then two changes will be required. First, under KRS 74.110, the District would have to petition the Hardin County Fiscal Court to permit expansion of the District into that portion of the Fort Knox Military Installation that

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lies within Hardin County. I also think it would be necessary under KRS 74.115 to obtain approval of the Meade County Fiscal Court as a small portion of the cantonment area does lie within Meade County.

Question 4: When will these changes in Hardin County Water District No. 1's territory be enacted?

Answer: These changes will be enacted, I presume, in a fashion similar to the changes that were enacted when the Fort Knox sewer system was acquired by Hardin County Water District. That is to say if the Commission approves this application, the changes in Hardin County Water District's territory will be enacted thereafter.

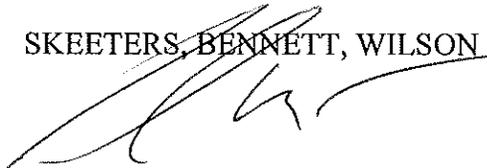
Question 5: At what stage is Hardin County Water District No. 1 currently in the process of modifying its territorial boundaries?

Answer: The District has not yet commenced the process of modifying its territorial boundaries.

To conclude, I do not personally think it necessary to expand the District boundaries when KRS 74.110 and KRS 74.115 are read within the context of the entire chapter. My thought is that the District is not providing water to anyone in the Fort Knox Military Installation, but is merely providing a service. Granted, the District is in fact acquiring assets. Certainly, Hardin County Water District has no desire to make an issue of the point and if Commission staff prefers that the District commence with expanding its boundaries, then those steps can be taken either now or as a condition of approval of the application. I certainly foresee no difficulty in implementing the modification of the District boundaries if you think that necessary.

Sincerely,

SKEETERS, BENNETT, WILSON & PIKE



David T. Wilson, II

DTW:mle

cc: Mr. Jim Bruce