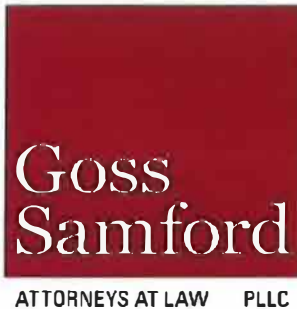


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JUN 01 2021

PUBLIC SERVICE
COMMISSION



June 1, 2021

VIA ELECTRONIC FILING

Linda Bridwell, P.E.
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RE: *In the Matter of: An Investigation into the Feasibility of Proposed
Merger of Cawood Water District and Black Mountain Utility
District pursuant to KRS 74.361—Case No. 2018-00068*

Dear Ms. Bridwell:

Attached, please find Cawood Water District's Comments to Staff Report of the Kentucky Public Service Commission ("Commission"), issued on May 21, 2021.

This will certify that the foregoing electronic filing is a true and accurate copy of the document being filed in paper medium; that the electronic filing was transmitted to the Commission for filing on June 2, 2021; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that a copy of the filing in paper medium will be filed with the Commission within thirty days of the current state of emergency for COVID-19 being lifted.

Please contact me should you have any questions regarding this filing.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mark David Goss".

Mark David Goss

Enc.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---------------------------------------|---|------------|
| AN INVESTIGATION INTO THE FEASIBILITY |) | |
| OF PROPOSED MERGER OF CAWOOD WATER |) | CASE NO. |
| DISTRICT AND BLACK MOUNTAIN UTILITY |) | 2018-00068 |
| DISTRICT PURSUANT TO KRS 74.361 |) | |

CAWOOD WATER DISTRICT'S COMMENTS TO STAFF REPORT

Comes Cawood Water District (Cawood District) and provides its comments to the report (Staff Report) of the Kentucky Public Service Commission (Commission) Staff regarding the feasibility of a merger between Cawood District and Black Mountain Utility District (Black Mountain District).¹

The very detailed Staff Report discusses the procedural history of this case including the relative operational and financial conditions of both utilities.

Cawood District agrees with the description of its current general condition and appreciates the Commission's recognition of everything it has done to improve its financial and operational condition since the Commission initiated the

investigation in Case No. 2019-00041.² Naturally, much is left to be done for

Cawood District to continue to build upon the improvements seen to

its financial condition and system water loss. Cawood District's Commissioners

¹ The Commission Staff's report was issued on May 21, 2021, and provides that both Cawood and Black Mountain Districts are to provide their respective comments within 14 days, or by June 4, 2021.

² *In the Matter of: Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities*, initiated on the Commission's own motion on March 12, 2019.

remain committed to close supervision and governance of the District in order to maintain the upward trajectory of improvement and success.

Regarding Black Mountain District, the Staff Report details several serious and longstanding financial and operational deficiencies negatively affecting its ability to provide reliable service at reasonable rates to its over 3,300 customers. On the issue of merger, the Staff Report's conclusions can be summarized in two sentences in the Conclusions section: "Commission Staff cannot recommend that merger would benefit the ratepayers of these utilities chiefly due to Black Mountain District's financial and operational failings."³ And, "Black Mountain District's financial and operational status is failing such that it would negate the progress Cawood District has made since its involvement in Case No. 2019-00041."⁴

Another important reason cited in the Staff Report to support the recommendation that a merger of the two District should not proceed is the fact that they are operationally unique, non-contiguous systems, which would prevent certain efficiencies of scale from being realized.⁵

Cawood District agrees with the final conclusions of the Staff Report that a merger of the two systems does not make either financial or operational sense. For these reasons Cawood District accepts the Staff Report and its conclusions, as

³ *Staff Report*, May 21, 2021, at 6.

⁴ *Id.*, at 9.

⁵ *Id.*, at 6.

written. Cawood would also like to take this opportunity to thank the Commission and Staff for taking such a serious and committed interest in the District's general condition. While the proceedings in this case and in Case No. 2019-00041 have at times been challenging for Cawood District it has come out on the other side of both cases a better utility with positive momentum for its future and that of its customers.

This 1st day of June, 2021.

Respectfully Submitted,



Mark David Goss
L. Allyson Honaker
Goss Samford, PLLC
2365 Harrodsburg Road
Suite B-325
Lexington, KY 40504
mdgoss@gosssamfordlaw.com
allyson@gosssamfordlaw.com

Counsel for Cawood Water District