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OCT 10 2019

PUBLIC SERVICE
COMMISSION

October 9, 2019

Via Federal Express

Gwen R. Pinson
Executive Director
Public Service Commission
211 Sower Blvd.
P. O. Box 615
Frankfort, KY 40601

Re: Application of Caldwell County Water District for Approval to Enter into a Lease Agreement for the Purpose of Refinancing Certain Outstanding Obligations – Kentucky PSC Case No. 2019-00311

Dear Ms. Pinson:

Enclosed for filing is one (1) original and six (6) copies of Caldwell County Water District's responses to Commission Staff's initial request for information in regard to the above matter.

Please return a file stamped copy and return to me in the stamped self-addressed envelope.

Thank you, and if you have any questions with regard to this matter, please call me.

Sincerely,

DINSMORE & SHOHL LLP



Daniel D. Briscoe, Jr., Esq.

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

OCT 10 2019

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF CALDWELL COUNTY)
WATER DISTRICT FOR APPROVAL TO)
ENTER INTO A LEASE AGREEMENT WITH)
THE KENTUCKY ASSOCIATION OF)
COUNTIES LEASING TRUST FOR AN) CASE NO. 2019-00311
APPROXIMATE PRINCIPAL AMOUNT OF)
\$1,710,000 FOR THE PURPOSE OF)
REFINANCING OUTSTANDING)
OBLIGATIONS)

RESPONSE OF
CALDWELL COUNTY WATER DISTRICT
TO
COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
DATED SEPTEMBER 23, 2019

FILED: October 7, 2019

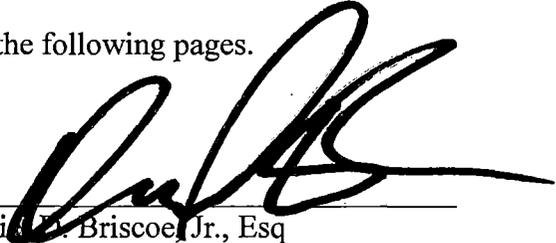
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CALDWELL COUNTY)
WATER DISTRICT FOR APPROVAL TO)
ENTER INTO A LEASE AGREEMENT WITH)
THE KENTUCKY ASSOCIATION OF)
COUNTIES LEASING TRUST FOR AN) CASE NO. 2019-00311
APPROXIMATE PRINCIPAL AMOUNT OF)
\$1,710,000 FOR THE PURPOSE OF)
REFINANCING OUTSTANDING)
OBLIGATIONS)

RESPONSE OF CALDWELL COUNTY WATER DISTRICT TO
COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION

Comes Caldwell County Water District, for its Response to Commission Staff's Initial
Request for Information, and states as shown on the following pages.



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Bond Counsel for Caldwell County Water District

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CALDWELL COUNTY)
WATER DISTRICT FOR APPROVAL TO)
ENTER INTO A LEASE AGREEMENT WITH)
THE KENTUCKY ASSOCIATION OF)
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APPROXIMATE PRINCIPAL AMOUNT OF)
\$1,710,000 FOR THE PURPOSE OF)
REFINANCING OUTSTANDING)
OBLIGATIONS)

CERTIFICATION OF RESPONSE OF CALDWELL COUNTY WATER DISTRICT TO
COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION

This is to certify that I have supervised the preparation of Caldwell County Water District's Responses to Commission Staff's Initial Request for Information. The response submitted on behalf of Caldwell County Water District is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Date: 10-07-2019

JIMMY LITTLEFIELD CEO
Jimmy Littlefield, CEO
Caldwell County Water District

CALDWELL COUNTY WATER DISTRICT

CASE NO. 2019-00311

Response to Commission Staff's Initial Request for Information

Question No. 1

Responding Witness: Jimmy Littlefield

Q-1. Refer to the *Annual Report of Caldwell County Water District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar year Ended December 31, 2017*, page 56 of 66.

- a. Caldwell District states that the 18.208 million gallons reported in the category Other Water Uses – Other is the result of sabotage. Provide a detailed explanation of the term sabotage as used by Caldwell District and include an itemized list of the amounts recorded in the category Other Water Uses – Other.**
- b. Explain why the 18.208 million gallons attributed to sabotage was not reported in the category Water Loss – Other.**
- c. If the 18.208 million gallons attributed to sabotage were to be classified as Water Loss – Other, recalculate Caldwell District's line loss percentage for calendar year 2017.**

A-1. a. The word "sabotage" refers to any intentional act which results in destruction, waste, or loss of machines, materials, manufactured goods or products (e.g. potable water). Typically sabotage is used to describe the destructive acts of employees during labor disputes. For the reasons stated below, Caldwell District believes the word "sabotage" more accurately describes the destructive acts that have occurred in its transmission and distribution system than does the word "theft."

Starting in 2015, one or more persons have opened fire hydrants owned by Caldwell District and let water run continuously from the fire hydrants in an effort to drain Caldwell District's water storage tanks and cause havoc. These acts of sabotage have continued, from time to time, and still continue. The fire hydrants were opened at various locations throughout Caldwell District's system rather than in one or two locations. Usually, these acts occur on holiday weekends or during periods of peak usage. These are times designed to inflict maximum stress or damage to Caldwell District. These times make it much more difficult for Caldwell District's employees to detect that a fire hydrant has been opened and that its tanks are losing water for a reason other than high customer usage. It also means Caldwell District's employees have to work harder to maintain minimum system pressure and to refill its water storage tanks.

The water from the fire hydrants is not being "stolen" by persons to fill swimming pools or by farmers to fill large water tanks for mixing with chemicals to spray corn or soybean crops. This "saboteur" simply opens the fire hydrants, leaves, and lets the water run.

This problem did not commence until shortly after a Caldwell District employee resigned in 2015. Shortly thereafter, Caldwell District started finding fire hydrants that were "running" water just as if its system were being flushed, except no flushing had been scheduled.

Caldwell District spoke with the County Attorney and wanted to "press criminal charges" against the person or persons who were intentionally tampering with the fire hydrants and causing the financial losses and other hardships. The County

Attorney said that he needed “proof” before he could take any action. Caldwell District then placed hidden motion activated video cameras at fire hydrants that had been “opened” previously. This seemed to slow the “saboteur’s” activities for a short while. Then he started opening fire hydrants in more remote sections of the county. Needless to say, Caldwell District has not yet been successful in finding “proof.”

Caldwell District intentionally chose to use the word “sabotage” rather than theft because sabotage more accurately describes these intentional, disruptive, and destructive actions that have taken place since 2015.

The entire volume of 18,208,000 gallons that was reported under the category “Other Water Used – Other” category is all from “sabotage” or theft of water from fire hydrants.

- b. The water attributed to “sabotage” was reported in the “Other Water Used” category rather than the “Water Loss” category because it was not water loss that occurred as a result of negligence by Caldwell District nor from having aging or defective infrastructure. Incidentally, Caldwell District has reported it under the “Other Water Used” category on each PSC Annual Report since 2015. Until now, no one from the PSC has questioned Caldwell District’s decision to report it under this category.
- c. The recalculated water loss percentage is 19.6%.

CALDWELL COUNTY WATER DISTRICT

CASE NO. 2019-00311

Response to Commission Staff's Initial Request for Information

Question No. 2

Responding Witness: Jimmy Littlefield

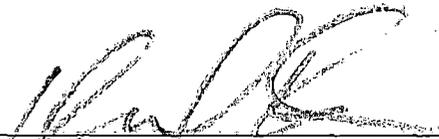
Q-2. Refer to the *Annual Report of Caldwell County Water District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar year Ended December 31, 2018*, page 57 of 67.

- a. Caldwell District states that the 5.397 million gallons reported in the category Other Water Uses – Other is the result of sabotage. Provide an itemized list of the amounts recorded in the category Other Water Uses – Other.**
- b. If the 5.397 million gallons attributed to sabotage were to be classified as Water Loss – Other, recalculate Caldwell District's line loss percentage for calendar year 2018.**

- A-2.
- a. The entire volume of 5,397,000 that was reported in Caldwell District's 2018 PSC Annual Report under the category "Other Water Used - Other" is all from "sabotage" or theft of water from fire hydrants.
 - b. The recalculated water loss percentage is 18.2%.

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001 and Commission Staff's Initial Request for Information to Caldwell County Water District dated September 23, 2019 , the undersigned hereby certifies that an original and six (6) additional copies in paper medium are being mailed to the Public Service Commission on October 7, 2019.



Daniel D. Briscoe, Jr.