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Commonwealth of Kentucky
Public Service Commission
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John W. Clay
Commissioner

Christopher L. Lilly
Commissioner
Department of Public Protection

November 2, 2006

Mr. Robert H. Sullivan
Hickory Water District
Post Office Box 128
Hickory, Kentucky 42051

Dear Mr. Sullivan:

Commission Staff acknowledges receipt of your letter of October 12, 2006 in which you request an opinion regarding the expenditure of funds to assist the construction of a water main.

In your letter, you provide the following facts: Hickory Water District, a water district organized pursuant to KRS Chapter 74, provides water service to portions of Graves County, Kentucky. Graves County High School is located within Hickory Water District's territory. Recently, the Graves County Board of Education constructed a performing arts center on the Graves County High School campus. Until recently, Hickory Water District produced its total water requirements. Unable to provide water service to the new performing arts center at pressures sufficient to support a fire sprinkler system, Hickory Water District has agreed to purchase water from the city of Mayfield for resale to the performing arts center. To provide this service, the city of Mayfield must construct a water main to Hickory District's territory. Hickory District has been requested to contribute towards the cost of this water distribution main, but will not acquire any ownership interest in the water distribution main.

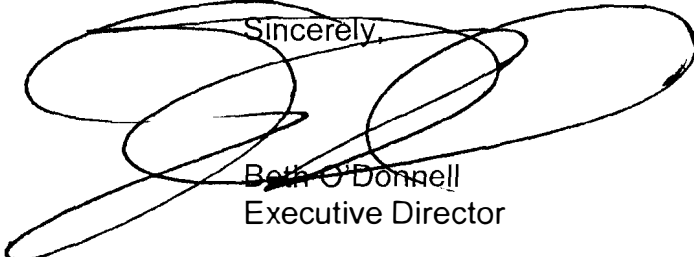
Your letter poses the following issue: May Hickory Water District contribute its funds towards the cost of a water distribution main that will serve the water district, but which the water district will not own?

Commission Staff is of the opinion that Hickory District may contribute towards the cost of the water distribution main. "As a creature of statute, a water district created pursuant to KRS chapter 74 may expend funds only in keeping with its statutory purpose, or express statutory authority." Ky. OAG 92-43. A water district is generally established "for the purpose of furnishing a water supply to the citizens of the county." 1966 Ky.Acts 430. It "is under an obligation to serve all inhabitants . . . within its geographical area of service as fixed under KRS 74.010 and as defined by the certificate of convenience and necessity." Ky. OAG 75-719. As the contribution appears necessary to obtain adequate water supply for a customer located within

Mr. Robert H. Sullivan
November 2, 2006
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Hickory Water District's territory, it is consistent with Hickory Water District's statutory purpose. To the extent that the contribution is made pursuant to an agreement with the city of Mayfield for the provision of water service, KRS 74.070 appears to authorize the water district's proposed action.¹

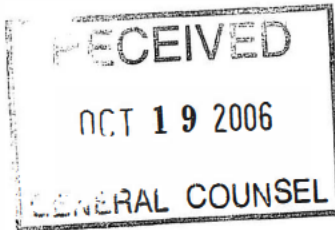
This letter represents Commission Staff's interpretation of the law as applied to the facts presented. This opinion is advisory in nature and not binding on the Commission should the issues herein be formally presented for Commission resolution. Questions concerning this opinion should be directed to Gerald Wuetcher, Deputy General Counsel, at (502) 564-3940, Extension 259.

Sincerely,

Beth O'Donnell
Executive Director

1

The commission may acquire and install pipe and water laterals, and operate a water system for any district. The commission shall be a body corporate for all purposes, and may make contracts for the water district with municipalities and persons for a water supply. It may prosecute and defend suits, hire necessary employees and do all acts necessary to carry on the work.

David Samford



(HWD)
HICKORY WATER DISTRICT
P. O. Box 128
Hickory, Kentucky 42051
October 12, 2006

Since Legal answered to
the first letter attached.

Please advise

GW
10/18

Mr. George W. Wakim, P.E.
Manager
Water and Sewer Branch
Public Service Commission
211 Sower Blvd.
P. O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

OCT 16 2006

PUBLIC SERVICE
COMMISSION

Re. Interconnections with city/county water systems

Dear Mr. Wakim:

On April 25, 2006 I wrote you concerning an issue of the Hickory Water District connecting with the city of Mayfield to gain extra water pressure and volume of water for fire protection for a new performing arts building on the campus of the Graves County School System (copy attached). Hickory Water District has agreed to buy water from the city for five (5) meters that serve the school system so they can have adequate water pressure for the sprinkler system for the performing arts building.

The fiscal court did get the grant for \$95,000 to construct the water line under the Purchase Parkway. As usual the project will cost more than \$95,000. The city has offered to kick in a little extra money and Hickory Water District has been asked to kick in some additional money. The new water line under the parkway has been determined to belong to the city until it connects to Hickory Water District on the north side of the parkway. Since the new line will officially belong to the city can Hickory Water District kick in some money since the water line will officially belong to the city?

We need a quick response. Thanks

Sincerely yours,

Robert H. Sullivan
Chairman

HICKORY WATER DISTRICT
P. O. Box 128
Hickory, Kentucky 542051
Home phone 270-247-0444

HICKORY WATER DISTRICT

P. O. Box 128

Hickory, Kentucky 42051

April 25, 2006

Mr. George W. Wakim, P.E.
Manager
Water and Sewer Branch
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: Interconnections with city/county water systems

Dear Mr. Wakim:

Recently, there appears to be a big push to merge water systems. Hickory Water District runs right up to the city of Mayfield and their water system. In fact, we serve the Graves County School system campus, which is within the city limits, including a high School, middle school, grade school, bus garage and the system's central office which is just across the parkway from the city's water tower. In fact, our water lines run within approximately 500 feet of the city's water lines. Their water tower is within the jurisdiction of the Hickory Water District. Incidentally, the city annexed the school facilities into the city after the high school was built.

There has always been a marginal issue of our system providing adequate fire protection. When the high school was first built in 1984 and 1985, the issue came up about adequate water pressure for a sprinkler system. At the time I call Mr. Eddie Smith with PSC and he said we were not responsible to provide fire protection. As it turned out, we were able to provide adequate pressure for the existing school facilities. We provide 55 pounds of water pressure at the site. Recently, the school has elected to build a performing arts center which as we understand demands more water pressure to satisfy that sprinkler system. We simply cannot reach that threshold without jeopardizing other parts of the system. The school is about five (5) miles from our treatment plant and closet water tower. Our system covers over 70 miles.

The city and our local state representative have proposed in the state budget along with a lot of other projects to connect our system to the city to provide greater water pressure for fire protection. To simply connect the systems would dictate that we buy water from the city we don't need. We only need about 300,000 to 350,000 gallons a day to serve our approximately 1300 customers and we can easily pump over a million gallons a day.

In this proposal we would be forced to buy water from the city we don't need. In their budget proposal it would provide \$95,000 subject to the governor's approval for this project. There have been discussions with the school of installing a dedicated water line from the city across the parkway to provide fire protection to the school sprinkler system. Since the school is in the city, they are responsible for their fire protection. Previously, the issue had been who is going to pay for it. Now, that there appears to be the possibility of getting funding from the state in the amount of \$95,000 which we understand would pay for the dedicated water line, we are suggesting that they install the dedicated line across the parkway for the sprinkler system and then a tie in to our system on the north side of the parkway for emergencies. By doing it this way they would have more pressure for the sprinkler system and we would not have to buy water from the city except in emergencies.

The school superintendent thinks it is a great idea and the county judge isn't so sure. He thinks we should consider a direct tie to the city on the far south of parkway which would cost less but force us to buy water from the city. We and our engineer are concerned even if we tied on the far side of the parkway we run a grave danger of rupturing our asbestos cement lines because we have to put more pressure on our system. In fact, that is the reason we haven't attempted to raise the water pressure. If we attempted to install a pressure reducing valve it would circumvent the fire protection requirement. Incidentally, we have water customers already on both sides of the parkway .

I have tried to go into sufficient detail to give you the full picture. Now the question is, can a water district be forced by the state, the fiscal court or some other agency to tie on and buy water from a city or other water system to guarantee fire protection or for any other reason. Secondly, how does the district's debt play in these decisions. I think it is fair to say we have no problem with a tie on to any water system with a shut off valve, meter and pressure reducing valve so we buy water as needed, such as in emergencies.

The Hickory Water District has been in service since 1966 and I personally have been a water commissioner since the district was formed in 1964 but this is a new one on us.

We would appreciate it if you or your office would give us some guidance on this issue.

Sincerely yours,

Robert H. Sullivan
Chairman
HICKORY WATER DISTRICT.
P. O. Box 128
Hickory, Kentucky 42051
Home phone 270-247-0444