

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC MARTIN COUNTY WATER)	
DISTRICT MANAGEMENT AND OPERATION)	
MONITORING PURSUANT TO KRS 278.250)	CASE NO. 2020-00154

**MOTION TO CLOSE CASE AND END MONITORING REQUIREMENTS
OF ORDER ENTERED JULY 22, 2020**

Martin County Water District (“Martin District”), by counsel, respectfully requests that the Commission end the monitoring requirements outlined in the Commission’s Order dated July 22, 2020 entered in this matter based on the substantial progress made by Martin District.

Background

Commission’s Order dated July 22, 2020 set forth various report requirements in order for the Commission to monitor Martin District’s financial and operational condition and Martin District’s improvement under its working relationship with Alliance Water Resources, Inc. (“Alliance”). The current proceeding, Case No. 2020-00154, incorporates the past proceedings of Case No. 2016-00142 and Case No. 2018-00017. In Case No. 2018-00017, the Commission noted:

Martin District operates in a constant state of emergency and its ratepayers suffer the dire consequences of decades of poor choices made by its management and commissioners. Despite receiving rate increases and the Debt Service Surcharge, Martin District continues to operate in a state of financial and operational emergency, with little to no change in the conditions that prompted Martin District to file for a rate increase in January 2018. Whether they are due to inexperience, communication breakdown, inadvertent mistakes, or intentional misconduct, the evidence of record is replete with examples of an ongoing inability to manage and operate Martin District in an effective and organized business-like manner.

See Case No. 2018-00017, Order entered November 15, 2019, p. 11. With the goal of improving Martin District's financial and operational condition, the Commission found that Martin District should contract with Alliance for management services. See Case No. 2018-00017, Order entered November 15, 2019, p. 34. Accordingly, Martin District and Alliance executed a Professional Operating and Management Agreement for Water Service dated November 20, 2019. On July 25, 2023, Martin District and Alliance executed an Amendment to the agreement to extend the term of the Agreement through December 31, 2029. See Amendment to Agreement attached as Exhibit A.

Commission's Order dated July 22, 2020 in Case No. 2020-00154 states: "This case is opened to monitor Martin District's financial and operational condition and Martin District's cooperation with and improvement under Alliance." See Commission's Order dated July 22, 2020, p. 8. The Order also imposes quarterly and monthly reporting requirements upon Martin District. Additionally, the Commission's Order establishes a monthly informal conference to discuss the information in the reports. The Commission Staff issues the notice for the informal conference. See Commission's Order dated July 22, 2020, p. 9. The Order also required that Martin District make a monthly report on purchases from Evans Hardware. By Commission's Order dated February 6, 2025 in Case No. 2020-00154, the Commission removed the reporting requirements related to Evans Hardware.

Position of Martin District

Martin District has made substantial progress in its financial and operation condition through new membership and leadership by its board members. Moreover, Martin District has worked diligently with Alliance to improve all areas of operation. Martin District has moved far from the "constant state of emergency" found by the Commission in Case No. 2018-00017. Martin

District maintains that it has faithfully complied with Commission's Order dated July 22, 2020 in Case No. 2020-00154. Martin District has made the monthly and quarterly reporting requirements to the Commission. Martin District has participated in informal conferences with the Commission, as scheduled by the Commission. Martin District also met the reporting requirements related to Evans Hardware, and the Commission felt it was appropriate to remove that requirement. Now, based on progress made by Martin District, it believes that it is appropriate for the Commission to remove all other reporting requirements and cease formal monitoring of Martin District.

In addition to meeting the specific requirements of Commission's Order dated July 22, 2020 in Case No. 2020-00154, Martin District demonstrated financial and operational progress in other ways. Annual audits are done each year and filed with the Commission pursuant to 807 KAR 5:006, Section 4(3) and, pursuant to KRS 65A.030(1)(c), are filed with the Kentucky Department of Local Government. Martin District's financial records are kept at the utilities office as required by 807 KAR 5:006, Section 24. In accordance with 807 KAR 5:006, Section 4(2), Martin District has filed annual financial and statistical reports no later than March 31 of each year since 2020. See Affidavit of Timothy Thoma, Chairman, Martin District, attached as Exhibit B.

As required by KRS 74.020(8)(b), Martin District Commissioners attended and completed water district training within 12 months of their initial appointment. Water loss in the district has fallen from 71% to as low as 45% due to the replacement of water meters under a grant, line leak repairs, and focus on improving the infrastructure through water line replacements. Martin District recognizes there is a lot more work to be done and is committed to continuing to reduce the water loss in our distribution system. Martin District and Alliance have been working with the Martin County Prosecutor to hold people accountable who are found

guilty of water theft. Martin District's efforts have resulted in the recent indictment of a customer that has refused to pay his/her bill and cooperate with Martin District. See Affidavit of Timothy Thoma, Chairman, Martin District, attached as Exhibit B.

Martin District has also taken steps to recover damages related to the failure of Big Sandy Area Development District ("BSADD") to administer and complete the Raw Water Intake (RWI) project. The failure to properly and timely complete the RWI project has created financial strain for Martin District. The unfinished project has created a deficit for unbudgeted costs of renting a diesel pump, diesel fuel, and pump maintenance since November 2023 with expenses exceeding \$800,000 dollars to date. The only aged account Martin District currently has is with Alliance. Martin District is currently paying Alliance one and half (1.5) months in arrears plus interest for their management costs. Despite the damages to Martin District, Martin District continues to improve financially and is confident that the lawsuit will result in income that can be used to further improve Martin District. See Affidavit of Timothy Thoma, Chairman, Martin District, attached as Exhibit B.

Martin District is not seeking a rate increase at this time. With the second highest water rates in the Commonwealth for one of the poorest counties in the State, Martin District is working with various funding entities to address debt service, aging equipment, and capital projects. Martin District has seen an increase in revenue since replacing the water meters. Revenues have increased from \$2,518,000 in 2020 to \$3,158,000 in 2024. Revenues are \$3,317,632 so far in 2025. Martin District has also negotiated a new joint operating agreement with Prestonsburg City Utility Commission (PCUC) on March 1, 2025. The new agreement has resulted in revenue of \$128, 933.10 from May 2025 through September 2025. There has also

been a decrease in budgeted operating expenses. See Affidavit of Timothy Thoma, Chairman, Martin District, attached as Exhibit B.

The Commission's Order dated July 22, 2020 in Case No. 2020-00154 was entered more than five years ago. The Order did not specify how long it would last or what benchmarks or accomplishments would demonstrate to the Commission that monitoring would no longer be necessary. Surely, however, the Commission does not envision the monitoring to continue indefinitely. Martin District maintains that there has been substantial progress over the past five years since the Order was entered as outlined above. Moreover, Martin District asserts there is every reason to believe that it will continue to improve under its new leadership.

WHEREFORE, for the foregoing reasons, Martin County Water District, by counsel, respectfully requests that the Commission close Case No. 2020-00154 and end the monitoring requirements outlined in the Commission's Order dated July 22, 2020 in Case No. 2020-00154.

Respectfully submitted,
KINKEAD & STILZ, PLLC

/s/ Dustin C. Haley
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Ashland, KY 41105-2008
dhaley@ksattorneys.com
Telephone (606) 329-1919
**COUNSEL FOR MARTIN COUNTY
WATER DISTRICT**

CERTIFICATE OF SERVICE

This will certify that a true and correct copy of the foregoing was served via electronic filing on this the 3rd day of December, 2025, to the following:

Public Service Commission
P.O. Box 615
Frankfort, KY 40602

Hon. Mary Varson Cromer
Appalachian Citizens' Law Center, Inc.
317 Main Street
Whitesburg, KY 41858

/s/ Dustin C. Haley
Dustin C. Haley

**AMENDMENT TO AGREEMENT MADE DECEMBER 18, 2019
BY AND BETWEEN THE MARTIN COUNTY WATER DISTRICT AND
ALLIANCE WATER RESOURCES, INC.**

WITNESSETH

WHEREAS, on November 20, 2019, MARTIN COUNTY WATER DISTRICT (hereinafter referred to as "Utility") and ALLIANCE WATER RESOURCES, INC., a Missouri corporation (hereinafter referred to as "Alliance") entered into an agreement relative to the operation and maintenance of the District's water utilities, and

NOW THEREFORE, for mutual consideration, each by the other received, the parties agree that the prior agreement is modified, altered, and revised in the following respects only:

1. Section 6.1 of the November 20, 2019, Agreement is hereby revised to read: Utility shall pay Alliance a Monthly Base Fee of **\$168,507.00** for services rendered as described in the Original Agreement from December 18, 2019. For the year 1 January 2024 through 31 December 2024, the monthly Base Fee includes a Repair Limit of **\$8,333.33** per month (\$100,000 Annually) and a Chemical Limit of **\$9,166.67** per month (\$110,000 Annually) as described in this Agreement.
2. Section 9.1 of the November 20, 2019, Agreement is hereby revised to read: This Agreement shall become effective on the 1st day of January 2024 and shall remain in effect through the 31st day of December 2029, subject to annual appropriation of funds by Utility. If Utility appropriates funds for operation and/or maintenance of the Utility System this Agreement shall remain in force and effect.

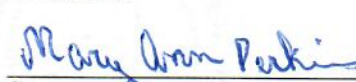
IN WITNESS WHEREOF, the parties have agreed and executed this amendment this 25th day of July 2023.

ATTEST:



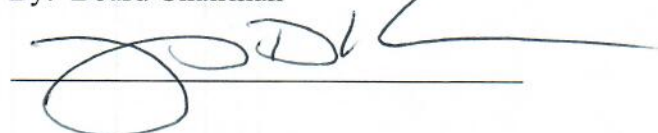
District Clerk

ATTEST:


Secretary

MARTIN COUNTY WATER DISTRICT

By: Board Chairman



ALLIANCE WATER RESOURCES, INC.

By: President



EXHIBIT A

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC MARTIN COUNTY WATER)
DISTRICT MANAGEMENT AND OPERATION)
MONITORING PURSUANT TO KRS 278.250)

CASE NO. 2020-00154

AFFIDAVIT OF TIMOTHY THOMA


Comes now the Affiant, Timothy Thoma, after being duly sworn and states as follows:

1. I am the Chairman for the Martin County Water District and I am authorized to make this affidavit.
2. Annual audits are done each year and filed with the Commission pursuant to 807 KAR 5:006, Section 4(3) and, pursuant to KRS 65A.030(1)(c), are filed with the Kentucky Department of Local Government.
3. Martin District's financial records are kept at the utilities office as required by 807 KAR 5:006, Section 24.
4. In accordance with 807 KAR 5:006, Section 4(2), Martin District has filed annual financial and statistical reports no later than March 31 of each year since 2020.
5. As required by KRS 74.020(8)(b), Martin District Commissioners attended and completed water district training within 12 months of their initial appointment.
6. Water loss in the district has fallen from 71% to as low as 45% due to the replacement of water meters under a grant, line leak repairs, and focus on improving the infrastructure through water line replacements.

EXHIBIT B

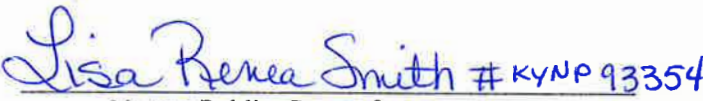
7. Martin District and Alliance have been working with the Martin County Prosecutor to hold people accountable who are found guilty of water theft. Martin District's efforts have resulted in the recent indictment of a customer that has refused to pay his/her bill and cooperate with Martin District.
8. Martin District has also taken steps to recover damages related to the failure of Big Sandy Area Development District ("BSADD") to administer and complete the Raw Water Intake (RWI) project. The failure to properly and timely complete the RWI project has created financial strain for Martin District. The unfinished project has created a deficit for unbudgeted costs of renting a diesel pump, diesel fuel, and pump maintenance since November 2023 with expenses exceeding \$800,000 dollars to date. The only aged account Martin District currently has is with Alliance. Martin District is currently paying Alliance one and half (1.5) months in arrears plus interest for their management costs. Despite the damages to Martin District, Martin District continues to improve financially and is confident that the lawsuit will result in income that can be used to further improve Martin District.
9. Martin District has seen an increase in revenue since replacing the water meters. Revenues have increased from \$2,518,000 in 2020 to \$3,158,000 in 2024. Revenues are \$3,317,632 so far in 2025.
10. Martin District has also negotiated a new joint operating agreement with Prestonsburg City Utility Commission (PCUC) on March 1, 2025. The new agreement has resulted in revenue of \$128, 933.10 from May 2025 through September 2025.
11. There has also been a decrease in budgeted operating expenses.

Further Affiant Sayeth Naught.


Timothy Thoma
Chairman, Martin County Water District

STATE OF Kentucky
COUNTY OF Boyd

Subscribed, sworn to and acknowledged before me by TIMOTHY THOMA, ON this
26th day of November, 2025.


Notary Public, State of
Kentucky

My Commission expires: 10/07/2028