

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**ELECTRONIC INVESTIGATION INTO)
WHOLESALE WATER RATES)
CHARGED BY THE CITY OF)
CARLISLE TO SHARPSBURG WATER) CASE NO. 2021-00382
DISTRICT AND NICHOLAS COUNTY)
WATER DISTRICT PURSUANT TO)
KRS 278.200, KRS 278.160, KRS 278.180,)
KRS 278.190 AND 807 KAR 5:011)**

**RESPONSE OF
NICHOLAS COUNTY WATER DISTRICT
TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
DATED JANUARY 6, 2022**

FILED: January 24, 2022

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**RESPONSE OF NICHOLAS COUNTY WATER DISTRICT TO
COMMISSION STAFF’S FIRST REQUEST FOR INFORMATION**

Comes Nicholas County Water District (“Nicholas District”) for its Response to Commission Staff’s First Request for Information, and states as shown on the following pages.



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Counsel for Nicholas County Water District

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**CERTIFICATION OF RESPONSE OF NICHOLAS COUNTY WATER
DISTRICT TO COMMISSION STAFF'S FIRST REQUEST FOR
INFORMATION**

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

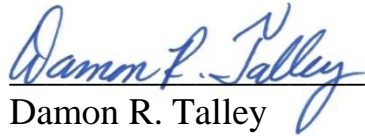
Date: 1/24/22



Monica Pryor, Office Manager
Nicholas County Water District

CERTIFICATE OF SERVICE

In accordance with the Commission's Order of July 22, 2021 in Case No. 2020-00085 (Electronic Emergency Docket Related to the Novel Coronavirus COVID-19), this is to certify that the electronic filing has been transmitted to the Commission on January 24, 2022; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.



Damon R. Talley

NICHOLAS COUNTY WATER DISTRICT

CASE NO. 2021-00382

Response to Commission Staff's First Request for Information

Question No. 1

Responding Witness: Monica Pryor, Office Manager

Q-1. Confirm that Harrison County Water Association is the only entity to which Nicholas District sells wholesale water. If not, provide any other entities to which Nicholas District sells wholesale water.

A-1. Yes, Harrison County Water Association is the only entity to which Nicholas District provides wholesale water service.

NICHOLAS COUNTY WATER DISTRICT

CASE NO. 2021-00382

Response to Commission Staff's First Request for Information

Question No. 2

Responding Witness: Monica Pryor, Office Manager

Q-2. Provide the rate schedule of all charges Nicholas District assesses its wholesale customers.

A-2. Nicholas District charges its sole wholesale customer, Harrison County Water District, **\$3.02** per 1,000 gallons as set forth in Paragraph B(1) of the Water Purchase Contract with Harrison County Water Association dated April 21, 2021 (the "Contract"). There is no separate schedule of rates. Our attorney informed us when he was preparing for the December 17, 2021 Hearing in this proceeding that he could not find a separate Tariff Sheet on file with the Commission for the wholesale rate. The Contract was approved by the Commission on July 1, 2021 and is filed with Nicholas District's Tariff at the Commission. A copy of the Contract is attached.

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 21st day of April 2021 between the Nicholas County Water District

1639 Old Paris Road, Carlisle, KY 40311
(Address)

hereinafter referred to as the "Seller" and the Harrison County Water Association, Inc.

P.O. Box 215, Cynthiana, Kentucky 41031
(Address)

hereinafter referred to as the "Purchaser",

WITNESSETH:

Whereas, the Purchaser is organized and established under the provisions of Chapter 273 of the Code of Kentucky Revised Statutes, for the purpose of constructing and operating a water supply distribution system serving water users within the area described in plans now on file in the office of the Purchaser and to accomplish this purpose, the Purchaser will require a supply of treated water, and

Whereas, the Seller owns and operates a water supply distribution system with a capacity currently capable of serving the present customers of the Seller's system and the estimated number of water users to be served by the said Purchaser as shown in the plans of the system now on file in the office of the Purchaser, and

Whereas, by Resolution No. 8th enacted on the 8th day of February, 2021, by the Seller, the sale of water to the Purchaser in accordance with the provisions of the said agreement was approved, and the execution of this contract carrying out the said Conditions by the Nicholas County Water District, and attested by the Secretary, was duly authorized, and

Whereas, by Resolution of the Board of Directors of the Purchaser, enacted on the 21st day of April, 2021, the purchase of water from the Seller in accordance with the terms set forth in the said agreement was approved, and the execution of this contract by the Harrison County Water Association, and attested by the Secretary was duly authorized:

Now, therefore, in consideration of the foregoing and the mutual agreements hereinafter set forth,

A. The Seller Agrees:

(Quality and Quantity) To furnish the Purchaser at the point of delivery hereinafter specified, during the term of this contract or any renewal or extension thereof, potable treated water meeting applicable purity standards of the Environmental Protection Cabinet, Division of Water in a quantity averaging 50,000 gallons per day by the Purchaser.

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to U.S. Department of Agriculture, Clearance Officer, STOP 7602, 1400 Independence Avenue, SW, Washington, DC 20250-7602. Please DO NOT RETURN this form to this address. Forward to the local USDA office only. You are not required to respond to this collection of information unless it displays a currently valid OMB control number.

KENTUCKY PUBLIC SERVICE COMMISSION Linda C. Bridwell Executive Director
 7/1/2021 <small>FORM RD 442-30 (Rev. 10-96)</small> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

2 (Point of Delivery and Pressure) That water will be furnished at a reasonably constant pressure calculated at a minimum 35 PSI from an existing Six (6") inch main supply at a point located

Hick Hardy Road

If a greater pressure than that normally available at the point of delivery is required by the Purchaser, the cost of providing such greater pressure shall be borne by the Purchaser. Emergency failures of pressure or supply due to main supply line breaks, power failure, flood, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the Seller from this provision for such reasonable period of time as may be necessary to restore service.

3 (Metering Equipment) To furnish, install, operate, and maintain at its own expense at point of delivery, the necessary metering equipment, including a meter house or pit, and required devices of standard type for properly measuring the quantity of water delivered to the Purchaser and to calibrate such metering equipment whenever requested by the Purchaser but not more frequently than once every twelve (12) months. A meter registering not more than two percent (2%) above or below the test result shall be deemed to be accurate.

The previous readings of any meter disclosed by test to be inaccurate shall be corrected for the 6 months previous to such test in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless Seller and Purchaser shall agree upon a different amount. The metering equipment shall be read on

Last Day of the Month. An appropriate official of the Purchaser at all reasonable times shall have access to the meter for the purpose of verifying its readings.

4 (Billing Procedure) To furnish the Purchaser at the above address not later than the 20th day of each month, with an itemized statement of the amount of water furnished the Purchaser during the preceding month.

B. The Purchaser Agrees:


1 (Rates and Payment Date) To pay the Seller, not later than the 15th day of each month, for water delivered in accordance with the following schedule of rates:

a \$ 3.02 per 1,000 gallons, which amount shall also be the minimum rate per month.

b \$ _____ cents per 1000 gallons for water in excess of _____ gallons but less than _____ gallons.

c \$ _____ cents per 1000 gallons for water in excess of _____ gallons.

~~2 (Connection Fee) To pay as an agreed cost, a connection fee to connect the Seller's system with the system of the Purchaser-~~
the sum of _____ dollars which shall cover any and all costs of the Seller for installation of the metering equipment and _____.

KENTUCKY PUBLIC SERVICE COMMISSION
Linda C. Bridwell Executive Director

EFFECTIVE 7/1/2021 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

C. It is further mutually agreed between the Seller and the Purchaser as follows:

1 (Term of Contract) That this contract shall extend for a term of 40 years from the date of the initial delivery of any water as shown by the first bill submitted by the Seller to the Purchaser and, thereafter may be renewed or extended for such term, or terms, as may be agreed upon by the Seller and Purchaser.

~~2 (Delivery of Water) That _____ days prior to the estimated date of completion of construction of the Purchaser's water supply distribution system, the Purchaser will notify the Seller in writing the date for the initial delivery of water.~~

~~3 (Water for Testing) When requested by the Purchaser the Seller will make available to the contractor at the point of delivery, or other point reasonably close thereto, water sufficient for testing, flushing, and trench filling the system of the Purchaser during construction, irrespective of whether the metering equipment has been installed at that time, at a flat charge of \$ _____ which will be paid by the contractor or, on his failure to pay, by the Purchaser.~~

4 (Failure to Deliver) That the Seller will, at all times, operate and maintain its system in an efficient manner and will take such action as may be necessary to furnish the Purchaser with quantities of water required by the Purchaser. Temporary or partial failures to deliver water shall be remedied with all possible dispatch. In the event of an extended shortage of water, or the supply of water available to the Seller is otherwise diminished over an extended period of time, the supply of water to Purchaser's consumers shall be reduced or diminished in the same ratio or proportion as the supply to Seller's consumers is reduced or diminished.

5 (Modification of Contract) That the provisions of this contract pertaining to the schedule of rates to be paid by the Purchaser for water delivered are subject to modification at the end of every three year period. Any increase or decrease in rates shall be based on a demonstrable increase or decrease in the costs of performance hereunder, but such costs shall not include increased capitalization of the Seller's system. Other provisions of this contract may be modified or altered by mutual agreement. Both parties agree that should the Nicholas County Water District request a future modification of water purchase rates that exceeds what the Harrison County Water Association, Inc. deems advisable, that the Harrison County Water Association, Inc. is not bound by any requested extension, and the contract may be terminated for failure to reach a modified agreement.

6 (Regulatory Agencies) That this contract is subject to such rules, regulations, or laws as may be applicable to similar agreements in this State and the Seller and Purchaser will collaborate in obtaining such permits, certificates, or the like, as may be required to comply therewith.

7 (Miscellaneous) That the construction of the water supply distribution system by the Purchaser is being financed by a loan made or insured by, and/or a grant from, the United States of America, acting through Rural Development of the United States Department of Agriculture, and the provisions here of pertaining to the underakings of the Purchaser are conditioned upon the approval, in writing, of the State Director of Rural Development.

8 (Successor to the Purchaser) That in the event of any occurrence rendering the Purchaser incapable of performing under this contract, any successor of the Purchaser, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the Purchaser hereunder.

KENTUCKY PUBLIC SERVICE COMMISSION
Linda C. Bridwell Executive Director

EFFECTIVE 7/1/2021 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

In witness whereof, the parties hereto, acting under authority of their respective governing bodies, have caused this contract to be duly executed in three (3) counterparts, each of which shall constitute an original.

Seller:

Nicholas County Water District

By [Signature]

Title Chairman

Attest: [Signature: Phillip M. Donald]
Secretary

Purchaser:

Harrison County Water Association, Inc.

By [Signature]

Title Chairman

Attest: [Signature: Holly Hanna]
Secretary

This contract is approved on behalf of Rural Development this _____ day of _____.

By _____

Title _____

KENTUCKY PUBLIC SERVICE COMMISSION
Linda C. Bridwell Executive Director 
EFFECTIVE 7/1/2021 PURSUANT TO 807 KAR 5.011 SECTION 9 (1)

NICHOLAS COUNTY WATER DISTRICT

CASE NO. 2021-00382

Response to Commission Staff's First Request for Information

Question No. 3

Responding Witness: Monica Pryor, Office Manager

Q-3. Provide the last time Nicholas District's rates to its wholesale customers were revised and explain how the new rate was calculated, including any supporting documentation for the calculation of the new rates.

A-3. The wholesale rate was increased from \$2.10 per 1,000 gallons to \$3.02 per 1,000 gallons on July 1, 2021. The prior wholesale rate was set forth in the previous Water Purchase Agreement between Nicholas District and Harrison County Water District dated April 24, 2007 (the "Prior Contract"). The new wholesale rate was calculated by Nicholas District's previous consulting engineering firm and was part of the negotiations between Nicholas District and Harrison County Water Association. Nicholas District cannot locate any of the work papers prepared by its previous consulting engineering firm. Nicholas District does not know if the engineering firm prepared a Cost of Service Study to determine the wholesale rate.

NICHOLAS COUNTY WATER DISTRICT

CASE NO. 2021-00382

Response to Commission Staff's First Request for Information

Question No. 4

Responding Witness: Monica Pryor, Office Manager

Q-4. Refer to the Direct Testimony of Gayle Haney, Exhibit B, the spreadsheet calculating the alleged overbilling by the city of Carlisle. Provide a similar spreadsheet showing what Carlisle billed Nicholas District for the period of January 2020 to present versus what Carlisle should have billed Nicholas District based on the tariff on file with the Commission.

A-4. Nicholas District has never paid Carlisle a higher amount than is provided for in Carlisle's wholesale rate schedule that was approved by, and is on file with, the Commission. Therefore, it is not necessary to prepare a spreadsheet. Nicholas District has not overpaid Carlisle.

Fortunately, the very first month that Carlisle attempted to increase its wholesale rate to Nicholas District, Nicholas District noticed that it was being billed using a higher rate schedule than the one that had previously

been approved by the Commission. Nicholas District's Office Manager immediately contacted Carlisle and requested that Carlisle send a corrected bill. Carlisle sent a corrected bill using the rate schedule on file with the Commission. Since that date, Carlisle has been billing Nicholas District using the correct rate schedule.

NICHOLAS COUNTY WATER DISTRICT

CASE NO. 2021-00382

Response to Commission Staff's First Request for Information

Question No. 5

Responding Witness: Monica Pryor, Office Manager

Q-5. State what rate the city of Carlisle is currently charging Nicholas District.

A-5. Carlisle is currently charging Nicholas District in accordance with the 7-tier, declining block rate schedule which was approved by the Commission on March 18, 2019. The lowest rate on this rate schedule is \$1.52 for all gallons over 50,000 gallons per month. A copy of this rate schedule is attached.

FOR Nicholas County WD & Sharpsburg WD
Area Served

P.S.C. KY. NO. _____ 1

Original SHEET NO. _____ 1

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

City of Carlisle
(Name of Municipal Utility)

RATES & CHARGES

MONTHLY WHOLESALE WATER RATE:

**Nicholas County Water District &
Sharpsburg Water District**

First 1,000 gallons	\$11.21 Minimum Bill
Next 4,000 gallons	3.82 per 1,000 gallons
Next 5,000 gallons	2.95 per 1,000 gallons
Next 5,000 gallons	2.05 per 1,000 gallons
Next 10,000 gallons	1.90 per 1,000 gallons
Next 25,000 gallons	1.58 per 1,000 gallons
Over 50,000 gallons	1.52 per 1,000 gallons

DATE OF ISSUE February 21, 2019
Month / Date / Year

DATE EFFECTIVE July 1, 2003
Month / Date / Year

ISSUED BY [Signature]
(Signature of Officer)

TITLE Mayor

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

RECEIVED
3/18/2019
PUBLIC SERVICE
COMMISSION
OF KENTUCKY

NICHOLAS COUNTY WATER DISTRICT

CASE NO. 2021-00382

Response to Commission Staff's First Request for Information

Question No. 6

Responding Witness: Monica Pryor, Office Manager

Q-6. For the effective time period of the Water Purchase Agreement, provide all the rates that the city of Carlisle has charged Nicholas District.

A-6. Nicholas District's Office Manager commenced working at Nicholas District in August of 2017. Nicholas District's only other "office worker" started later in the fall of 2017. To the best of their knowledge and belief after considerable research, Carlisle has been charging Nicholas District according to the same rate schedule that is attached to Nicholas District's response to Question 5 (7-tier, declining block rate schedule with all gallons over 50,000 being charged at a rate of \$1.52 per 1,000 gallons). Nicholas District is not aware of any increase since that time, except for the unsuccessful attempt by Carlisle to increase the rate schedule in the summer of 2021 prior to obtaining Commission approval.

It is noted that the rate schedule included on page 6 of the 1993 Water Purchase Contract between Carlisle and Nicholas District (the “Carlisle Contract”) contained the same 7-tier, declining block rate schedule that is currently in force, except the rates for all tiers were slightly lower. For example, for all usage over 50,000 gallons, the rate was \$1.30 in the 1993 Carlisle Contract, while it is \$1.52 in the current rate schedule. Nicholas District is unable to determine when Carlisle commenced using the current rate schedule.

NICHOLAS COUNTY WATER DISTRICT

CASE NO. 2021-00382

Response to Commission Staff's First Request for Information

Question No. 7

Responding Witness: Monica Pryor, Office Manager

Q-7. For the effective time period of the Water Purchase Agreement, state if city of Carlisle has provided any credits or refunds for overpayment to Nicholas District.

A-7. No. It has not been necessary for Carlisle to provide a credit or refund to Nicholas District because Nicholasville District has not overpaid Carlisle. See the response to Question 4. As soon as Nicholas District receives the bill from Carlisle each month, Nicholas District calculates the amount that is owed using the rate schedule that has been approved by the Commission. For the one time that the bill was incorrect, Nicholas District called Carlisle and requested that Carlisle send a corrected bill.

NICHOLAS COUNTY WATER DISTRICT

CASE NO. 2021-00382

Response to Commission Staff's First Request for Information

Question No. 8

Responding Witness: Monica Pryor, Office Manager

Q-8. Specifically state what months Nicholas District has purchased more than 4 million gallons from the city of Carlisle in the last five years, and how much water was purchased those months.

A-8. In the past 60 months (2017 through 2021), Nicholas District has purchased more than 4 million gallons per month in 42 of the 60 months or 70% of the time.

Attached as **Schedule 8** is a schedule which shows the months and the gallons of water purchased for each of the months in which more than 4 million gallons were purchased.

**PURCHASES BY NICHOLAS DISTRICT FROM CARLISLE
WHICH EXCEED FOUR MILLION GALLONS PER MONTH
2017 - 2021**

2017	
Month	Gallons
August	4,384,200

2018	
Month	Gallons
May	4,106,600
July	4,089,000
August	4,091,000
September	6,692,900
October	4,714,900
November	5,068,600
December	5,161,500

2019	
Month	Gallons
January	4,726,800
February	5,675,800
March	4,120,100
April	4,732,700
May	4,893,100
June	4,642,600
July	6,389,500
August	5,297,000
September	6,502,800
October	5,177,800
November	4,415,100
December	6,393,100

2020	
Month	Gallons
January	4,506,400
February	4,336,600
March	4,711,000
April	5,242,900
May	5,389,000
June	4,755,200
July	4,654,400
August	4,139,900
September	5,450,800
October	5,371,400
December	5,386,900

2021	
Month	Gallons
February	5,956,000
March	4,761,200
April	5,218,200
May	4,193,000
June	9,835,400
July	7,891,200
August	5,234,100
September	4,602,100
October	5,153,400
November	5,950,000
December	5,274,300