

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

**In the Matter of:**

<b>ELECTRONIC JOINT APPLICATION</b>	)	
<b>OF LARUE COUNTY WATER</b>	)	
<b>DISTRICT NO. 1 AND THE CITY OF</b>	)	
<b>NEW HAVEN FOR AN ORDER</b>	)	
<b>APPROVING THE TRANSFER OF</b>	)	
<b>OWNERSHIP OF THE CITY OF NEW</b>	)	
<b>HAVEN’S WATER SYSTEM AND</b>	)	<b>CASE NO. 2022-00207</b>
<b>APPROVING LARUE COUNTY</b>	)	
<b>WATER DISTRICT NO. 1’S</b>	)	
<b>ASSUMPTION OF CERTAIN DEBT</b>	)	
<b>OBLIGATIONS OF THE CITY OF NEW</b>	)	
<b>HAVEN PURSUANT TO THE</b>	)	
<b>PROVISIONS OF KRS 278.020, KRS</b>	)	
<b>278.300, AND 807 KAR 5:001</b>	)	

**RESPONSE OF**

**LARUE COUNTY WATER DISTRICT NO. 1**

**TO**

**COMMISSION STAFF’S FIRST REQUEST FOR INFORMATION**

**DATED August 4, 2022**

**FILED: August 24, 2022**

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

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<b>PROVISIONS OF KRS 278.020, KRS</b>	)	
<b>278.300, AND 807 KAR 5:001</b>	)	

**RESPONSE OF LARUE COUNTY WATER DISTRICT NO. 1 TO  
COMMISSION STAFF’S FIRST REQUEST FOR INFORMATION**

Comes LaRue County Water District No. 1 (“LaRue 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 LaRue County Water District  
No. 1*

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

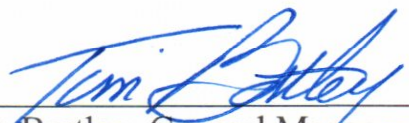
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<b>HAVEN PURSUANT TO THE</b>	)	
<b>PROVISIONS OF KRS 278.020, KRS</b>	)	
<b>278.300, AND 807 KAR 5:001</b>	)	

**CERTIFICATION OF RESPONSE OF LARUE COUNTY  
WATER DISTRICT NO. 1 TO COMMISSION STAFF'S  
FIRST REQUEST FOR INFORMATION**

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

Date: 8-24-22

  
\_\_\_\_\_  
Tim Bartley, General Manager  
LaRue County Water District No. 1

## 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 August 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

**LARUE COUNTY WATER DISTRICT NO. 1**

**CASE NO. 2022-00207**

**Response to Commission Staff's First Request for Information**

**Question No. 1**

**Responding Witness: Tim Bartley, General Manager**

**Q-1. Refer to the Application, page 15. Explain and provide substantiating information for the statement that LaRue District No. 1 will not need to hire any new employees. Provide details of any plans related to adding the service area of the city water operations, including water loss and meter reading, without requiring additional employees or additional employee time to locate and repair leaks or reading of meters.**

A-1. At New Haven's request, LaRue District has been operating and maintaining the New Haven water system with LaRue District's existing employees without incurring any overtime since the Statement of Intent was executed on March 17, 2022. This is the best evidence that no new employees will need to be hired. This includes meter reading, leak detection, repair, and maintenance. LaRue District locates and repairs all its minor leaks with its existing employees and equipment. For major leaks, it utilizes its contractor to make these major repairs. It plans to follow the same procedure in New Haven. Recently, New Haven had a major water leak. The leak was discovered and located by LaRue District's employees fairly quickly. The leak occurred on one of New Haven's major

transmission mains. LaRue District called its contractor and the contractor repaired the leak at New Haven's expense.

LaRue District's service area surrounds New Haven on three (3) sides. Also, New Haven's service area is quite compact. The best and most direct route for LaRue District to reach its existing service area in the Lyons and Nelson County portion of its system is to travel U. S. Highway 31-E through New Haven both traveling to and from Nelson County. Indeed, at least one LaRue District employee travels through New Haven every day to read LaRue District's master meters where it purchases water from Bardstown and to inspect its water storage tank located on Kentucky Highway 46 north of New Haven. On this route, LaRue District employees pass by both of New Haven's water storage tanks and New Haven's master meter where it purchases water from Bardstown.

Fortunately, New Haven has radio-read meters. It has been taking a LaRue District employee approximately two (2) to three (3) hours per month to read New Haven's water meters. It should be noted that New Haven uses the meter reading data collected by LaRue District to bill its water customers. Once the Commissions approves the proposed acquisition and the Closing has occurred, LaRue District will commence billing and collecting the additional approximately 600 customers that it will acquire from New Haven. LaRue District's office staff can easily add approximately 600 customers to its approximately 3,800 existing customer base.

**Certified Operator.** As discussed in the answer to Question 9 of this Response, LaRue District has provided a Certified Water Distribution Operator (“Certified Operator”) to New Haven since the early fall of 2021. The sole remaining New Haven Certified Operator quit in September of 2021, and New Haven contracted with LaRue District to provide a Certified Operator and perform certain other specified services for New Haven. This relationship blossomed and then New Haven requested LaRue District to make an offer to purchase its water system. Subsequently, the Statement of Intent was executed on March 17, 2022, and the Asset Purchase Agreement was executed on May 19, 2022.

**LARUE COUNTY WATER DISTRICT NO. 1**

**CASE NO. 2022-00207**

**Response to Commission Staff's First Request for Information**

**Question No. 2**

**Responding Witness: Tim Bartley, General Manager**

**Q-2. Refer to the Application, pages 15–16. Provide the impact that LaRue District No. 1's post-closing rates will have on the average customer's bill for the "inside the city" customers and the "out of city" customers.<sup>2</sup>**

A-2. The impact will slightly increase a typical residential customer's monthly bill for "in the City" customers, but will slightly decrease the monthly bill for "out of City" customers. An average "in the City" customer uses approximately 2,700 gallons per month. An average "out of City" customer uses approximately 3,700 gallons per month.

The average "in the City" customer's monthly bill will increase from \$32.07 to \$33.24, which is an **increase of \$1.17 or 3.65%** after the Closing.

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<sup>2</sup> *Example:* The impact will increase a typical residential customer's monthly water bill an average customer uses approximately X,XXX gallons for "the in city" customers and for an average customer uses approximately X,XXX gallons for "the out of city" customers. The impact of LaRue District No. 1 rates will have on "the in city" customer's bill will be from \$XX.XX ("in city") to \$XX.XX (LaRue District), an increase (or decrease) of \$XX.XX, or approximately XX.XX percent. The impact of LaRue District No. 1 rates will have on "the out of city" customer's bill will be from \$XX.XX ("out of city") to \$XX.XX (LaRue District), an increase (or decrease) of \$XX.XX, or approximately XX.XX percent.



The average “**out of City**” customer’s monthly bill will slightly **decrease** from \$42.00 to \$41.86, which is a **decrease of \$0.14 or 0.33%** after the Closing.

The Table set forth below illustrates this impact.

### **Average Customer Rate Comparison**

	Inside City	Outside City
New Haven	\$ 32.07	\$ 42.00
LaRue District	\$ 33.24	\$ 41.86
Change (\$)	\$ 1.17	\$ (0.14)
Change (%)	3.65%	(0.33%)

**Additional Information.** LaRue District’s minimum bill is for 1,000 gallons while New Haven’s minimum bill is for 2,000 gallons per month. Because a substantial number of New Haven’s “in the City” residential customers are single-person households and are on fixed income, 141 or over 40% of the residential customers use less than 2,000 gallons per month. All these customers will experience a decrease in their monthly bill (**See Exhibit 22 to the Joint Application**).

**LARUE COUNTY WATER DISTRICT NO. 1**

**CASE NO. 2022-00207**

**Response to Commission Staff's First Request for Information**

**Question No. 3**

**Responding Witness: Tim Bartley, General Manager**

**Q-3. Refer to the Application, Exhibit 4, pages 3–4. Explain at what point a determination will be made regarding the exchange of cash or the exchange of cash offset by assumption of debt will be made.**

A-3. LaRue District has decided to assume both Series of the RD Bonds (Series 1999A and Series 1999B) owed by New Haven as more particularly described in the Statement of Intent (Exhibit 4 to the Joint Application at pages 3-4) and in the Asset Purchase Agreement (Exhibit 5 to the Joint Application, paragraph 3 at pages 5-6) and pay the remaining balance of the purchase price in cash. Early in the negotiation process, LaRue District wanted to keep its options open concerning whether to make a cash payment of \$550,000 to New Haven and not assume the RD Bonds or to assume the RD Bonds and pay the difference in cash. It has recently decided to assume the RD Bonds and pay New Haven the remaining balance in cash.

**LARUE COUNTY WATER DISTRICT NO. 1**

**CASE NO. 2022-00207**

**Response to Commission Staff's First Request for Information**

**Question No. 4**

**Responding Witness: Tim Bartley, General Manager**

**Q-4. Refer to the Application, Exhibit 5, page 20. Explain why this is an “or” option. As part of this explanation, reconcile the wording in paragraph 2 with the previous section.**

A-4. Exhibit 5 of the Joint Application is the Asset Purchase Agreement which was executed on May 19, 2022. Paragraph 19 B(1) and (2) on page 20 of the Asset Purchase Agreement must be read together. If LaRue District assumes both the 1999A and the 1999B RD Bonds, then it will only pay the cash difference to New Haven at the Closing. If, however, LaRue District chose not to assume any of the RD Bonds, then it would have to pay RD the principal amount owed on the RD bonds at the time of Closing and pay New Haven the difference in cash. Under either option, New Haven will still “net” the same amount of cash.

**LARUE COUNTY WATER DISTRICT NO. 1**

**CASE NO. 2022-00207**

**Response to Commission Staff's First Request for Information**

**Question No. 5**

**Responding Witness: Tim Bartley, General Manager**

**Q-5. Refer to the Application, page 17.**

- a. Provide all studies, analysis or reports composed for the city of New Haven (New Haven) or LaRue District No. 1 that supports the acquisition will have certain economies of scale.**
- b. Provide all studies, analysis or reports composed for New Haven or LaRue District No. 1 that support the statement that the combined systems can be managed, operated, and maintained in a more cost-effective manner.**

**A-5.**

- a. There have been no studies or reports prepared by or on behalf of LaRue District or New Haven to demonstrate that the proposed acquisition will produce certain economies of scale. Common sense, however, leads one to believe that that there will be economies of scale as a result of the proposed acquisition. LaRue District's customer base will increase from approximately 3,800 customers to 4,400 customers without adding any new employees. The amount of debt per customer for LaRue District will decrease from \$1,243 to \$1,123 (see page 18 of Joint Application).

From New Haven's perspective, the transfer of its water system definitely shows an economy of scale. Historically, it has had to employ two (2) Certified Operators to operate and maintain its water system plus utilize, from time to time, its other Public Works employees for assistance. In addition, it had to own and maintain a vehicle for each of these Certified Operators. Those expenses are gone forever. It made no economic sense for New Haven to pay the salaries and vehicle expense of two (2) Certified Operators to operate a water utility with less than 600 customers.

- b. There have been no studies or reports prepared by or on behalf of LaRue District or New Haven to support the statement that the combined systems can be managed, operated, and maintained in a more cost-effective manner. Nevertheless, the "proof of the pudding is in the eating." As stated in the answer to Question 1 of this Response, LaRue District has been operating and maintaining both systems (New Haven's and LaRue District's systems) since the Statement of Intent was executed on March 19, 2022 without adding any employees, without incurring any overtime expenses, and without purchasing any

additional vehicles or equipment. In the meantime, New Haven has not been paying for any Certified Operators nor maintaining any vehicles for the Certified Operators.

**LARUE COUNTY WATER DISTRICT NO. 1**

**CASE NO. 2022-00207**

**Response to Commission Staff's First Request for Information**

**Question No. 6**

**Responding Witness: Tim Bartley, General Manager**

**Q-6. Refer to the Application, page 18. Provide any and all favorable impacts on LaRue District No. 1 that will result from this transaction.**

A-6. The favorable impacts on LaRue District that will result from this transaction include the following:

- a. **Lowers Debt Per Customer.** The overall debt per customer will be reduced by over \$100 per customer (from \$1,243 to \$1,123) as shown in the Table on page 18 of the Joint Application;
- b. **Fixed Costs.** LaRue District's fixed costs will be spread over a larger customer base (nearly 600 additional customers). Since Larue District is already serving over 95% of its service area in LaRue County, it has been unable to "grow" its customer base. The opportunity to acquire nearly 600 customers in such a compact area as New Haven and in a location where LaRue District already serves customers on three (3) sides of the area is indeed a "once in a lifetime" opportunity;

- c. **Lower Wholesale Cost of Water.** LaRue District will be able to purchase additional water **directly** from Bardstown at a **lower** price. Currently, when LaRue District purchases water from Bardstown for certain areas of its system (e.g. Lyons area) it must purchase it through New Haven at a substantial “mark-up.” If LaRue District buys water directly from Bardstown, as it does for some portions of its system, the cost is **\$2.64** per 1,000 gallons. Currently, if it purchases Bardstown water via New Haven, the cost is \$3.05 per 1,000 gallons or **\$0.41** more per 1,000 gallons. This is because of an old contract between New Haven and LaRue District that permits New Haven to “pass through” the Bardstown increase plus add the same percentage increase to the wholesale rate that it charges LaRue District;
- d. **Hydraulic Benefits.** Another benefit is the creation of a direct connection to Bardstown on U.S. Highway 31-E at Culvertown at the intersection of Kentucky Highway 247 with U.S. Highway 31-E. LaRue District will now have direct access to this 8-inch diameter transmission main that connects Bardstown and New Haven . By LaRue District acquiring New Haven’s water system, including this direct connection to Bardstown, it will give LaRue District more flexibility and will enable it to move large quantities



- of water as needed. LaRue District purchases water from multiple sources at different locations, and it needs the flexibility to purchase more or less from different sources depending upon whether one of its water suppliers is having temporary problems. Currently, LaRue District has two (2) connections with Bardstown, but neither of these connections is a direct connection to an 8-inch diameter transmission main down U.S. Highway 31-E into the “heart” of LaRue District’s distribution system;
- e. **Better Service to Its Existing Customers.** All of the favorable impacts discussed above will enhance LaRue District’s ability to provide adequate, reasonable, and reliable service to its existing customers while enhancing its financial strength;
  - f. **Economies of Scale.** For the reasons stated above LaRue District believes that combining and consolidating New Haven’s water system with LaRue District’s system will result in economies of scale and will enable LaRue District to manage, operate, and maintain the combined system in a more cost-effective manner;
  - g. **Future Opportunities.** Once LaRue District acquires New Haven’s water system and assimilates it into its existing system, it will demonstrate its ability to seamlessly acquire a small water system to other cities or communities that are struggling to own and operate a water system. LaRue

District is convinced that New Haven will give LaRue District an excellent recommendation when these small cities or communities ask about how LaRue District “treated” the New Haven customers and whether New Haven was pleased that it sold its water system to LaRue District; and

h. **Building Goodwill with DOW.** Another favorable impact is that LaRue District has already “built” considerable goodwill with the DOW office in Columbia. When the DOW official called LaRue District and verified that Larue District had agreed to provide a Certified Operator on a temporary basis to New Haven, the DOW official was ecstatic. The DOW has closely followed and unofficially encouraged the evolution of LaRue District’s relationship with New Haven from first providing a Certified Operator on a temporary basis all the way through the execution of the Asset Purchase Agreement.

**LARUE COUNTY WATER DISTRICT NO. 1**

**CASE NO. 2022-00207**

**Response to Commission Staff's First Request for Information**

**Question No. 7**

**Responding Witnesses: Linda Mattingly, New Haven Commissioner  
Joanie Corbin, New Haven City Clerk**

**Q-7. Pursuant to recent Commission precedent,<sup>3</sup> provide an explanation, and accompanying documentation, as to why New Haven is no longer able to operate its water system.**

A-7. Historically, New Haven has had to employ two (2) Certified Water Distribution System Operators (“Certified Operators”) to operate and maintain its water system. It also had to own and maintain a vehicle for each of these Certified Operators. In recent years, it has been quite difficult to “keep” Certified Operators. A small city with less than 600 water customers cannot afford to pay what a larger system can pay. In addition, there is a shortage of Certified Operators. In July 2021, shortly after a City employee received his license as a Certified Operator, this employee quit. This left New Haven with only one Certified Operator.

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<sup>3</sup> Case No. 2021-00387 *Electronic Joint Application of Grayson County Water District and the City of Caneyville for an Order Approving the Transfer of Ownership of the City of Caneyville's Water System and Approving Grayson County Water District's Assumption of Certain Debt Obligations of the City of Caneyville Pursuant to the Provisions of KRS 278.020, KRS 278.300, and 807 KAR 5:001 (Ky. PSC June 6, 2022).*

Less than two (2) months later, before New Haven could find a replacement for the first Certified Operator who had quit, New Haven's other Certified Operator quit. Within a few days, New Haven's Mayor received a call from the Kentucky Division of Water ("DOW") inquiring whether New Haven had a Certified Operator. New Haven's Mayor told the truth and said, "No." This person from DOW then very strongly suggested that New Haven needed to **immediately** contract with a neighboring utility or with a Certified Operator so that utility or Certified Operator could oversee the operation of New Haven's Water System. New Haven immediately contacted Tim Bartley, who is the General Manager of LaRue District, and engaged LaRue District to provide a Certified Operator on an emergency basis while New Haven evaluated whether it wanted to continue to own and operate its water system.

New Haven faces the same problem as most other small cities face – its customer base is too small to pay the salaries and benefits required to attract and retain Certified Operators. The City would need to substantially raise its utility rates to enable it to pay the salary and benefits which Certified Operators can command.

LaRue District's service area surrounds New Haven on three (3) sides. Because of the road system, LaRue District's meter readers, water quality technicians, distribution system employees, and Certified Operators already travel through New Haven on a daily basis to provide service to LaRue District's existing

customers and to maintain its water facilities.

Since LaRue District has been operating New Haven's water system on a temporary basis while the proposed acquisition is being reviewed by the Commission, "life has been so much easier" for the City Clerk, City Commissioners, and the Mayor. In addition, the other City Public Works employees have been able to focus on their duties and have been able to complete tasks that had been put on the "back burner" while they were trying to help operate and maintain the City's water system. New Haven does not want to operate a water system any more.

**LARUE COUNTY WATER DISTRICT NO. 1**

**CASE NO. 2022-00207**

**Response to Commission Staff's First Request for Information**

**Question No. 8**

**Responding Witnesses: Tim Bartley, General Manager  
Joanie Corbin, New Haven City Clerk**

**Q-8. State how the Joint Applicants will provide notice of the transfer to the customers currently served by New Haven.**

A-8. New Haven is a very small city. It seems that almost everyone already knows that New Haven has entered into a contract to sell its water system to LaRue District. Nevertheless, once New Haven and representatives of LaRue District started serious negotiations, New Haven advertised and conducted a Public Hearing on March 16, 2022 concerning the proposal to “get out of the water business” and transfer its water system to LaRue District. Approximately 20 persons, including two (2) representatives of LaRue District were present at this Public Hearing.

In addition, the following City Commission meetings have occurred where the proposed transfer of the City's water system to LaRue District was discussed:

- 03-17-22 Consideration and approval of the Statement of Intent;
- 04-21-22 First Reading of Ordinance authorizing transfer of water system to LaRue District; and
- 05-19-22 Second Reading and Final Approval of Ordinance authorizing transfer of water system to LaRue District.

In addition, once the Closing of the proposed transfer of New Haven's water system to LaRue District has been scheduled, New Haven and LaRue District plan to prepare a joint letter and mail it to all New Haven customers.

# **LARUE COUNTY WATER DISTRICT NO. 1**

**CASE NO. 2022-00207**

## **Response to Commission Staff's First Request for Information**

### **Question No. 9**

**Responding Witnesses: Linda Mattingly, New Haven Commissioner  
Joanie Corbin, New Haven City Clerk**

**Q-9. Provide any current notice of violations issued by the Energy and Environment Cabinet (EEC) or the Kentucky Division of Water (DOW) to New Haven. Provide copies of each outstanding violation and state how the violation(s) will be resolved.**

A-9. New Haven does **not** have any current notice of violations. In all likelihood, however, New Haven would have received a notice of violation had Larue District not “stepped up” and provided a Certified Operator in the timely manner that it did. Based upon information provided by LaRue District, Tim Bartley, General Manager of Larue District, called the Division of Water in September 2021 after New Haven was contacted by DOW. Apparently, DOW was very pleased that LaRue District was going to provide a Certified Operator and provide other services on an “as needed” basis to keep New Haven in compliance with all the federal and state drinking water laws and regulations.



**LARUE COUNTY WATER DISTRICT NO. 1**

**CASE NO. 2022-00207**

**Response to Commission Staff's First Request for Information**

**Question No. 10**

**Responding Witness: Tim Bartley, General Manager**

**Q-10. Provide any current notice of violations issued by EEC or the DOW to LaRue District No. 1. Provide copies of each outstanding violation and state how the violation(s) will be resolved.**

A-10. LaRue District does **not** have any current notice of violations.

**LARUE COUNTY WATER DISTRICT NO. 1**

**CASE NO. 2022-00207**

**Response to Commission Staff's First Request for Information**

**Question No. 11**

**Responding Witness: Tim Bartley, General Manager**

**Q-11. Provide documentation of any communications between the Joint Applicants and the EEC or DOW regarding the Joint Application.**

A-11. There are no communications between EEC or DOW and the Joint Applicants regarding the Joint Application.

LaRue District has been in regular contact via phone calls with the DOW Columbia, Kentucky office concerning the status of the proposed transfer of New Haven's water system to LaRue District. To say that the DOW is pleased with this proposed transfer is an understatement.

**LARUE COUNTY WATER DISTRICT NO. 1**

**CASE NO. 2022-00207**

**Response to Commission Staff's First Request for Information**

**Question No. 12**

**Responding Witness: Tim Bartley, General Manager**

**Q-12. Refer to Application, Exhibit 6, Resolution 2022-05-01, page 3. LaRue District No. 1 states that LaRue District No. 1's acquisition of New Haven's water system is in the public interest. Provide a detailed discussion and documentation to support LaRue District No. 1's position.**

A-12. In addition to the numerous reasons listed in the answer to Question 6 of this Response describing the favorable impacts that the proposed acquisition will have on LaRue District's customers and upon LaRue District itself, the following additional reasons demonstrate why the proposed acquisition is in the public interest:

- a. **Advances Public Policy.** The public policy of the Commonwealth of Kentucky, as declared in KRS 224A.300(1) and KRS 74.361(1) and (10), is to encourage regionalism, consolidation, and merger of water utilities wherever feasible. The proposed acquisition of New Haven's water system by LaRue District is consistent with, and in furtherance of, this public policy;

- b. **Enhances Financial Strength of LaRue District.** For the reasons stated in the answer to Question 6 of this Response, the proposed acquisition will strengthen the financial condition of LaRue District by (1) reducing its debt per customer; (2) spreading its fixed costs over approximately 600 additional customers, which is an approximate increase of 15% more customers; (3) enabling LaRue District to purchase more water from Bardstown at a substantially reduced rate rather than buying it from Bardstown (see sub-part c of LaRue District's answer to Question 6 of this Response); and (4) producing economies of scale. It is definitely in the public interest for a water utility to strengthen its financial position. This ensures that LaRue District can continue to provide adequate, reasonable, and reliable service to its existing customers and to the nearly 600 customers that it will acquire from New Haven;
- c. **Increases Reliability of Water Service.** The proposed acquisition will enable LaRue District to have an additional direct source from Bardstown via an 8-inch diameter water transmission main (see sub-part d of Larue District's answer to Question 6 of this Response). This will provide more options to LaRue District when it needs to re-route or direct water to a

portion of its water distribution system when one of its other water suppliers is having a temporary or prolonged emergency and cannot provide the quantities of water that it normally provides; and

- d. **Saves New Haven and Its Customers Considerable Expense.** As discussed in its answer to Question 7 of this Response, the proposed acquisition will save New Haven and its water customers considerable expenditures. No longer will New Haven need to recruit, train, and pay the salaries and benefits for two (2) Certified Operators. In addition, it will not need to own and maintain a truck for each of these Certified Operators.

**LARUE COUNTY WATER DISTRICT NO. 1**

**CASE NO. 2022-00207**

**Response to Commission Staff's First Request for Information**

**Question No. 13**

**Responding Witness: Linda Mattingly, New Haven City Commissioner**

**Q-13. Refer to Application, Exhibit 7, Ordinance NO. 497 Series 2022, page 3. New Haven states that LaRue District No.1's acquisition of New Haven's water system is in the public interest. Provide a detailed discussion and documentation to support New Haven's position.**

A-13. From New Haven's point of view, it is a "no brainer" to state that it is definitely in the public interest of the residents of New Haven and for the City itself to transfer its water system to LaRue District. Some of the obvious reasons are stated below:

- a. **Economics.** It will save the City of New Haven a tremendous amount of money on an annual basis to sell its water system to LaRue District. Historically, New Haven has employed two (2) Certified Operators to operate and maintain its water system. It has provided a truck for each of these Certified Operators. In addition, it has had to pay for classes, meals, and lodging for these persons to obtain and maintain their Certifications. We have not "put a pencil" to this number,

but it will be a huge savings going forward each year for a small city like New Haven. These costs keep increasing and these costs have to be passed on to the City's customers through increased water rates. Saving money for a small city like New Haven is definitely in the public interest. In addition, by LaRue District assuming the City's RD Bonds, New Haven will avoid having to make principal and interest payments to RD in the approximate amount of \$20,000 each year until the Bonds mature in 2040;

- b. **Keep Rates Affordable.** New Haven takes great comfort in knowing that the transfer of its water system to LaRue District will not cause the rates of most New Haven customers to increase. Indeed, many New Haven customers will actually see a decrease. Approximately 40% of New Haven's residential customers use less than 2,000 gallons per month. Each of these customers will experience a **decrease** in their monthly bill. As shown in the answer to Question 2 of this Response, the average "Inside City" customer's bill will only slightly increase by \$1.17 per month while the average "Outside City" customer's bill will actually decrease;

- c. **Avoid Drastic Rate Increase.** Had LaRue District been unwilling to purchase New Haven's water system, New Haven's water customers were facing a drastic rate increase. In 2021, New Haven engaged the services of a rate consultant to perform a rate analysis. The consultant determined that New Haven was only funding approximately 25% of its annual depreciation expense. Just to increase the funding from 25% to 50% was going to require a drastic increase in water rates. This drastic rate increase will **not** be necessary if the transfer of its water system to LaRue district is approved by the Commission;
- d. **Avoid Regulatory Issues.** New Haven was told by DOW that it would be in serious trouble if it did not make immediate arrangements to contract with another utility or a Certified Operator so that utility or Certified Operator could oversee the operation of New Haven's water system. Fortunately, LaRue District agreed to provide a Certified Operator on an emergency basis while New Haven evaluated whether it wanted to continue to own and operate its water system. Fortunately, once New Haven agreed to transfer its water system to LaRue District, these regulatory concerns have vanished;



- e. **Focus on Governmental Activities.** Each year in New Haven’s Audit Report, the Auditor separates New Haven’s income and expenses into two (2) categories: Governmental Activities and Business Activities. Operation of its water system has always been shown as a “Proprietary” or “Business” activity. New Haven has realized that it can no longer afford the luxury of owning and operating a water system, which is a Business Activity. It needs to concentrate on its core responsibilities of providing governmental services such as police, fire, streets, parks, promoting tourism, etc. Transferring its water system to LaRue District, which can professionally manage, operate, and maintain the water system as an integral part of LaRue District’s consolidated water system, is definitely in the public interest. This will enable New Haven to focus on strictly governmental activities; and
- f. **Advances Public Policy.** The public policy of the Commonwealth of Kentucky, as declared in KRS 224A.300(1) and KRS 74.361(1) and (10), is to encourage regionalism, consolidation, and merger of water utilities wherever feasible. The proposed acquisition of New Haven’s water system by LaRue District is consistent with, and in furtherance of, this public policy.

**LARUE COUNTY WATER DISTRICT NO. 1**

**CASE NO. 2022-00207**

**Response to Commission Staff's First Request for Information**

**Question No. 14**

**Responding Witness: Joanie Corbin, New Haven City Clerk**

**Q-14. Refer to the Application, Exhibit 14. Provide a detailed asset listing for the assets being acquired from New Haven. At a minimum include description, acquisition date, cost basis (individually and totals by asset class and grand total), depreciation life, accumulated depreciation, and net book value.**

A-14. See Attachment 14 for a detailed list of the assets being acquired from New Haven.

**Depreciation Schedule  
New Haven Water Assets**

Date In Service		Cost	Description	Estimated Life (Years)	2021 Depreciation	Accumulated Depreciation	Net Book Value
			<b>Water Storage Tanks</b>				
06-31-92		\$ 205,740	Indian Hills Tank	60	\$ 3,429	\$ 102,870	\$ 102,870
06-31-98		\$ 215,520	Vittitow Tank	60	\$ 3,592	\$ 86,208	\$ 129,312
08-01-18		\$ 6,709	Altitude Valve for Vittitow Tank	10	\$ 671	\$ 1,957	\$ 4,752
	<b>Subtotal</b>	<b>\$ 427,969</b>			<b>\$ 7,692</b>	<b>\$ 191,035</b>	<b>\$ 236,934</b>
			<b>Transmission &amp; Distribution Mains</b>				
06-30-11		\$ 390,297	Downtown Lines	40	\$ 9,757	\$ 107,327	\$ 282,970
05-15-15		\$ 61,469	Water Line Replacement W. Center St. & Mill St.	40	\$ 1,537	\$ 10,759	\$ 50,710
	<b>Subtotal</b>	<b>\$ 451,766</b>			<b>\$ 11,294</b>	<b>\$ 118,086</b>	<b>\$ 333,680</b>
			<b>Services</b>				
06-30-11		\$ 49,160	New Meter Installation	20	\$ 2,458	\$ 24,580	\$ 24,580
05-15-15		\$ 28,040	New Meter Installation	20	\$ 1,402	\$ 8,414	\$ 19,626
10-07-17		\$ 18,500	Meter Upgrade	10	\$ 1,850	\$ 6,475	\$ 12,025
	<b>Subtotal</b>	<b>\$ 95,700</b>			<b>\$ 5,710</b>	<b>\$ 39,469</b>	<b>\$ 56,231</b>
			<b>Hydrants</b>				
06-30-11		\$ 31,580	Misc. Hydrants	20	\$ 1,579	\$ 15,790	\$ 15,790
	<b>Subtotal</b>	<b>\$ 31,580</b>			<b>\$ 1,579</b>	<b>\$ 15,790</b>	<b>\$ 15,790</b>
	<b>TOTAL</b>	<b>\$ 1,007,015</b>			<b>\$ 26,275</b>	<b>\$ 364,380</b>	<b>\$ 642,635</b>