

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC)	
INVESTIGATION INTO)	
FARMDALE WATER DISTRICT)	
TO DETERMINE THE)	
FEASIBILITY OF MERGER)	CASE NO. 2024-00202
WITH A PROXIMATE UTILITY)	
PURSUANT TO KRS 74.361 OR)	
ABANDONMENT PURSUANT TO)	
KRS 278.020(6) AND KRS 278.021)	

NOTICE OF FILING

Farmdale Water District (“Farmdale District”) gives notice of filing two (2) agreements that were recently executed by Farmdale District and the Electric and Water Plant Board of the city of Frankfort, Kentucky (“Frankfort Plant Board”), an **Assistance Agreement** and a **Mutual Aid Agreement**.

Following the Commission’s September 4, 2024 Orders in this proceeding and in Case No. 2022-00347 Farmdale Water District (“Farmdale District”) began to seriously explore the possibility of being acquired by another utility, pursuing joint operations arrangements with another utility or utilities, and merging with another utility. In recent months Farmdale District has met with representatives of Kentucky American Water Company (“Kentucky American”) and discussed the possibility of being acquired by Kentucky American, attended

a training on a variety of merger, acquisition, and joint operations options developed by Kentucky Rural Water Association (“KRWA”), and sought to formalize and expand its working arrangement with Frankfort Plant Board.

The **Assistance Agreement** formalizes and expands upon a working arrangement between Farmdale District and the Frankfort Plant Board that has existed between the two utilities for quite some time. Under the terms of the Assistance Agreement Frankfort Plant Board will assist Farmdale District with meter installation, meter reading, meter testing, project profiles, grant and loan applications, developing a capital improvement plan, and other services as may be considered necessary. In exchange for Frankfort Plant Board’s assistance, Farmdale District will pay Frankfort Plant Board’s actual cost for labor, equipment, materials and other expenses to provide such services.

The **Mutual Aid Agreement** sets forth the terms and conditions under which Frankfort Plant Board will provide emergency waterline repair services to Farmdale District.

Farmdale District asserts that working with Frankfort Plant Board under the terms of these two agreements will greatly enhance Farmdale District’s ability to develop a capital spending plan, accomplish meter replacement, and obtain funding to finish AC waterline replacement.

Farmdale District also submits that this arrangement will permit Frankfort Plant Board and Farmdale District to more knowledgeably consider a joint operations agreement at some point in the future. Under joint operations agreements two or more utilities agree to have their day-to-day operations and management performed by a “lead utility.” Each utility maintains its own board, but the utility is managed according to the terms of the operations agreement. Farmdale District is aware of other such arrangements throughout the state such as the arrangement between Mayfield Electric and Water Systems and Graves County Water District and the arrangement between Butler County Water System, Inc, Simpson County Water District and Warren County Water District.

Depending upon the success of operations under the Assistance Agreement and the Mutual Aid Agreement, the Parties may elect to pursue joint operations in the future.



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Filed December 17, 2024

Counsel for Farmdale Water District

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, and the Public Service Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was transmitted to the Public Service Commission on December 17, 2024 and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding

A handwritten signature in blue ink that reads "Damon P. Talley". The signature is written in a cursive style and is positioned above a horizontal line.

Counsel for Farmdale Water District

Assistance Agreement

AGREEMENT

This **ASSISTANCE AGREEMENT**, having an effective date of Dec. 4, 2024 is made and entered into by and between the **Electric & Water Plant Board of the City of Frankfort, Kentucky (FPB)**, a municipal utility serving the City of Frankfort, portions of Franklin County, and portions of Woodford County, and **Farmdale Water District (Farmdale)**, a water utility serving portions of Franklin County.

WITNESSETH:

WHEREAS, FPB presently owns and operates the water system within Frankfort and the County of Franklin for the use and benefit of the residents, commercial, and industrial users within said counties for the purpose of providing potable water and provides wholesale water service to Farmdale;

WHEREAS, Farmdale presently owns and operates a water distribution system, which provides potable retail water service to the residents, commercial, and industrial customers in a small portion of Franklin County;

WHEREAS, FPB and Farmdale will collectively be referred to as either the "Systems" or the "Parties;"

WHEREAS, the Parties believe that it will be mutually advantageous for FPB to provide assistance to Farmdale under a formal agreement. The Parties further believe that this will result in economies of scale and will enable both Systems to be operated and maintained more efficiently and in a more cost-effective manner;

WHEREAS, the Parties are cognizant of the Kentucky Public Service Commission's Case Number 2024-00202, concerning Farmdale's ability to maintain its regulatory requirements. The Parties believe that this Agreement will enable the Parties

to assist; and

WHEREAS, the Systems desire to establish this Agreement to provide assistance to Farmdale,

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and the benefits to be derived by the Parties hereto, the Parties hereby agree as follows:

1. **No Change in Ownership.** This Agreement shall not affect the ownership of either System. Each System shall continue to be governed by its respective Board.

2. **Operating Policies, Rules, Regulations and Rates.** Each Board of the respective System has established its own Bylaws, policies, rules, regulations, and rates and shall continue to do so. Each System shall be operated in accordance with its respective Bylaws, policies, rules, and regulations. All records shall be kept separate for each System.

3. **Term of Agreement.** This Agreement shall be for a term of approximately five (5) years beginning on Dec 4th, 2024 and ending on December 31, 2029.

4. **Services Provided.** Through the talents and skills of each System's personnel, and by utilizing the equipment and other resources, FPB shall provide the following services in accordance with future sub-agreements or work orders:

A. Meter installation services. It is understood that a portion of Farmdale's existing meters do not meet American Water Works Standards for accuracy and has contributed to the high percentage of unaccounted water.

B. Meter reading services. A network study shall be performed to determine which portions of Farmdale's service territory can be read by FPB's

existing base stations. If possible, FPB shall provide monthly reading of meters and required data for billing and customer records;

- C. Meter testing services. FPB shall perform meter testing services as requested.
- D. Mutual Aid Agreement. FPB and Farmdale shall provide assistance as necessary in accordance with a mutual aid agreement
- E. Assistance with project profiles, grant applications, and applying for low interest loans and forgivable loans.
- F. Assistance with development of a capital improvement plan.
- G. Other duties or services as may be considered necessary to provide assistance to Farmdale.

4. **Compensation.** Farmdale shall pay the actual cost on a monthly basis of labor, equipment, material, and other expenses for services provided by FPB as approved by each System's Board.

5. **Termination.** Either Party may terminate the Agreement prior to the expiration date under the following circumstances:

- A. **Without Cause.** After July 1, 2025, either Party may terminate the Agreement without cause by providing at least sixty (60) days advance written notice to the other Party.
- B. **With Cause.** Either Party may terminate this Agreement with cause in the event the other System:
 - i. Commits a material breach of any provision of this Agreement and fails to remedy such breach within sixty (60) days after receipt of written

notice specifying the breach and demanding its remedy; or

ii. Repeatedly fails to pay the other Party the amount due under this Agreement within forty-five (45) days after a monthly invoice is received;

or

iii. Consistently fails to perform its obligations under this Agreement, resulting in a substantial impairment of the purpose or value of this Agreement.

6. **Insurance.** Each System shall maintain in full force and effect comprehensive general liability insurance coverage with a reputable insurance company licensed to do business in Kentucky in aggregate and per occurrence amounts determined to be necessary for each System's own protection and the protection of the other Party to this Agreement. Insurance shall also be carried specifically for Workman's Compensation, Public Liability, Contractual Liability, and Automobile Liability. Each System shall provide a certificate of insurance to the other System, evidencing the obtained coverage and limits, before the commencement of any work or services under this Agreement.

7. **Indemnification.** Each System shall indemnify, defend, and hold harmless the other System, its officers, employees, and agents, from and against any and all claims, demands, suits, actions, liabilities, losses, costs, expenses, and damages arising out of the relationship between the Systems or in connection with the performance of this Agreement, to the extent caused by its negligence or willful misconduct. In no event, however, shall the indemnifying party be liable for any direct, consequential, or punitive damages. The party seeking indemnification shall promptly notify the indemnifying party in writing of any claim or suit for which indemnification is sought. The indemnifying party shall have the right to control the defense and settlement of any such claim or suit, provided that the indemnified party shall

have the right to participate in the defense at its own expense.

8. **Audit.** Each System shall have an audit performed each year by a Certified Public Accountant in accordance with Generally Accepted Accounting Practices and any special procedures required by the System's lending agencies.

9. **Effective Date.** This Agreement shall become effective upon approval and execution of the Agreement by both Systems.

10. **Third Party Rights.** It is the intention of the parties that nothing in this Agreement shall be deemed to create any right with respect to any person or entity not a party to this Agreement.

11. **Parties in Interest; Assignment.** All covenants and agreements contained in this Agreement by or on behalf of any of the Parties to this Agreement shall bind and inure to the benefit of their respective successors. Neither party may assign their rights or delegate their obligations under this Agreement to any other person or entity without the written consent of the other party.


12. **Construction; Governing Law.** The section headings contained in this Agreement are inserted as a matter of convenience and shall not affect in any way the construction of the terms of this Agreement. The Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Kentucky.


13. **Notice.** Any notice, request, demand, or communication required or permitted to be given under this Agreement shall be in writing and shall be deemed properly given if delivered personally, sent by registered or certified mail, sent by electronic communication, or sent by recognized overnight courier service to the receiving Party's principal place of business or at such other addresses as the receiving Party may specify in writing. In the case of notices sent electronically, the sending Party shall retain proof of transmission.

14. **Counterparts.** This Agreement may be executed in one or more counterparts, any one of which need not contain the signatures of more than one Party but all of which taken together shall constitute one and the same Agreement.


IN TESTIMONY WHEREOF, each of the Parties, acting under authority of their respective governing bodies, have executed this Agreement.


ELECTRIC AND WATER PLANT BOARD OF THE CITY OF FRANKFORT KENTUCKY

BY: 
TITLE: Board Chair
DATE: 12/4/2024

ATTEST:
BY: 
TITLE: Secretary/Treasurer

FARMDALE WATER DISTRICT

BY: 
TITLE: Chairman
DATE: 12/6/24

ATTEST:
BY: 
TITLE: Treasurer

Mutual Aid Agreement

MUTUAL AID AGREEMENT

In consideration for the mutual commitments given herein, each of the Parties to this Mutual Aid Agreement (“Agreement”), Farmdale Water District (“Farmdale”) and the Electric and Water Plant Board of the City of Frankfort, KY (“FPB”), agree as follows:

1. **Request for emergency aid.** Farmdale agrees to make its request in writing to FPB within a reasonable time after aid is needed and with reasonable specificity. Farmdale agrees to compensate FPB as specified in this Agreement.
2. **Effective Date.** This Agreement shall take effect upon date executed by FPB.
3. **Discretionary rendering of emergency aid.** Rendering of aid is entirely at the discretion of the FPB. This Agreement to render aid is not contingent upon a declaration of a major disaster or emergency by the federal government or upon receiving federal funds.

Emergency aid shall be limited to the following services only:

Waterline repair under FPB determined emergency conditions, such as:

- Loss of service
- Property damage
- Safety hazard

FPB shall determine in its sole discretion whether an emergency exists and whether it is able to respond. Farmdale understands and agrees that FPB’s primary obligation is to its customers and system and there may be instances in which FPB is unable to provide aid.

Emergency aid shall be limited to a maximum of four times per month.

FPB shall have no responsibility for any additional items necessary during and after a repair is completed, including, but not limited to: reporting to the Kentucky Public Service Commission, Kentucky Division of Water, customer notifications to Farmdale customers, flushing, or water quality sampling.

4. **Indemnification.** Farmdale will indemnify, hold harmless, and defend the FPB, its officials, agents, servants, and employees against all liability, loss, damages, costs, expenses or claims or demands of any sort including but not limited to: attorneys’ fees and costs, injuries to persons, damage to property or regulatory matters arising out of or related to FPB’s performance under this Agreement.

5. **Invoice to Farmdale.** Within forty-five (45) days, FPB shall submit to Farmdale an invoice of all charges related to the aid provided pursuant to this Agreement. The invoice shall contain only charges related to the aid provided pursuant to this Agreement.

6. **Charges to Farmdale.** Charges to the Farmdale from the FPB shall be as follows:
 - a. Labor force. Charges for labor force shall be in accordance with the FPB's standard practices and rates.
 - b. Equipment. Charges for equipment used by the FPB shall be at the reasonable and customary rates for such equipment.
 - c. Transportation. The FPB shall transport needed personnel and equipment by reasonable and customary means and shall charge reasonable and customary rates for such transportation.
 - d. Farmdale shall provide any necessary materials to perform work required under this Agreement or shall pay FPB for the replacement cost of any materials.

7. **Counterparts.** The Parties may execute this Mutual Aid Agreement in one or more counterparts, with each counterpart being deemed an original Agreement, but with all counterparts being considered one Agreement.

8. **Automatically Renewable.** This Agreement shall remain in effect for twelve (12) months from its execution unless either Party provides thirty (30) days' written notice to the other Party of its intent to terminate this Agreement sooner. If this Agreement has not been terminated during the first year, then it shall be automatically renewed on a year-to-year basis unless either Party provides thirty (30) days' written notice to the other Party of its intent to terminate this Agreement.

9. **Execution.** Each Party hereto has read, agreed to and executed this Mutual Aid Agreement on the date indicated.

DATE: 12/6/24

ENTITY: Farmdale Water District

BY: *Scott Woodridge*
 TITLE: *Chairman*

DATE: 12/4/2024

ENTITY: The Electric and Water Plant Board of the City of Frankfort, KY

BY: *John Curbine*
 TITLE: *John Curbine, Board Chair*

ATTEST:

Steve Mason
Steve Mason, Secretary/Treasurer