



Sturgill, Turner, Barker & Moloney, PLLC
333 West Vine Street, Suite 1500
Lexington, KY 40507
p: 859.255.8581 f: 859.231.0851
www.sturgillturner.com

M. Todd Osterloh
Member
tosterloh@sturgillturner.com

June 4, 2024

Linda Bridwell, Executive Director
Public Service Commission of Kentucky
P.O. Box 615
Frankfort, KY 40602-0615

Sent via email
psced@ky.gov

Re: *Crittenden-Livingston Water District*

Dear Ms. Bridwell:

On behalf of Crittenden-Livingston Water District (“CLWD”) and its board members, I am providing notice to the Commission that CLWD executed the attached Lease Agreement with Kentucky Association of Counties Finance Corporation (“KACO”) in the amount of \$330,000, and inadvertently failed to obtain Commission approval. The loan proceeds are intended to support the engineering design of a clearwell, which is necessary as a part of a larger plan for expansion of the CLWD system.

Due to growth of its wholesale municipal customers’ water consumption, along with additional service lines being added to its own distribution system, the CLWD’s twenty-year old treatment plant is at maximum capacity during peak demand periods particularly during the summer. Tourism around the areas of Kentucky Lake and Lake Barkley continues to expand, and there is no reserve capacity to support any new industry that would require a significant supply of water. The district’s engineering firm has proposed a plan that would expand the plant’s daily capacity from two million gallons per day to four million gallons per day to cover existing needs and allow for additional growth. This expansion is estimated to cost on the order of \$24 million. The district working with a consultant initially secured a congressionally directed EPA grant for \$1.75 million. Later, the 2024 Kentucky Generally Assembly in House Bill 1 included \$5,000,000 in each year of the biennium for the district’s expansion. In addition, CLWD was notified that it has also been awarded \$2,880,000 in Community Development Block Grant Funds (CDBG) by the Department for Local Government for plant expansion needs.

The EPA grant requires a non-federal match of twenty percent. As mentioned above, CLWD had initially intended the KACO loan to help meet that match requirement, and to be available to begin design of the clearwell. When initially discussed, the loan was to have been for a shorter term and likely paid off by refinancing into a larger future loan in the course of financing the overall \$24 million

expansion. With the Kentucky House Bill 1 appropriation able to count as the non-federal match to the EPA grant, there is no need for the loan, but it does not appear that it can be voided or paid off at this time without a payment penalty.

CLWD and its board members acknowledge that the District should have obtained Commission approval of the KACO lease agreement pursuant to KRS 278.300. This error was an oversight and the board members were simply not aware of the requirement to obtain Commission approval when the loan was executed.

CLWD and its board members are taking proactive steps to ensure such an oversight does not occur in the future. First and foremost, it has since retained a local attorney to provide regular counsel to CLWD. Second, its board members are committing to attend 12 hours of water district training seminars approved by the Commission over the next 12 months.

CLWD also acknowledges it may need to obtain a Certificate of Public Convenience and Necessity prior to construction of the new clearwell. CLWD will provide additional information to the Commission at a later date on this issue.

If you have any questions related to the information above, please contact me.

Sincerely,
STURGILL, TURNER, BARKER & MOLONEY, PLLC


M. Todd Osterloh