

COMMONWEALTH OF KENTUCKY
BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF THE OHIO)	
COUNTY WATER DISTRICT TO ISSUE)	
SECURITIES IN THE APPROXIMATE)	
PRINCIPAL AMOUNT OF \$5,800,000)	
FOR THE PURPOSE OF REFINANCING)	CASE NO. 2025 - 00116
CERTAIN OUTSTANDING OBLIGATIONS OF)	
THE DISTRICT PURSUANT TO THE)	
PROVISIONS OF KRS 278.300 AND 807 KAR 5:001)	

** *** **** ***** ***** *** **

RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

The Applicant, Ohio County Water District ("Ohio District"), by Counsel, files this Response to the May 2, 2025 Commission Staff's First Request for Information set forth below.

Request No. 1. Refer to the Application, paragraph 16. Provide a detailed description of the Goshen Road critical loop and the Highway 136 AC line replacement projects that will be funded with \$500,000 of Rural Water Financing Agency (RWFA) loan proceeds.

Responding Witness: Eric Hickman, P.E., Ohio District General Manager.

Response No. 1. Goshen Road Project. The purpose of the Goshen Road Critical Loop Project ("Goshen Road Project") is to eliminate a "bottleneck" in the main transmission line used to provide water to Centertown, which is one of Ohio District's wholesale customers, and to eliminate a "dead-end" line. In certain times of peak demand from Centertown, Ohio District is

unable to meet Centertown's demand. The Goshen Road Project will replace a 4-inch diameter water line with either a 6-inch or 8-inch diameter water line. The total distance is approximately two (2) miles. This Project will eliminate a "dead-end" line and will improve Ohio District's system hydraulics because of lower friction losses through the larger line. The estimated cost of this Project is \$200,000.

Highway 136 Project. The purpose of the Highway 136 AC Line Replacement Project ("Highway 136 Project") is to replace approximately two (2) miles of asbestos cement ("AC") water line with a PVC water line. The current AC water line was installed in 1965 and is prone to frequent leaks. Ohio District proposes to replace the existing 4-inch diameter AC water line with either a 4-inch or 6-inch diameter water line. The estimated cost of this Project is \$300,000.

Request No. 2. Provide the expected journal entries to record financing, extinguishment of existing debt, and project expenditure transactions.

Responding Witness: Eric Hickman, P.E., Ohio District General Manager.

Response No. 2. See the attached **Exhibit "A"** which shows the expected Journal entries to record the financing, extinguishment of existing debt, and the project expenditure transactions.

Request No. 3. Provide Ohio District's net plant in service as of December 31, 2024.

Responding Witness: Eric Hickman, P.E., Ohio District General Manager.

Response No. 3. Ohio District's net utility plant in service as of December 31, 2024 is \$32,431,411.

Request No. 4. Refer to the Application, paragraph 16. Provide the percentage of the net plant in service for the cost of each project.

Responding Witness: Eric Hickman, P.E., Ohio District General Manager.

Response No. 4. The cost of constructing the Goshen Road Project is **0.62%** of Ohio District's 2024 net utility plant in service. The cost of constructing the Highway 136 AC Line Replacement Project is **0.92%** of 2024 net utility plant in service.

Request No. 5. Refer to the Application, paragraph 16. State whether Ohio District will seek a Certificate of Public Convenience and Necessity (CPCN) for each of the projects. If not, explain why not.

Responding Witness: Eric Hickman, P.E., Ohio District General Manager.

Response No. 5. Ohio District does not plan to seek a CPCN for the Goshen Road Project or the Highway 136 AC Line Replacement Project. Each of these projects meets the requirements set forth in KRS 278.020(1)(a)(3) for an exception to the CPCN requirement for waterline extension and improvement projects.

KRS 278.020(1)(a)(3) states:

No person, partnership, public or private corporation, or combination thereof shall commence providing utility service to or for the public or begin the construction of any plant, equipment, property, or facility for furnishing to the public any of the services enumerated in KRS 278.010, **except:**

...

3. A water district created under KRS Chapter 74 or a water association formed under KRS Chapter 273 that undertakes a waterline extension or improvement project if the water district or water association is a Class A or B utility as defined in the uniform system of accounts established by the commission according to KRS 278.220 and:
 - a. **The water line extension or improvement project will not cost more than five hundred thousand dollars (\$500,000); or**
 - b. The water district or water association will not, as a result of the water line extension or improvement project, incur obligations requiring commission approval as required by KRS 278.300.

In either case, the water district or water association shall not, as a result of the water line extension or improvement project, increase rates to its customers . . . (emphasis added)

The Goshen Road Project involves installing approximately two miles of waterline to create a system loop. The waterline that will be installed will be of a greater diameter than the existing waterline. The loop will eliminate a dead end in Ohio District's distribution system and improve system hydraulics to Centertown, a wholesale customer of Ohio District. Looping water mains provides improved water quality by reducing the age of water in the line and provides potential hydraulic benefits by allowing water to spread throughout the system. The estimated cost to construct the Goshen Road Project is \$200,000.

The Highway 136 AC Line Replacement Project involves replacing old AC waterline that is prone to leaks with new PVC waterline. The estimated cost to construct the project is \$300,000. Ohio District will not request a rate increase in connection with the construction of either project.

Ohio District is a water district created under KRS Chapter 74. According to the Commission's Uniform System of Accounts, a Class A water utility is a water utility having annual operating revenues of \$750,000 or more.¹ In each of the last three years Ohio District has reported in excess of \$4 million in total operating revenues. Therefore, Ohio District is a Class A water utility.

The Goshen Road Project and the Highway 136 Project are separate and independent projects. They are located in different parts of Ohio District's service area. Neither project is dependent upon the construction of the other project.

As both projects will improve the function of the waterlines in Ohio District's distribution system and improve the functioning of the system overall, the projects are waterline or extension improvement projects as required by KRS 278.020(1)(a)(3). The estimated cost of the Goshen Road Project is \$200,000, and the estimated cost of the Highway 136 AC Line Replacement Project is \$300,000. Therefore, each project will cost less than \$500,000 to construct. Ohio District is not requesting a rate increase in connection with either project. Therefore, all elements of the CPCN requirement exception set forth in KRS 278.020(1)(a)(3) are satisfied, and no CPCN is required for either project because: (1) Ohio District is a water district created under KRS Chapter 74; (2) Ohio District is a Class A utility; (3) the projects at issue are both waterline extension or improvement projects, (4) neither project will cost more than \$500,000; and (5) Ohio District will not increase the rates charged to its customers as a result of either project.

¹ Uniform System of Accounts for Class A and B Water Districts and Associations at 14 (2002) (found at <http://psc.ky.gov/agencies/psc/forms/uso/0700ab02.pdf>).

Additionally, each project is an ordinary extension of an existing system in the usual course of business.

KRS 278.020(1)(a) states:

No person, partnership, public or private corporation, or combination thereof shall commence providing utility service to or for the public or begin the construction of any plant, equipment, property, or facility for furnishing to the public any of the services enumerated in KRS 278.010, **except:**

...

2. Ordinary extensions of existing systems in the usual course of business;

...

until that person has obtained from the Public Service Commission a certificate that public convenience and necessity require the service or construction [emphasis added].

807 KAR 5:001, Section 15(3), provides:

Extensions in the ordinary course of business. No certificate of public convenience and necessity will be required for extensions that do not create wasteful duplication of plant, equipment, property or facilities, or conflict with the existing certificates or service of other utilities operating in the same area and under the jurisdiction of the commission that are in the general area in which the utility renders service or contiguous thereto, and that do not involve sufficient capital outlay to materially affect the existing financial condition of the utility involved, or will not result in increased charges to its customers.

When analyzing this statute and this regulation together, the Commission has declared that a CPCN is not necessary “for facilities that do not result in the wasteful duplication of utility plant, do not compete with the facilities of existing public utilities, and do not involve a sufficient capital outlay to materially affect the existing financial condition of the utility involved or to require an

increase in utility rates.”² “Wasteful duplication” is defined as an “excess of capacity over need” and “an excessive investment in relation to productivity or efficiency.”³ A proposed facility does not constitute wasteful duplication unless an “existing facility is reasonably available for the present and future needs of those who will be served by it.”⁴

Neither of the projects at issue results in wasteful duplication. Ohio District is the only provider of water service in the area, so the projects will not compete with the certificates held by other utilities. At times of high demand, the current waterline in place is unable to meet Centertown’s demand. Replacing portions of the line with a larger diameter line and looping the line will improve service to an existing customer because the existing line is not adequate to meet present and future needs. The AC lines along Highway 136 are old and prone to leaking. As such, they are not reasonably available to meet present and future needs. Neither replacing the AC line nor looping the line along Goshen Road and increasing the diameter size of the line will result in wasteful duplication.

While the Commission has not established a bright-line rule concerning the percentage of net utility plant in service the cost to construct a project must be before the construction is considered to have a material effect on the utility’s finances, Ohio District notes that each of these projects represents less than one percent of its net utility plant in service. The cost to construct the Goshen Road Project is 0.62% of 2024 net utility plant in service, and the cost to construct the Highway 136

² *Northern Kentucky Water District*, Case No. 2000-481 (Ky. PSC Aug. 30, 2001) at 4 (“When viewed together, KRS 278.020(1) and Administrative Regulation 807 KAR 5:001, Section 9(3) clearly identify those facilities for which a Certificate of Public Convenience and Necessity is not required.”) (referring to §15(3) prior to revisions in 807 KAR 5:001 that resulted in renumbering).

³ *Kentucky Utilities Co. v. Pub. Serv. Comm’n*, 252 S.W.2d. 885, 890 (Ky. 1952).

⁴ *Covington v. Board of Commissioners*, 371 S.W.2d 20, 23 (Ky. 1963).

Project is 0.92%. This level of capital outlay will not materially affect Ohio District's finances, and Ohio District is not seeking a rate increase in relation to the construction of either project. As such, each project is an ordinary extension of an existing system in the usual course of business.

Request No. 6. Refer to the Application, Exhibit C, Estimated Debt Service - RWFA Loan. Provide the calculation for interest of \$316,652.50 for December 31, 2027, and \$311,850.01 for December 31, 2028.

Responding Witness: Eric Hickman, P.E., Ohio District General Manager.

Response No. 6. See the interest calculation attached hereto as **Exhibit "B"**.

Request No. 7. Refer to the Application, page 3, paragraph 10. Refer also to the Application, Exhibit C. Provide an explanation for principal payments beginning in 2027 if the sale of the bonds is anticipated to occur on June 10, 2025.

Responding Witness: Eric Hickman, P.E., Ohio District General Manager.

Response No. 7. The principal payments on the RWFA loan are deferred until 2027 in order to maintain healthy debt service coverage while Ohio District is paying other debt obligations. Ohio District's maximum annual debt service payment on its outstanding debt occurs in 2026 with a reduction thereafter.

Request No. 8. Explain when Ohio District anticipates filing its next application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16 or an alternative rate adjustment pursuant to 807 KAR 5:076.

Responding Witness: Eric Hickman, P.E., Ohio District General Manager.

Response No. 8. On February 18, 2025, in Case No. 2024-00127, the Commission approved a rate increase, pursuant to 807 KAR 5:076, in the amount of 16.83% for Ohio District. This rate


increase is estimated to generate an additional \$778,953 in water sales revenue for Ohio District each year. Nevertheless, Ohio District plans to monitor the adequacy of its rates on an annual basis and will file a rate increase when warranted, but no later than 2028 using calendar year 2027 as the Test Year.

Verification of Response to Commission Staff's First Request for Information

STATE OF KENTUCKY)
) SS
COUNTY OF OHIO)

The affiant, Eric Hickman, P.E., being first duly sworn, states: That he is the General Manager of the Ohio County Water District, the Applicant in PSC Case No. 2025-00116; that he has personal knowledge of the matters set forth in the Responses for which he is identified as a witness in the Response to Commission Staff's First Request for Information and has noted the contents thereof; that the answers contained therein are true and correct to the best of his information, knowledge and belief.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on the 13th day of May, 2025.


Eric Hickman, P.E., General Manager
Ohio County Water District

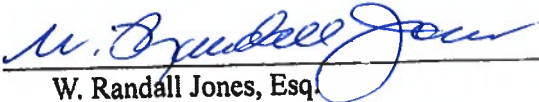
SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by Eric Hickman, General Manager of the Ohio County Water District on this the 13th day of May, 2025.

My Commission expires: Nov. 27, 2025


Notary Public

Notary ID#: 388334

Respectfully Submitted,
Rubin & Hays

By 
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CERTIFICATE OF SERVICE

The undersigned, in accordance with 807 KAR 5:001, Section 8, hereby certifies that the Ohio County Water District's electronic filing of the foregoing Response is a true and accurate copy of the same document being electronically transmitted to the Kentucky Public Service Commission on May 13, 2025; that there are currently no parties that the Kentucky Public Service Commission has excused from participation by electronic means in this proceeding.



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EXHIBIT A

Expected Journal Entries

Question 2. Expected Journal Entry to record the financing, extinguishment of existing debt, and project expenditure transactions.

	Debit	Credit
Financing & Extinguishment of Existing Debt.		
RWFA Long Term Debt		5,800,000.00
Bond Issuance Cost - Underwriter's Discount 2%	116,000.00	
Bond Issuance Cost - Bond Counsel (PSC Application)	4,500.00	
Bond Issuance Cost - Municipal Advisor Fee	30,000.00	
Bond Issuance Cost - RWFA Fee	81,143.05	
Pinnacle BAN	5,000,000.00	
Interest - Pinnacle BAN	68,356.95	
Bank Account	500,000.00	
Project Expenditure Transactions.		
Bank Account		500,000.00
(2) Small Waterline Distribution Projects	500,000.00	

EXHIBIT B

Interest Calculations

	Principal Paid	Principal Balance at Interest Calc	Days	5.50% Interest Payment
8/1/2026		\$5,800,000		
2/1/2027	\$85,000	\$5,800,000	180	\$159,500.00
8/1/2027		\$5,715,000	180	\$157,162.50
Total Interest (1/1/2027-12/31/2027)				\$316,662.50

	Principal Paid	Principal Balance at Interest Calc	Days	Interest Payment
8/1/2027		\$5,715,000		
2/1/2028	\$90,000	\$5,715,000	180	\$157,162.50
8/1/2028		\$5,625,000	180	\$154,687.50
Total Interest (1/1/2028-12/31/2028)				\$311,850.00