COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST CLARK COUNTY WATER DISTRICT FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AND FINANCING OF THE MT. STERLING ROAD AND KY 89 WATER LINE REPLACEMENT PROJECT	**)**	**CASE NO. 2025-00261**

RESPONSE OF

EAST CLARK COUNTY WATER DISTRICT

TO

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

DATED SEPTEMBER 22, 2025

Filed September 29, 2025

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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RESPONSE OF EAST CLARK COUNTY WATER DISTRICT TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

East Clark County Water District (the "District") submits its Response to Commission Staff's First Request for Information.

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Counsel for East Clark 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 September 29, 2025; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.

/s/Tina C. Frederick
Tina C. Frederick

SWORN CERTIFICATION AND VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF CLARK)

The undersigned, William Ballard, being duly sworn, deposes and states that he, as Manager for East Clark County Water District has personal knowledge of the matters set forth in the responses for which he is identified as the witness in Kentucky Public Service Commission Case No. 2025-00261, and the answers contained therein are true and correct to the best of his information, knowledge, and belief. Further, he certifies that he has supervised the preparation of this Response as required by 807 KAR 5:001, Section 4(12)(d)(2)(b), and that the Response is true and accurate to the best of his knowledge, information, and belief formed after a reasonable inquiry.

William Ballard

William Ballard, Manager
East Clark County Water District

Subscribed, sworn to, and acknowledged before me, a Notary Public in and for said county and state, this 29 day of September 2025.

Anita Carter

Notary Public

My Commission Expires: 3/11/27

Notary ID: KYNP67857

EAST CLARK COUNTY WATER DISTRICT

Case No. 2025-00261
Response to Commission Staff's First Request for Information

Question No. 1-1

Responding Witness: William Ballard, Manager

Q 1-1. **Provide a breakdown of the incremental revenue requirement impact of the project including the following items.**

a. Net operating expense increase or decrease by expense component;

b. Projected annual depreciation, including calculations, for each component for which there are different depreciation lives and provide the estimated lives for each component;

c. Annual debt service;

d. Twenty percent working capital on debt service amounts in Item 1c; and

e. Total of all items above.

A 1-1a. Because the Project will not increase the diameter of the water lines being upgraded, East Clark District does not anticipate any material change in purchased water cost associated with the Project. The upgrade to water lines with a higher pressure-rating will permit East Clark District to operate its Muddy Creek Pump Station at its optimal capacity, which East Clark District anticipates will slightly reduce its total purchased power expense to operate the pump station. In 2024, the

actual purchased power cost to operate the pump station was $5,561. The pump station used 44,476 kWh of electricity at a cost of $0.13 per kWh. The Project engineer estimates that the Project will permit East Clark District to increase the flowrate at the pump station by 30 percent. He further estimates that this will reduce pumping time by 30 percent, thereby decreasing the amount of electricity used at the pump station by 30 percent. This results in an estimated annual savings of **$1,814**. This was discussed in greater detail in East Clark District's Application, Exhibit 15.

A 1-1b. The requested information is presented in the table below.

Project Component	**Cost to construct**	**NARUC Life**	**Annual Depreciation**	**Calculation**
Transmission and Distribution Mains	$1,385,634	50-75 Years Mid-point 62.5 Years	$22,170.14	$1,385,634/62.5 = $22,170.14
Meters and Meter Installations	$ 111,665	35-45 Years Mid-point 40 Years	$2,791.63	$111,665/40 = $2,791.63
Hydrants	$ 92,701	40-60 Years Mid-point 50 years	$1,854.02	$92,701/50 = $1,854.02
Total	**$1,590,000**	N/A	**$26,815.79**	N/A

A 1-1c. The only debt associated with the Project is KIA Loan B25-008 in the amount of $841,383. The proposed loan will bear interest at a rate of 2.25 percent per annum and must be repaid over a period not to exceed 20 years from the date of the last draw of funds. Interest on the proposed loan will accrue from the time East Clark District begins drawing funds from KIA. A loan servicing fee of 0.20 percent of the outstanding loan balance will also be assessed semi-annually. An amortization schedule for the proposed loan was attached to East Clark District's Application as Exhibit 16. Payments on the proposed loan will begin six months after funds are first drawn. A copy of the KIA Conditional Commitment Letter issued April 4, 2025 in relation to the $841,383 Fund B loan was attached to East Clark District's Application as Exhibit 17. If repaid over a period of 20 years, the total payments on the loan will be $1,067,988.82. This translates to an average annual debt service of **$53,399.44.**

A 1-1d. The 20 percent additional working capital on $53,399.44 of annual debt service is **$10,679.89.**

A 1-1e. The chart below contains the information requested, rounded to the nearest dollar.

Revenue Requirement Element	**Amount of Increase**	**Amount of Decrease**
Purchased Water	-	-
Purchased Power		$ 1,814
Depreciation Expense	$ 26,816	
Annual Debt Service	$ 53,399	
Additional Working Capital	$10,680	
Total Increase to Revenue Requirement:	**$89,081**	

EAST CLARK COUNTY WATER DISTRICT

Case No. 2025-00261
Response to Commission Staff's First Request for Information

Question No. 1-2

Responding Witness: William Ballard, Manager

Q 1-2. Provide the impact of the total revenue requirement on the cost per thousand gallons from Item 1 based on gallons sold of 113,919 as reported in the water statistics of East Clark District's 2020 Annual Report.

A 1-2. As East Clark District interprets the Commission Staff's ("Staff") question, Staff is seeking the quotient of the additional revenue requirement as calculated in Item 1, divided by the gallons of water sold in 2020 to obtain the cost to construct the Project expressed per 1,000 gallons of water sales.

In 2020 East Clark District sold **113,919,000** gallons of water.[1] As calculated in Item 1, the total estimated annual increase to East Clark District's revenue requirement attributable to the Project is **$89,081**. Therefore, the additional cost per 1,000 gallons of water sold in 2020 to construct the Project is **$0.7819** or approximately $0.0008 per gallon sold.[2]

[1] 2020 Annual Report at 57 (Reference page 30) .

Although Staff's request specifically referenced water statistics reported for 2020, East Clark District has performed the calculation using reported water statistics for 2024 as well. In 2024 East Clark District sold **127,935,000** gallons of water.[3] As calculated in Item 1, the total estimated annual increase to East Clark District's revenue requirement attributable to the Project is **$89,081**. Therefore, the additional cost per 1,000 gallons of water sold to construct the Project is **$0.6962** or approximately $0.0007 per gallon sold.[4] This is **less than one penny for each 10 gallons** of water sold.

[2] 89,081 ÷ 113,919 = 0.7819 and 0.7819 ÷ 1000 = 0.00078

[3] Application, Exhibit 19 at 57 (2024 Annual Report).

[4] 89,081 ÷ 127,935 = 0.6962 and 0.6962 ÷ 1000 = 0.00069

EAST CLARK COUNTY WATER DISTRICT

Case No. 2025-00261
Response to Commission Staff's First Request for Information

Question No. 1-3

Responding Witness: William Ballard, Manager

Q 1-3. Refer to East Clark District's 2024 Annual Report, page 57 in which it reports a total water loss of 16,370 gallons approximately 11.2630 percent. Estimate the impact that the proposed project will have on the total water loss percentage.

A 1-3. East Clark District does not have a reasonable expectation that the Project will have an immediate impact on current water loss. This is because East Clark District is not aware of any leaks currently in the Project area.

However, East Clark District **does** have the reasonable expectation that the Project will *prevent* future water loss that would develop in the area *but for* the construction proposed in this Project. As the pipe in the area continues to age, it will become increasingly vulnerable to rupture caused by friction from the material surrounding it. The cut and fill construction method used when the pipe was laid has resulted in the pipe being exposed to damage from the bedding and fill material. In addition to experiencing external wear caused by the

bedding and backfill material surrounding it, the area of pipe configured using 90-degree turns is receiving excess internal wear due to the turbulence created within the pipe as water shifts directions inside the pipe. The pipe has been in use under these conditions for over 30 years, and within the last 10 years the District has experienced five major line breaks in the area. The District expects these line break incidents will continue to occur and contribute to water loss if the Project is not constructed. East Clark District views this Project as a needed measure to *prevent* additional, avoidable, water loss rather than a mechanism to address current water loss.