

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

In the Matter of:

**ELECTRONIC JOINT APPLICATION OF)
GRAYSON COUNTY WATER DISTRICT)
AND EDMONSON COUNTY WATER)
DISTRICT FOR AN ORDER APPROVING)
THE TRANSFER OF OWNERSHIP OF)
EDMONSON COUNTY WATER)
DISTRICT’S GRAYSON COUNTY)
DISTRIBUTION SYSTEM AND AN)
ORDER AUTHORIZING THE ISSUANCE)
OF SECURITIES BY GRAYSON)
COUNTY WATER DISTRICT PURSUANT)
TO THE PROVISIONS OF KRS 278.020,)
KRS 278.300, AND 807 KAR 5:001)**

**CASE NO.
2025-00330**

**EDMONSON COUNTY WATER DISTRICT’S RESPONSE TO
COMMISSION STAFF’S SECOND REQUEST FOR INFORMATION**

Edmonson County Water District submits its Response to Commission Staff’s
Second Request for Information.

Dated: June 2, 2026

Respectfully submitted,

/s/ E. Kenly Ames

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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 electronically filed document was transmitted to the Public Service Commission on June 2, 2026 and that there is currently no party in this proceeding that the Public Service Commission has excused from participation by electronic means.

/s/ E. Kenly Ames

E. Kenly Ames

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Q 1-1. Refer to the Application, page 24, paragraph 58. Also refer to the final Order in Case No. 2026-00038. Given that a current Edmonson District residential retail customer's bill that uses an average of 3,000 gallons per month, would increase from \$31.04 to \$43.63, an increase in the monthly bill of approximately 40.56 percent if the proposed acquisition is granted, explain in detail what material benefits this customer would receive as a result of Grayson County Water District (Grayson District) acquisition of Edmonson District's Grayson County water distribution system.

A 1. Edmonson District respectfully submits that the rate comparison cited by Commission Staff does not reflect a complete or accurate picture of the economic circumstances for customers of Edmonson District's Grayson County System. The \$31.04 current monthly bill for the customer in the Commission Staff's example does not take into account the capital investment that would be required for Edmonson District to adequately address the upgrades required in the Wax Water Treatment facility, the Brownsville Intake, the Brownsville Water Treatment facility, and the Grayson County System to continue providing safe, reliable, and sustainable water service to those customers on a long-term basis.

For years, Edmonson District's past Board and prior management prioritized keeping rates low, despite growth in demand and customer base and despite maintenance and infrastructure needs. Edmonson District therefore found itself facing an estimated capital investment requirement of approximately \$80 million to bring its overall system — including the Grayson County System — to a level capable of properly and reliably serving all of its existing customers. This investment need has not been incorporated into Edmonson District's current rates. Had Edmonson District undertaken the necessary capital

improvements and sought Commission approval to recover those costs through its rate structure over the years, the resulting rate impact on Edmonson District customers, including those in the Grayson County System, would likely have exceeded the rates proposed under the transfer to Grayson District. Accordingly, the rate differential cited by Staff substantially understates the true cost of maintaining the status quo for affected customers.

Edmonson District believes that Grayson District is best positioned to explain in detail the material benefits the customer will receive as a result of Grayson District's acquisition of the Grayson System and respectfully refers the Commission to Grayson District's Answer to Question 1 of the Commission's Third Request for Information. Edmonson District generally concurs that Grayson is better positioned to address water supply and water quality issues and issues relating to aging infrastructure and deferred maintenance. Edmonson District believes that Grayson District has the financial and operational resources to address those issues and to improve service to the customers of the Grayson System on a long-term, sustainable basis.

In summary, while the monthly bill for affected customers will increase upon transfer, that reflects the true cost of receiving safe, reliable, and high-quality water service — a cost that Edmonson District's current rates do not capture. Edmonson District believes that the proposed rates under Grayson District represent a sound investment in the long-term reliability and safety of water service for those customers.

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Q 2. Refer to the Application, pages 25-26, paragraph 60, and to KRS 74.361 and KRS 224A.300 generally:

a. Describe how the proposed transfer is in furtherance of either of the aforementioned Kentucky statutes.

b. Confirm whether Edmonson District has considered merging with Grayson District, Green River Valley District, or both. If unable to confirm, explain why not. If confirmed, provide a summary and describe the outcome of these considerations.

c. Explain whether Edmonson District is seeking to cease providing utility service or otherwise divest itself of utility operations, and if so, describe its long-term plans regarding continued operations.

A 2(a). KRS 74.361 reflects the Kentucky General Assembly's policy favoring the consolidation and cooperative operation of water districts where such arrangements will improve the efficiency, reliability, and financial stability of water utility service to the public. KRS 224A.300 similarly reflects state policy supporting the orderly development, improvement, and consolidation of water and wastewater systems to ensure the provision of safe and adequate public water service throughout the Commonwealth.

The proposed transfer of Edmonson District's Grayson County System to Grayson District is directly in furtherance of both statutes for at least the following reasons:

First, the transfer will result in a more efficient and financially sustainable delivery of water service to customers of the Grayson County System. Edmonson District has been unable, due to financial, operational, and staffing limitations, to adequately maintain and invest

in the Grayson County System. The transfer consolidates operational responsibility for those customers in a district — Grayson District — that has the resources and infrastructure to provide improved service at a sustainable cost.

Second, the transfer advances the public policy goal of ensuring safe and reliable potable water service. Faced with an estimated \$80 million capital investment requirement across its system, and chronic water supply and water quality issues in the Grayson County System specifically, Edmonson District approached both Grayson District and Green River Valley District seeking a solution that would improve reliability, service quality, and financial viability for affected customers. The resulting proposed transfer represents the outcome of that cooperative process and aligns with the legislative intent underlying both statutes.

Third, the transfer avoids unnecessary duplication of infrastructure and administrative costs, furthering the efficiency objectives contemplated by KRS 74.361 and KRS 224A.300.

A 2(b). Edmonson District has not considered merger. Edmonson District, Grayson District and Green River Valley District met several times to consider regionalization and obtained a cost estimate. The estimated \$300 million cost was not feasible. Instead, after significant consideration by all three entities of how to best serve customers in Edmonson, Grayson and Hart Counties, the result was the agreement that is the subject of the Joint Application currently before the Commission, which proposes the targeted transfer of the Grayson County System from Edmonson District to Grayson District.

Under this approach, Edmonson District will supply all of its Edmonson County customers from the Brownsville Water Treatment Plant, which has ample capacity to do that. That shift reduces the demand on the Wax Water Treatment plant and frees up capacity there. Green River Valley District has assumed operation of the Wax Water Treatment Plant, which now has enough capacity to supply the Hart County System and to supply water to Grayson District on a wholesale basis for a substantial percentage of the Grayson County System customers. This redistribution of sources works to the advantage of all three districts and all customers served.

This approach was determined by all three parties to be the most efficient, practical, and beneficial structure for the customers of the Grayson County System, while appropriately recognizing the respective service territories, infrastructure, and operational capacities of the districts involved.

- A 2(c). Edmonson District is **NOT** seeking to cease providing utility service or otherwise divest itself of utility operations. It intends to continue to operate the Brownsville Water Treatment Plant and to serve its Edmonson County customers. Historically, Edmonson District took on the burden of providing water service to areas of Hart County and Grayson County near Nolin Lake that would otherwise not have been served. Those areas were outside of Edmonson District's core service area. The sale of the Grayson County System to Grayson District and the sale of the Hart County System and Wax Water Treatment Plant to Green River Valley District are intended to enable Edmonson District to right-size its water operations and to focus on improving service to Edmonson County customers. As set out in Answers 1-4(d) and 1-4(f) of Edmonson District's Response to Commission's First Data Request, the sale will relieve Edmonson District of debt service for \$4,355,500 in bonds that Green River Valley District will assume and will result in a cash payment of approximately \$4,525,680 to Edmonson District for the Grayson County System. That money will be placed in an interest bearing account and used to service the Edmonson District's remaining debt (approximately \$547,138 per year) and to make improvements to the Brownsville Water Treatment Plant. In addition, Edmonson is in the process of applying to the Kentucky Infrastructure Authority for a proposed \$14,000,000 project to improve infrastructure and reduce water loss and is also pursuing funding through USDA Rural Development for additional system improvements. As set out in Answer 3(d) below, Edmonson District's new Board and management have been working to turn things around, have made good progress, and intend to continue to do so.

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Q 3. Refer to Grayson District's Response to Staff's First Request, Item 3.

a. Describe whether Edmonson District believes it currently provides safe and reliable water service to its Grayson County System customers, including any known operational, water quality, staffing, or infrastructure concerns.

b. Explain what is meant by "[w]hich gives Grayson District the ability to bring the Edmonson District's Grayson System back to a level of providing safe, dependable potable water to the customers of the Edmonson District's Grayson System.

c. Explain any deferred maintenance Edmonson District has identified as needed on its Grayson County System.

d. Explain any outstanding deferred maintenance Edmonson District has identified as needed on any part of its entire water system.

e. Explain why Edmonson District has not been able to adequately address its deferred maintenance.

A 3(a). Edmonson District believes it currently provides safe and reliable water service to the Grayson County System customers. While Edmonson District's system was placed under an agreed order by the Kentucky Division of Water, Edmonson District developed a corrective action plan and has met all requirements of the plan on or before the expected completion dates. See Attachments to Exhibit 29 to the Joint Application. Green River Valley District has operated the Wax Water Treatment Plant since July 2025 and Grayson District has operated the Grayson County System since August 2025, both under written

operating agreements with Edmonson District. See Exhibit 5 to the Joint Application in this case and Exhibit 5 to the Joint Application in Case No. 2025-00329. Grayson District and Green River Valley District have already undertaken improvements that have improved service, and these arrangements have permitted Edmonson District to focus on the Brownsville Water Treatment Plant and the Edmonson County portion of its system.

- A 3(b). The quoted statement was made by Grayson District in its response to the Commission's Request for Information. Edmonson District believes that Grayson District is best positioned to explain what it meant by that statement.
- A 3(c). Grayson District has been operating the Grayson County System since August 2025 under a written operating agreement with Edmonson District. See Exhibit 5 to the Joint Application. Before then, Edmonson District had recently replaced one major pump station, added a new pump station, and renovated and repainted one tank. As of August 2025, there were still three tanks that needed to be cleaned and updated, a progressive flushing system needed to be established, and leak control needed to be addressed. Edmonson District understands that Grayson District has been addressing deferred maintenance items. Therefore, Grayson District will be better able to respond to this request regarding what deferred maintenance remains on the Grayson County System.
- A 3(d). For the entire Edmonson water system, Edmonson District has worked to address deferred maintenance over the last two years (since the new Board and management took over) and has made progress. Among other things, a \$2,000,000 project was bid and completed in 2025 to completely renovate three water storage tanks, which were sandblasted, repainted, and had mixing systems installed. Two pump stations were replaced with new stations and another station had pumps and controls updated. Four miles of pipes were updated where service was inadequate, and source meters were installed. All tanks were inspected by an outside company, and any recommendations that company made for immediate maintenance were completed. Contracts have been awarded to work on two more tanks in 2026, including adding a mixing system to one of them. All other pump stations have been renovated, with most receiving new pumps, motors and variable frequency drives. Four backup generators have been installed. Grayson District has

addressed deferred maintenance on the Grayson County System since it took over operations in August 2025. Green River Valley District has addressed deferred maintenance at the Wax Water Treatment Plant and the Hart County System since it took over operations in July 2025. Deferred maintenance is not as critical a concern as it was two years ago, when the new Board and management took over. The main focus going forward will be on the Edmonson County distribution system, including installing more source meters and reducing water loss.

- A 3(e). Edmonson District fell behind on maintenance because the system grew substantially, adding customers at a faster rate than prior management anticipated and becoming one of the largest rural water districts in the state (serving all of Edmonson County and large parts of Hart and Grayson Counties). Prior management prioritized keeping rates low rather than investing for the future and generally took a reactive, rather than proactive, approach to issues. All of that snowballed and resulted in a district that did not have the resources it needed to address serious issues when they surfaced. That has changed. The new Board and new management are committed to right-sizing the system and focusing on delivering safe and reliable drinking water to the customers in the Edmonson County portion of the system over the long term.