

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**

**GRAYSON COUNTY WATER DISTRICT'S RESPONSE TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

Grayson County Water District submits its Response to Commission Staff's

Second Request for Information.

Dated: March 13, 2026

Respectfully submitted,
/s/ Lindsay Durbin
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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 document was transmitted to the Public Service Commission on March 13, 2026 and that there is currently no party that the Public Service Commission has excused from participation by electronic means in this proceeding.

SWORN CERTIFICATION AND VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF GRAYSON

The undersigned, Jeremy Woosley, being duly sworn, deposes and states that he, as District Manager of Grayson 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. 2025-00330, and the answers contained therein are true and correct to the best of his information, knowledge, and belief.


Jeremy Woosley, District Manager
Grayson County Water District

~~Subscribed, sworn to, and acknowledged before me, a Notary Public in and for said county and state, this~~ ^{state, this} ~~day of~~ ^{state, this} ~~March, 2026.~~
Subscribed, sworn to, and acknowledged before me, a Notary Public in and for said county and state, this 13 day March, 2026.


Notary Public
My Commission Number 445228
Commission Expires 2/10/30

GRAYSON COUNTY WATER DISTRICT

Case No. 2025-00330

Response to Commission Staff's Second Request for Information

Question No. 2-1

Responding Witness: Jeremy Woosley, Manager

Q 2-1. Refer to the Joint Application, Exhibit 6, Asset Purchase Agreement, pages 3-6 of 27, paragraph 2, Assets Being Transferred, items A-K (Assets).

a. Provide the fair market value (FMV) for each of the listed assets proposed to be transferred. State whether an independent appraisal was performed.

b. If so, provide a copy of the appraisal report and identify the valuation methodology used. If no appraisal was carried out, explain how the purchase price or valuation of the Assets was determined.

A 2-1a and b. No independent appraisal was performed. It is Grayson County Water District's position that because the proposed transfer is an arms-length transaction negotiated between similarly situated parties of equal bargaining positions, the Fair Market Value ("FMV") of the assets being transferred is the negotiated purchase price for the assets, which was set forth in Grayson District's Response to Staff's First Request, Item 1. The information also appears below. Neither Edmonson District nor Grayson District was required to seek an appraisal of any of the assets to be transferred. Grayson District and Edmonson District are

water districts created pursuant to KRS Chapter 74 by the fiscal courts of Grayson and Edmonson counties, respectively. They are also “special purpose governmental entities” as defined in KRS Chapter 65A. Pursuant to KRS 67.0802(4)(a), governmental agencies may transfer real or personal property to another governmental agency without obtaining an appraisal. Although KRS Chapter 67 does not provide a definition of “governmental agency,” Kentucky courts have recognized water districts to be political subdivisions of the Commonwealth and political subdivisions of county government.¹ Therefore, no appraisal was required for any of the assets the Joint Applicants propose to transfer.

Assets were listed in the Asset Purchase Agreement as they are generally recognized and identified conversationally, but a single asset as listed in the Asset Purchase Agreement may be composed of many separate components that each have separate USoA Account Numbers. For example, the Howell Tank is composed of the value of the real estate upon which the tank sits, the value of the elevated water storage tank, and the value of the distribution mains connecting to the tank.

¹ *Davis v. Powell's Valley Water Dist.* 920 S.W.2d 75 (Ky. Ct. App. 1995) and *Public Service Com. v. Dewitt Water Dist.* 720 S.W.2d 725, 731 (Ky 1986).

Because Edmonson District and Grayson District record the value of their assets by Uniform System of Account Numbers (“USoA Account Numbers”), rather than the way the assets are listed in the Asset Purchase Agreement, Grayson District is providing the FMV of each asset to be transferred by USoA Account Number.

As stated in the Joint Application, the estimated final purchase price of Edmonson’s Grayson County System is **\$4,525,680**.² The book value of the assets being acquired was **\$3,640,472** at the time the Asset Purchase Agreement was executed.³

The difference between the book value of the assets at the time the Asset Purchase Agreement was executed, and the estimated final purchase price is **\$885,208**, or approximately 24.3 percent. Grayson District has allocated the \$885,208 difference among the various assets being acquired. The book value of each asset at the time of execution of the Asset Purchase Agreement was allocated based on percentage of total assets and rounded to the nearest dollar to arrive at the “Allocated Purchase Price” which will be recorded as a debit in Grayson District’s

² Joint Application at 12 & 13 and Exhibit 9 and 10. Because Edmonson District will continue making payments on the Outstanding RD Water Bonds and the RWFA Loans until closing, the final purchase price shall be determined as of the date of Closing in accordance with the terms of the Agreement.

³ See Joint Application, Exhibit 18.

journal entries. Grayson District maintains that the Allocated Purchase Price is the FMV of the assets listed, as this is the price that Grayson District, having reasonable knowledge of the relevant facts and being a willing buyer, will pay and it is the price Edmonson District will accept, being under no compulsion to sell. The requested information appears below.

Assets Being Acquired

Valued as of December 31, 2025

Account Number	Asset Description	Book Value	Allocated Purchase Price
303	Land & Land Rights	\$ 10,526	\$ 13,086
304	Structures & Improvements	28,010	34,821
330	Distribution Reservoirs & Standpipes	738,517	918,093
331	Transmission and Distribution Lines	1,811,743	2,252,282
333	Services	215,274	267,619
334	Meters	473,950	589,194
334	Meter Installations	326,859	406,337
335	Hydrants	35,593	44,248
	Total	\$3,640,472	\$4,525,680 FMV of Combined Assets to be Transferred

GRAYSON COUNTY WATER DISTRICT

Case No. 2025-00330

Response to Commission Staff's Second Request for Information

Question No. 2-2

Responding Witness: Jeremy Woosley, Manager

Q 2-2. Refer to the Joint Application, Exhibit 6, Asset Purchase agreement, pages 3-6 of 27, paragraph 2, Assets Being Transferred, items A-K. Provide the net book value of each of the listed Assets proposed to be transferred, as of the most recent practicable date prior to closing. If the FMV or appraised value differs from the net book value, explain in detail how Grayson District proposes to account for the difference for accounting and ratemaking purposes.

A 2-2. Assets were listed in the Asset Purchase Agreement as they are generally recognized and identified conversationally, but a single asset as listed in the Asset Purchase Agreement may be composed of many separate components that each have separate USoA Account Numbers. For example, the Howell Tank is composed of the value of the real estate upon which the tank sits, the value of the elevated water storage tank, and the value of the distribution mains connecting to the tank. Because Edmonson District and Grayson District record the value of their assets by Uniform System of Account Numbers ("USoA Account Numbers"), rather than the way the assets are listed in the Asset

Purchase Agreement, Grayson District is providing the requested information by USoA Account Number.

As stated in the Joint Application, the estimated final purchase price of Edmonson's Grayson County System is **\$4,525,680**.¹ The book value of the assets being acquired was **\$3,640,472** at the time the Asset Purchase Agreement was executed.² It is Grayson District's position that because the proposed transfer is an arms-length transaction negotiated between similarly situated parties of equal bargaining positions, the Fair Market Value ("FMV") of the assets being transferred is the negotiated purchase price for the assets.

The difference between the book value of the assets at the time the Asset Purchase Agreement was executed, and the estimated final purchase price is **\$885,208**, or approximately 24.3 percent. Grayson District has allocated the \$885,208 difference among the various assets being acquired. The book value of each asset at the time of execution of the Asset Purchase Agreement was allocated based on percentage of total assets and rounded to the nearest dollar to arrive at the "Allocated

¹ Joint Application at 12 & 13 and Exhibit 9 & 10. Because Edmonson District will continue making payments on the Outstanding RD Water Bonds and the RWFA Loans until closing, the final purchase price shall be determined as of the date of Closing in accordance with the terms of the Agreement.

² See Joint Application, Exhibit 18.

Purchase Price” which will be recorded as a debit in Grayson District’s journal entries.

Because Grayson District is not an investor-owned utility, Grayson District’s rates are not calculated to provide Grayson District a return on its investment. Grayson District’s rates are calculated using its revenue requirement, a component of which is the cost of debt service. Therefore, the difference in the FMV and the book value of any particular asset is not a factor in ratemaking for Grayson District. The additional debt service that Grayson District proposes to acquire because of this transfer is the aspect of the transfer that will impact ratemaking for Grayson District. As set forth in **Grayson District’s Response to Staff’s First Request, item 5**, the proposed transfer is estimated to result in sufficient revenues to cover the additional annual debt service and yield \$302,614 in excess revenue. Therefore, the proposed transfer has a positive impact on Grayson District’s revenue requirement.

The book value at the time of execution of the Asset Purchase Agreement and the Allocated Purchase Price for each asset appears below.

Assets Being Acquired

Valued as of December 31, 2025

Account Number	Asset Description	Book Value	Allocated Purchase Price
303	Land & Land Rights	\$ 10,526	\$ 13,086
304	Structures & Improvements	28,010	34,821
330	Distribution Reservoirs & Standpipes	738,517	918,093
331	Transmission and Distribution Lines	1,811,743	2,252,282
333	Services	215,274	267,619
334	Meters	473,950	589,194
334	Meter Installations	326,859	406,337
335	Hydrants	35,593	44,248
	Total	\$3,640,472	\$4,525,680 FMV of Combined Assets to be Transferred

GRAYSON COUNTY WATER DISTRICT

Case No. 2025-00330

Response to Commission Staff's Second Request for Information

Question No. 2-3

Responding Witness: Jeremy Woosley, Manager

Q 2-3. Refer to the Joint Application, page 3-4, paragraph 23, which states that Grayson County Water District will assume 48 percent of the outstanding principal balance of Edmonson County Water District's debt obligations.

a. Provide a detailed explanation of how the 48 percent allocation was calculated.

b. Identify all assumptions used in determining this percentage.

c. State whether the percentage is based on customer counts, asset allocation, revenue allocation, geographic service area, depreciated cost allocation, or another methodology.

d. Provide all workpapers supporting the calculation, including any Excel spreadsheets with cells unlocked.

A 2-3a. In early 2025 Edmonson County Water District ("Edmonson District") announced to neighboring water systems that it was interested in transferring its water operations in Hart and Grayson counties, along with the Wax WTP, to another water system or combination of water systems. Edmonson District expressed that its intentions were: (1) to rid itself of the debt associated with its water operations; (2) to reform

its water system to cover a smaller geographical area and thereby achieve more manageable daily operations; and (3) to transfer its Wax WTP because of its inability to hire sufficient certified operators. Edmonson District provided full disclosure of its debts incurred to construct its water system. Then Green River Valley District and Grayson County Water District (“Grayson District”) began discussions concerning the assets each was interested in obtaining and negotiating how much of Edmonson District’s water system debt each would be allocated. It was understood that the “purchase price” for Edmonson District’s Hart County System and its Grayson County System was the amount of debt associated with Edmonson District’s water operations.

Green River Valley District and Grayson District considered the amount of water Edmonson District sold to its customers in Hart County and Grayson County combined in 2024 when negotiating the 52/48 percent allocation of Edmonson’s water debt. In calendar year 2024, Edmonson District sold a total of 166,247,000 gallons of water to its customers in Hart and Grayson counties combined. Of the total, Hart County customers purchased 86,955,300 gallons, or 52 percent of the combined total. Edmonson District’s Grayson County customers purchased 79,291,700 gallons, or 48 percent of the combined total.

The final allocation was the product of an arms-length transaction between parties of equal bargaining positions. Grayson District was primarily interested in serving the Edmonson District customers located in Grayson County (approximately 3,500 customers) and in securing a source of water with which to supply them. Green River Valley District was interested in serving the Edmonson District customers located in Hart County (approximately 2,000 customers) and in operating the Wax WTP to serve those customers. The parties each had knowledge of Edmonson District's water storage and distribution assets and deciding which system would receive a given asset was decided based on geography and the importance of the asset to serving the customers in that geographic service area. The parties then arrived at an equitable allocation of Edmonson District's water debt based on Edmonson District's 2024 water sales to customers in Hart and Grayson counties compared to the combined total sold to customers in both counties and the assets to be received in the proposed transfers. Grayson District agreed to be allocated 48 percent of Edmonson District's water debt transfer because that is the percentage of combined water sales in Hart and Grayson sold to the Grayson area. Grayson District considers this to be reflective of the Grayson County customers' historic water

purchases from Edmonson District and the value of the assets to be transferred to Grayson District.

- A 2-3b.** *See* response to 2-3a above.
- A 2-3c.** *See* response to 2-3a above.
- A 2-3d.** *See* Attachment 2-3a filed separately.

GRAYSON COUNTY WATER DISTRICT

Case No. 2025-00330

Response to Commission Staff's Second Request for Information

Question No. 2-4

Responding Witness: Jeremy Woosley, Manager

Q 2-4. Refer to Grayson District's Response to Staff's First Request for Information, Item 5.

a. Provide calculation in Excel Spreadsheet format with all formulas, rows, and columns fully unprotected and fully accessible showing the Revenues, Expenses, and Non-operating Expenses reported in Item 5.

b. Describe how Grayson District reached the total for each of the items within Revenues, Expenses and Non-operating Expenses.

A 2-4a. *See Attachment 2-4a Excel spreadsheet filed separately.*

A2-4b. Grayson District calculated budgeted Total Water Sales by multiplying new active customers by yearly average per customer charge. Grayson District believes the new territory will be representative of current territory and therefore feels comfortable using current yearly customer charge for the calculation. Budgeted Forfeited Discounts and Misc. Service Revenue were calculated by dividing the yearly totals to get an average per customer. That number was multiplied by the new active customers from the new territory. All expense categories have been

broken down to a per customer cost and that cost was multiplied by the new active customers from the territory. The calculation for Depreciation was included in Grayson District's response to Data Request 1 Question 2. The Debt Service was estimated based on a .50% KIA loan in the amount of \$4,838,955 that is to be amortized over 30 years. The details of that loan have been provided by Grayson District in the initial filing. The Working Capital on Debt service was calculated as required.