

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
FIRST REHEARING REQUEST FOR INFORMATION**

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

First Rehearing Request for Information.

Dated: September 11, 2026

Respectfully submitted,
/s/ Lindsay Durbin
Lindsay Durbin
Deitz, Shields, Freeburger & Durbin, LLP
101 First Street | P. O. Box 21
Henderson, Kentucky 42419
Phone: (270) 213-2022
Fax: (270) 827-1492
ldurbin@dsf-atty.com
Counsel for Grayson County Water District

CERTIFICATE OF SERVICE

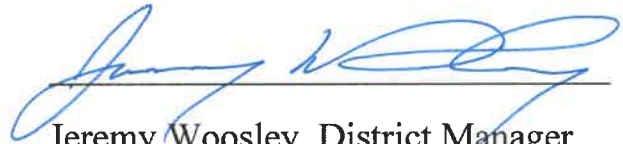
In accordance with 807 KAR 5:001, Section 8, and the Public Service Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was transmitted to the Public Service Commission on September 11, 2026 and that there is currently no party that the Public Service Commission has 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 10th day of September 2026.



Notary Public

My Commission Number KYNP44526

Commission Expires 2/10/2030

**GRAYSON COUNTY WATER DISTRICT'S RESPONSE TO
COMMISSION STAFF'S FIRST REHEARING
REQUEST FOR INFORMATION
WITNESS: JEREMY WOOSLEY**

QUESTION 1.

Refer to the Joint Applicants' Motion for Rehearing, Exhibit B, the Kentucky Infrastructure Authority (KIA) Conditional Commitment Letter dated December 5, 2025.

- a. Provide the complete commitment package, including Attachments A, B, and C, as well as any subsequent amendments, extensions, or supplements.**
- b. Identify each condition that remains outstanding and provide the anticipated dates for execution of the Assistance Agreement, loan closing, and disbursement of funds.**
- c. Provide the currently anticipated principal amount, interest rate, term, annual debt service, security, reserve and rate requirements, and a detailed schedule showing the proposed use of the loan proceeds.**
- d. Describe each construction or improvement component financed by the KIA loan.**

RESPONSE TO QUESTION 1(a): Please see attached Exhibit A.

RESPONSE TO QUESTION 1(b): Please see table below for completed and projected condition completion dates. Please note that Environmental Review and Plans Specifications are dependent on PSC Approval of the transfer of assets from Edmonson County Water District "Edmonson District" to Grayson County Water District "Grayson District". Along with those conditions, the overall execution of the Assistance Agreement and Loan Closing are dependent on Commission

approval. Grayson District is projecting anticipated dates off an assumed 11/15/2026 ruling by the Commission, but these dates will vary based on actual Commission approval and timeline.

	Condition	Completion
BEFORE BID OPENING		
KIA	Conditional Commitment Letter	12/16/2025
US Bank	ACH Information	12/16/2025
KIA	Transparency Form	12/12/2025
DOW	Environmental Review	11/30/2026
DOW	Plans and Specifications	11/30/2026
KIA	Proof Compliance with Special Conditions	Not Applicable
AFTER BID OPENING		
DOW	ATA Package	2/28/2027
DOW	Davis-Bacon Prevailing Wage Rates	2/28/2027
KIA	Procurement and Wage Certification	2/28/2027
KIA	Certification of Obtainable Revenue Projections	12/1/2026
DOW	Certification of Clear Site	1/15/2027
DOW to KIA	Plans and Specifications Approval	1/15/2027
KIA	Public Service Commission Approval	3/15/2027

RESPONSE TO QUESTION 1(c):

Principal Amount	\$7,848,000
Subsidization	\$2,784,517
Required to Pay Back	\$5,063,483
Interest Rate	1.00%
Term	30 Years
Annual Debt Service	\$210,973
Reserve	5% (\$392,000)
Rate Requirements	No Additional Rate Increase

USE OF LOAN PROCEEDS	
Loan Proceeds	\$ 7,848,000
Purchase of Territory	\$ 4,255,200
Construction in new territory	\$ 3,592,800

RESPONSE TO QUESTION 1(d):

This project includes the purchase of territory from Edmonson County Water District. This purchase contains approximately 130 miles of pipe, 3,500 customer services, 5 water storage tanks, and 3 pump stations inside Grayson County. This project will include the construction of approximately 30,000 ft of 10-inch transmission line from a new connection to the City of Leitchfield Utilities distribution system and extending by way of Bloomington Rd to the intersection of Hwy 259 and Hwy 226 in the Meredith community. There will be an addition of a pump station at the new connection to Leitchfield Utilities. There will be 3 new connections made from GCWD to ECWD system: one on Wax Rd is approximately 2,200 ft of 6-inch water main, along with a new booster pump station; one on Hwy 1214 is approximately 1,200 ft of 4-inch water main; and one on Grindstone Rd is approximately 500 ft of 4-inch water main.

QUESTION 2.

Refer to the Motion for Rehearing, page 4, which states that Grayson District does not anticipate a rate increase resulting from the proposed transaction.

- a. State the currently estimated purchase price and provide the calculation.**
- b. Provide a pro forma calculation of Grayson District's annual debt service and debt service coverage ratio following the proposed acquisition and issuance of the KIA indebtedness.**
- c. Provide all correspondence from KIA, USDA Rural Development, or any other lender upon which Grayson District relied upon to support the statement that the proposed transaction will not require an additional rate adjustment.**
- d. Provide the calculations in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.**

RESPONSE TO QUESTION 2(a):

The purchase agreement between GCWD and ECWD stipulates that the purchase price of the Grayson County portion of the Edmonson District system will be 48% of ECWD's outstanding debt at the time of purchase. For illustrative purposes, Edmonson District's total outstanding debt as of September 1, 2026, is \$8,865,000. $(8,865,000 \times 48\%) = \$4,255,200$. The current purchase price would be \$4,255,200 for the Grayson County portion of Edmonson District's system.

RESPONSE TO QUESTION 2(b):

Please see spreadsheet filed in this response as Exhibit B.

RESPONSE TO QUESTION 2(c):

Please refer to the Financial Analysis, Section IX. of the attached KIA Conditional Commitment Letter in Exhibit A. This independent analysis performed by KIA determined that a rate increase would not be necessary. The KIA calculation includes all current and future debt as well as revenue increase due to the proposed 21% rate increase that is currently in effect. This finding is consistent with Grayson District's own projections.

RESPONSE TO QUESTION 2(d):

Please see Exhibit B.

QUESTION 3.

Identify all material changes since the filing of the application to the assets being transferred, purchase price, financing plan, Asset Purchase Agreement, operating agreement, or anticipated closing date. Provide copies of any amendments or supplemental agreements.

RESPONSE TO QUESTION 3:

Please refer to the Region 4 EPA Notice of Noncompliance attached hereto as Exhibit C. Grayson District has addressed and/or made repairs to all non-compliance items listed in the Notice of Noncompliance issued to Edmonson District by the EPA, Region 4 that pertains to the Grayson County territory. Grayson District installed blow off assemblies to 15 dead end water mains that did not have valves in place for flushing. Grayson District then implemented and completed a wholesale flush of the Grayson County territory.

Grayson District found and made repairs to numerous leaks in Edmonson District's Grayson County territory therefore reducing unaccounted for water loss from 25+% down to 14.3% average in 2026. Grayson District has installed three new master meter sites to further monitor water loss. Grayson District drained, cleaned, and inspected all water towers in the Grayson County territory and continue to make repairs and improvements to the tanks and tank sites.

Grayson District repaired existing and/or installed new SCADA equipment on all tank and pump station sites in the Grayson County territory, in order to monitor

operations 24/7. Grayson District incorporated the Grayson County territory digital map into the Grayson District's existing live digital map and completed collection of and is continuing to update the accuracy of the live digital map of the Grayson County territory. Grayson District incorporated the Grayson County territory into its existing valve maintenance and flushing programs.

Grayson District has incorporated the Grayson County territory into its existing ERP/RRA plans. Grayson District has incorporated the customer services of the Grayson County territory into its existing billing and meter reading systems to accurately account for sales and monitor water loss in the Grayson County territory. Grayson District has located, repaired, or replaced all faulty or malfunctioning water meter endpoints to assure accuracy of all monthly readings of the water services in the Grayson County territory.

Grayson District has installed 133 new water services in the Grayson County territory since the beginning of the original Operating Agreement (August 1, 2025). As stated in response 2a, the current purchase price for the Grayson portion of the Edmonson District system will be \$4,255,200.00.

There have been no material changes to the financing plan or asset purchase agreement. The operating agreement, which was originally valid through September 2026, has been amended to extend the agreement through December 2027. See

attached Resolution (Exhibit D) approving the amendment and a copy of the Amendment (Exhibit E).

The anticipated closing date is dependent on PSC's ruling. An estimated schedule is included in Response to Question 1b based on a assumed PSC order date of 11/15/2026 but these dates will vary based on actual Commission approval and timeline. If the PSC approves this transaction and that approval is effective around 11/15/2026, the anticipated closing is expected September 2027.

QUESTION 4.

State whether closing the transaction proposed in this case is legally, contractually, financially, or operationally contingent upon closing the transaction proposed in Case No. 2025-003292 (sic) and explain the response.

RESPONSE TO QUESTION 4:

Grayson District can only provide a response to this question reflective of its position on the matter. Edmonson District and Green River District may assert differing positions. Grayson District considers the closing of the transaction proposed in Case No 2025-00329 to be necessary to closing the transaction proposed in this proceeding. Although the KIA loan which Grayson proposes to finance the purchase of Edmonson District's Grayson territory, and the debt assumption that Green River Valley District proposes in Case No. 2025-00329 are not legally dependent on each other, from the perspective of Grayson District, a denial of the transaction proposed in Case No. 2025-00329 would present contractual and

operational difficulties not contemplated when the Asset Purchase Agreement was executed with Edmonson District. Grayson District considers the proposed transactions to be contractually and operationally linked, if not strictly legally contingent on one another.

Although the Asset Purchase Agreement's Closing Requirements are set forth in paragraph 16 of that Agreement and do not, on their face, recite the companion docket as an express legal condition precedent, the two transactions were negotiated, structured, and presented to the Commission as a coordinated whole, and the economic and operational premises of this transaction cannot be realized without the companion transaction in 2025-00329. Grayson District respectfully submits that the matters should be treated as a package for the reasons set forth below.

Contractual Linkage Exists

The two transactions were structured as a single, integrated arrangement, beginning with parallel operating agreements executed on May 29, 2025. Under one, Grayson District and Edmonson District agreed that Grayson District would manage, operate, repair, and maintain Edmonson's Grayson County System, which it began doing on August 1, 2025. Under the other, Green River District and Edmonson District entered into a similar Operating Agreement for the Wax WTP and Edmonson's Hart County System.

The parties then entered into parallel Asset Purchase Agreements. On September 23, 2025, Grayson District and Edmonson District entered into an Asset Purchase Agreement for the sale and transfer of Edmonson's Grayson County System, and on September 25, 2025, Green River District and Edmonson District entered into an Asset Purchase Agreement whereby Edmonson District would sell and transfer its Hart County System and Wax WTP to Green River District.

Completing the arrangement, Grayson District entered into a Water Purchase Agreement with Green River District on May 29, 2025, to purchase the water needed to serve the customers of Edmonson's Grayson County System that Grayson District now serves.

The Asset Purchase Agreements condition Closing on a series of conditions precedent, including entry of a final PSC order approving the transfer of the systems without the addition of any requirement or condition which either the SELLER or the BUYER deems objectionable, loan assumption and release provisions, and entry of an order by the respective County Judge/Executive expanding each District's territorial boundaries.

Against that backdrop, a Commission order failing to approve the companion case would essentially condition approval of the transfer on a requirement that Grayson District purchase water from Edmonson District, as potential operator of the Wax WTP, rather than from Green River District. That provision would violate

the express terms of the Asset Purchase Agreement and could defeat the transaction the parties negotiated. Paragraph 14.D makes it a condition precedent to Closing that the PSC "shall have entered a final order approving the transfer of the SELLER's Grayson County System to the BUYER" "without the addition of any requirement or condition which either the SELLER or the BUYER deems objectionable."

A condition requiring Grayson District to source water from Edmonson District is precisely the type of "requirement or condition" the parties contemplated and expressly reserved the right to reject as objectionable, and it may be objectionable to Grayson District for two reasons. First, Grayson District has already secured its water supply for the acquired customers through a Water Purchase Agreement with Green River District and has no agreement with Edmonson District to supply water to those customers. Second, Grayson District does not believe Edmonson District has the interest, capability, or financial resources to rehabilitate the Wax Water Treatment Plant to the point necessary for it to serve as a viable mid-term source of supply for Grayson County customers, whereas Green River District has investigated and developed plans to rehabilitate the facility and provide a viable solution. Requiring Grayson District to rely on Edmonson District for water supply would therefore force it into an arrangement it may deem unworkable and could undermine the operational and financial premises of the acquisition.

Because such a condition is one Grayson District may deem objectionable within the meaning of Paragraph 14.D, its imposition could prevent satisfaction of that condition precedent, and the Closing contemplated by the Asset Purchase Agreement could not occur.

Conclusion

Because the same water treatment plant, the same finished-water supply, and the same integrated operating structure underlie both proceedings, approving one transaction without the other would leave a materially incomplete and internally inconsistent record. Piecemeal approval risks stranding assets, not ensuring safe, reliable water to customers, undermining the revenue assumptions the Commission is asked to rely upon, and producing an outcome that neither applicant contemplated or would have agreed to. The public interest, the reliability of service to Hart County and Grayson County customers, and the financial soundness of all three districts are best protected by evaluating the two transactions together as the single, integrated package the parties designed. Accordingly, Grayson District respectfully urges the Commission to consider this proceeding and the companion Green River District proceeding (2025-00329) as interdependent parts of one transaction.

EXHIBIT A



KENTUCKY INFRASTRUCTURE AUTHORITY

Andy Beshear
Governor

100 Airport Road
Frankfort, Kentucky 40601
(502) 573-0260
kia.ky.gov

Sandy Williams
Executive Director

December 5, 2025

The Honorable Nancy Cain, Chairman
Grayson County Water District
21 Shull White Rd
Leitchfield, KY 42754

KENTUCKY INFRASTRUCTURE AUTHORITY FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND CONDITIONAL COMMITMENT LETTER (F26-017S)

Dear Chairman Cain:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On December 4, 2025, the Authority approved your loan for the East-West Connector Phase III project subject to the conditions stated in Attachment A to this letter. The total cost of the project shall not exceed \$7,848,000, without prior authorization, of which the Authority is the sole source of the funding. The final loan amount will be equal to the amount of funds disbursed for the project. Attachment B incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Grayson County Water District upon satisfactory performance of the conditions set forth in Attachment A. You must meet the conditions set forth in Attachment A and enter into an Assistance Agreement by December 5, 2026 (twelve months from the date of this letter). A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.



Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,



Milward Dedman
Deputy Executive Director

Attachments

cc: Adam Scott, Integrated Water Management Systems
Kentucky Engineering Group, Jim Thompson

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms along with the completed "Transparency Act Reporting Information Form". Complete the attached "Authorization for Electronic Deposit of Vendor Payment Form" and the "ACH Debit Authorization Form" **and return to the US Bank address at the bottom of each form**. Also included are the "Legal Counsel Certification Letter" sample and the "Statement of Approval of Projections of Revenue and Expenses" for you to complete at the appropriate time. These forms and an SRF loan checklist guide can be found in Attachment C of this letter.

Accepted

Date

ATTACHMENT A

Conditions

Grayson County Water District F26-017S

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$7,848,000 without prior authorization.
2. Principal forgiveness of 35.5% of the assistance amount, not to exceed \$2,784,517 will be credited to the loan balance upon the advance of the loan funds from time to time from the Authority to the Borrower.
3. The loan shall bear interest at the rate of 1.0% per annum commencing with the first draw of funds.
4. Interest shall be payable on the unforgiven amount of actual funds received. The first payment shall be due on June 1, or December 1, immediately succeeding the date of the initial draw of funds, provided that if such June 1, or December 1, shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1, or December 1, which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid. KIA requires the use of Automated Clearing House (ACH) debits for payment of all balances due on the loan. This will ensure that payments are credited timely to your account without the risk of incurring late payment fees. If the due date falls on a weekend or holiday your account will be debited on the next business day. Please complete and return the "ACH Debit Authorization" form in Attachment C of this letter to U.S. Bank for processing.
5. Full principal payments will commence on the appropriate June 1, or December 1, within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
6. The loan shall be repaid over a period not to exceed 30 years from the date of initiation of operation for the project.
7. A loan servicing fee of 0.30% of the outstanding loan balance shall be payable to the Authority as a part of each interest payment.
8. Loan funds will only be disbursed after execution of the Assistance Agreement as project costs are incurred.

9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
10. Fund "F" loan funds may be considered to be federal funds. If more than \$1,000,000 of federal funds is disbursed during any one of Borrower's fiscal years, the Borrower is required to have a single or program-specific audit conducted for that year in accordance with 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
11. The Authority requires that an annual financial audit be provided for the life of the loan.
12. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.
13. The Borrower must maintain a 1.1 debt coverage ratio throughout the life of the KIA loan. All borrowers are subject to at least an annual financial review for compliance.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
4. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the State's execution of the Assistance Agreement. The committee meets monthly. Any special conditions listed in Attachment B must be satisfied before the project is presented before the Committee.
5. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the

adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.

6. The Borrower must complete and return the "Authorization for Electronic Deposit of Borrower Payment" form in Attachment C of this letter to U.S. Bank.
7. The Borrower must provide documentation of Eclearinghouse Endorsement and Eclearinghouse Comments.
8. Prior to the project bid, an environmental review shall be conducted by the Division of Water for all construction projects receiving State Revolving Funds ("SRF") money.
9. Technical plans and specifications and a complete SRF specifications checklist shall be approved by the Division of Water prior to project bid.
10. All easements or purchases of land shall be completed prior to commencement of construction. Clear Site Certification of all land or easement acquisitions shall be provided to the Division of Water. DOW representatives shall be notified for attendance of the pre-construction conference.
11. Project changes or additions deviating from the original scope of work described in the Project Profile may require a new or amended environmental review and change order review before they can be included in the SRF loan project.
12. The Borrower must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.
13. The Borrower shall implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.
14. The Borrower shall comply with all Davis Bacon related monitoring and reporting and require all contractors to pay wages pursuant to applicable prevailing wage rates for all work relating to the subject Project.
15. The project shall comply with the reporting requirements of the Transparency Act, and shall complete the Transparency Act Reporting

Information Form in Attachment C of this letter and provide to the Authority no later than 30 days after the KIA Board approval date of your loan.

16. Based on the final “as-bid” project budget, the Borrower must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that the projections of operating expenses have not materially changed. The “as bid” project budget shall be reviewed and approved by the consulting engineer.
17. The Project shall comply with all federal requirements applicable to the Loan (including those imposed by P.L. 113-76, Consolidated Appropriations Act, 2014 (the “2014 Appropriations Act”) and / or the Build America, Buy America Act (“BABA”)) and related Program policy guidelines). The Borrower understands that, among other requirements, (a) all of the iron and steel products used in the Project are to be produced in the United States (“American Iron and Steel Requirement”) unless (i) the Borrower has requested and obtained a waiver from the Authority and the United States Environmental Protection Agency pertaining to the Project or (ii) the Authority has otherwise advised the Borrower in writing that the American Iron and Steel Requirement is not applicable to the Project; and / or (b) (i) all iron and steel items used in projects must be produced in the United States pursuant to BABA, (ii) all manufactured products must be produced in the United States, and (iii) all construction materials must be manufactured in the United States (“BABA Requirements”); unless (y) the Borrower has requested and obtained a waiver from the Authority and the United States Environmental Protection Agency pertaining to the Project or (z) the Authority has otherwise advised the Borrower in writing that the BABA Requirements are not applicable to the Project.
18. If the Project includes a private-side lead pipe replacement component, the Borrower must obtain a final inspection from the Division of Plumbing of the Department of Housing, Building and Construction.

ATTACHMENT B

Executive Summary and Credit Analysis

Grayson County Water District
F26-017S

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND F, FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND			Reviewer Date KIA Loan Number WRIS Number	John Brady December 4, 2025 F26-017S WX21085049
BORROWER		GRAYSON COUNTY WATER DISTRICT GRAYSON COUNTY		
BRIEF DESCRIPTION				
The Grayson County Water District (GCWD) is requesting a Fund F loan in the amount of \$7,848,000 for the East-West Connector Phase III project. This project includes the purchase of territory from Edmonson County Water District (ECWD) to allow for the eventual shutdown of their Wax Water Treatment Plant (WTP). This purchase contains approximately 130 miles of pipe and 3,500 customer services inside Grayson County. This project will include the construction of approximately 30,000 feet of 10" transmission line from a new connection to the City of Leitchfield Utilities distribution system and extending by way of Bloomington Rd to the intersection of Hwy 259 and Hwy 226 in the Meredith community. There will be an addition of a pump station at the new connection to Leitchfield Utilities. There will be 3 new connections made from GCWD to the ECWD system. One on Wax Road is approximately 2,200 feet of 4" line, along with a new booster pump station. One on Highway 1214 is approximately 1,200 feet of new line and one on Grindstone Rd is approximately 500 feet. There will be a new pump station added near the intersection of Hwy 889 and Twin Coves Rd. This project will also include the rehabilitation of 4 existing water towers. The improvements are necessary to enable the GCWD to purchase and serve the territory inside Grayson County while allowing for the eventual shutdown of the aging Wax WTP.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$7,848,000	Administrative Expenses	\$65,000	
		Legal Expenses	10,000	
		Land, Easements	25,000	
		Eng - Design / Const	661,500	
		Eng - Insp	226,500	
		Eng - Other	10,000	
		Construction	6,200,000	
		Contingency	650,000	
TOTAL	\$7,848,000	TOTAL	\$7,848,000	
REPAYMENT	Rate Term	1.00% 30 Years	Est. Annual Payment 1st Payment	\$210,973 6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer Bond Counsel	Kentucky Engineering Group Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	Feb-26 Mar-26 Sep-26		
DEBT PER CUSTOMER	Existing Proposed	\$1,543 \$1,453		
OTHER DEBT	See Attached			
RESIDENTIAL RATES	Current	Users 11,257	Avg. Bill \$45.97	(for 4,000 gallons)
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2022	982,210	648,764	333,446	1.5
Audited 2023	1,214,138	589,985	624,153	2.1
Audited 2024	891,091	616,858	274,233	1.4
Projected 2025	793,919	641,262	152,657	1.2
Projected 2026	1,659,690	1,054,389	605,301	1.6
Projected 2027	1,755,865	1,250,799	505,066	1.4
Projected 2028	1,616,027	1,120,956	495,071	1.4
Projected 2029	1,471,993	1,119,786	352,207	1.3

GRAYSON COUNTY WATER DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)

	Audited	Audited	Audited	Projected	Projected	Projected	Projected	Projected
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Balance Sheet								
Assets								
Current Assets	1,084,642	2,968,051	2,604,638	2,335,721	2,527,881	2,768,394	2,867,408	2,937,849
Other Assets	22,276,141	29,430,145	32,529,431	31,691,322	38,882,552	37,949,394	37,008,241	35,952,796
Total	<u>23,360,783</u>	<u>32,398,196</u>	<u>35,134,069</u>	<u>34,027,042</u>	<u>41,410,433</u>	<u>40,717,788</u>	<u>39,875,649</u>	<u>38,890,645</u>
Liabilities & Equity								
Current Liabilities	869,169	955,535	865,076	981,517	1,155,301	1,043,801	1,059,401	1,068,501
Long Term Liabilities	6,880,881	14,325,514	16,935,833	16,384,270	20,723,906	20,113,059	19,488,213	18,855,866
Total Liabilities	<u>7,750,050</u>	<u>15,281,049</u>	<u>17,800,909</u>	<u>17,365,787</u>	<u>21,879,207</u>	<u>21,156,860</u>	<u>20,547,613</u>	<u>19,924,367</u>
Net Assets	<u>15,610,733</u>	<u>17,117,147</u>	<u>17,333,160</u>	<u>16,661,255</u>	<u>19,531,226</u>	<u>19,560,928</u>	<u>19,328,035</u>	<u>18,966,279</u>
Cash Flow								
Revenues	4,093,585	4,512,626	4,725,127	4,725,127	5,709,062	7,639,802	7,639,802	7,639,802
Operating Expenses	3,167,093	3,367,737	3,913,034	4,010,206	4,128,371	5,962,936	6,102,774	6,246,808
Other Income	55,718	69,249	78,998	78,998	78,998	78,998	78,998	78,998
Cash Flow Before Debt Service	<u>982,210</u>	<u>1,214,138</u>	<u>891,091</u>	<u>793,919</u>	<u>1,659,690</u>	<u>1,755,865</u>	<u>1,616,027</u>	<u>1,471,993</u>
Debt Service								
Existing Debt Service	648,764	589,985	616,858	641,262	1,054,389	1,039,826	909,983	908,813
Proposed KIA Loan	0	0	0	0	0	210,973	210,973	210,973
Total Debt Service	<u>648,764</u>	<u>589,985</u>	<u>616,858</u>	<u>641,262</u>	<u>1,054,389</u>	<u>1,250,799</u>	<u>1,120,956</u>	<u>1,119,786</u>
Cash Flow After Debt Service	<u>333,446</u>	<u>624,153</u>	<u>274,233</u>	<u>152,657</u>	<u>605,301</u>	<u>505,066</u>	<u>495,071</u>	<u>352,207</u>
Ratios								
Current Ratio	1.2	3.1	3.0	2.4	2.2	2.7	2.7	2.7
Debt to Equity	0.5	0.9	1.0	1.0	1.1	1.1	1.1	1.1
Days Sales in Accounts Receivable	33.1	37.3	26.4	26.4	26.4	26.4	26.4	26.4
Months Operating Expenses in Unrestricted Cash	0.8	6.9	3.8	3.8	4.0	3.0	3.1	3.2
Debt Coverage Ratio	1.5	2.1	1.4	1.2	1.6	1.4	1.4	1.3

Reviewer: John Brady
Date: December 4, 2025
Loan Number: F26-017S

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND F)
GRAYSON COUNTY WATER DISTRICT, GRAYSON COUNTY
PROJECT REVIEW
WX21085049**

I. PROJECT DESCRIPTION

The Grayson County Water District (GCWD) is requesting a Fund F loan in the amount of \$7,848,000 for the East-West Connector Phase III project. This project includes the purchase of territory from Edmonson County Water District (ECWD) to allow for the eventual shutdown of their Wax Water Treatment Plant (WTP). This purchase contains approximately 130 miles of pipe and 3,500 customer services inside Grayson County. This project will include the construction of approximately 30,000 feet of 10" transmission line from a new connection to the City of Leitchfield Utilities distribution system and extending by way of Bloomington Rd to the intersection of Hwy 259 and Hwy 226 in the Meredith community. There will be an addition of a pump station at the new connection to Leitchfield Utilities. There will be 3 new connections made from GCWD to the ECWD system. One on Wax Road is approximately 2,200 feet of 4" line, along with a new booster pump station. One on Highway 1214 is approximately 1,200 feet of new line and one on Grindstone Rd is approximately 500 feet. There will be a new pump station added near the intersection of Hwy 889 and Twin Coves Rd. This project will also include the rehabilitation of 4 existing water towers. The improvements are necessary to enable the GCWD to purchase and serve the territory inside Grayson County while allowing for the eventual shutdown of the aging Wax WTP.

The GCWD currently serves 10,707 residential customers. They also provide service to 550 commercial, industrial, and other customers.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 65,000
Legal Expenses	10,000
Land, Easements	25,000
Engineering Fees - Design	463,100
Engineering Fees - Construction	198,400
Engineering Fees - Inspection	226,500
Engineering Fees - Other	10,000
Construction	6,200,000
Contingency	650,000
Total	\$ 7,848,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 7,848,000	100%
Total	\$ 7,848,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 7,848,000
Less: Principal Forgiveness	<u>2,784,517</u>
Amortized Loan Amount	\$ 5,063,483
Interest Rate	1.00%
Loan Term (Years)	<u>30</u>
Estimated Annual Debt Service	\$ 195,783
Administrative Fee (0.30%)	<u>15,190</u>
Total Estimated Annual Debt Service	\$ 210,973

V. PROJECT SCHEDULE

Bid Opening:	February 2026
Construction Start:	March 2026
Construction Stop:	September 2026

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current	Proposed
Residential	10,707	3,500
Commercial	457	0
Industrial	<u>93</u>	<u>0</u>
Total	11,257	3,500

B) Rates

	Current	Prior
Date of Last Rate Increase	06/10/23	12/14/21
Minimum (1,500 Gallons)	\$21.02	\$20.37
Next 8,500 Gallons (Per 1,000)	<u>9.98</u>	<u>9.55</u>
Cost for 4,000 gallons	\$45.97	\$44.25
Increase %	3.9%	
Affordability Index (Rate/MHI)	1.1%	1.1%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2019-2023, the Utility's service area population is 16,598 with a Median Household Income (MHI) of \$48,257. The MHI for the Commonwealth is \$62,417. The loan will qualify for a 1.00% interest rate.

VIII. 2025 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - The Drinking Water capitalization grant does not contain a "green" requirement.
- 2) Additional Subsidization – This project qualifies for additional subsidization. Principal forgiveness of 35.5% of the assistance amount, not to exceed \$2,784,517, will be credited to the loan balance.

IX. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended December 31, 2022 through December 31, 2024. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Total revenues increased 15.4% from \$4.09 million in 2022 to \$4.73 million in 2024 due to previous rate increases and system growth. Operating expenses increased 23.6% from \$3.17 million to \$3.91 million during the same period due to a significant increase in purchased water rates and the acquisition of the City of Caneyville's water system. The debt coverage ratio was 1.5, 2.1, and 1.4 in 2022, 2023, and 2024.

The balance sheet reflects a current ratio of 3.0, a debt-to-equity ratio of 1.0, 26.4 days of sales in accounts receivable, and 3.8 months of operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Water revenues will increase 21.2% in 2026 due to a proposed rate increase that is pending PSC approval.
- 2) Water revenues will increase 34% in 2027 due to the addition of 3,500 new customers being acquired from the Edmonson County Water District (ECWD).
- 3) Operating expenses will increase 44% in 2027 due to additional purchased water costs and general operating expenses as part of the ECWD acquisition.

- They will increase 3% in other projected years due to inflation.
- 4) Debt service coverage is 1.4 in 2027 when principal and interest repayments begin.

Based on the pro forma assumptions, the utility shows adequate cash flow to repay the KIA Fund F loan.

The GCWD is regulated by the Public Service Commission (PSC) and will need to apply to the PSC, pursuant to KRS 278.300, for debt authorization for the \$7,848,000 loan and must receive a Certificate of Public Convenience and Necessity, pursuant to KRS 278.020.

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$392,000 total) of the final amount borrowed (prior to principal forgiveness) to be funded annually (\$19,600 yearly) each December 1 for 20 years and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Series 2012A Bonds	\$ 430,000	2052
Series 2012B Bonds	724,500	2052
Series 2018 Bonds	641,500	2057
Series 2020A Bonds	238,000	2060
Series 2020B Bonds	500,000	2060
Series 2021 Bonds	547,000	2062
Series 2025 Bonds	5,619,000	2065
KRWA Note	400,000	2027
KRWA Note	890,000	2038
KRWA Note	1,750,000	2034
Series 2021 Bonds (Caneyville)	787,500	2062
KIA Loan F22-002 (i.a.o. \$6,231,000)		TBD
Total	\$12,527,500	

XI. CONTACTS

Legal Applicant

Entity Name	Grayson County Water District
Authorized Official	Nancy Cain (Chairman)
County	Grayson
Email	gcwd@graysonwater.com
Phone	(270) 259-2917
Address	21 Shull White Rd Leitchfield, KY 42754

Applicant Contact

Name	Jeremy Woosley
Organization	Grayson County Water District
Email	jwoosley@graysonwater.com
Phone	(270) 259-2917
Address	21 Shull White Rd Leitchfield, KY 42754

Project Administrator

Name	Adam Scott
Organization	Inegrated Water Management Systems
Email	integratedwaterky@gmail.com
Phone	(502) 320-3782
Address	PO Box 917 Frankfort, KY 40602

Consulting Engineer

PE Name	Jim Thompson
Firm Name	Kentucky Engineering Group
Email	jthompson@kyengr.com
Phone	(859) 251-4127
Address	101 High St Versailles, KY 40383

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions.

ATTACHMENT C

Forms

Grayson County Water District
F26-017S

SRF LOAN CONDITIONS CHECKLIST

Congratulations on receiving a conditional commitment of funding from the State Revolving Fund (SRF) Program. Borrowers will now be assigned a Compliance Analyst to help guide them through the rest of the loan process based on which Area Development District (ADD) they are located. Please submit all documents to one of the following contacts:

- Julie Bickers (Julie.Bickers@ky.gov, 502-892-3455): Purchase, Pennyrite, Green River, Barren River, Lake Cumberland.
- Debbie Landrum (Debbie.Landrum@ky.gov, 502-892-3454): Lincoln Trail, KIPDA, Northern KY, Bluegrass.
- Robert Aldridge (RobertV.Aldridge@ky.gov, 502-892-3170): Buffalo Trace, Gateway, FIVCO, Big Sandy, KY River, Cumberland Valley

After all of the conditions of the Conditional Commitment Letter have been fulfilled, KIA will initiate the Assistance Agreement with the borrower. The Assistance Agreement must be fully executed before any funds may be disbursed. The following is a list of items needed to process your loan (forms can be found here <https://kia.ky.gov/FinancialAssistance/Pages/Forms.aspx>):

Before bid opening, submit the following items to the designated Compliance Analyst/DOW Contact:

Submit To:		
KIA	☐	Conditional Commitment Letter (this letter is sent to the borrower via email shortly following KIA board approval and is to be signed by the authorizing official);
USBANK	☐	Authorization for Electronic Deposit/Debit of Borrower Disbursements/ Payment (these forms are attached to the loan commitment letter sent after KIA board approval and are to be signed by the authorizing official and forwarded directly to US Bank)
KIA	☐	Transparency Form (this form is attached to the loan commitment letter sent after KIA board approval)
DOW	☐	Fiscal Sustainability Plan Certification and Cost and Effectiveness Certification (required for "A" loans only, prior to plans approval)
DOW	☐	Environmental review (Kentucky Division of Water will review and is required prior to plans approval. KIA will need copy of approval letter)
DOW	☐	Plans and specifications (Kentucky Division of Water will review and KIA will need copy of approval letter)
KIA	☐	Proof of compliance with any special condition identified in the Conditional Commitment Letter (e.g. adopted ordinance)

After the project has opened bids, please submit the following items to the designated Compliance Analyst/DOW Contact. It is imperative that the remaining standard conditions are fulfilled by the deadlines set forth in the Conditional Commitment Letter.

Submit To:		
DOW	☐	Authority to Award (ATA) Package , the Kentucky Division of Water will review and forward approval to KIA.
DOW	☐	Davis-Bacon prevailing wage rates , the Kentucky Division of Water will review and forward approval to KIA.
KIA	☐	Procurement and Wage Certification (KIA sends to borrower after bid opening.)
KIA	☐	Certification of obtainable revenue projections (KIA sends to borrower after bid opening.)
DOW	☐	Certification of clear site (DOW will forward to KIA.)
	☐	Plans and specifications approval from the Kentucky Division of Water (DOW will send approval to KIA.)
KIA	☐	Public Service Commission (PSC) approval , (CPCN and Authorization to Incur Debt) if applicable.

EZ VENDOR REGISTRATION APPLICATION

A Vendor Number must be obtained on-line through the Kentucky Cabinet for Finance and Administration. This Vendor Number is *required for Grantee to receive payments from the Authority.*

[Vendor Registration Guide](#)

[Link to the Vendor Self Service Site](#)

The Grantee's Vendor Number is _____.

Project Administrator: _____

Grant/Loan Number: _____

TRANSPARENCY ACT REPORTING INFORMATION FORM

CLEAN WATER STATE REVOLVING FUND AND DRINKING WATER STATE REVOLVING FUND

This form is required for projects funded in whole or in part from the Clean Water State Revolving Fund or the Drinking Water State Revolving Fund. This form is to be completed and returned with the signed Conditional Commitment Letter from the Kentucky Infrastructure Authority.

Borrower Information:

Name:	
Unique Entity ID (generated by SAM.gov)*:	
KIA Loan Number:	
Street Address	
City, State and Zip (Zip must include 4 digit extension)	
Federal Congressional District(s) of Borrower Utility Service Area:	

*If the Unique Entity ID provided above is registered under a different name than the recipient of funding, please provide the registration name below:

Unique Entity ID Name	
-----------------------	--

*If the recipient has not yet obtained a Unique Entity ID, please do so no later than 30 days after the KIA Board approval date of your loan request and provide notification to KIA of the number once issued.

Physical Location of Project (Primary Place of Performance)

Street Address	
City, State and Zip (Zip must include 4 digit extension)	
Federal Congressional District(s) of Project Location	

Reliance upon Federal Assistance (please answer the below questions Yes or No):

Did recipient receive 80% or more of its annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards) during the last fiscal year?	
Did recipient receive \$25 million or more in annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards) during the last fiscal year?	
Does the public have access to compensation of senior executives of the recipient through periodic reports filed under Section 13A or 15D of the Securities Exchange Act of 1934 or Section 6104 of the Internal Revenue Code of 1986?	

Unique Entity ID Registration Information: <https://sam.gov>

KIA Loan # _____

ACH DEBIT AUTHORIZATION FORM

**AUTHORIZATION AGREEMENT FOR PRE-ARRANGED PAYMENTS
(DEBITS)**

The undersigned hereby authorizes U.S. Bank National Association Corporate Trust Department (“U.S. Bank”) to initiate debit entries to the Checking ☐ Savings ☐ (specify type) account indicated below at the bank named below:

BANK NAME _____ BRANCH _____
CITY _____ STATE _____ ZIP CODE _____
BANK TRANSIT/ABA NO. _____ ACCOUNT NO. _____

This authority is to remain in full force and effect until U.S. Bank has received written notification from the undersigned of its termination in such time and in such manner as to afford U.S. Bank a reasonable opportunity to act. The undersigned has the right to stop payment of a debit entry by reasonable prior written notification to U.S. Bank. After the above account has been charged, the undersigned has the right to have the amount of any erroneous debit immediately credited to its account by U.S. Bank up to 30 days following issuance of a statement.

NAME OF ENTITY: _____
ADDRESS _____
TAX IDENTIFICATION NUMBER: _____

By _____ Dated _____
Authorized Signer

Send to: U.S. Bank via Email

KentuckyInfrastructureAuth@usbank.com

**AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
KIA Loan # _____**

Borrower Information:

Name: _____

Address: _____

City: _____ **State:** KY **Zip:** _____

Federal I.D. #: _____ **Telephone:** _____

Contact Name: _____

Email: _____

Financial Institution Information:

Bank Name: _____

Branch: _____ **Telephone:** _____

City: _____ **State:** KY **Zip:** _____

Transit / ABA No: _____

Account Name: _____

Account Number: _____

I, the undersigned, authorize payments directly to the account indicated above and to correct any errors which may occur from the transactions. I also authorize the Financial Institution to post these transactions to that account.

Signature: _____ **Date:** _____

Name Printed: _____ **Job Title:** _____

Send to: U.S. Bank via Email

KentuckyInfrastructureAuth@usbank.com

COMPLETE AFTER BID OPENING

**STATEMENT OF APPROVAL
OF PROJECTIONS OF REVENUE AND EXPENSES**

Borrower Name: _____

Loan No.: _____

I hereby certify that the revenue projections in the attached descriptions are still obtainable and that projections of operating expenses have not materially changed based on the “as-bid” budget submitted for the Project.

Signed: _____

Borrower

Date

SAMPLE LETTER

[Letterhead of Counsel for Water Utility]

[Date]

Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

RE: SRF Loan#
City of xxxxx

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to the XXXXXXXXXXXXX, hereinafter referred to as the "Water Utility ". I am familiar with the organization and existence of the Water Utility and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the water project (the "Project") with respect to which the funding commitment by and between the Kentucky Infrastructure Authority ("Authority") and the Water Utility.

I have reviewed the commitment letter by and between the Authority and the Water Utility and the documentation regarding wage rates and procurement with respect to the Project.

Based upon my review I am of the opinion that:

The Water Utility has prepared construction specifications in accordance with all applicable federal wage rate laws and that the procurement procedures including those for construction, land, equipment and professional services that are a part of the project are in compliance with all applicable federal, state and local procurement laws.

Respectfully,

EXHIBIT B

Attached to filing as Excel Spreadsheet

EXHIBIT C



REGION 4

ATLANTA, GA 30303

ELECTRONIC MAIL

CONFIRMATION OF EMAIL RECEIPT REQUESTED

Kevin Shaw
General Manager
Edmonson County Water District
1128 Highway 259 North
Brownsville, Kentucky 42210
kevin.shaw@ecwdwater.com

Re: Notice of Noncompliance and Concerns Pursuant to Section 1414(a)(1)(a) and Request for Information Pursuant to Section 1445(a)(1) of the Safe Drinking Water Act, 42 U.S.C. §§ 300g-3(a)(1)(A) and 300j-4(a)(1), Edmonson County Water District Public Water System in Brownsville, Edmonson County, Kentucky. PWS ID Number: KY0310114. Docket Number: SDWA-1445-2025-07

Dear Kevin Shaw:

The U.S. Environmental Protection Agency is responsible for assuring public water systems (PWS) provide safe drinking water in accordance with the Safe Drinking Water Act (SDWA), 42 U.S.C. § 300f et seq., and the regulations promulgated thereunder. According to the information in the EPA's Safe Drinking Water Information System, the Edmonson County Water District Public Water System serves a population of approximately 17,848 with 14,200 service connections. Pursuant to Section 1401(15) of the SDWA, 42 U.S.C. § 300f (15), it is therefore a community water system.

A community water system is subject to the requirements of the National Primary Drinking Water Regulations, 40 C.F.R. Part 141, and the Kentucky Primary Drinking Water Regulations, promulgated pursuant to promulgated pursuant to the Kentucky Administrative Regulations, Title 401, Ch. 8 (401 KAR 8). Pursuant to SDWA Section 1413, 42 U.S.C. § 300g-2, the Kentucky Energy and Environment Cabinet's Department of Environmental Protection (KDEP) is the primary agency responsible for implementing and enforcing the Public Water Supply Supervision Program for Kentucky. See 401 KAR 8:010.

Although the KDEP administers the Public Water Supply Supervision Program for Kentucky pursuant to Section 1413 of the SDWA, the EPA retained primary enforcement authority over Section 1433 of the SDWA. See 42 U.S.C. § 300g-3(g)(1) (granting the EPA administrative enforcement authority over “applicable requirements,” as defined at Section 1414(i), 42 U.S.C. § 300g-3(i)).

On March 12-13, 2025, a Drinking Water Inspection (Inspection) was conducted by the EPA, Region 4 Drinking Water Enforcement Section. An Inspection Report based on the findings of the Inspection was provided to the System on April 15, 2025. A copy of this Inspection Report was also provided to the KDEP.

Notice of Noncompliance

Based on information observed during the Inspection, the EPA alleges that the System is in noncompliance with the SDWA, the National Primary Drinking Water Regulations, and the Kentucky Primary Drinking Water Regulations, as described below:

1. Pursuant to SDWA Section 1433(a)(1)(A), 42 U.S.C. § 300i-2(a), community water systems serving more than 3,300 persons must conduct a Risk and Resilience Assessment (RRA) of its system. The RRA shall include:
 - a. an assessment of the risk to the system from malevolent acts and natural hazards;
 - b. the resilience of the pipes and constructed conveyances, physical barriers, source water, water collection and intake, pretreatment, treatment, storage and distribution facilities, electronic, computer, or other automated systems (including the security of such systems) which are utilized by the system;
 - c. the monitoring practices of the system; the financial infrastructure of the system; the use, storage, or handling of various chemicals by the system; and
 - d. the operation and maintenance of the system.

At the time of the inspection, the RRA provided by the System did not assess any of the required elements of the RRA.

Therefore, the System is in noncompliance with SDWA Section 1433(a)(1)(A), 42 U.S.C. § 300i-2(a), for failure to produce a Risk and Resilience Assessment that contains the required elements.

2. Pursuant to SDWA Section 1433(b), 42 U.S.C. § 300i-2(b), community water systems serving more than 3,300 persons, must prepare or revise, where necessary, an emergency response plan (ERP) that incorporates the findings of the RRA no later than six months after certifying completion of its RRA. The ERP shall include:
 - a. strategies and resources to improve the resilience of the system, including the physical security and cybersecurity of the system;

- b. plans and procedures that can be implemented, and identification of equipment that can be utilized, in the event of a malevolent act or natural hazard that threatens the ability of the community water system to deliver safe drinking water;
- c. actions, procedures and equipment which can obviate or significantly lessen the impact of a malevolent act or natural hazard on the public health and the safety and supply of drinking water provided to communities and individuals, including the development of alternative source water options, relocation of water intakes and construction of flood protection barriers; and
- d. strategies that can be used to aid in the detection of malevolent acts or natural hazards that threaten the security or resilience of the system.

At the time of the inspection, the ERP provided by the System did not include any of the required elements of the ERP.

Therefore, the System is in noncompliance with SDWA Section 1433(b), 42 U.S.C. § 300i-2(b), for failure to produce an Emergency Response Plan that contains the required elements.

3. Pursuant to 401 KAR 8:020. Section 3(17), chemical additives and protective materials, such as paints and linings, may be used by a water system if they meet the requirements established in the *Recommended Standards for Water Works, 2012 Edition, A Report of the Water Supply Committee of the Great Lakes-Upper Mississippi River Board of State Public Health and Environmental Managers' Recommended Standards for Water Works, 2012* (Recommended Standards for Water Works).

Pursuant to the Recommended Standards for Water Works- 5.1.9.d.2., liquid chemical storage tanks shall have an overflow and a receiving basin capable of receiving accidental spills or overflows without uncontrolled discharge; a common receiving basin may be provided for each group of compatible chemicals, which provides sufficient containment volume to prevent accidental discharge in the event of failure of the largest tank.

At the time of the Inspection, EPA inspectors observed chemical storage at Plant A and Plant B that lacked secondary containment measures.

Therefore, the System is in noncompliance with 401 KAR 8:020. Section 3(17) for failure to provide a receiving basin for the chlorine bulk storage capable of receiving accidental spills or overflows without uncontrolled discharged, as required in the Recommended Standards for Water Works.

4. Pursuant to 401 KAR 8:020. Section 3(17), chemical additives and protective materials, such as paints and linings, may be used by a water system if they meet the requirements established in the *Recommended Standards for Water Works, 2012 Edition, A Report of the Water Supply Committee of the Great Lakes-Upper Mississippi River Board of State Public Health and Environmental Managers' Recommended Standards for Water Works, 2012* (Recommended Standards for Water Works).

Pursuant to Recommended Standards for Water Works- 5.0.3.d., general feed equipment design shall be such that chemicals that are incompatible are not stored or handled together. At the time of the Inspection, EPA inspectors observed incompatible chemicals being stored in close proximity to one another at Plant B.

Therefore, the System is in noncompliance with 401 KAR 8:020. Section 3(17) for storing incompatible chemicals together.

5. Pursuant to 401 KAR 8:020 Section 3(6), the owner or operator of a public water system shall operate and maintain the facilities and systems of treatment, intake, and distribution to comply with the provisions of 401 KAR Chapter 8 including effective performance and preventative maintenance.

At the time of the Inspection, System staff stated that the filter media at Plant A had not been replaced in at least 30 years. Typical filter media life is between 15 and 20 years.

Therefore, the System is in noncompliance with 401 KAR 8:020 Section 3(6) for failure to maintain the treatment facilities to ensure effective performance.

6. Pursuant to 401 KAR 8:020 Section 3(6), the owner or operator of a public water system shall operate and maintain the facilities and systems of treatment, intake, and distribution to comply with the provisions of 401 KAR Chapter 8 including effective performance and preventative maintenance.

At the time of Inspection, EPA inspectors observed deterioration of the storage tanks at the following facilities:

- a. Perry 1 and Perry 2 storage tanks:
 - i. Cracking, spalling, and vegetative growth on concrete pad.
 - ii. Mildew and paint thinning on exterior of tanks.
- b. 101 storage tank:
 - i. Erosion around the riser footing.
- c. Peonia 1 and Peonia 2 storage tanks:
 - i. Corrosion, paint thinning, and vegetative growth on the exterior of the tanks.
- d. 88 storage tank:
 - i. Cracking, spalling, and vegetative growth on concrete pad.
- e. Howell storage tank:
 - i. Erosion around the riser footing.
- f. Plant A ground storage clearwell:
 - i. Cracking in the exterior of tank.
- g. Plant B ground storage clearwells:
 - i. Algal and vegetative growth around the base of the clearwells.

EPA inspectors observed corrosion at the following facilities:

- a. Plant B filter walls,
- b. Forks booster pump station, and
- c. Fairview booster pump station.

EPA inspectors also observed a leak from a water valve outside of the Fairview booster pump station.

Therefore, the System is in noncompliance with 401 KAR 8:020 Section 3(6) for failure to maintain the distribution facilities.

7. Pursuant to 401 KAR 8:020 Section 3(13), each community water system shall establish and maintain a flushing program that ensures that:
 - i. dead end and low usage mains shall be flushed periodically;
 - ii. drinking water standards shall be met;
 - iii. sediment and air shall be remove; and
 - iv. disinfectant residuals established in 401 KAR 8:150, Section 1 shall be maintained.

At the time of the Inspection, System staff stated that a flushing program has not been established.

Therefore, the System is in noncompliance with 401 KAR 8:020 Section 3(13) for failure to establish and maintain a flushing program that meets State requirements.

Notice of Concerns

During the March 2025 Inspection, the EPA identified several areas of concern. An area of concern may include a defect in design, operation, and/or maintenance; or a failure or malfunction of the sources, treatment, storage, and/or distribution system that is causing, or has the potential for causing, the introduction of contamination into the water delivered to consumers.

The following areas of concern were noted in the Inspection Report, which the EPA recommends the System take immediate action to address:

1. At the time of the Inspection, the chlorine alarm at Plant A was nonfunctional.

It is recommended that alarms are installed and functional to notify System staff of an accidental release of chlorine gas.

2. At the time of Inspection, EPA inspectors observed no locking mechanism on the clearwell hatch in Plant A.

It is recommended that a lock be installed on the clearwell hatch to prevent any unauthorized access to the finished water.

3. At the time of the Inspection, EPA inspectors observed storage tanks without locked ladder guards at the following locations:

- a. Perry 2 storage tank,
- b. Howell storage tank, and
- c. Peonia 1 storage tank.

It is recommended that locked ladder guards be installed on all storage tanks with exterior ladders to prevent any unauthorized access to the finished water.

4. At the time of the Inspection, System staff was not noting the name of the person performing laboratory analysis at the in-plant laboratories.

It is recommended that the name of the staff member performing the analysis be listed for quality control purposes.

5. At the time of the Inspection, EPA inspectors observed a lack of adequate site security at the following sites:

- a. Perry 1 and Perry 2 storage tanks,
- b. Rhoda booster pump station,
- c. Peonia 1 and Peonia 2 storage tanks,
- d. Nolin Estates storage tank, and
- e. River Hill storage tank.

It is recommended that every facility and asset have adequate site security to prevent any unauthorized access to the finished water.

6. At the time of the Inspection, EPA inspectors observed storage tank overflows that lacked size-24 mesh at the following locations:

- a. 101 storage tank,
- b. Perry 1 and Perry 2 storage tanks,
- c. River Hill storage tank,
- d. Peonia 2 storage tank,
- e. Lindseyville storage tank,
- f. 88 storage tank,
- g. Howell storage tank,
- h. Nolin Estates storage tank, and
- i. Plant B clearwell overflows.

It is recommended that the System install non-corrosive 24-mesh on all tank overflows to ensure that finished water is safeguarded against contamination by insects.

7. At the time of the Inspection, EPA inspectors observed vegetation in the vertical plane at Perry 2 storage tank and River Hill storage tank.

It is recommended that the System trim tree limbs and other vegetation growing in the storage tank site, as they can potentially damage the structure and provide a route for unauthorized access to the storage tanks.

8. At the time of the Inspection, the high service pumps at Plant B did not have guards protecting the rotating shaft of the vertical pump head.

It is recommended that the System install guards on the pump head to protect System personnel from injury from the rotating shaft.

9. At the time of the Inspection, EPA inspectors observed a leak from an abandoned spigot at Plant B.

It is recommended that the System repair the leak from the spigot to maintain a clean and safe work area for System personnel.

10. At the time of the Inspection, the overflow at Nolin Estates storage tank did not terminate 12 to 24 inches above the ground surface.

It is recommended that the system install an overflow pipe that terminates 12 to 24 inches above the ground over a drainage inlet structure or splash plate, as stated in the Recommended Standards for Water Works.

11. At the time of the Inspection, EPA inspectors observed threaded taps with hoses attached at Plant B.

It is recommended that threaded taps be replaced, or backflow prevention devices be added, to mitigate the risk of cross-connections.

Consistent with Section 1414(a)(1)(A) of the SDWA, 42 U.S.C. § 300g-3(a)(1)(A), the EPA is hereby notifying the System of the noncompliance it observed during its Inspection. This Notice of Noncompliance shall not be construed as a final agency action subject to judicial review under Section 1414(g) of the SDWA, 42 U.S.C. § 300g-3(g). The EPA reserves its rights to take any appropriate enforcement action, which may include issuance of administrative compliance orders under Section 1414(g) of the SDWA, 42 U.S.C. § 300g-3(g) or commencement of civil judicial actions under Section 1414(b) of the SDWA, 42 U.S.C. § 300g-3(b).

Request for Information

Section 1445(a)(1) of the SDWA, 42 U.S.C. § 300j-4(a)(1), and 40 C.F.R. § 141.31 authorize the EPA to require the submittal of information to determine whether a public water system is in compliance with federal drinking water regulations. Pursuant to this authority, the EPA hereby requests that the System

provide the EPA with documentation of any actions that the System has taken to address each instance of noncompliance alleged herein within 14 calendar days of receipt of this letter. Such documentation may include, but need not be limited to, contracts, scopes of work, additional capital improvement project plans and/or evidence of actions taken to address these observations.

The EPA encourages the submission of this information in electronic format to Whitney Buehler at buehler.whitney@epa.gov. If portions are too large or responsive documents are unavailable in electronic format, please notify Whitney Buehler in your electronic submission that additional information needs to be sent and to make arrangements for an alternative submission method.

Please be advised that, under Section 1445(c) of the SDWA, 42 U.S.C. § 300j-4(c), as amended by 40 C.F.R. § 19.4, Table 1 (Adjustment of Civil Monetary Penalties for Inflation), failure to provide the information required by this letter may result in a civil penalty of up to \$71,545. In addition, under SDWA Section 1414(g), 42 U.S.C. § 300g-3(g), failure to provide the information required by this letter may result in an order requiring compliance. Violation of such order may lead to sanctions under SDWA Section 1414, 42 U.S.C. § 300g-3(g)(3)(A) and 40 C.F.R. § 19.4, Table 1, which may include penalties of up to \$71,545 per day of violation. The information provided in response to this letter may be used by the United States in any enforcement proceeding related to this matter.

The System may, if it so desires, assert a confidential business information (CBI) claim covering any, or all, the information furnished to the EPA in response to this letter. Every CBI claim must be made in a manner described in 40 C.F.R. § 2.203 and must be fully substantiated with documentary evidence which shows how the claim meets every criterion listed in 40 C.F.R. §§ 2.208 and 2.304. If no CBI claim accompanies the System's information when it is received by the EPA, it may be made available to the public by the EPA without further notice to the PWS. Further details, including how to make a business confidentiality claim, are included in Enclosure A.

Consistent with Sections 1414(a)(1) and 1445(a)(1)(B) of the SDWA, 42 U.S.C. §§ 300g-3(a)(1) and 300j-4(a)(1)(B), the EPA is also providing a copy of this Notice and Request for information to KDEP.

If you have any questions, please contact Whitney Buehler, Drinking Water Enforcement Officer, at buehler.whitney@epa.gov or (404) 562-9739. For legal inquiries, please have your attorney(s) contact Tyler Sniff, Associate Regional Counsel, at sniff.tyler@epa.gov or (404) 562-9499.

Sincerely,

Keriema S. Newman
Director
Enforcement and Compliance Assurance Division

cc: Steffan Meredith
Treatment Plant Supervisor, Edmonson County Water District
s.meredith@ecwdwater.com

Bruce Hatcher
Environmental Control Supervisor, Kentucky Division of Water
bruce.hatcher@ky.gov

Justin Spears
Environmental Scientist, Kentucky Division of Water
Justin.spears@ky.gov

ENCLOSURE A

RIGHT TO ASSERT BUSINESS CONFIDENTIALITY CLAIMS

(40 C.F.R. Part 2)

Except for information which deals with the existence, absence, or level of contaminants in drinking water, you may, if you desire, assert a business confidentiality claim as to any or all of the information that the EPA is requesting from you. Applicable EPA regulations relating to business confidentiality claims are at 40 C.F.R. Part 2 and 40 C.F.R. § 2.304(e).

If you assert such a claim for the requested information, the EPA will only disclose the information to the extent and under the procedures set out in the cited regulations. If no business confidentiality claim accompanies the information, the EPA may make the information available to the public without any further notice to you.

40 C.F.R. § 2.203(b). **Method and time of asserting business confidentiality claim.** A business which is submitting information to the EPA may assert a business confidentiality claim covering the information by placing on (or attaching to) the information, at the time it is submitted to the EPA, a cover sheet, stamped or typed legend, or other suitable form of notice employing language such as “trade secret,” “proprietary,” or “company confidential.” Allegedly confidential portions of otherwise non-confidential documents should be clearly identified by the business and may be submitted separately to facilitate identification and handling by the EPA. If the business desires confidential treatment only until a certain date or until the occurrence of a certain event, the notice should so state.

EXHIBIT D

RESOLUTION No. 2026-07-01

RESOLUTION OF THE GRAYSON COUNTY WATER DISTRICT APPROVING THE FIRST AMENDMENT TO THE OPERATING AGREEMENT WITH EDMONSON COUNTY WATER DISTRICT DATED MAY 29, 2025; AND AUTHORIZING THE CHAIRMAN TO EXECUTE THE FIRST AMENDMENT TO THE OPERATING AGREEMENT

WHEREAS, Grayson County Water District (“Grayson”) and Edmonson County Water District (“Edmonson”), collectively the “Parties,” entered into an Operating Agreement on May 29, 2025, (the “Operating Agreement”) wherein Grayson agreed to manage, operate, repair, and maintain the portion of Edmonson’s distribution system that lies within Grayson County (the “Grayson County System”);

WHEREAS, the Operating Agreement was executed in anticipation of a transfer of ownership of Edmonson’s Grayson County System from Edmonson to Grayson County;

WHEREAS, pursuant to paragraph 6 of the Operating Agreement, the Operating Agreement will expire on September 30, 2026 if the transfer of ownership has not occurred unless the Parties agree to extend the Operating Agreement;

WHEREAS, the Closing of the transfer of ownership cannot take place before September 30, 2026; and

WHEREAS, the Parties desire to extend the term of the Operating Agreement until Closing takes place or until December 31, 2027, whichever first occurs.

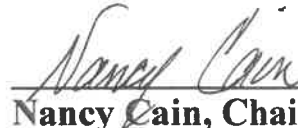
NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE GRAYSON COUNTY WATER DISTRICT AS FOLLOWS:

Section 1. The facts, recitals, and statements contained in the foregoing preamble of this Resolution are true and correct and are hereby affirmed and incorporated as a part of this Resolution.

Section 2. The First Amendment to the Operating Agreement, in substantially the form submitted to Grayson County with such minor modifications as the Chairman may subsequently approve, as evidenced by his signature thereon, is hereby approved, and the Chairman is authorized and directed to execute and deliver the First Amendment to the Operating Agreement for and on behalf of the District.

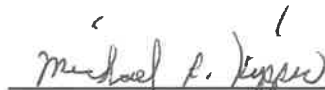
Section 3. This Resolution shall take effect upon its adoption.

Adopted by the Board of Commissioners of Grayson County Water District at a meeting held on July 27, 2026, signed by the Chairman, and attested by the Secretary.



Nancy Cain, Chairman

ATTEST:

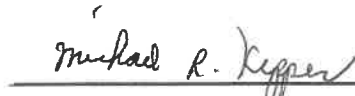


Michael Kipper, Secretary

CERTIFICATION

The undersigned Secretary of Grayson County Water District (the “District”) does hereby certify that the foregoing is a true copy of a Resolution duly adopted by the District’s Board of Commissioners at a meeting properly held on July 27, 2026, signed by the Chairman of the Board of Commissioners, attested by the Secretary of the Board of Commissioners, and now in full force and effect.

WITNESS my hand this 27th day of July 2026.



Michael Kipper, Secretary

EXHIBIT E

FIRST AMENDMENT TO OPERATING AGREEMENT

This First Amendment to Operating Agreement is made as of **August 1, 2026**, by and between the **EDMONSON COUNTY WATER DISTRICT** ("Edmonson") and the **GRAYSON COUNTY WATER DISTRICT** ("Grayson").

WHEREAS, the Parties entered into that certain Operating Agreement dated May 29, 2025 (the "Operating Agreement") and now desire to amend it as set forth below.

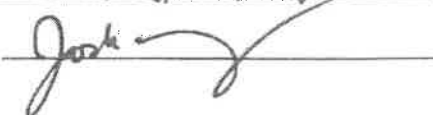
NOW, THEREFORE, for good and valuable consideration, the Parties agree as follows:

1. **Term.** The final proviso of Paragraph 6 (Term) is deleted and replaced with: "and PROVIDED FURTHER, this Operating Agreement shall expire on the earlier of (a) the Closing or (b) December 31, 2027, unless the Parties agree to extend it or negotiate a new Operating Agreement."
2. **No Other Changes.** Except as amended herein, the Operating Agreement remains in full force and effect. Capitalized terms not defined herein have the meanings given in the Operating Agreement.

IN TESTIMONY WHEREOF, the Parties have executed this Amendment as of the date first written above.

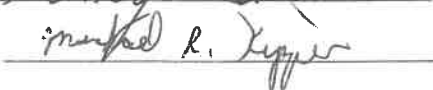
EDMONSON COUNTY WATER DISTRICT

By:  Darren Dennison, Chairman

Attest:  Josh Brooks, Secretary

GRAYSON COUNTY WATER DISTRICT

By:  Nancy Cain, Chairman

Attest:  Michael Kipper, Secretary