

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC ALLEGED FAILURE)	
OF NICHOLAS COUNTY WATER)	
DISTRICT, AND ITS INDIVIDUAL)	
COMMISSIONERS SILAS)	CASE NO.
CLEAVER, PHILLIP MCDONALD,)	2025-00349
DAVID TINCER, DEBBIE)	
HIGGINBOTHAM, WENDY)	
SPARKS, AND MANAGER TARA)	
DUNCAN TO COMPLY WITH KRS)	
278.140, 807 KAR 5:006, SECTION)	
4(1), 807 KAR 5:006, SECTION 4(2),)	
807 KAR 5:006, SECTION 4(3))	

**RESPONSES OF NICHOLAS COUNTY WATER DISTRICT;
INDIVIDUALLY NAMED COMMISSIONERS SILAS CLEAVER, III,
PHILLIP MCDONALD, AND DAVID TINCER; AND MANAGER,
TARA GEORGE**

By and through the undersigned counsel and in accordance with the Public Service Commission's Order of December 11, 2025, in the above-captioned proceeding, Nicholas County Water District ("Nicholas District" or the "District") and the above-named individuals respectfully submit these Responses to the allegations set forth in the Order initiating this proceeding.

Response of Nicholas District

In response to the allegations contained in the Commission's December 11, 2025 Order Nicholas District states the following:

1. Nicholas District's current Manager is Tara George, who was formerly known as Tara Duncan.
2. Ms. Debbie Higginbotham no longer serves on Nicholas District's Board of Commissioners. Therefore, Nicholas District requests that Debbie Higginbotham be dismissed from this proceeding.
3. Ms. Wendy Sparks no longer serves on Nicholas District's Board of Commissioners. Therefore, Nicholas District requests that Wendy Sparks be dismissed from this proceeding.
4. Nicholas District's current Board members are: Chairman, Silas Cleaver, III, who has served on the Board since 2014; Secretary, Phillip McDonald, who has served on the Board since 2015; Commissioner, David Tincher, who has served on the board since 2018; Commissioner, Kenton Holbrook, who was appointed to the Board in 2023; and Commissioner, Justin Massey, who was appointed to the Board in June of 2025.
5. Nicholas District acknowledges that it failed to file its 2024 Report of Gross Annual Operating Revenue by the regulatory deadline of March 31, 2025.¹

¹ 807 KAR 5:006, Section 4(1)(a) establishes March 31st of each year as the deadline to file a Gross Annual Operating Revenue Report for the previous year's revenues.

The 2024 Report of Gross Annual Operating Revenue was filed on December 17, 2025.

6. Nicholas District acknowledges that it failed to file its Annual Financial and Statistical Reports (“Annual Reports”) for 2022, 2023 and 2024 by March 31st following the year ending December 31st, as required by 807 KAR 5:006, Section 4(2)(a). The 2022 Annual Report was initially filed in July 2024 and was amended on December 22, 2025, following completion of the 2022 audit. The auditor who is preparing the 2023 and 2024 Annual Reports has assured Nicholas District that the 2023 Annual Report will be filed with the Commission by the end of January 2026, at which time work on the 2024 Annual Report will begin.

7. Nicholas District acknowledges that it failed to file its 2022, 2023, and 2024 Audit Reports by the regulatory deadline of September 30th each year.² The 2022 Audit Report was filed on December 22, 2025. The auditor performing the 2023 and 2024 audits has assured Nicholas District that work on the 2023 and 2024 audits will begin after the 2023 and 2024 Annual Reports are filed with the Commission.

8. The auditor who had provided services to Nicholas District since 2016 retired due to health reasons, leaving Nicholas District without an auditor in 2019. The District secured the services of RFH, Consultants (“RFH”) to perform the

² 807 KAR 5:006, Section 4(3) establishes September 30th as the deadline to file an audited financial statement for the previous year.

District's audits and file its annual reports. RFH conducted the District's 2019 and 2020 audits. However, RFH informed the District following its 2020 audit that it would be unable to continue providing services to the District as it was scaling back its operations.

9. Once again, the District had to begin searching for a new firm to provide audit services. At this point the District struggled to find another auditing firm, and it took quite a while to secure the services of Kerbaugh, Rhodes, & Butler, PLLC, the firm that is currently performing the District's audits and filing its annual reports with the Commission.

10. In April 2023, The District's former Office Manager and Office Assistant resigned, leaving the District's bookkeeping in disarray. The auditor tasked with completing the 2021 and 2022 audits had to spend considerable time straightening out the books so that the audits could be conducted. This was time that should have been devoted to catching up the reporting that was delinquent, but because of the condition of the District's filing system, extra time had to be devoted to setting things in proper order by rectifying bookkeeping mistakes and completing incomplete entries.

11. Nicholas District acknowledges that the root of the current problem lies with its lack of oversight of its former Office Manager. This is something the District deeply regrets.

12. Nicholas District also acknowledges that it should have been more demanding of its auditing firm and made the firm more aware of the applicable regulatory deadlines and the importance of meeting them.

Response of Manager, Tara George

Tara George, Manager of Nicholas District, adopts and restates paragraphs one (1) through twelve (12) of Nicholas District's Response. In addition, Tara George states:

1. I have been employed by Nicholas County Water District since June 2023.
2. At the time I accepted the position as Manager, the former manager had already resigned, so there was no one available to provide training or instruction concerning certain regulatory matters.
3. During this time of transition, the District missed the deadlines for filing several reports. To make matters worse the District had to initiate a search for an auditor due to RFH informing the District it could no longer provide these services.
4. Once the services of a new auditing firm were secured I supplied all of the information requested by the auditor and trusted that the reports would be completed and filed as quickly as possible.
5. It was never my intention to fall short of the regulatory requirements, and I take my responsibility to the District very seriously.
6. Once Nicholas District has "caught up" its required filings as it is endeavoring to do, I believe the District will be able to meet future deadlines. I will certainly be proactive

in informing anyone performing services for the District about the deadlines for various reports.

**Response of Silas Cleaver, III
Chairman, Board of Commissioners**

Silas Cleaver, III, Chairman of the Board of Commissioners of Nicholas District, adopts and restates paragraphs one (1) through twelve (12) of Nicholas District's Response. In addition, Silas Cleaver states the following:

1. Following the announcement of the District's previous auditing firm that it would no longer be able to provide services to the District, the District began searching for a new auditing firm and hired Kerbaugh, Rodes & Butler, PLLC of Danville, Kentucky.

2. I spoke with the accountant assigned to perform the District's audits before every Board meeting to get an update on the 2021 audit. I felt once the 2021 audit was complete, that things were under control. I expected work to continue at a fairly quick pace.

3. I regret that I did not fully realize how slowly work on the audits was progressing. The District received a draft version of the 2022 audit in August of 2025 and reviewed it at the August 26, 2025 Board meeting.

4. The Board did not want to annoy the auditor's office with continued calls and requests for updates, but given the slow progress, I believe we could have done more to convey a sense of urgency in getting the work accomplished.

5. I did not, and I do not, have a cavalier attitude regarding the importance of Nicholas District's compliance with regulatory requirements. I simply trusted that the work

would be completed in as timely a manner as possible. I now know that I should have been willing to annoy the auditor's office more and should have continued with at least monthly requests for updates.

**Response of Phillip McDonald
Secretary, Board of Commissioners**

Phillip McDonald, Secretary of the Board of Commissioners of Nicholas District, adopts and restates paragraphs one (1) through twelve (12) of Nicholas District's Response. In addition, Phillip McDonald states the following:

1. In April 2023, the office manager and office assistant for Nicholas County Water District resigned. The Board had to hire a temporary employee to keep the doors open to serve customers while it sought an appropriate manager for the District. It was during this period that the District began to get behind in filing annual reports and audits.
2. When the new manager began to work with the new auditor to obtain the information necessary to complete the 2021 audit, they discovered a very poor filing system, and incomplete or inaccurate bookkeeping records. Thus, it took quite a while for them to locate everything that was needed.
3. The new Manager has organized the filing system, and I am hopeful that now that the 2021 and 2022 audits are finished that progress in completing the other missing reports will improve.

4. The Board did not intentionally drag its feet in getting its reports filed, nor was it unmindful of the importance of timely compliance. We simply believed the work was being completed as quickly as it could be done.

5. In the future, the Board will make anyone performing services for it aware of the importance of complying with regulatory deadlines.

**Response of David Tincher
Commissioner, Board of Commissioners**

David Tincher, commissioner serving on the Board of Commissioners of Nicholas County Water District, adopts and restates paragraphs one (1) through twelve (12) of Nicholas District's Response. In addition, David Tincher states the following:

1. I acknowledge that Nicholas District has been very slow to file required reports. However, the Board has taken action to rectify the situation. In addition to hiring a new auditing firm to complete the reports, the Board has created a full-time clerical position to allow the Manager more time to focus on reporting compliance and a full-time field position to better meet the service needs of customers. I acknowledge that we should have done a better job of keeping up with required filings, but we are striving to do much better.

2. The District is prepared to provide its auditor with whatever is necessary to complete the work on its 2023 and 2024 Annual Reports and audits as quickly as possible.

3. Once the District's filings are caught up, the District will be able to meet the regulatory deadlines by promptly communicating with its auditor concerning expectations and applicable deadlines and by maintaining its files in such a way as to facilitate review.

Dated: December 29, 2025

Respectfully submitted,

/s/ Tina C. Frederick
Tina C. Frederick
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507
Telephone: (859) 231-3951
Fax: (859) 253-1093
tina.frederick@skofirm.com

Damon R. Talley
Stoll Keenon Ogden PLLC
112 North Lincoln Boulevard
P.O. Box 150
Hodgenville, Kentucky 42748
Telephone: (270) 358-3187
Fax: (270) 358-9560
damon.talley@skofirm.com

Counsel for Nicholas County Water District

SWORN CERTIFICATION AND VERIFICATION

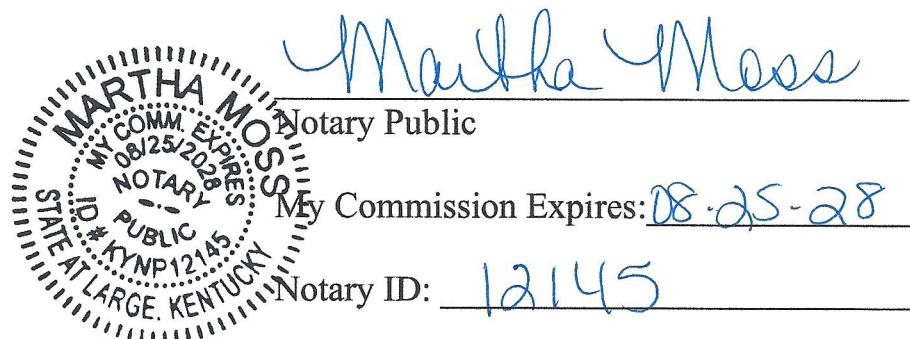
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF NICHOLAS)
)

The undersigned, Phillip McDonald, being duly sworn, deposes and states that he, as Secretary of the Board of Commissioners for Nicholas County Water District, has personal knowledge of the matters set forth in his response to the opening Order in Kentucky Public Service Commission Case No. 2025-00349, and the information contained therein is true and correct to the best of his information, knowledge, and belief.

Phillip McDonald

Phillip McDonald, Secretary
Nicholas County Water District

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



SWORN CERTIFICATION AND VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF NICHOLAS)

The undersigned, Tara George, being duly sworn, deposes and states that she, as Manager of Nicholas County Water District, has personal knowledge of the matters set forth in her response to the opening Order in Kentucky Public Service Commission Case No. 2025-00349, and the information contained therein is true and correct to the best of her information, knowledge, and belief.

Tara George
Tara George, Manager
Nicholas County Water District

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

Wendy Dailey
Notary Public

My Commission Expires: 5/25/2026

Notary ID: KYNP49817

SWORN CERTIFICATION AND VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF NICHOLAS)

The undersigned, David Tincher, being duly sworn, deposes and states that he, as a Commissioner of the Board of Commissioners for Nicholas County Water District, has personal knowledge of the matters set forth in his response to the opening Order in Kentucky Public Service Commission Case No. 2025-00349, and the information contained therein is true and correct to the best of his information, knowledge, and belief.

David Tincher
David Tincher, Commissioner
Nicholas County Water District

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

Wendy Dailey
Notary Public

My Commission Expires: 5/25/2026

Notary ID: KYNP49817

SWORN CERTIFICATION AND VERIFICATION

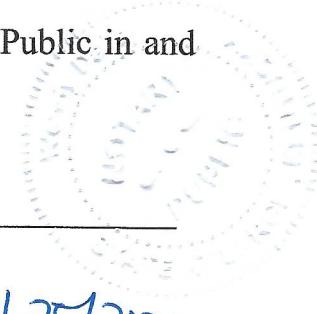
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF NICHOLAS)

The undersigned, Silas Cleaver, III, being duly sworn, deposes and states that he, as Chairman of the Board of Commissioners for Nicholas Water District, has personal knowledge of the matters set forth in his response to the opening Order in Kentucky Public Service Commission Case No. 2025-00349, and the information contained therein is true and correct to the best of his information, knowledge, and belief. Further, he certifies that he has supervised the preparation of this Response as required by 807 KAR 5:001, Section 4(12)(d)(2)(b), and that the Response is true and accurate to the best of his knowledge, information, and belief formed after a reasonable inquiry.



Silas Cleaver, III, Chairman
Nicholas County Water District

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


Wendy Duley
Notary Public
My Commission Expires: 5/25/2026
Notary ID: KYNP49817

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, and the Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was submitted electronically to the Public Service Commission on December 29, 2025, and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding.

/s/ Tina C. Frederick
Tina C. Frederick