

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

**In the Matter of:**

|   |          |                   |
|---|----------|-------------------|
| <b>ELECTRONIC APPLICATION OF MORGAN</b> | <b>)</b> | <b>CASE NO.</b>   |
| <b>COUNTY WATER DISTRICT FOR A</b>      | <b>)</b> | <b>2025-00413</b> |
| <b>DECLARATORY ORDER</b>                | <b>)</b> |                   |

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**MORGAN COUNTY WATER DISTRICT'S VERIFIED REPSONSE  
TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
ENTERED JANUARY 9, 2026**

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Comes now Morgan County Water District (Morgan County), by counsel, and does hereby tender its Verified Response to Commission Staff's First Request for Information entered January 9, 2026.

**Dated: January 19, 2026**

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF MORGAN )  
COUNTY WATER DISTRICT FOR A ) CASE NO.  
DECLARATORY ORDER ) 20025-00413

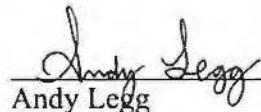
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VERIFICATION OF ANDY LEGG

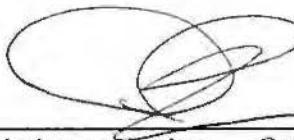
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COMMONWEALTH OF KENTUCKY )  
 )  
COUNTY OF MORGAN )

Andy Legg, General Manager of Morgan County Water District, being duly sworn, states that he has supervised the preparation of the responses to Commission Staff's First Request for Information in the above styled case, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

  
Andy Legg

The foregoing Verification was signed, acknowledged and sworn to before me this 15<sup>th</sup> day of January 2026, by Andy Legg.

  
Commission expiration: 04 July 2029



COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION  
IN THE MATTER OF:

ELECTRONIC APPLICATION OF MORGAN )  
COUNTY WATER DISTRICT FOR A ) CASE NO.  
DECLARATORY ORDER ) 20025-00413

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VERIFICATION OF PAUL NESBITT

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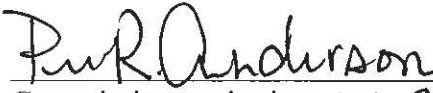
COMMONWEALTH OF KENTUCKY )  
 )  
COUNTY OF FAYETTE )

Paul Nesbitt, President, Nesbitt Engineering, Inc. being duly sworn, states that he has supervised the preparation of the responses to Commission Staff's First Request for Information in the above styled case, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Paul Nesbitt

The foregoing Verification was signed, acknowledged and sworn to before me this 15<sup>th</sup> day of January 2026, by Paul Nesbitt.

  
\_\_\_\_\_  
Commission expiration: 05-25-2026



**MORGAN COUNTY WATER DISTRICT  
CASE NO. 2025-00413  
SECOND REQUEST FOR INFORMATION RESPONSE**

**Request 1.** Refer to the Application, paragraph 9, which states that projected operating income of \$40,473 will offset projected additional operating & maintenance (O&M) expenses of \$16,285.

- a. Provide a detailed explanation of how the projected operating income amount of \$40,473 was calculated.
- b. Identify all assumptions used in the calculation, including but not limited to:
  - (1) The number of new customers assumed to be served by the project;
  - (2) The monthly bill amount used; and
  - (3) The date(s) on which Morgan District expects those customers to begin generating operating revenue.
- c. Provide supporting calculations and any underlying worksheets used to derive the projected operating income figure.

**Response 1(a):** The projected operating income was calculated by using the projected new customers (69) multiplied by the minimum monthly billing as set out in the schedule provided by Morgan County Water District (\$44.97 per month, pre-tax) for an increase in yearly income of \$37,235.16.

**Response 1(b):** The number of new customers assumed to be served by this extension is sixty-nine. In Attachment B, the number of new water meters was used, which neglected that six (6)

water meters were replacements of existing meters required by an increase in line pressure due to the addition of the booster pumps.

The minimum monthly bill is set by the Morgan County Water District as \$44.97 pre-tax.

The date the customers are expected to begin generating operating income is 30 days after the completion of the waterline extension.

**Response 1(c):** Please see the calculations provided as Attachment 1-1(c)

**ATTACHMENT 1-1(a)**

**Morgan County Water District**  
**Projected Yearly Operating and Maintenance Cost Versus Yearly Income Increase**

|                                    |                       |
|------------------------------------|-----------------------|
| Total Length of Existing Waterline | 1,882,432 Linear Feet |
| Total Length of Waterline Proposed | 53,427 Linear Feet    |
| Percentage Additional Waterline    | 2.84%                 |
|                                    |                       |
| Existing Customers Served          | 2,996                 |
| Additional Customers Served        | 69                    |
|                                    |                       |
| Funding Mechanism                  | 100% Grant            |

*\*\*Existing Operating and Maintenance Expenses are based on 2024 Audit. Additional Operating and Maintenance are calculated by multiplying the Existing Expenses by 2.84%.*

| Yearly Operating Expenses                | Existing         | Additional**    |
|--|------------------|-----------------|
| Fuel                                     | \$32,762         | \$930           |
| Miscellaneous                            | \$17,652         | \$501           |
| Repairs and Maintenance                  | \$24,925         | \$707           |
| Utilities and telephone                  | \$63,243         | \$1,795         |
| Water purchased                          | \$709,065        | \$16,330        |
| <b>Total Operating &amp; Maintenance</b> | <b>\$847,647</b> | <b>\$20,263</b> |

*\*Projected Income is calculated by multiplying the number of additional customers by the minimum monthly bill of \$44.97 (before taxes) multiplied by 12 to obtain yearly billing.*

| Operating Income    |             |
|---------------------|-------------|
| Number of Customers | 69          |
| Projected Income*   | \$37,235.16 |

With the addition of the proposed lines, more revenue will be generated than the increase in expenses.

**MORGAN COUNTY WATER DISTRICT**  
**CASE NO. 2025-00413**  
**SECOND REQUEST FOR INFORMATION RESPONSE**

**Request 2.** Refer to the Application, Attachment A (Project Profile) and Attachment B (Operating Cost Analysis). Attachment A identifies 69 new residential customers, while Attachment B appears to assume 75 customers for purposes of calculating projected operating income.

- a. Explain the reason for the difference in customer counts used in Attachment A and Attachment B.
- b. Provide the correct number of new customers expected to be served by the project and revise the projected operating income calculation if necessary.

**Response 2(a):** Attachment A used the total expected new customers while Attachment B used the number of new water meters, which neglected that six (6) water meters were replacements of existing meters required by an increase in line pressure due to the addition of the booster pumps.

**Response 2(b):** The correct number of new customers expected to be served by the project is sixty-nine. The projected operating income calculation has been revised to reflect this change and is now projected to be **\$37,235** per year.

**MORGAN COUNTY WATER DISTRICT**  
**CASE NO. 2025-00413**  
**SECOND REQUEST FOR INFORMATION RESPONSE**

**Request 3:** Refer to the Application, Attachment A (Project Profile) and Attachment B (Operating Cost Analysis). Attachment A reflects approximately 53,411 linear feet of waterline extensions, while Attachment B appears to use approximately 43,835 linear feet for purposes of calculating projected O&M expenses.

- a. Explain the basis for using different linear footage figures in Attachment A and Attachment B.
- b. Provide the total linear footage of waterline extensions to be constructed as part of the project and identify which figure should be used for purposes of calculating ongoing O&M expenses

**Response 3(a):** Attachment B as submitted omitted 9,592 linear feet of waterline due to a computational error. The Operating Cost Analysis has been revised to include the omitted waterline.

**Response 3(b):** The total linear footage of the waterline extension to be constructed is 53,427. Attachment A relied on odometer mileage to arrive at 53,411 linear feet and the corrected Attachment B uses linear footage from the design drawings for this project. The correct linear footage is 53,427 and this is used in the revised Operating Cost Analysis.

**MORGAN COUNTY WATER DISTRICT**  
**CASE NO. 2025-00413**  
**SECOND REQUEST FOR INFORMATION RESPONSE**

**Request 4:** Refer to the Application, Attachment B (Operating Cost Analysis). Provide a narrative explanation of the methodology used to calculate the projected increase in O&M expenses totaling \$16,285, including each cost component included in that figure, and revised calculations if the O&M expense methodology would change based on the confirmed customer count and linear footage requested in data requests two and three above.

**Response 4:** Confirmed. The agreement does not include a pledge, lien, or security interest on Morgan District's revenues or assets.

The Operating Cost Analysis was based on information obtained from Morgan County Water District's 2024 Audit.

Operating Expenses include:

- Fuel
- Miscellaneous
- Repairs and Maintenance
- Utilities and telephone
- Water Purchased

Costs for fuel, miscellaneous, repairs and maintenance, and utilities and telephone were projected to be 2.84% of the yearly total listed in the 2024 audit (the same percentage as the new waterline length versus the existing waterline length). Water purchased cost was calculated by dividing the total from the 2024 Audit by the number of existing customers to obtain an average water purchase per customer. This average was multiplied by the number of new customers obtaining the water purchase cost increase. It was assumed that due to the relatively small line length increase, no

additional personnel would be required. The projected individual costs were then summarized to obtain the projected Operating Cost for the new waterlines. This total, after all revisions outlined in Response 2 and Response 3, is projected to be **\$20,263** per year.

**Response 5**  
**Page 1 of 3**  
**Witness: Andy Legg**

**MORGAN COUNTY WATER DISTRICT**  
**CASE NO. 2025-00413**  
**SECOND REQUEST FOR INFORMATION RESPONSE**

**Request 5:** Provide Morgan District's statement of cash flows for 2025.

**Response 5:** Please see Attachment 1-5.

## **ATTACHMENT 1-5**

## Statement of Cash Flows

Morgan County Water District  
January-December, 2025

| Full name  | Total               |
|--|---------------------|
| <b>OPERATING ACTIVITIES</b>  |                     |
| Net Income   | 373,582.28          |
| Adjustments to reconcile Net Income to Net Cash provided by operations:                  |                     |
| Accounts Payable:Utility Tax Payable   | -10,873.50          |
| Accrued Interest-1   | 51.04               |
| Payroll Liabilities:Aflac  | -544.08             |
| Payroll Liabilities:Deferred Comp  | -5,881.85           |
| Payroll Liabilities:Deferred Comp.   | -540.00             |
| Payroll Liabilities:Federal Taxes (941/943/944)  | 0.00                |
| Payroll Liabilities:Federal Unemployment (940)   | 0.00                |
| Payroll Liabilities:Globe Insurance  | 730.21              |
| Payroll Liabilities:KY Income Tax  | 140.46              |
| Payroll Liabilities:KY Local Tax   | -424.98             |
| Payroll Liabilities:KY Unemployment Tax  | -0.03               |
| Payroll Liabilities:Morgan County Tax  | 490.34              |
| Payroll Liabilities:Morgan County Withholding  | 0.00                |
| Payroll Liabilities:Retirement 1%  | 2,008.98            |
| Payroll Liabilities:Retirement Match   | 21,529.62           |
| Payroll Liabilities:Retirement W/H   | -16,498.72          |
| Payroll Liabilities:Taxable Benefit Ded.   | 3,456.00            |
| Refundable Security Deposits   | 5,200.00            |
| <b>Total for Adjustments to reconcile Net Income to Net Cash provided by operations:</b> | <b>-\$1,156.51</b>  |
| <b>Net cash provided by operating activities</b>   | <b>\$372,425.77</b> |
| <b>INVESTING ACTIVITIES</b>  |                     |
| <b>FINANCING ACTIVITIES</b>  |                     |
| <b>NET CASH INCREASE FOR PERIOD</b>  | <b>\$372,425.77</b> |
| <b>Cash at beginning of period</b>   | <b>\$273,673.47</b> |
| <b>CASH AT END OF PERIOD</b>   | <b>\$646,099.24</b> |

**Response 6**  
**Page 1 of 1**  
**Witness: Paul Nesbitt and Andy Legg**

**MORGAN COUNTY WATER DISTRICT**  
**CASE NO. 2025-00413**  
**SECOND REQUEST FOR INFORMATION RESPONSE**

**Request 6:** Refer to the Application, paragraph 9. Identify whether Morgan District anticipates incurring any interim cash flow needs related to increased O&M expenses prior to new customers beginning to generate operating revenues. If yes, explain how those interim expenses will be funded and whether any temporary financial impacts to existing customers are anticipated.

**Response 6:** This project is being funded entirely by a \$3,286,800 Cleaner Water Grant. This is a true grant, not a loan. It contains no principal, interest, maturity schedule, debt service, or sinking fund. Morgan County does not have to repay this grant in any way.

Additionally, Morgan County does not anticipate incurring any interim cash flow needs for this project. This project consists of the construction of new waterlines, therefore no interim cash flow for O&M expenses is anticipated. The portion of this project that utilizes existing waterlines is contained in the current O&M expenses and will therefore not require any additional cash outlay.

**MORGAN COUNTY WATER DISTRICT**  
**CASE NO. 2025-00413**  
**SECOND REQUEST FOR INFORMATION RESPONSE**

**Request 7:** Explain whether Morgan District will seek any rate increase as a result of this project.

**Response 7:** Since this project is being funded by the Cleaner Waters Grant, Morgan County does not expect this project to necessitate a rate increase. Morgan District is constantly monitoring its financial situation and will seek a rate increase if warranted in the future.