

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC MARTIN COUNTY WATER	)	CASE NO.
DISTRICT MANAGEMENT AND OPERATION	)	2020-00154
MONITORING PURSUANT TO KRS 278.250	)	

ORDER

On December 3, 2025, Martin County Water District (Martin District) filed a motion to end the monitoring requirements outlined in the Commission's Order dated July 22, 2020, and close this case.<sup>1</sup> For the reasons outlined below, Martin District's motion is denied.

BACKGROUND

The Commission has had longstanding concerns with the operation and management of Martin District. This case incorporated the past proceedings of Case No. 2016-00142<sup>2</sup> and Case No. 2018-00017.<sup>3</sup> In Case No. 2016-00142, the Commission investigated Martin District's continued operational and managerial deficiencies, including its failure to comply with numerous conditions of a previous Settlement Agreement between Martin District and the Commission to ensure Martin District provided adequate

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<sup>1</sup> Martin District's Motion to Close Case and End Monitoring Requirements (Motion) (filed Dec. 3, 2025).

<sup>2</sup> Case No. 2016-00142, *Electronic Investigation of the Operating Capacity of Martin County Water District Pursuant to KRS 278.280* (Ky. PSC July 22, 2020).

<sup>3</sup> Case No. 2018-00017, *Electronic Application of Martin County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 15, 2019).

and reasonable service.<sup>4</sup> During Martin District's alternative rate filing, Case No. 2018-00017, the Commission noted:

Martin District operates in a constant state of emergency and its ratepayers suffer the dire consequences of decades of poor choices made by its management and commissioners. Despite receiving rate increases and the Debt Service Surcharge, Martin District continues to operate in a state of financial and operational emergency, with little to no change in the conditions that prompted Martin District to file for a rate increase in January 2018. Whether they are due to inexperience, communication breakdown, inadvertent mistakes, or intentional misconduct, the evidence of record is replete with examples of an ongoing inability to manage and operate Martin District in an effective and organized business-like manner.<sup>5</sup>

In Case No. 2018-00017, the Commission found that Martin District must contract with a third-party management company as one of the remedies to resolve the persistent operational and managerial deficiencies.<sup>6</sup> The Commission further noted in that proceeding:

Martin District's hiring of a competent, qualified, and skilled management company will be a crucial step in the process of restoring trust with the public by demonstrating that Martin District has the wherewithal to make the necessary decisions that ensure safe, reliable drinking water for the ratepayers of Martin County.<sup>7</sup>

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<sup>4</sup> Case No. 2016-00142, July 22, 2020 final Order, investigating the Settlement Agreement reached in Case No. 2002-00116, *Investigation of the Operating Capacity of Martin County Water District Pursuant to KRS 278.280* (Ky. PSC Apr. 5, 2002).

<sup>5</sup> Case No. 2018-00017, Nov. 15, 2019 Order at 11.

<sup>6</sup> Case No. 2018-00017, Nov. 1, 2018 Order at 11.

<sup>7</sup> Case No. 2018-00017, Nov. 5, 2018 Order at 9.

Pursuant to the final Order in Case No. 2018-00017, Martin District entered into a contract with Alliance Water Resources, Inc. (Alliance) on November 20, 2019.<sup>8</sup>

As part of Case No. 2018-00017, in attempt to address Martin District's financial condition, the Commission approved a debt service surcharge, for the specific purpose of allowing Martin District to pay down its past-due accounts payable.<sup>9</sup> The Commission then further approved continuing the Debt Service Surcharge and approved a Management/Infrastructure Surcharge to give Martin District the funds it needs in order to pay for the Management Contract with Alliance.<sup>10</sup> The Commission ordered Martin District to continue to collect the Management/Infrastructure Surcharge until a final Order is entered in its next rate case or until the Management Contract with Alliance expires, whichever occurs first, or upon further Order by this Commission.<sup>11</sup>

This case was established to set forth various reporting requirements and monitor Martin District's financial and operational condition as well as Martin District's improvement in conjunction with its working relationship with Alliance.<sup>12</sup>

Since January 1, 2020, Alliance has provided management, operation, and maintenance services for Martin District.<sup>13</sup> Alliance hired a general manager and an operations manager for day-to-day oversight; developed controls, policies, and procedures for financial and administrative practices; and implemented improved meter

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<sup>8</sup> Case No. 2018-00017, Nov. 15, 2019 Order at 34.

<sup>9</sup> Case No. 2018-00017, Mar. 16, 2018 Order at 10-11.

<sup>10</sup> Case No. 2018-00017, Nov. 15, 2019 Order at 29.

<sup>11</sup> Case No. 2018-00017, Nov. 5, 2019 Order at 35.

<sup>12</sup> Order (Ky. PSC July 22, 2020).

<sup>13</sup> Order (Ky. PSC July 22, 2020).

reading and billing processes.<sup>14</sup> On April 14, 2020, Alliance filed an infrastructure replacement plan to address Martin District's aging infrastructure.<sup>15</sup> Additionally, pursuant to the final Order in Case No. 2018-00017, and the quarterly and monthly reporting requirements set forth in this proceeding, Martin District and Alliance are required to file reports with the Commission that provide information regarding Martin District's financial and operational position.<sup>16</sup> On July 25, 2023, Martin District and Alliance executed an amendment to its agreement to extend the agreement's effective date through December 31, 2029.<sup>17</sup>

The filing requirements established by the July 22, 2020 Order in this case, included quarterly activity reports regarding the Debt Service Surcharge, and monthly Management/Infrastructure Surcharge reports, as well as quarterly updates on the status of the Infrastructure Replacement Plan.<sup>18</sup> The July 22, 2020 Order also established a monthly informal conference with Commission Staff to discuss the information in the reports.<sup>19</sup> Martin District currently files its quarterly reports and its monthly board packet in compliance with these reporting requirements. Martin District was also previously required to make a monthly report on purchases from Evans Hardware, but that requirement was removed by Commission's Order dated February 6, 2025.<sup>20</sup>

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<sup>14</sup> Order (Ky. PSC July 22, 2020) at 2.

<sup>15</sup> Case No. 2018-00017, Infrastructure Replacement Plan (filed Apr. 14, 2020).

<sup>16</sup> Order (Ky. PSC July 22, 2020) at 7-9.

<sup>17</sup> Motion at 2.

<sup>18</sup> Order (Ky. PSC July 22, 2020) at 9.

<sup>19</sup> Order (Ky. PSC July 22, 2020) at 9.

<sup>20</sup> Order (Ky. PSC Feb. 6, 2025) at 3-4.

## MOTION

Martin District's December 3, 2025 motion (Motion) requested that the Commission close this case and end the monitoring requirements outlined in the Commission's Order dated July 22, 2020.<sup>21</sup> Martin District argued that it has made substantial progress in its financial and operation condition through new membership and leadership by its board members and has worked diligently with Alliance to improve all areas of operation.<sup>22</sup> Martin District further asserted it has moved far from the "constant state of emergency" found by the Commission in Case No. 2018-00017 and has faithfully complied with Commission's Order dated July 22, 2020 in this case.<sup>23</sup> Martin District stated it has made the monthly and quarterly reporting requirements to the Commission, and met the reporting requirements related to Evans Hardware until such time as relieved of that requirement.<sup>24</sup> Martin District claimed that, based on its progress, it believes that it is appropriate for the Commission to remove all other reporting requirements and cease formal monitoring of Martin District.<sup>25</sup>

Martin District further argued that, in addition, to the requirements set forth in the July 22, 2022 Order, it has also demonstrated financial and operational progress in other ways.<sup>26</sup> Martin District stated annual audits are done each year and filed with the Commission pursuant to 807 KAR 5:006, Section 4(3), and it has filed annual financial

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<sup>21</sup> Motion at 5.

<sup>22</sup> Motion at 2, 5.

<sup>23</sup> Motion at 2-3.

<sup>24</sup> Motion at 3.

<sup>25</sup> Motion at 3.

<sup>26</sup> Motion at 3.

and statistical reports no later than March 31 of each year since 2020.<sup>27</sup> As required by KRS 74.020(8)(b), Martin District's commissioners attended and completed water district training within 12 months of their initial appointment.<sup>28</sup> Martin District further stated water loss in the district has fallen from 71 percent to as low as 45 percent due to the replacement of water meters under a grant, line leak repairs, and focus on improving the infrastructure through water line replacements.<sup>29</sup> Martin District recognized there is a lot more work to be done and stated it is committed to continuing to reduce the water loss in its distribution system.<sup>30</sup> Martin District further stated the district and Alliance have been working with the Martin County Prosecutor to hold people accountable who are found guilty of water theft.<sup>31</sup>

Martin District argued the July 22, 2020 Order was entered more than five years ago, did not specify how long it would last or what benchmarks or accomplishments would demonstrate to the Commission that monitoring would no longer be necessary, and that it does not believe the Commission envisioned for the monitoring to continue indefinitely.<sup>32</sup>

### PUBLIC COMMENTS

Multiple public comments have been filed in opposition to Martin District's motion. The comments generally requested that the Commission remain involved to ensure accountability, transparency, and safe, reliable water service for Martin County

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<sup>27</sup> Motion, Exhibit B, Affidavit of Timothy Thoma.

<sup>28</sup> Motion at 3.

<sup>29</sup> Motion at 3.

<sup>30</sup> Motion at 3.

<sup>31</sup> Motion at 3-4.

<sup>32</sup> Motion at 5.

residents.<sup>33</sup> The comments also argued Martin District's system is still fragile, infrastructure is not fully repaired, water loss remains high, and continued accountability is necessary to protect residents.<sup>34</sup>

Nina McCoy, a current commissioner on Martin District's Board of Commissioners, also filed a comment which explained her concerns regarding Martin District's intent to discontinue its management by Alliance as the result of this motion.<sup>35</sup> Ms. McCoy detailed the positive work achieved under the management of Alliance, including audits completed on time, accounting being completed timely, with all bills paid except for money owed to Alliance, retention and training of employees, and the reduction of water loss from above 70 percent to below 50 percent.<sup>36</sup> Ms. McCoy argued that Alliance brings expertise and capacities that go beyond the daily running of the district that might be lost or would be replaced only at a great cost if the contract with Alliance is terminated.<sup>37</sup> Ms. McCoy listed the following services that Alliance offers as part of its contract that she stated will be particularly difficult for the district to replicate:

-Accounting: Alliance has provided full in-house accounting services including all the computing systems and software available for invoicing, customer billing, as well as taxes, and payroll. If the contract with Alliance is terminated, the system would be required to provide these services or, again, outsource them.

-Regulatory and Safety Requirements: Alliance provides the policies, trainings, and SOP's that keep our workers and our water safe.

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<sup>33</sup> PSC Response Email to Multiple Public Comments (filed Jan. 20, 2026).

<sup>34</sup> PSC Response Email to Multiple Public Comments.

<sup>35</sup> PSC Response Email to Nina McCoy (filed Dec. 10, 2025).

<sup>36</sup> PSC Response Email to Nina McCoy.

<sup>37</sup> PSC Response Email to Nina McCoy.

-Insurance: Alliance has provided insurance policies that helped us recover the cost of much of the loss in two floods this year alone. Recently two of our board members, Colby Kirk and Vernon Robinson, agreed to try to get our own policy and found that no company would even respond to a request for a quote.

-Equipment: Alliance has furnished equipment to the district that we could not afford to rent or purchase. Alliance has provided several trucks as well as an excavator.

-Emergency Assistance: During emergency situations, such as major freezes and flooding events, Alliance has been able to bring in their workers from other districts.<sup>38</sup>

Ms. McCoy expressed concern that, should the contract with Alliance be terminated, Martin District will be overwhelmed by the financial and structural responsibilities.<sup>39</sup> As far as affordability, Ms. McCoy stated that while it might be a little cheaper for the short term to get rid of an outside management company, it will be much more expensive in the long run.<sup>40</sup> Ms. McCoy further stated that Martin District's debt to Alliance may appear to be reason for the district to desire to run itself; however, the debt that the district owes Alliance currently is manageable in comparison to "the mountain of debt that was allowed to build in the past."<sup>41</sup>

#### FINANCIAL CONDITION AND UNACCOUNTED FOR WATER LOSS

The unaccounted for water loss above the 15 percent threshold established by Commission regulation 807 KAR 5:066 may be an indicator that a water utility is failing to

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<sup>38</sup> PSC Response Email to Nina McCoy.

<sup>39</sup> PSC Response Email to Nina McCoy.

<sup>40</sup> PSC Response Email to Nina McCoy.

<sup>41</sup> PSC Response Email to Nina McCoy.

render safe, adequate, and reliable service.<sup>42</sup> One of the primary causes of water loss, although certainly not the only one, is aging infrastructure that has not been properly maintained.<sup>43</sup> In addition to the service concern, high unaccounted for water loss has a financial impact on ratepayers because a utility purchases chemicals to treat the water it produces, purchases electricity to pump water, or purchases water for which the utility never receives revenue to offset the expenses.<sup>44</sup> In the final Order issued in Case No. 2018-00017, the Commission noted that, due to its failing, aging infrastructure, Martin District's unaccounted for water loss rate was significantly over the 15 percent threshold established by Commission regulation, with an average of 60 percent water loss between 2012 and 2019, with a monthly water loss percentage high of 71.1 percent in March 2019.<sup>45</sup>

While the Commission acknowledges that Martin District appears to have made significant progress to decrease its water loss, the infrastructure planning and implementation of repairs, as discussed above, has occurred under the management of

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<sup>42</sup> Case No. 2018-00017, Nov. 22, 2019 Order at 16. See also 807 KAR 5:066 Section 6(3) Unaccounted-for water loss.

Except for purchased water rate adjustments for water districts and water associations, and rate adjustments pursuant to KRS 278.023(4), for rate making purposes a utility's unaccounted-for water loss shall not exceed fifteen (15) percent of total water produced and purchased, excluding water used by a utility in its own operations. Upon application by a utility in a rate case filing or by separate filing, or upon motion by the commission, an alternative level of reasonable unaccounted-for water loss may be established by the commission. A utility proposing an alternative level shall have the burden of demonstrating that the alternative level is more reasonable than the level prescribed in this section.

<sup>43</sup> Case No. 2018-00017, Nov. 22, 2019 Order at 16.

<sup>44</sup> Case No. 2018-00017, Nov. 22, 2019 Order at 16.

<sup>45</sup> Case No. 2018-00017, Nov. 22, 2019 Order at 16.

Alliance. Despite the progress made, Martin District itself acknowledges it still currently has one of highest water loss percentages in the state, and there is much work to be done.<sup>46</sup>

On December 29, 2025, Martin District filed a document labeled “2026 Revenue Report” which consisted of a letter which acknowledged that “the district’s current revenue is not sufficient” and a revenue requirement calculation that concluded Martin District needed an approximate 37.55 percent increase in required revenue at present rates to meet its revenue needs.<sup>47</sup>

Martin District’s motion noted it has the second highest water rates in the Commonwealth, for one of the poorest counties.<sup>48</sup> Martin District asserted it is not seeking a rate increase at this time, and explained it is working with various funding entities to address debt service, aging equipment, and capital projects.<sup>49</sup> Martin District further stated it has seen an increase in revenue since replacing its water meters, from \$2,518,000 in 2020 to \$3,158,000 in 2024.<sup>50</sup> Martin District reported revenues of \$3,317,632 as of the time its Motion.<sup>51</sup> Martin District also explained it has negotiated a new joint operating agreement with Prestonsburg City Utility Commission (PCUC) on March 1, 2025, which has resulted in revenue of \$128,933.10 from May 2025 through

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<sup>46</sup> Motion at 3-4.

<sup>47</sup> Notice of Filing 2026 Revenue Requirement Report (filed Dec. 29, 2025).

<sup>48</sup> Motion at 4.

<sup>49</sup> Motion at 4.

<sup>50</sup> Motion at 4.

<sup>51</sup> Motion at 4.

September 2025.<sup>52</sup> The Commission notes that Martin District's 2020 and 2024 reference points above are not entirely performance based (water revenue rates and volume changes). The main component of revenues should be revenues from water sales, which the Commission notes rose from \$2,146,384 in 2020 to \$2,738,592 in 2024 according to Martin District's audited financial statements.

In its Motion, Martin District also discussed its pending civil lawsuit to recover damages related to the failure of Big Sandy Area Development District (BSADD) to administer and complete the Raw Water Intake (RWI) project.<sup>53</sup> Martin District claimed the failed project created a deficit for unbudgeted costs of renting a diesel pump, diesel fuel, and pump maintenance since November 2023 with expenses exceeding \$800,000 dollars to date.<sup>54</sup> Martin District stated it is confident that the lawsuit will result in income that may be used to further improve Martin District.<sup>55</sup>

Martin District also stated that, despite its damages discussed above, it continues to improve financially.<sup>56</sup> Martin District stated the only delinquent account it currently has is with Alliance, and Martin District is currently paying Alliance one and half months in arrears plus interest for their management costs.<sup>57</sup>

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<sup>52</sup> Motion at 4.

<sup>53</sup> Motion at 4.

<sup>54</sup> Motion at 4.

<sup>55</sup> Motion at 4.

<sup>56</sup> Motion at 4.

<sup>57</sup> Motion at 4.

The Commission has stressed to Martin District, the importance of regularly evaluating and determining when rate increases are needed.<sup>58</sup> While the Commission acknowledges the rates Martin District currently charges are some of the highest in the state; there is obvious need for further work on the system in order to provide safe and reliable service to its customers. While Martin District has made several assertions about improvements in its performance, these assertions are based on information over a year old as the latest annual report is for the year ending 2024 and the 2025 annual report has not been filed yet. A snapshot of Martin District's Net Adjusted Equity, adjusted to eliminate the pension liability in 2024, and other selected operating information, is presented below. This information reflects decreases in 2021, 2022, and 2023 with the increase in 2024 being due to grant income. The Change in Net Position Before Contributions, which is indicative of operating performance, reflects significant losses each year. Unaccounted-for water loss averaged 69.87 percent for 2020 through 2024. While reported unaccounted-for water loss for 2025 is 52.08 percent, this amount is still extraordinarily high and remains one of the highest among Commission regulated water utilities.

Description / Year	2021-00154 FO 2/8/2022					
	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Audited 2024	2025
<i>Equity (excluding Pension and OPEB)</i>						
Assets	\$ 18,797,637	\$ 18,561,004	\$ 18,024,843	\$ 17,508,328	\$ 18,104,612	
Liabilities ( )	(4,702,847)	(4,707,757)	(3,560,753)	(3,469,489)	(3,674,734)	
Add Back Pension / OPEB Liabilities	1,080,845	1,080,845	0	0	0	
Net Adjusted Equity	<u>\$ 15,175,635</u>	<u>\$ 14,934,092</u>	<u>\$ 14,464,090</u>	<u>\$ 14,038,839</u>	<u>\$ 14,429,878</u>	Not Available
Change in Net Position Before Contributions	<u>\$ (776,238)</u>	<u>\$ (808,526)</u>	<u>\$ (204,215)</u>	<u>\$ (386,583)</u>	<u>\$ (754,785)</u>	
Water Loss Percent	<u>68.45%</u>	<u>73.56%</u>	<u>73.32%</u>	<u>68.25%</u>	<u>65.78%</u>	<u>52.08%</u>

<sup>58</sup> Case No. 2018-00017, Nov. 22, 2019 Order, ordering paragraph 11; Order(Ky. PSC July 22, 2020), ordering paragraph 11.

The Commission would also stress that Martin District cannot rely on an unknown, anticipated civil settlement for use towards further infrastructure improvements. Further, while Martin District has made progress in paying off the majority of its past debts, assisted through the use of the Debt Service Surcharge, it is still currently in arrears with Alliance, and is currently using the Infrastructure/Management surcharge solely to pay Alliance.<sup>59</sup> This essentially means that Alliance, in addition to providing contract operation services for the utility, is serving as a bank providing a line of credit to assist Martin District in maintaining solvency.

The Commission further notes that Martin District was recently denied retroactive approval to assume indebtedness, for failure to seek approval prior to entering into a lease for service trucks, in Case No. 2025-00249.<sup>60</sup> In that case, Martin District was ordered to file, on or before August 31, 2026, an application for a general rate adjustment pursuant to Section 16 of 807 KAR 5:001, an application for an alternative rate adjustment pursuant to 807 KAR 5:076, or in the alternative, a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary.<sup>61</sup> The information provided in this case does not satisfy nor obviate this obligation. In addition, the Commission would also note that, while Martin District asserted its commissioners all completed the water district commissioners' training as required by statute, an investigation case is being opened for Martin District and its Board of

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<sup>59</sup> Martin District's Response to Commission Staff's Second Request for Information (filed Dec. 23, 2025).

<sup>60</sup> Case No. 2025-00249, *Electronic Application of Martin County Water District to Enter into a Lease for Service Trucks* (Ky. PSC Oct. 2, 2025).

<sup>61</sup> Case No. 2025-00249, Oct. 2, 2025 final Order at 3, ordering paragraph 3.

Commissioners for failure to comply with KRS 278.300.<sup>62</sup> The alleged failure to comply with a statute is concerning in light of this motion, considering the district was aware of this issue prior to the date of the filing.

Throughout the incorporated proceedings, the Commission expressed its concern regarding Martin District's lack of capable management, and proposed a "structured path" with Martin District contracting with a third party to manage and operate the utility in order to prevent Martin District's collapse and return Martin District to solid financial and managerial footing.<sup>63</sup> Martin District has complied with the Commission's directive in that 2018 case, and operated under the Management Contract with Alliance since 2021. In its motion, Martin District asserted that, since that time, it has made improvements and there is every reason to believe that it will continue to improve under its new leadership.<sup>64</sup> The Commission acknowledges Martin District's recent efforts under the current management and with Alliance to improve the system, including actions such as obtaining additional revenue and prosecuting water theft. This order should not be construed to take anything away from the hard work that has been undertaken by Martin District. However, the past financial and management crises in the district placed it in a dire situation and presented Martin District and Alliance with a monumental task that is incomplete at this time. While improvements have been made, it appears those have been largely due to the management and guidance from Alliance. As pointed out in public

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<sup>62</sup> Case No. 2026-00065, *Electronic Investigation into Martin County Water District and its Individual Commissioners (Timothy Thoma, Greg Crum, Nina McCoy, Vernon Robinson, John Hensley, and Colby Kirk) and its Manager, Todd Adams, for Alleged Failure to Comply with KRS 278.300* (Ky. PSC Mar. 31, 2026).

<sup>63</sup> Case No. 2018-00017, Nov. 5, 2018 final Order at 6.

<sup>64</sup> Motion at 5.

comments, Alliance is currently providing many services to the district,<sup>65</sup> the lack of which would leave uncertainty about continued progress.

### FINDINGS

Having considered the motion and the evidence, the Commission finds Martin District's motion should be denied. As discussed above, absent Alliance, Martin District has not provided sufficient evidence that it is able to fulfill its statutory obligations without a third-party management company. The Commission ordered Martin District to collect the Management/Infrastructure Surcharge until a final Order is entered in its next rate case or until the Management Contract with Alliance expires, whichever occurs first, or upon further Order by this Commission.<sup>66</sup> Martin District has not met either of the initial conditions; it has not filed for any adjustment of rates since 2021,<sup>67</sup> it has asserted it is not seeking a rate increase at this time,<sup>68</sup> and its contract with Alliance has been extended through December 31, 2029.<sup>69</sup> As noted, the Commission has not been presented with sufficient evidence that Martin District be relieved of this directive.

Further, Martin District is still collecting both the Debt Service Surcharge and Management/Infrastructure surcharge as part of its current rates.<sup>70</sup> Martin District argued in its Motion that the July 22, 2020 Order "did not specify how long it would last or what

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<sup>65</sup> PSC Response Email to Nina McCoy.

<sup>66</sup> Case No. 2018-00017, Nov. 5, 2019 final Order.

<sup>67</sup> Case No. 2021-00154, *Electronic Application of Martin County Water District for an Alternative Rate Adjustment* (Ky. PSC Feb.8, 2022) (which included both the Debt Service Surcharge and Management/Infrastructure Surcharge as part of the approved rates).

<sup>68</sup> Motion at 4.

<sup>69</sup> Motion at 2.

<sup>70</sup> TFS2020-00154 (Ky. PSC Feb. 8, 2022).

benchmarks or accomplishments would demonstrate to the Commission that monitoring would no longer be necessary” and stated “surely, however, the Commission does not envision the monitoring to continue indefinitely.”<sup>71</sup> However, Martin District’s Motion did not address the on-going collection of its surcharges nor make any request to discontinue the surcharges.

As an initial matter, the Commission would note the span of time and severity of the issues in Martin District resulted from decades of mismanagement, and have required examination and remedial measures through multiple proceedings with the Commission.<sup>72</sup> While the Commission commends the work Martin District has undertaken, the Commission would be remiss in its statutory authority to ensure Martin District’s customers are provided safe, reliable and adequate water service if Martin District were prematurely relieved of oversight for its acknowledged continuing issues. Further, the Commission did set forth terms in the previous Orders related to Martin District that were goal and accountability related; for example, the conditions discussed above. The Commission actively monitors collection of surcharges granted to utilities, and monthly and quarterly reports are required as a condition of those surcharges. The Commission wants to ensure transparency and oversight when customers are required to pay an additional charge in order to assist a utility to comply with its obligations set forth in KRS 278.030. Accordingly, the Commission finds that so long as Martin District is collecting its Debt Service Surcharge or its Management/Infrastructure Surcharge, this case shall remain active and the reporting requirements set forth in the July 22, 2020

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<sup>71</sup> Motion at 5.

<sup>72</sup> See Case No. 2018-00017, Nov. 22, 2019 Order at 7-11.

Order shall remain in place, except for the requirements for Evans Hardware previously discontinued pursuant to Order issued February 6, 2025.<sup>73</sup>

In light of Martin District's financial condition as discussed above, the continued significant unaccounted-for water loss, and its own acknowledgment that much infrastructure work is still needed to the system, the Commission further finds that Martin District and Alliance should prepare an updated infrastructure plan within 120 days to provide the Commission with the current status of any continued and new issues in the system and any plans for infrastructure improvements to assist with decreasing unaccounted-for water loss.

IT IS THEREFORE ORDERED that:


1. Martin District's motion to end the monitoring requirements set forth in the Commission's July 22, 2020 Order and close this case is denied.
2. The reporting requirements as provided in the July 22, 2020 Order, except for the requirements for Evans Hardware previously discontinued pursuant to Order issued February 6, 2025, shall remain in effect.
3. All other provisions and filing requirements from the Commission's July 22, 2020 Order and subsequent Orders in this proceeding remain in effect.
4. Martin District and Alliance shall file an updated infrastructure plan within 120 days, providing the current status of any continued and new issues in the system and any plans for infrastructure improvements to assist with decreasing unaccounted-for water loss.

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<sup>73</sup> Order (Ky. PSC Feb.6, 2025) at 3-4.

Entered on this 8th day of April, 2026.

PUBLIC SERVICE COMMISSION



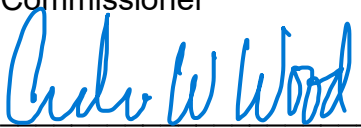
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Angie Hatton  
Chairman



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Mary Pat Regan  
Commissioner



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Andrew W. Wood  
Commissioner

ATTEST:



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Linda C. Bridwell, PE  
Executive Director

Case No. 2020-00154

## Service List for 2020-00154

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