

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ELKHORN WATER DISTRICT)
TO INCREASE CERTAIN NONRECURRING) CASE NO. 2009-00418
CHARGES)

COMMISSION STAFF'S THIRD INFORMATION REQUEST
TO ELKHORN WATER DISTRICT

Elkhorn Water District ("Elkhorn"), pursuant to 807 KAR 5:001, is to file with the Commission the original and six copies of the following information, with a copy to all parties of record. The information requested herein is due 14 days from the date of this request. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Elkhorn shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to

which Elkhorn fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the filing of December 21, 2009, Exhibit 3, Item 2a, line 7 of bulleted items, "On half of the pushes"

a. Explain why the District has not adopted a "rock clause" in its tariff to enable the individual customer to be charged the extraordinary costs associated with having to bore through rock when rock is encountered.

b. State the total amount of time a "long-side" setting of a meter takes to complete when rock is not encountered. Explain and provide a schedule similar to the one provided in Exhibit 3, Item 2a.

c. State the number of long-side meter installations that require 16 or more hours to complete.

2. Refer to the filing of December 21, 2009, Exhibit 5, Item 3, "Cost of Office Help."

a. Explain the statement "Cost of office help @ \$14.00 per hour with \$18.95%." If the intent is 18.95 percent, explain how and where the percentage is used in calculating expenses for office help, phones, computers, copiers and electricity.

b. Show all calculations and assumptions and provide all work papers for the \$18.65-per-hour charge in this exhibit.

c. Show all calculations, state all assumptions, and provide all work papers for the "Cost of office, phone, computers, copiers & electric" for the hourly cost of \$9.52 identified in Exhibit 5.

3. Refer to the contract between Elkhorn and Gatewood Water Services or Dale Gatewood ("Gatewood") dated April 4, 1979, which was provided to the Commission on February 22, 2010.

a. State whether Elkhorn pays Gatewood only the charges identified on the "Additional Expenses or Costs" itemization for work currently performed for installation of short-side and long-side service connections.

b. If Elkhorn pays Gatewood any amount other than \$75 for a short-side connection and \$200 for a long-side connection, specifically identify what additional costs are paid to Gatewood for these services.

c. If Elkhorn pays Gatewood only the charges identified in the schedule of charges, explain why it is reasonable to include additional costs on the cost justification sheets for installation labor expense on service connections as shown in the application.

d. State whether Elkhorn continues to pay Gatewood \$4,200.00 annually to read the water meters of its customers. If not, identify what cost Elkhorn pays Gatewood for this service.

e. If Elkhorn pays Gatewood any amounts other than what is identified in the contract and schedule of charges, state the date(s) on which the most recent cost increases (or decreases) occurred.

f. Provide copies of all minutes of Elkhorn's Board of Directors meetings at which payment for services by Gatewood was discussed or revised.

4. The utility's current connection fees for 5/8" x 3/4" meters were established in Case No. 2002-00154.¹ The cost justification form filed in the case stated four hours for installation for short-side and 12 hours for long-side installation for 5/8" x 3/4" meters. The present application states 16 hours for long-side installation.

a. Explain in detail what has occurred to increase the time for installation.

b. The cost justification form for 5/8" x 3/4" meters filed in Case No. 2002-00154 listed the average installation labor expense as \$120.00, the average installation equipment expense as \$260.00, and the installation miscellaneous expense as \$25.00. This totals \$405.00. The current application lists the average installation labor expense as \$286.00, the average installation equipment expense as \$440.00, and the installation miscellaneous expense as \$65.00, which totals \$791.00. Explain the basis for the 95-percent increase.

5. Provide the six latest invoices from Gatewood Water Services for the work performed for a long-side service.

¹ Case No. 2002-00154, Application to Revise Nonrecurring Charges of Elkhorn Water District (Ky. PSC May 23, 2002).

6. Provide the six latest invoices from Gatewood Water Services for the work performed for a short-side service.

7. Provide two additional bid estimates from area contractors for the labor, equipment, and cleanup expenses to install a long-side service.

8. Provide two additional bid estimates from area contractors for the labor, equipment, and cleanup expenses to install a short-side service.

9. State whether Elkhorn or its contractor receives bulk discounts when purchasing supplies identified in the quote filed as Exhibit 1 to Elkhorn's filing of December 21, 2009. If yes, identify those bulk prices.

10. Provide the most current invoice from the purchase of meter installation equipment from the C.I. Thornburg Co., Inc. ("CI Thornburg").

11. Provide a quote from CI Thornburg using quantities of meter installation equipment that represent what the utility would normally purchase at one time.

12. Does Dale Gatewood, Gatewood Water Services, or any affiliate have any ownership or management interest in CI Thornburg? If so, explain.

13. State the number of new tap-ons installed in 2008 for each meter size and the size of water main to which the tap-ons were connected.

14. State the number of new tap-ons installed in 2009 for each meter size and the size of water main to which the tap-ons were connected.

15. Provide a recent invoice from CI Thornburg showing the cost of a 6", 4", and 3" saddle.

16. State whether Elkhorn agrees that KRS 424.260 requires Elkhorn to publish a newspaper advertisement for bids for meter reading and general maintenance services if the cost of those services exceeds \$20,000.

17. State whether Elkhorn or its contractor receives bulk discounts when purchasing supplies. If yes, identify the item and the bulk price received.

18. How many employees does Gatewood Water Services have?

a. List the names and addresses of each.

b. Which of the employees of Gatewood Water Services are full-time and which are part-time?

c. Do the employees of Gatewood Water Services work for any other entity that Dale Gatewood, Gatewood Water Services, or any affiliate has any interest in? If so, name the other entity and the employee(s).

d. How many independent contractors does Gatewood Water Services hire for meter installations?

e. Explain the additional labor expenses listed for social security, unemployment, workers compensation, and liability insurance for independent contractors used by Gatewood Water Services.

19. State the name, address and job description of each employee of Elkhorn.

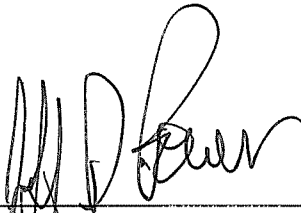
20. Which employees are full-time?

21. Does Elkhorn own a full-size backhoe? A Model 1925 New Holland backhoe?

22. Does Elkhorn own a rod-pushing machine?

23. Does Elkhorn own a 10-foot trailer? A 16-foot trailer?

24. Does Elkhorn own a 3/4-ton Chevy pickup?
25. Which equipment listed in Items 21-24 does Gatewood Water Services own?
26. Why is a 16-foot trailer used to haul the Model 1925 New Holland backhoe when setting short-side meters but a 10-foot trailer is used for hauling a full-size backhoe and a rod-pushing machine when setting long-side meters?
27. How many men are used in setting a short-side meter?
28. If two men are used to set a long-side meter and the total time worked equals 15 hours and 35 minutes, why is it necessary for the work to take two days?
29. If the work setting a long-side meter is done in one day, would there still be the need to put up fencing for the night and remove fencing in the morning? If yes, explain why.



Jeff Derouen
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DATED: APR 26 2010

cc: Parties of Record

Case No. 2009-00418

Garland Moore
Chairman
Elkhorn Water District
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