

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

**THE TARIFF FILING OF SOUTH ANDERSON WATER) CASE NO.
DISTRICT SETTING POLICY FOR WATER MAIN) 2005-00221
EXTENSIONS TO SERVICE REAL ESTATE DEVELOPMENTS)**

**SOUTH ANDERSON WATER DISTRICTS RESPONSES TO THE
COMMISSION STAFF'S INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS**

Comes the South Anderson Water District, by and through Counsel, and hereby responds to the Interrogatories and Requests for Production of Documents of the Commission Staff, pursuant to the Commission's Order dated November 23, 2005 and January 11, 2006.

Respectfully submitted, and as requested with the original and eight copies, this the 9th day of February, 2006.

Respectfully submitted:



Ray Edelman
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Counsel for South Anderson Water District

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this was served upon the Public Service Commission by serving a true copy thereof to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Blvd., P.O. Box 615, Frankfort, KY 40602-0615, and Jessamyn Thompson, Commission Staff, Public Service Commission P.O. Box 615, Frankfort, KY 40602-0615, all on this the 9th of February, 2006.

A handwritten signature in cursive script, appearing to read "Ray Edelman", written over a horizontal line.

RAY EDELMAN

Attorney at Law

Counsel for South Anderson Water District

Question #1: List for each of the last 10 calendar years the number of real estate subdivision developments that connected to South Anderson District's water distribution system during that year.

Response:

<u>YEAR</u>	<u>NO. OF DEVELOPMENTS</u>	<u>NAME OF DEVELOPMENTS</u>
2005	0	None
2004	4	Honeysuckle Phase 4 Honeysuckle Phase 4B Lovers Leap Estates Mooreland Woods
2003	3	Briar Creek Phase 2 Mooreland WoodsPhase3A The Gardens
2002	2	Briar creek Phase 3 Nautical Chase
2001	0	None
2000	0	None
1999	0	None
1998	1	Honeysuckle Phase 3
1997	1	Mooreland Woods
1996	0	None

Total Number of Developments from 1996 to 2005 *** 11**

The South Anderson Water District would state that the District's Office Manager, Brenda Robinson, and Operations Manager, Shawn Cook, along with the District's Engineer, Ken Taylor, can testify to the matters set forth herein, and to the remaining questions as set forth in the request.

Question #2: List for each of the last 10 calendar years the number of Real Estate Development Subdivision Tracts that connected to South Anderson Water District's distributions systems:

Response:

<u>YEAR</u>	<u>NAME OF DEVELOPMENT</u>	<u>NUMBER OF TRACTS</u>	
2005	None	None	
2004	Honeysuckle Phase 4	44 tracts	28.8 acres
	Honeysuckle Phase 4B	40 tracts	12.2 acres
	Lovers Leap Estates	16 tracts	24.8 acres
	Mooreland Woods	36 tracts	44.2 acres
2003	Briar Creek Phase 2	56 tracts	19.1 acres
	Mooreland Woods Phase 3A	29 tracts	37.8 acres
	The Gardens	57 tracts	15 acres
2002	Briar Creek Phase 1	56 tracts	12.6 acres
	Nautical Chase 1 & 2	68 tracts	82.6 acres
2001	None	None	
2000	None	None	
1999	None	None	
1998	Honeysuckle Phase 3	26 tracts	19.6 acres
1997	Mooreland Woods	23 tracts	28.1 acres
Total Subdivision Tracts		<u>451</u>	

Witnesses to testify regarding this information, Office Manager, Brenda Robinson and Operation's Manager, Shawn Cook and District Engineer, Ken Taylor.

Question #3: State for each of the last 10 calendar years the total value of water distribution assets that Real Estate Subdivision Developers donated or contributed to South Anderson Water District in conjunction with the extension of water service to the real estate subdivision.

Response:

<u>YEAR</u>	<u>NAME OF DEVELOPMENT</u>	<u>VALUE</u>
2005	None	Unknown at this time
2004	Honeysuckle Phase 4 Honeysuckle Phase 4B Lovers Leap Estates Mooreland Woods	Unknown at this time Unknown at this time Unknown at this time Unknown at this time
2003	Briar Creek Phase 2	Unknown at this time
2002	Briar Creek Phase 1 Nautical Chase	Unknown at this time
2001	None	None
2000	None	None
1999	None	None
1998	Honeysuckle Phase 3	Unknown at this time
1997	Mooreland Woods Phase 1	Unknown at this time

The Water District will attempt to supplement the value of the Water Distribution Assets at such a time that a calculation can be made. However, it is not privy to those exact numbers at this time. However, at such a time as the Districts auditor and engineer can arrive at such figures, this answer will be supplemented.

Question #4: State for each of the last 10 calendar years the total amount of refunds that South Anderson Water District has made annually to Real Estate Subdivision Developers for person connecting to water main extensions in their subdivision.

Response:

<u>YEAR</u>	<u>AMOUNT</u>
2005	\$47,201.50
2004	\$ 391.50
2003	\$ 783.00
2002	\$ 783.00
2001	\$ 3,326.28
2000	\$ 939.00
1999	\$ 1,095.00
1998	-0-
1997	\$ 1,642.50
1996	-0-

The Water Districts Office Manager, Brenda Robinson and Operations Manager, Shawn Cook can testify to the foregoing.

Question #5: List each request for rate adjustment that South Anderson Water District has made to the Commission in the last 10 years. For each request, state the amount of the requested adjustment and describe the role that refunds to **Real Estate Subdivision Developers** played in South Anderson Water Districts request.

Response:

2005	October 2005	Beginning rate	\$14.64
		Ending rate	\$16.03
		Difference	\$ 1.39

No role was played by Developers in this request-Phase 6 expansion rate increase.

2004	September 2004	Beginning rate	\$12.50
		Ending rate	\$14.58
		Difference	\$ 2.08

No role was played by Developers in this request-Supplier rate increase pass through.

	August 2004	Beginning rate	\$14.58
		Ending rate	\$14.64
		Difference	\$.06

No role was played by Developers in this request-Supplier rate increase pass through.

2003 No Requested Rate Increase

2002 No Requested Rate Increase

2001	May 2001	Beginning rate	\$11.35
		Ending rate	\$12.50
		Difference	\$ 1.15

No role was played by Developers in this request-Phase 5 expansion increase.

2000 No Requested Rate Increase
1999 No Requested Rate Increase
1998 No Requested Rate Increase
1997 No Requested Rate Increase
1996 No Requested Rate Increase

**The Water Districts Office Manager, Brenda Robinson and Operations
Manager, Shawn Cook can testify about these matters.**

Question #6: List for each of the last 10 calendar years the amount of funds that South Anderson Water District expended annually for non-real estate subdivision development water main extensions.

Response:

<u>YEAR</u>	<u>AMOUNT</u>
2005	-0-
2004	\$ 254.98
2003	\$ 254.98
2002	\$1,166.00
2001	\$7,110.95
2000	-0-
1999	\$8,071.54
1998	\$2,415.00
1997	\$ 291.50
1996	-0-

The Water District has paid over the course of the previous ten years, the sum of \$19,564.95 to non-real estate developers for real estate subdivision water main extensions and the Districts Office Manager, Brenda Robinson and Operations Manager, Shawn Cook, can testify to these matters.

Question #7: List for each of the last 10 calendar years the total dollar amount of grants and loans that South Anderson District has received from Federal and State sources for water main extensions.

Response:

<u>YEAR</u>	<u>AMOUNT</u>	<u>NATURE OF EXTENSION</u>
2005	-0-	
2004	\$2,071,600.00	Phase 6 Expansion
2003	-0-	
2002	-0-	
2001	-0-	
2000	-0-	
1999	\$2,089,000.00	Phase 5 Expansion
1998	-0-	
1997	-0-	
1996	-0-	

Total Grants and Loans received in the past 10 calendar years from federal and state sources for water main extension is \$4,160,600.00.

The Districts Office Manager, Brenda Robinson and Operations Manager, Shawn Cook, together with Engineer, Ken Taylor can testify to these matters.

Question #8: Provide all studies and analyses that South Anderson District has prepared or commissioned that support its position that “the financial burden on the South Anderson Water District in making these reimbursements [refunds to real estate subdivision developers for water main extensions] is extraordinary and openly burdens the customer of South Anderson Water District”.

Response:

The South Anderson Water District believes that the fifty-foot payback tariff originally had its basis back in the late 1950’s so that water main extensions could be developed and extended into various areas of the county, one household at a time. The fifty-foot payback tariff could never have been intended to function in the manner in which it is functioning today to help real estate developers “double dip” essentially by receiving a payment for a fifty-foot extension cost in the form of a refund and also receiving their price for their lot wherein they have intertwined the cost of utilities, the cost of paving streets, the cost of infrastructure and expenses including development in determining their per tract pricing.

In the case of South Anderson Water District, for many years, most development occurred within the City of Lawrenceburg and there was not a significant number of real estate subdivision developments in “under one-acre lot type” developments in South Anderson Water District’s territory until the last couple of calendar years as evidenced by the data submitted to the Commissions Staff herein.

As sewers extend into the South Anderson Water District territory, more and more developments are going to occur within the District's territory, thereby continuing the increase on a monthly and annual basis of the fifty-foot payback refund to developers.

The District believes that these refunds really should be paid to individuals within the District's territory who actually extend water service to individuals not currently being served with potable water. Real estate developments are property being served as an "addition" to property currently served. The real estate development refund does not really fit within the intent of the original payback refund tariff.

One can just look at the recent growth that South Anderson Water District is experiencing and the number of lots that are developed that will come on line in the next two years to see the added burden that will be placed upon the system.

The District cannot continue to refund these real estate developments at the current pace without coming back before the Commission for a rate increase, which will in effect, have the District customers again paying for a portion of the real estate developers infrastructure cost which could not have been the intent behind the original fifty-foot payback tariff.

Question #9: Provide all studies and analyses that South Anderson District has prepared or commissioned regarding the projected number of requests for water main extensions to real estate subdivision developments and the projected cost of such extensions.

Response:

The Water District, by and through its Office Staff and Operations Staff has attempted to determine the projected 2006 monthly expenses due if the fifty-foot pay back tariff continues in effect.

The Staff arrived at the following figures based on the remaining tracts to be developed in real estate developments in South Anderson's District. Some of the results are based on engineers estimated cost for construction. However, contractors have not supplied South Anderson Water District with actual construction costs incurred. It should be noted that there are 227 tracts available in the District's Territory and could very well be hooked on to the Water District within the next two years. There are also 196 tracts available for development in three current real estate developments subject to this tariff that should be developed in the next two years. If all these lots are developed and hooked on within the next two years, the District could be subject to the following average monthly expense due to refund under the fifty-foot payback tariff:

January	2006	\$ 9,372.00
February	2006	\$ 9,372.00
March	2006	\$ 9,372.00
April	2006	\$ 9,372.00
May	2006	\$ 9,372.00
June	2006	\$ 9,372.00
July	2006	\$ 9,372.00
August	2006	\$ 9,372.00
September	2006	\$ 9,372.00
October	2006	\$ 9,372.00
November	2006	\$ 9,372.00
December	2006	\$ 9,372.00

Total Yearly Expense \$112,464.00

2007 monthly expenses are projected in the same amounts if all lots are developed within the two-year period.

The Water District's office staff, including Operations Manager, Shawn Cook and Office Manager, Brenda Robinson can testify to these matters.

Question #10: State the average net revenue that a customer generates for South Anderson Water District.

Response:

The District does not have that information readily available at this time and will have to generate it with consultation with the District's auditor and engineer, and will supplement this answer at the appropriate time.