

PHONE  
606/573-3744

# CAWOOD WATER DISTRICT

P.O. BOX 429  
CAWOOD, KENTUCKY 40815



RECEIVED

September 28, 2017

OCT 02 2017

PUBLIC SERVICE  
COMMISSION

Mr. John S. Lyons, Acting Executive Director  
Kentucky Public Service Commission  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

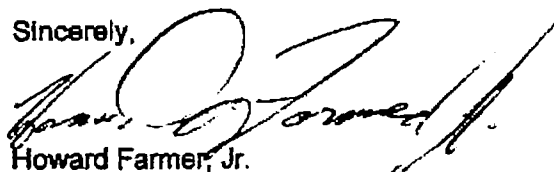
RE: Application of Cawood Water District for Rate Adjustment Pursuant  
To 807 KAR 5:076  
PSC Case No. 2017-00309  
September 20, 2017 PSC Staff Request for Information

Dear Mr. Lyons:

Enclosed is Cawood Water District's response to Commission Staff's First Request for Information in the above referenced case dated September 20, 2017.

Should you need any additional information please contact us.

Sincerely,



Howard Farmer, Jr.  
Chairman

Attachments

C: Ken Taylor, PE

AFFIDAVIT

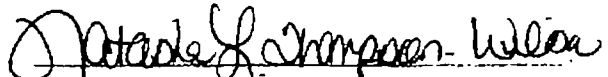
COMMONWEALTH OF KENTUCKY

COUNTY OF Harlan

Affiant, Howard Farmer, Jr., after being first sworn, deposes and says he is authorized on behalf of Cawood Water District to prepare and file this Response, that the statements are true and correct to the best of his knowledge and belief except as to those matters that are based on information provided to him and as to those he believes after reasonable inquiry to be true and correct.

  
Howard Farmer, Jr., Chairman

This instrument was produced, signed and declared by Howard Farmer, Jr. to be his act and deed the 21<sup>st</sup> day of September 2017.

  
Notary Public

#545421

My Commission expires: Mar 9, 2019

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Application of Cawood Water District for Rate Adjustment Pursuant to 807 KAR 5:706

Case NO. 2017-00309

Response of Cawood Water District

To

Commission Staff's First Request for Information

Dated September 20, 2017

1. Refer to the Application, Notice, page 1. The proposed rates for Cawood Service Area and Pathfork Service Area represent different percentages of increase.
  - a. Explain why Cawood did not propose an across the board increase in the absence of a cost-of-service study.

Response: Differing rates were initially implemented for the two areas when the Pathfork area distribution system was installed approximately 15 years ago. At that time a "surcharge" was added to the Pathfork rate to cover the higher cost for purchasing water from the City of Pineville to serve that area verses the Cawood Water Treatment Plant production costs. The District now feels this is not appropriate considering the higher operational costs of the Cawood distribution

system including its higher non-revenue water rate. However, a cost-of-service study was not performed to substantiate this and the District is now proposing to revise the rates as given in the response to 1.c. below.

- b. If Cawood would like to propose different increases for the different service areas, provide a cost-of-service study in support of the proposed rate increases.

Response: Cawood prefers to not go to the expense of performing a cost-of-service study and is now proposing to revise the rates as given in the response to 1.c below.

- c. If Cawood would prefer not to propose a cost-of-service study, provide an update to the application applying an across the board rate increase to each rate class. Alternatively, provide an update to the application unifying rates using Cawood's current rate design.

Response: Cawood is now proposing to determine the rate increase per the alternative given. Included in this submittal as Exhibit 1 is a revised ARF Form 1 – Attachment CPR – September 2011 which provides an across the board rate increase of 34% to each rate class of Cawood distribution area and unifies the Pathfork distribution area rates to it.

- 2. Refer to the Application, ARF Form 1 – Attachment SAO-W – September 2001, Schedule of Adjusted Operations – Water Utility. Provide the support calculation for the \$5,000.00 adjustment of Miscellaneous Service Revenues.

Response: The estimated \$5,000.00 increase in Miscellaneous Service Revenues was arrived at as follows:

Increased Tap-On Fees: 16 new meters at an additional fee of \$200.00 each.  $16 \times \$200.00 = \$3,200.00$

Increased Reconnection Fee: 120 reconnects at an additional fee of \$10.00 each.  $120 \times \$10.00 = \$1,200.00$

Increased Turn-On Fee: 60 turn-ons at an additional fee of \$10.00 each.  $60 \times \$10.00 = \$600.00$

Estimated Total Increase:  $\$3,200.00 + \$1,200.00 + \$600.00 = \$5,000.00$

3. Refer to the Application, ARF Form 1 – Attachment BA-DB – September 2011.

a. Refer to page 2, Usage Table, Proposed Rates.

(1) The number of bills for the Over 2,000 class in column (2) is 13,254. The sum of number of bills for the 2k-10k class and over 10k class for Cawood and Pathfork is 13, 458. Reconcile this difference.

Response: The Usage Table, Proposed Rates used only those customers the District had at the end of the test year. You will note from its annual reports, the District lost customers during the test year (2015). The District also lost customers the two years prior to that. Attached hereto as Exhibit 2 is a revised Usage Table, Proposed Rates which depicts all of the billed customers for the test year and the revised Proposed Rates.

(2) The number of gallons/Mcf for the over 2,000 class in column (3) is 73,206,258. The sum of the number of gallons/Mcf for 2k-10k class and over 10k class for Cawood and Pathfork is 74,022,258. Reconcile this difference.

Response: Same as response to 3.a.(1) above.

(3) The usage for less than 2,000 for the Over 2,000 class in column (4) is 26,508,000. The sum of the 2k-10k class and the over 10k class for Cawood and Pathfork is 26,916,000. Reconcile this difference.

Response: Same as response to 3.a.(1) above.

(4) The usage for Over 2,000 for the Over 2,000 class in column (5) is reported as 46,698,258. The sum of the 2k-10k class and the over 10k class for Cawood and Pathfork is 47,106,258. Reconcile this difference.

Response: Same as response to 3.a.(1) above.

b. Provide any needed updates to this exhibit.

Response: A revised Usage Table, Proposed Rates is included herein as Exhibit 2.

4. Refer to the Application, Average Meter Connection Expense Cost Justification.

a. Refer to Section A, Meter Size. Confirm that the district is seeking to adjust its present tap-on fee for a 5/8 x 3/4 inch meter size. If this cannot be confirmed, state the meter size for which Cawood District is requesting to adjust its present tap-on fee.

Response: It is hereby confirmed that the District is seeking to adjust its tap-on fee for a 5/8 x 3/4 inch meter size.

b. Refer to Section B, Material Expense. Provide vendor invoices for the following:

(1) Water Meter

Response: Vendor invoices are included herein as Exhibit 3.

(2) Meter Yoke

Response: Same as response to 4.b.(1) above.

(3) Corporation Stop

Response: Same as response to 4.b.(1) above.

(4) Meter Box and Top

Response: Same as response to 4.b.(1) above.

(5) Miscellaneous Fittings

Response: The miscellaneous fittings are saddles. Vendor invoice for saddles is included in Exhibit 3.

(6) Ind. Pressure Regulator

Response: Same as response to 4.b.(1) above.

- c. Refer to Section C, Service Pipe Expense. Provide vendor invoices for the following:

- (1) Short Side Service, 10'

Response: Vendor invoices are included herein as Exhibit 3.

- (2) Long Side Service, 20'

Response: Same as 4.c.(1) above.

- d. Refer to Section D, Installation Labor Expense.

- (1) Provide cost justification for the hourly rate. This cost justification should include hourly wages and benefits.

Response:       \$10.82/hr. Average hourly wage  
                          5.65/hr. FICA/Health Insurance/Monthly Bonus/Workers  
  Compensation Insurance  
                          3.53/hr. Estimated general overhead including tools,  
  uniforms, payroll, etc.

\$20.00 Total

- (2) Provide justification for the total hours for short side and long side labor expenses.

Response: The District's field manager has over 20 years of experience in the water utility business and provided the estimates of the time required to install the short side and long side meter installations. No specific records have been kept to verify these.

e. Refer to Section E, Installation Equipment Expense.

- (1) Provide cost justification for the hourly rate. This cost justification should include hourly wages and benefits.

Response: Backhoe hourly rate \$50.00 includes backhoe, fuel, maintenance, etc. Air compressor and pneumatic mole hourly rate \$25.00 includes air compressor, pneumatic mole, fuel, maintenance, etc. There are no wages included in the equipment cost.

- (2) Provide justification of the total hours for the short side and long side labor expenses.

Response: Same as 4.d (2) above.

- (3) State whether the labor for installation equipment expense will be performed by employees within Cawood District, or will be performed through contract labor.

Response: Meters are normally installed by District personnel using the District's equipment. However occasionally an outside contractor is used if the District's equipment is down or a larger piece of digging equipment is required.



f. Refer to Section F, Installation Miscellaneous Expense.

(1) Provide cost justification for the hourly rate. This cost justification should include hourly wages and benefits.

Response: Same as 4.d (1) above.

(2) Provide justification of the total hours for site clean-up.

Response: Same as 4.d (2) above.

g. Refer to Section H, Administrative Expense. Provide justification for the \$35.00 office expense for establishing a new account and billing record.

Response:

\$10.60/hr.	Office Clerk	1.00 hrs.	=	\$10.60
\$30.00/hr.	Billing Firm	0.33 hrs.	=	\$10.00
\$20.00/hr.	Bookkeeper	0.25 hrs.	=	\$ 5.00
Estimated overhead costs (computer, copier, office supplies, etc.)			=	\$ 9.40
	Total			\$35.00

h. Show all calculations, state all assumptions and provide all supporting documentation for subsection requests a-g above.

Response: See responses to requests a-g above.

5. Refer to the Application, Nonrecurring Charge Cost Justification, Meter Turn-On; Meter Re-Read and Meter Re-Setting.

a. Provide justification for the 1.5 hours of labor.

Response: Same as response to 4.d.(2) above.

- b. Provide cost justification for the hourly rate. This cost justification should include hourly wages and benefits.

Response: Same as response to 4.d.(1) above.

- c. Provide support for the transportation expense of \$5.00.

Response: Estimated average mileage 10 miles at \$0.50/mile = \$5.00.

- d. Show all calculations, state all assumptions and provide all supporting documentation for request a-c above.

Response: See responses to requests a-c above.

6. Refer to the Application, Nonrecurring Charge Cost Justification, Meter Test Charge.

- a. Provide justification for the hourly rate. This cost justification should include hourly wages and benefits.

Response: Same as response to request 4.d (1) above.

- b. Provide support for the transportation expense of \$5.00.

Response: Same as response to 5.c above.

- c. Provide any invoices, estimates or calculations that support the \$15.00 shipping/testing expense.

Response: Attached hereto as Exhibit 4 is a copy of an invoice from Dyer Meter Service, LLC to the Knox County Utility Commission showing a test charge of \$15.00 and shipping charge of \$11.30. The District would use this same meter test service.

- d. Show all calculations, state all assumptions and provide all supporting documentation for requests above.

Response: See responses to requests a-c above.

**EXHIBIT 1**

**REVISED CURRENT AND PROPOSED RATES**

**ARF FORM 1 – ATTACHMENT CPR**

**CURRENT AND PROPOSED RATES**  
**(List Applicant's Current and Proposed Rates)**

REVISED SEPTEMBER 26, 2017

Current Rates

Cawood Water Plant Service Area

First 2,000 gallons \$20.56 minimum bill

Next 8,000 gallons 6.92 per 1,000 gallons

Over 10,000 gallons 4.93 per 1,000 gallons

Pathfork Area Customers

First 2,000 gallons \$23.45 minimum bill

Next 8,000 gallons 9.08 per 1,000 gallons

Over 10,000 gallons 7.08 per 1,000 gallons

Tap Fee \$550.00

Connection-Turn-on; Re-read; & Re-Setting Charges \$25.00

Meter Test Charge \$0.00

Proposed Rates: All Customers

First 2,000 gallons \$27.55 minimum bill

Next 8,000 gallons 9.27 per 1,000 gallons

Over 10,000 gallons 6.61 per 1,000 gallons

Tap Fee \$750.00

Connection-Turn-on; Re-read; & Re-Setting Charges \$35.00

Meter Test Charge \$50.00

## **EXHIBIT 2**

### **REVISED USAGE TABLE – PROPOSED RATES**

#### **ARF FORM 1 – ATTACHMENT BA-DB**

Revenue from Present/Proposed Rates  
Test Period from 01-01-15 to 12-31-15

**USAGE TABLE**  
Usage by Rate Increment

**Class:** Proposed Rates - Revised 9-26-17

(1)	(2) Bills	(3) Gallons/Mcf	(4) 0-2k	(5) 2k-10k	(6) Over 10k	(7)	(8)	(9) Total
<2k	6,605	6,477,000	6,477,000					6,477,000
2k - 10k	12,676	53,547,746	25,352,000	28,195,746				53,547,746
over 10k	782	20,474,512	1,564,000	6,256,000	12,654,512			20,474,512
Totals	20,063	80,499,258	33,393,000	34,451,746	12,654,512			80,499,258

**REVENUE TABLE**  
Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
<2,000 gal.	20,063	33,393,000	\$27.55 minimum	\$552,735.65
2,001-10,000 gal.		34,451,746	\$9.27/1,000 gal.	\$319,367.69
Over 10,000 gal.		12,654,512	\$6.61/1,000 gal.	\$83,646.32
Totals	20,063	80,499,258		\$955,749.66

Instructions for Completing Revenue Table:

- (9) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (10) Complete Column No. 4 using rates either present or proposed.
- (11) Column No. 5 is completed by first multiplying the bills times the minimum charge.  
Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

**EXHIBIT 3**  
**SUPPORTING VENDOR INVOICES**

# HDSUPPLY

## WATERWORKS

Local Knowledge  
Local Experience  
Local Service, Nationwide®

FILLED BY: *[Signature]*

CHECKED BY: *ME*

REVIEWED BY:

RECEIVED BY:

SIGNATURE

PRINT NAME

HERE:

BECKY WILSON - 114

ENTERED BY:

SOLD BY

LEXINGTON KY  
Branch - 114  
2141 Christian Rd  
Lexington KY 40509 0000  
PHONE # 859 253 3464

05/31/2016 02:23 PM PAGE 1

PICK TICKET

F601500

034541

SOLD TO

CAWOOD WATER DIST  
STOCK-LEXINGTON #114  
PO BOX 429  
CAWOOD KY 40815  
Cus Ph# 606 573 3744

SHIP TO

CAWOOD WATER DIST  
STOCK-LEXINGTON #114  
54 PLANT ROAD  
CAWOOD KY 40815

SPECIAL INSTRUCTIONS/COMMENTS

BID # 4054088 C/O # D449216

RANCH NO.	DATE ORDERED	DATE SHIPPED	PURCHASE ORDER NO.	JOB NAME	JOB NUMBER	DELIVERY METHOD				BILL OF LADING NO.	SHIPPED VIA	SALES
14	5/31/16		364939	STOCK		OUR TRUCK	CUSTOMER PICK UP	DIRECT	SHIPPED			F85
						X						

BIN LOCATION	PRODUCT CODE	DESCRIPTION	QTY. ORDERED	QTY. SHIPPED	BACK ORDERED	UNIT PRICE	PER	AMOUNT
21 A	43076PM25LLCI	M25 LL BRZ METER 5/8X3/4X7-1/2 GAL W/CI BOTTOM LOW LEAD BID SEQ# 00010	50	50		62.00	EA	3,100.0
11 A 3	92007600LUSCXL	3/4 WILK 600LUSC PRV LO LEAD 25-75PSI SET AT 50PSI	12	12		61.13	EA	733.5
AP	45MPR15201011	1520-18 PLAS MTR BOX W/FLUSH PLAS COVER W/CI RDR WEIGHT: 14.4000 lb	8	8		65.41	EA	523.2
TOTAL WEIGHT:		115.20						

END OF ORDER

MERCHANDISE SUBTOTAL	TAX	TAX AMOUNT	FREIGHT	DELIVERY	HANDLING	RESTOCKING	MISCELLANEOUS	TOTAL SALE
4,356.84	6.000	.00	.00	.00	.00	.00	.00	4,356.84

NOTICE: THE TERMS AND CONDITIONS ON THE REVERSE SIDE OF THIS FORM ARE AGREED TO:



COPY B



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LEXINGTON KY  
Branch - 114  
2141 Christian Rd  
Lexington KY 40509 0000  
PHONE # 859 253 3464

# HDSUPPLY.

## WATERWORKS

Local Service, Nationwide<sup>SM</sup>

FILLED BY: DW  
CHECKED BY: Del Mke  
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ENTERED BY: BRIAN RUTH - 114

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PICK TICKET F236825

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CAWOOD WATER DIST  
STOCK-LEXINGTON #114  
PO BOX 429  
CAWOOD KY 40815  
Cus Ph# 606 573 3744

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CAWOOD WATER DIST  
STOCK-LEXINGTON #114  
54 PLANT ROAD  
CAWOOD KY 40815

SPECIAL INSTRUCTIONS/COMMENTS  
BID # 4054088 C/O # D449216

ANCH NO.	DATE ORDERED	DATE SHIPPED	PURCHASE ORDER NO.	JOB NAME	JOB NUMBER	DELIVERY METHOD				BILL OF LADING NO.	SHIPPED VIA	SALES
14	3/11/16		364859	STOCK		OUR TRUCK	CUSTOMER PICK UP	DIRECT	SHIPPED			F85
						X						

BIN	LOCATION	PRODUCT CODE	DESCRIPTION	QTY. ORDERED	QTY. SHIPPED	BACK ORDERED	UNIT PRICE	PER	AMOUNT
11 A	3	92007600LUSCXL	3/4 WILK 600LUSC PRV LO LEAD 25-75PSI SET AT 50PSI	12	12	✓	61.13	EA	733.5
13 D	2	3607H1500BN	H1500BN 3/4 CORP STOP CCXCTSC CC X CTS COMP, NO LEAD WEIGHT: 1.8000 lb	12	12	✓	31.04	EA	372.4
12 D	2	71S13425CC075	S13425 3X3/4CC BR SAD F/PVC 3.50" O.D. BRONZE SADDLE WEIGHT: 1.9000 lb	6	6	✓	27.53	EA	165.1
12 C	3	71S13428CC075	S13428 4X3/4CC BR SAD F/PVC 4.50" O.D. BRONZE SADDLE WEIGHT: 2.2500 lb	6	6	✓	32.38	EA	194.2
30		4607H1470203N	H1470-2-03N 5/8X3/4X7 TANDEM SETTER 110 COMPRESSION LW/GK ANG VLV NO LEAD	10	10	✓	188.79	EA	1,887.9
12 E	4	7486056016316	860-56-0163-16 6" HYMAX CPLG 6.42-7.05 LR; 7.01-7.68 HR OD WEIGHT: 23.0000 lb	2	20	✓	212.94	EA	212.5
12 F	1	7486056021716	860-56-0217-16 8" HYMAX CPLG 8.54-9.17 LR; 9.13-9.84 HR OD WEIGHT: 28.0000 lb	2	2	✓	240.41	EA	480.8

*Peter*

CONTINUED

MERCHANDISE SUBTOTAL	TAX	TAX AMOUNT	FREIGHT	DELIVERY	HANDLING	RESTOCKING	MISCELLANEOUS	TOTAL SALE

NOTICE: THE TERMS AND CONDITIONS ON THE  
REVERSE SIDE OF THIS FORM ARE AGREED TO:



COPY

# Kentucky Mine Supply Company

## INDUSTRIAL DISTRIBUTORS SINCE 1917

**Phone: (606) 573-3850 Fax: (606) 573-6638**

## QUOTATION

DATE 1-20-17 TO C A Wood WATER

ATTN \_\_\_\_\_ REFERENCE

DELIVERY \_\_\_\_\_ QUOTE FIRM FOR \_\_\_\_\_ DAYS

[illegible]

**BY**

BY Deanna A. [Signature]

**EXHIBIT 4**

**DYER METER SERVICE, LLC**

**KNOX COUNTY UTILITY COMMISSION INVOICE**

933252

<b>Statement</b>		DATE <i>9-20-17</i>	TERMS
TO <i>Knox Co Util Comm</i>			
<i>PO Box 1630</i>			
<i>Barbourville Ky 40906</i>			
IN ACCOUNT WITH			
BYER METER SERVICE LLC			
1300 BRACHT RD			
CORINTH, KY 41010			
		<i>1 3/8" meter Complaint</i>	
		<i>test</i>	
		<i>15.00</i>	<i>15.00</i>
		<i>fit</i>	<i>11.30</i>
		<i>TOTAL</i>	<i>26.30</i>
CURRENT		OVER 30 DAYS	OVER 60 DAYS
TOTAL AMOUNT			