

SOUTH ANDERSON WATER DISTRICT  
142 SOUTH MAIN STREET  
LAWRENCEBURG, KY 40342

Telephone  
502-839-6919

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RECEIVED

FEB 11 2009

PUBLIC SERVICE  
COMMISSION

February 6, 2009

Mr. Brent Kirtley  
Public Service Commission  
211 Sower Blvd.  
Frankfort, Ky 40602

Re: City of Lawrenceburg Cost of Service Study

Dear Mr. Kirtley:

We have reviewed the Cost of Service study with our engineering firm (Kenvirons, Inc); therefore we are requesting that the Public Service Commission to suspend the rate filing to investigate the reasonableness of the rate and that we want to intervene in the proceeding.

Sincerely,  
South Anderson Water District



Eddie R. Stevens  
Chairman



**Kenvirons, Inc.**

452 Versailles Road • Frankfort, KY 40601 • Phone: (502) 695-4357 • Fax: (502) 695-4363  
*Civil & Environmental Engineering and Laboratory Services*

February 5, 2009

Ms. Brenda Robinson  
South Anderson Water District  
P.O. Box 17  
Lawrenceburg, Kentucky 40342

RE: Lawrenceburg Wholesale Rate Increase

Dear Ms. Robinson:

The rate analysis report regarding the determination of the wholesale rate through which the water district purchases treated water from the City of Lawrenceburg has been reviewed. There are some issues that we feel should be addressed by the City.

Page 6 of the report contains a table showing a breakdown of water quantities. This data indicates a 31% water loss which was used in the determination of the expense allocation factors. The utility regulations limit the unaccounted for water to 15%.

The jointly used pipelines shown on page 7 have not been verified but are accepted as shown for the present.

Page 9 is a listing of the water utility expenses. These expenses are not segregated into the broad functional categories of Water Supply and Treatment, Transmission and Distribution, Customer Accounts and Administration and General. Usually, there is a need to further segregate expenses into sub-function categories, i.e. meter testing as a sub-function of Transmission and Distribution. An example of what appears to be an inappropriate allocation is the \$178,000 for chemicals. It can be assumed that the chemicals expense was incurred for the water production process. The Water Production Factor, which is lower, should have been used instead of the Use Factor, resulting in less expense allocated to the water district. The same principal applies to the utilities expense of \$141,000. A significant share of this expense very probably occurred at the water treatment plant which would be allocated through a lower allocation factor. The salaries and benefits are allocated with the Water Production Factor. Salaries and benefits expenses should be segregated into the functional



categories and allocated accordingly. The Customer Accounts function includes meter reading and billing which is almost entirely a city expense. The above described issues of expense allocation are examples and not intended to be all inclusive.

It is understood that cities generally do not maintain a continued segregation of expenses by function throughout the year. It generally never becomes an issue until a cost of service study is attempted in the process of determining a wholesale rate. In the event the segregation of expenses is not available, the segregation is approximated through reasonable and appropriate estimation techniques.

It is recommended that the Public Service Commission be notified that the water district would like some time to investigate the matter with the anticipation that a mutual agreement can be accomplished between the City and water district.

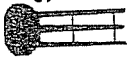
If there are any questions, do not hesitate to contact us.

Sincerely,

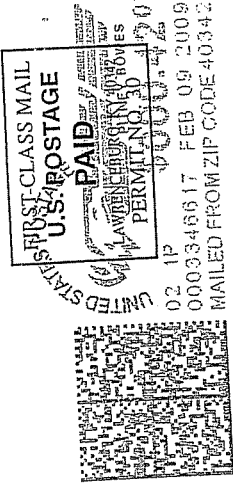
A handwritten signature in black ink, appearing to read 'Carlos F. Miller'.

Carlos F. Miller, P.E.  
Vice President

CFM/pmw



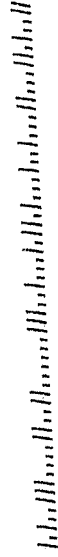
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