

SOUTHEAST DAVIESS COUNTY WATER DISTRICT

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October 9, 2020

Via Electronic Filing

Kent Chandler
Acting Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

Re: Case No. 2020-00195

Dear Mr. Chandler:

Enclosed please find for filing with the Commission in the above-referenced case Southeast Daviess County Water District's responses to the Commission Staff's Third Request for Information.

The original versions of the documents transmitted electronically will be filed with the Commission in paper medium within thirty days of the state of emergency being lifted.

Please do not hesitate to contact me if you have any questions.

Sincerely,



Keith Krampe, Office Manager

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING OF)	CASE NO.
SOUTHEAST DAVIESS COUNTY WATER DISTRICT)	2020-00195

RESPONSE OF SOUTHEAST DAVIESS COUNTY WATER DISTRICT
TO THE COMMISSION STAFF'S THIRD REQUEST FOR
INFORMATION DATED OCTOBER 1, 2020

Filed: October 9, 2020

**Southeast Daviess County Water District
Case No. 2020-00195
Commission Staff's Third Request for Information issued October 1, 2020**

1. Refer to the application, Attachment 5, Schedule of Adjusted Operations. Provide a detailed breakdown of the sources and associated dollar amounts in the revenue categories labeled: Misc. Service Revenues, Other Water Revenues.

Response:

Miscellaneous Service Revenues – Test Year Amount = \$ 27,615.00

Comprised of the \$ 35.00 service order charge fee the Water District charges to transfer service into a new customer's name.

Note: Adjustment of \$ 18,145.00 was made to record the Water District's collection of disconnect and reconnect fees during the year initially credited to Metered Retail Sales.

Other Water Revenue – Test Year Amount \$ 78,619.00

Combination of two categories: Miscellaneous Revenue (\$ 16,391.00) and Sewer Collection Fees (\$ 62,228.00)

Miscellaneous Revenues – Mainly rental of hydrant meters by contractors to wash streets, irrigate newly-laid sod, hydroseeding, water used for boring equipment, etc. Other smaller items include rent for one tank site for internet provider's antenna and meter testing fee for customers who request their meter to be tested by the Water District.

Sewer Collection Fee – Fee charged by Water District to bill, collect, and report the sewer and sanitation entities' fees and charges on a per bill basis.

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2. Refer to the application, Attachment 5, References page. Provide calculation support in Excel spreadsheet format with all formulas unprotected and all rows and columns accessible for each adjustment made by Southeast Daviess District.

Response: See Attachment RFI 3.2_SE

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3. Identify material and labor costs associated with tap-ons in the test year. Confirm if such costs have been removed from test year expenses and capitalized by Southeast Daviess District.

Response:

The Water District's material and labor costs for tap-ons for the test year are summarized on a monthly basis below:

January	\$ 6,930.00
February	\$ 10,336.02
March	\$ 2,578.20
April	\$ 11,815.69
May	\$ 5,229.58
June	\$ 3,644.54
July	\$ 6,516.34
August	\$ 14,858.95
September	\$ 10,277.24
October	\$ 13,238.74
November	\$ 6,057.80
December	\$ 4,465.54
December A/P	\$ 1,490.00
January A/P	<u>\$ 3,123.46</u>
Total	\$ 100,562.10

These monthly entries can be found on the Trial Balance under Account # 334 Meter and Meter Installations. The Water District utilizes a separate checking account (Trial Balance account # 133) to deposit tap-on fees and expend costs associated strictly for the materials used for a meter installation. Tap-on fees that are paid to the Water District are deposited into this account and invoices are individually coded to expend only items used for meter installations. At year-end, an entry to the depreciation schedule for the total material and labor costs is made to capitalize the total cost.

Likewise, meter purchases are initially debited to inventory and at year-end, all meter installation totals are calculated and an entry is made to take the total out of inventory and capitalize on the depreciation schedule. See line item 419 in Section 334 Meter and Meter Installation of the 2019 Depreciation schedule for the \$ 100,562.10 entry to capitalize the 2019 material and labor costs associated with the Water District's 2019 tap-ons and line items 420, 421, 422, and 423 for the entries to add the meters used during the year for new installations.

By using this method of a separate account, the expenses pertaining to meter and meter installations are never intermingled with other material and labor expenses of other purposes and therefore, would not need to be removed from test-year expenses.

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4. Refer to Case No. 2020-00287, explain how West Daviess Water District merging into Southeast Daviess District affects the current application to adjust Southeast Daviess District's rates for service.

Response:

The proposed merger does not affect the current application.

As stated in the Merger Application in Case No. 2020-00287, during the first year after the districts have merged the rates approved in Case No. 2020-00196 will be charged within the existing service area of West Daviess District and the rates approved in Case No. 2020-00195 will be charged within the existing service area of Southeast Daviess District. After the combined district has been in operation one full year and all financial information is available, a Cost of Service Study will be performed. It is contemplated that Daviess County Water District will then file an application for a unified rate.

Therefore, it is anticipated that the rates approved in the current application will remain in effect through late 2022 or early 2023