

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC JOINT APPLICATION OF	)	
EDMONSON COUNTY WATER DISTRICT	)	
AND CAVELAND SANITATION	)	
AUTHORITY, INC. D/B/A CAVELAND	)	CASE NO.
ENVIRONMENTAL AUTHORITY FOR	)	2026-00136
APPROVAL OF THE TRANSFER OF THE	)	
SEWER SYSTEM IN THE HILLTOP AREA	)	

**EDMONSON DISTRICT’S RESPONSE TO
COMMISSION STAFF’S FIRST REQUEST FOR INFORMATION**

Edmonson County Water District (“Edmonson District”) submits its
Response to Commission Staff’s First Request for Information.

Dated: October 1, 2026

Respectfully submitted,

/s/ E. Kenly Ames

E. Kenly Ames

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Counsel for Joint Applicants

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, and the Public Service Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this electronically filed document was transmitted to the Public Service Commission on October 1, 2026 and that there is currently no party in this proceeding that the Public Service Commission has excused from participation by electronic means.

/s/ E. Kenly Ames

E. Kenly Ames

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF EDMONSON)


Daniel Brown, General Manager
Edmonson County Water District

Dylan Haywood
Notary Public
My Commission Expires: July 18, 2028
Notary ID: KYNP90516

**DYLAN RAY HAZELWOOD
NOTARY PUBLIC
COMMONWEALTH OF KENTUCKY
ID # KYNP90516
MY COMMISSION EXPIRES JULY 18, 2028**

Edmonson County Water District

Response to Commission Staff's First Request for Information
Case No. 2026-00136

Witness: Daniel Brown

- Q 1-1. Refer to the Application, page 8, Item 34. Following the proposed closing of this transaction, confirm that Edmonson District would no longer serve any residential, commercial, or industrial sewer customers and would no longer be providing any sewer services of any kind whatsoever. If not confirmed, explain.
- A 1-1. Confirmed. Following the closing of this transaction, Edmonson District will no longer serve any residential, commercial, or industrial sewer customers and will no longer be providing any sewer services of any kind whatsoever.

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Witness: Daniel Brown

- Q 1-2. Refer to the Application, page 5, Item 18, and refer to the Application, Exhibit I, Operating Agreement. Identify and explain any instances of degradation of service, reliability, or any other issues with the Edmonson District sewer system since the time Caveland Environmental Authority (Caveland) began operating the sewer system pursuant to the Operating Agreement dated January 27, 2026.
- A 1-2. Caveland began operating the Edmonson Sewer System in March 2026, pursuant to the Operating Agreement that is Exhibit I to the Joint Application. To Edmonson District's knowledge, there have been no instances of degradation of service, reliability, or any other issues with the Edmonson Sewer System while Caveland has been operating it.

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Witness: Daniel Brown

Q 1-3. Refer to the Application, page 7, Item 28. Explain how Caveland can operate the Edmonson District sewer system more efficiently.

A 1-3. Caveland already owns and operates other sewer systems, including another sewer system in Edmonson County, and owns and operates the City of Brownsville wastewater treatment plant that treats the sewer flow from the Edmonson Sewer System. Caveland has substantially lower customer rates, more effective equipment and tools for sewer system operation and maintenance, and more employees with experience operating sewer systems. The Edmonson Sewer System will be operated in conjunction with Caveland's existing systems. The resulting economies of scale should improve the overall efficiency of operations.

Edmonson County Water District

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Witness: Daniel Brown

Q 1-4. Provide the anticipated journal entries by Uniform System of Accounts (USoA) Account Numbers to record the selling transactions.

A 1-4. For illustrative purposes, the anticipated journal entries would be as follows:

Acct #	Description	Debit	Credit
35210	Collection Sewers-Force		78,997.02
35220	Collection Sewers-Gravity		1,293,245.16
35400	Services to Customers		44,620.60
35500	Flow Measuring Devices		19,027.51
36300	Pumping Equipment		175,580.95
11010	Accum Depr/Collection Plant	536,952.46	
11020	Accum Depr/Pumping Equipment	144,173.49	
22100	Bonds Payable	68,900.00	
	Loss on Disposition	861,445.29	

The accumulated depreciation amounts shown above are as of December 31, 2025, which are the most recent amounts shown on Edmonson District's books. The bond payable amount is as of the date of this response.

The final purchase price will be determined at the time of closing, and the accumulated depreciation will be subject to adjustment depending on when the closing occurs. Consequently, the anticipated journal entry set out above is provided for illustrative purposes only.

Edmonson District understands that Commission Staff's First Request for Information to Caveland included, at Item 1.7(c), a request to provide the net book value of each of the listed assets proposed to be transferred, as of the most recent practicable date prior to closing. Edmonson District provides the following net book values, as of December 31, 2025:

Edmonson District - Net Book Value as of 12/31/25				
Acct #	Description	Cost	Depreciation	Net Book Value
35210	Collection Sewers-Force	78,997.02	29,229.03	49,767.99
35220	Collection Sewers-Gravity	1,293,245.16	478,500.72	814,744.44
35400	Services to Customers	44,620.60	18,334.79	26,285.81
35500	Flow Measuring Devices	19,027.51	10,887.92	8,139.59
36300	Pumping Equipment	175,580.95	144,173.49	31,407.46
		1,611,471.24	681,125.95	930,345.29

A copy of the pertinent portion of Edmonson District's general ledger showing the cost and depreciation for the assets proposed to be transferred, as of December 31, 2025, is attached as Exhibit A to this response. The assets that are proposed to be transferred are highlighted in yellow.

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Witness: Daniel Brown

- Q 1-5. Refer to the Application, page 8, Items 21 and 33. Provide the current outstanding principal and accrued interest of Edmonson District's RD Sewer Bond.
- A 1-5. The current outstanding principal and accrued interest of Edmonson District's RD Sewer Bond, as of the date of this response, is \$68,900.

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Witness: Daniel Brown

- Q 1-6. Provide a breakdown of the revenue requirement impact of the proposed transaction including the following items.
- a. Operating revenue increase or decrease;
 - b. Operating expense increase or decrease by expense component;
 - c. Annual depreciation, including calculations, for each component for which there are different depreciation lives;
 - d. Annual debt service;
 - e. Twenty percent working capital on debt service amounts listed in Item 6 (d); and
 - f. Total of all items above.
- A 1-6. As shown in the responses below, the sale of the Edmonson Sewer System to Caveland is estimated to have a **positive** revenue requirement impact for Edmonson District of approximately \$9,234.
- A 1-6(a). Edmonson District anticipates a decrease in annual operating revenue of about \$57,623. Operating revenue for 2025 for the Edmonson Sewer System was \$57,623. Annual operating revenue following closing of the proposed transaction will be \$0.
- A 1-6(b). Edmonson District anticipates a decrease in annual operating expense of about \$28,444. Operating expenses for 2025 for the Edmonson Sewer System were \$28,444. Annual operating expense following closing of the proposed transaction will be \$0.
- A 1-6(c). The reduction in annual depreciation expense attributable to the sale of the Edmonson Sewer System to Caveland will be approximately the following, based on amounts as of December 31, 2025:

Acct #	Description	Life in Years	Reduction in Annual Depreciation Expense
35210	Collection Sewers-Force	62.5	1,263.95
35220	Collection Sewers-Gravity	62.5	20,691.92
35400	Services to Customers	40	1,115.51
35500	Flow Measuring Devices	17.5	182.45
36300	Pumping Equipment	20	8,768.30
			32,022.13

- A 1-6(d). Edmonson District's current debt obligations relating to its sewer systems consist of one RD sewer bond. Annual debt service for that bond was \$5,326 for 2025. That bond will be paid off at closing, which will reduce Edmonson District's annual debt expense by approximately \$5,326.
- A 1-6(e). Twenty percent working capital on the one RD sewer bond that will be paid off at closing was \$1,065.20 for 2025. Thus, this transaction will reduce Edmonson District's working capital by approximately \$1,065.20.
- A 1-6(f). The total impact on the revenue requirement for Edmonson District from the proposed transaction is set out below.

In total, **revenue** is expected to **decrease** by approximately \$57,623, but **expenses** are expected to **decrease** by approximately \$66,857, resulting in a **net benefit** to Edmonson District from the proposed transaction of approximately \$9,234.

A chart setting out this calculation appears on the next page.

REVENUE	Residential Sewer Sales Decrease	(\$54,418.00)	
DECREASE	Forfeited Sewer Discounts Decrease	(\$588.00)	
	Misc Service Revenue Decrease	(\$2,617.00)	
	Total Revenue Decrease	(\$57,623.00)	a
OPERATING	Labor, Materials & Exp - Collection Sys	(\$3,482.00)	
EXPENSE	Labor, Materials & Exp - Pumping Sys	(\$14,598.00)	
DECREASE	Fuel & Power	(\$2,262.00)	
	Misc Supplies & Expenses	(\$4,854.00)	
	Customer Acct Expenses	(\$959.00)	
	Admin & General	(\$1,884.00)	
	Payroll Taxes	(\$405.00)	
	Total Operating Expense Decrease	(\$28,444.00)	b
NONOPERATING	Depreciation Expense Decrease	(\$32,022.13)	c
EXPENSE	Debt Service Decrease	(\$5,326.00)	d
DECREASE	Working Capital Decrease	(\$1,065.20)	e
	Total Nonoperating Expense Decrease	(\$38,413.33)	
	Total Expense Decrease	(\$66,857.33)	
	Net Benefit	\$9,234.33	f

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Witness: Daniel Brown

- Q 1-7. Refer to the Application, Exhibit I, Operating Agreement. Explain whether any employees will be transferred as part of the sale of the Edmonson District sewer system or whether they will remain employed by Edmonson District.
- A 1-7. No Edmonson District employees will be transferred to Caveland as part of the sale of the Edmonson Sewer System.

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Witness: Daniel Brown

Q 1-8. Explain any anticipated benefits the 57 residential customers in the Hilltop area would realize due to the proposed transfer.

A 1-8. The benefits that the 57 residential customers in the Hilltop area will realize due to the proposed transfer will include a substantial reduction in rates.

The current sewer rates for Edmonson District are:

Residential: First 1500 gallons = \$38.82 plus \$0.01468/gallon

Commercial: First 1500 gallons = \$58.22 plus \$0.02195/gallon

Caveland has one rate for all customers:

First 2000 gallons = \$14.28 plus \$0.00714/gallon.

Following closing of the proposed transaction, Caveland will charge the 57 Hilltop customers for sewer service at Caveland's lower rate.

The Hilltop customers will also receive the benefit of having their sewer system operated and maintained by Caveland, which has more employees with extensive experience operating and maintaining sewer systems, as well as better equipment and tools for those purposes.

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Witness: Daniel Brown

Q 1-9. Explain any anticipated benefits Edmonson District would realize due to the proposed transfer.

A 1-9. Edmonson District will no longer have the burden of operating one small sewer system for little financial benefit. Edmonson District's personnel will be free to focus entirely on serving the customers of its water system and maintaining and improving its water system facilities.

EXHIBIT A

ECWD - Sewer [ecw - sewer] Depreciation Expense

Sorted: General - GL asset acct.

Financial

01/01/2025 - 12/31/2025

System No.	S	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Bus./ Inv. %	Sec. 179/ Bonus	Salvage/ Basis Adj.	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
31100												
3		Building	1/1/2015	SL /N/A	37.5000	34,500.00	100.0000	0.00	0.00	13,167.50	920.00	14,087.50
Subtotal: 31100						34,500.00		0.00	0.00	13,167.50	920.00	14,087.50
Less dispositions and exchanges:						0.00		0.00	0.00	0.00	0.00	0.00
Net for: 31100						34,500.00		0.00	0.00	13,167.50	920.00	14,087.50
35210												
16		Collection Sewe	1/1/2006	SL /N/A	62.5000	78,997.02	100.0000	0.00	0.00	27,965.08	1,263.95	29,229.03
Subtotal: 35210						78,997.02		0.00	0.00	27,965.08	1,263.95	29,229.03
Less dispositions and exchanges:						0.00		0.00	0.00	0.00	0.00	0.00
Net for: 35210						78,997.02		0.00	0.00	27,965.08	1,263.95	29,229.03
35220												
18		Collection Sewe	1/1/2006	SL /N/A	62.5000	1,293,245.16	100.0000	0.00	0.00	457,808.80	20,691.92	478,500.72
Subtotal: 35220						1,293,245.16		0.00	0.00	457,808.80	20,691.92	478,500.72
Less dispositions and exchanges:						0.00		0.00	0.00	0.00	0.00	0.00
Net for: 35220						1,293,245.16		0.00	0.00	457,808.80	20,691.92	478,500.72
35400												
19		Services to Cus	1/1/2006	SL /N/A	40.0000	43,545.30	100.0000	0.00	0.00	16,982.71	1,088.63	18,071.34
20		Audit Adj #2	1/1/2013	SL /N/A	40.0000	1,075.30	100.0000	0.00	0.00	236.57	26.88	263.45
Subtotal: 35400						44,620.60		0.00	0.00	17,219.28	1,115.51	18,334.79
Less dispositions and exchanges:						0.00		0.00	0.00	0.00	0.00	0.00
Net for: 35400						44,620.60		0.00	0.00	17,219.28	1,115.51	18,334.79
35500												
21		Flow Measuring	1/1/2006	SL /N/A	17.5000	15,834.65	100.0000	0.00	0.00	9,862.59	0.00	9,862.59
22		Flow Measuring	8/5/2019	SL /N/A	17.5000	3,192.86	100.0000	0.00	0.00	842.88	182.45	1,025.33
Subtotal: 35500						19,027.51		0.00	0.00	10,705.47	182.45	10,887.92
Less dispositions and exchanges:						0.00		0.00	0.00	0.00	0.00	0.00
Net for: 35500						19,027.51		0.00	0.00	10,705.47	182.45	10,887.92
36300												
15		Pumping Equip	1/1/2006	SL /N/A	20.0000	174,506.87	100.0000	0.00	0.00	135,233.35	8,725.34	143,958.69
23		6 PT Level Cont	12/17/2020	SL /N/A	25.0000	1,074.08	100.0000	0.00	0.00	171.84	42.96	214.80
Subtotal: 36300						175,580.95		0.00	0.00	135,405.19	8,768.30	144,173.49
Less dispositions and exchanges:						0.00		0.00	0.00	0.00	0.00	0.00
Net for: 36300						175,580.95		0.00	0.00	135,405.19	8,768.30	144,173.49
39200												
4		Ford F-350	1/1/2013	SL /N/A	7.0000	24,509.00	100.0000	0.00	0.00	17,156.30	0.00	17,156.30
5		Trailer and hitch	1/1/2015	SL /N/A	17.5000	6,095.00	100.0000	0.00	0.00	4,745.41	348.29	5,093.70
Subtotal: 39200						30,604.00		0.00	0.00	21,901.71	348.29	22,250.00