

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	)	

**CAVELAND’S RESPONSE TO
COMMISSION STAFF’S FIRST REQUEST FOR INFORMATION**

Caveland Sanitation Authority, Inc. d/b/a Caveland Environmental Authority (“Caveland”) submits its Response to Commission Staff’s First Request for Information.

Dated: October 1, 2026

Respectfully submitted,

/s/ E. Kenly Ames

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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

) SS:


David Peterson, Chief Executive Officer
Caveland Sanitation Authority, Inc. d/b/a
Caveland Environmental Authority

Subscribed, sworn to, and acknowledged before me, a Notary Public in and
for said County and State, this 1st st day of October, 2026.

Christa T. Reed # KYNPG68034
Notary Public

Caveland Sanitation Authority, Inc.
d/b/a Caveland Environmental Authority

Response to Commission Staff's First Request for Information
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Witness: David Peterson

Q 1-1. Refer to the Application, page 7, Item 28. Explain how Caveland can operate the sewer system that serves 57 residential customers in the Hilltop area (Hilltop) more efficiently than Edmonson County Water District (Edmonson District) previously has.

A 1-1: Caveland is a regional wastewater authority that has been in existence since 1987. It currently operates in Barren, Hart, Edmonson, and Larue Counties, as well as Mammoth Cave National Park and the cities of Cave City, Horse Cave, Park City, and Brownsville. Caveland currently operates three wastewater treatment plants as well as 53 duplex pumping stations. Caveland has taken more than 20 small wastewater package plants out of service in the past 37 years, with two more expected by the end of 2027. Caveland has its own construction division and maintenance division that perform all of its projects.

Currently, the sewer system serving the 57 Hilltop customers is the only sewer system that Edmonson District operates, and it sends the sewer flow to the City of Brownsville wastewater treatment plant. By contrast, Caveland has 3,155 sewer customers, and it owns and operates the City of Brownsville treatment plant. Due to economies of scale, Caveland can serve the Hilltop customers more efficiently than Edmonson District can.

Caveland has been operating the sewer system servicing the Hilltop customers since March 2026, under the Operating Agreement that is Exhibit I to the parties' Joint Application. Operating the system has not required Caveland to add any staff, and there has been no additional overhead, equipment, or labor cost. For Caveland, operating the sewer system that serves the Hilltop customers is comparable to operating another small subdivision.

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Q 1-2. Refer to the Application, page 6, Item 21; page 7, Item 25; and Exhibit B, Asset Purchase Agreement:

- a. Explain in detail, including examples, how Caveland has the financial ability to acquire Edmonson District's sewer assets.
- b. Explain what anticipated impact, if any, paying \$68,900 to Edmonson District for the sewer service assets serving Hilltop customers will have on the current and future financial health of Caveland.
- c. Provide the anticipated current and future financial impact that providing sewer services to Hilltop customers will have on the financial health of Caveland.
- d. Explain what the anticipated annual operating and maintenance costs would be for operating the Hilltop system.

A 1-2(a) &

A 1-2(b). Pursuant to Paragraph 4 of the Asset Purchase Agreement, which is Exhibit B to the Joint Application, the purchase price for the Edmonson Sewer System is an amount equal to the total outstanding principal and accrued interest of the debt obligations incurred by Edmonson District for the purpose of constructing extensions and improvements to the Edmonson Sewer System. Currently, that amount is \$68,900 for one series of revenue bonds issued by Edmonson District and purchased by United States Department of Agriculture, Rural Development (the "RD Sewer Bond"). Caveland will pay that amount in cash at closing, and the funds will be used to pay off the RD Sewer Bond. The payment will have no impact on Caveland's financial health. Caveland already has the funds needed to make this payment set aside in a reserve account.

A 1-2(c). Caveland expects that the increased revenue from the 57 customers of the Edmonson Sewer System will exceed the operating costs for that system, resulting in a positive financial impact to Caveland.

A 1-2(d). Caveland will not add any employees as a result of this acquisition, so the only anticipated additional costs for routine annual operation and maintenance are the electric bills for the two sewer pump stations that will be acquired. Currently, the electric bills for both stations total about \$150-\$160 per month. Thus, estimated annual routine operation and maintenance costs would be \$1,800-\$1,920. *See* Response 1-8 below for system improvement work that Caveland has identified that it plans to undertake following the closing.

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- Q 1-3. Refer to the Application, page 7, Item 25. Explain in detail, including examples, how Caveland has the technical ability to continue to provide reasonable sewer services to the Hilltop customers.
- A 1-3. Caveland's staff has decades of experience in operating sewer systems. Currently, Caveland has six employees with Wastewater Collection Operator licenses issued by the Kentucky Energy and Environmental Cabinet, including David Peterson (CEO), Chris Reed (COO), Chris Milton (supervisor), Drew Saltsman (foreman), Kyle Smith (foreman), and Cody Davidson (wastewater maintenance technician). In addition, five Caveland employees hold Wastewater Treatment Operator licenses, including David Peterson (CEO), Chris Reed (COO), Roger Humphrey (foreman), Zack Caudel (operator), and Krista Poynter (operator). Caveland also has eight field staff knowledgeable in wastewater treatment and collection.

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- Q 1-4. Refer to the Application, page 7, Item 25. Explain in detail, including examples, how Caveland has the managerial ability to continue to provide reasonable sewer services to the Hilltop customers.
- A 1-4. Caveland's staff have decades of experience managing sewer systems, including David Peterson (CEO) – 37 years, Chris Reed (COO) – 13 years, Roger Humphrey (plant foreman) – 19 years, and Chris Milton (wastewater collections supervisor) – 7 years. Caveland has 12 other employees with varying years of direct experience in day-to-day operations of sewer systems. Caveland monitors its sewer systems with SCADA units logging start and run times, level monitoring in wet wells 24 hours/day, 7 days/week, and texting and email responses for alarm conditions. Caveland has one on-call staff member at all times, and one backup on call.

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- Q 1-5. Explain whether there would be any anticipated disruption in sewer services to the Hilltop customers due to the proposed transfer.
- A 1-5. There will be no disruption of service to customers due to the proposed transfer. Caveland has already been operating the Edmonson Sewer System since March 2026, pursuant to the Operating Agreement that is Exhibit I to the Joint Application. There were no disruptions in service when Caveland took over operations.

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Q 1-6. Explain any anticipated benefits the Hilltop customers would realize due to the proposed transfer.

A 1-6. The benefits that the Hilltop customers 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 extensive experience operating and maintaining sewer systems.

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- Q 1-7. Refer to the Application, Exhibit B, Schedule 2.
- a. Provide the fair market value (FMV) for each of the listed Assets proposed to be transferred.
 - b. Confirm an independent appraisal was performed upon some, or all, of the listed Assets. If confirmed, provide a copy of the appraisal report and identify the valuation methodology used.
 - c. 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.

A 1-7(a). Caveland believes the fair market value of the assets proposed to be transferred is approximately \$196,500, as follows:

Two pump stations	\$ 70,000 (\$35,000 each)
93 manholes	\$ 93,000 (\$1,000 each)
3.5 miles of sewer main (approx.)*	<u>\$ 33,500</u>
Total:	\$196,500

* includes approximately \$20,000 for the cost of the bore crossing under the Green River

This fair market value is consistent with the cost of a sewer system that Caveland installed for a new 48-home subdivision in 2025, which totaled \$89,000 for a system that was about half the size, including one pump station, 44 manholes, and approximately 2 miles of sewer main (with no river crossing bore).

Caveland plans to record net book value of \$196,500 on the proposed transaction.

A 1-7(b). Caveland and Edmonson District are both governmental agencies. (Caveland was formed under an interlocal agreement between the cities of Horse Cave, Cave City, and Park City.) Pursuant to KRS

67.0802(4)(a), because the proposed transfer is from one governmental agency to another, no appraisal is required. Caveland has not had an independent appraisal performed on any of the assets proposed to be transferred.

- A 1-7(c). This item requests the net book value of the assets proposed to be transferred as of the most recent practicable date prior to closing. This information is in Edmonson District's possession. Caveland refers Commission Staff to Edmonson District's Response No. 1-4 to Commission Staff's First Request for Information for a response to this request.

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Q 1-8. State whether Caveland has identified any system improvement projects that are needed in the Edmonson District sewer system. If any system improvement projects have been identified, explain each project and the expected cost.

A 1-8. Caveland plans to do maintenance on the sewer main following the closing. The main objective of that maintenance will be to check for infiltration and inflow (I&I) and to clean the sewer main pipe. To clean the pipe, Caveland will use company-owned vac trucks to jet-rod the sewer pipe and pump out manholes. After cleaning the collection system (pipes and manholes), Caveland will use a company-owned camera system (a robotic camera on wheels that videos the pipe as it travels) to inspect lines for I&I. Manhole inspections for I&I will be performed manually with employees visually checking the manhole. Caveland will address any weak points for possible I&I, which may include sealing and repairing some manholes and increasing the elevation on some manholes to reduce infiltration during rain and flooding events from the Green River. The driveway to one pump station will need to be improved to allow Caveland vac trucks access to clean out the pumping station. Caveland will also purchase a spare pump and controls for each pumping station.

The current cost estimate for this work is \$200,000, as follows:

Manhole repair:	\$ 40,000
Driveway:	\$100,000
Spare parts:	<u>\$ 60,000</u>
Total:	\$200,000

Caveland will use its existing employees and equipment for much of this work and has funds available to complete this work. Caveland will not incur any debt as result.