

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)
WATER SERVICE RATES OF THE CITY OF) CASE NO. 2015-00039
AUGUSTA)

ORDER

On January 8, 2015, the city of Augusta (“Augusta”) filed with the Commission a revised tariff sheet setting forth a proposed new rate for wholesale water service to Bracken County Water District (“Bracken District”) effective for service provided on and after February 11, 2015. Augusta’s proposed new rate is \$1.95 per 1,000 gallons,¹ an increase of \$0.12 per 1,000 gallons of Augusta’s existing rate of \$1.83 per 1,000 gallons.²

On February 2, 2015, Bracken District, through counsel, filed with the Commission a letter requesting the Commission initiate a formal proceeding to investigate the proposed rate and issue all orders necessary to ensure that the proposed rate is not placed into effect or otherwise assessed before a hearing is held. The Commission, finding that that further proceedings were necessary to determine the reasonableness of Augusta’s proposed rate, entered an Order on February 10, 2015, that established a procedural schedule for this case. The February 10, 2015 Order also

¹ Revised tariff sheet received from the city of Augusta on Jan. 8, 2015.

² *City of Augusta Rates & Charges*, P.S.C. Ky. No. 1 (effective Feb. 26, 2014).

contained the Commission's initial request for information, and Augusta's responses to the request for information were due on or before February 19, 2015.

On February 19, 2015, Augusta filed a motion for an extension of time through which it sought an additional 30 days to respond to the Commission's initial request for information contained in the February 10, 2015 Order. Subsequently, Bracken District filed a response indicating that it had no objection to Augusta's motion. On February 27, 2015, the Commission entered an Order that granted Augusta's motion and that also suspended the procedural schedule established in the February 10, 2015 Order.

On March 9, 2015, an informal conference was held to discuss the status of and issues in this case. At the informal conference, the parties agreed that the procedural schedule contained in the February 10, 2015 Order should be revised and reinstated.³ On March 18, 2015, we entered an Order that, among other things, revised and reinstated the procedural schedule.

On June 10, 2015, Augusta and Bracken District filed a Joint Motion to Hold Procedural Schedule in Abeyance ("Joint Motion") which requested an abeyance of 21 days to permit the parties to continue settlement discussions for a "global settlement of all disputed issues pertaining to the Augusta Water Treatment, including the appropriate rate for service rendered for the one-year period ending June 30, 2014."⁴ On June 17, 2015, the Commission entered an Order holding the procedural schedule in abeyance.

On June 24, 2015, and again on July 27, 2015, the parties filed reports on their settlement discussions. As a part of each report, the parties made a request for the

³ Intra-Agency Memorandum (filed Mar. 16, 2015).

⁴ Joint Motion (filed June 10, 2015) at 1.

Commission to continue to hold this proceeding in abeyance to permit them to continue settlement discussions.⁵ In the July 27, 2015 report, the parties stated that they would file another report with the Commission on the status of their discussions no later than August 24, 2015.⁶

DISCUSSION

The issue before this Commission in this proceeding is the reasonableness of Augusta's proposed new rate for wholesale water service to Bracken District. The ownership of the Augusta Water Treatment Plant ("Augusta WTP") is not an issue in this case or an issue in any other case that is currently before the Commission.⁷ While the parties are free to engage in discussions regarding a possible transfer of ownership of the Augusta WTP, the Commission finds that holding the case in abeyance is not necessary for such discussions to continue.

Having considered the record in this case and being otherwise sufficiently advised, the Commission finds that, pursuant to KRS 278.190(3), we are required by statute to decide the question of the reasonableness of Augusta's proposed new rate not later than ten months after the filing of Augusta's new rate schedule. The Commission finds that the parties have had adequate time to engage in settlement

⁵ Report on Settlement Discussions (filed June 24, 2015) at 2; Second Report on Settlement Discussions (filed July 27, 2015) at 1.

⁶ *Id.*

⁷ The Commission's role in a regulated utility's acquisition of control of the assets or operations of a municipal utility is limited. KRS 278.020 does not require Commission approval of such a transaction. See Case No. 2005-00206, *The Verified Joint Application of the City of Owenton and Kentucky-American Water Company for Approval of the Transfer of the Ownership of Water and Wastewater-Related Assets of the City of Owenton to Kentucky-American Water Company* (Ky. PSC July 22, 2015) at 3; See also Case No. 2014-00289, *Application of Hardin County Water District No. 2 for Authority to Execute a Promissory Note in the Principal Amount of \$8,000,000 Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Oct. 23, 2014). Commission authorization required for jurisdictional utility to enter into a promissory note for purchase of municipal utility's assets.

discussions regarding the reasonableness of Augusta's proposed new rate. The Commission finds that an evidentiary hearing should be held and that the procedural schedule established in the March 18, 2015 Order should be revised and reinstated.

IT IS THEREFORE ORDERED that:

1. Augusta and Bracken District's joint request to continue to hold this matter in abeyance is denied.

2. A formal hearing in this matter shall be held on Tuesday, September 8, 2015, at 10:00 a.m. Eastern Daylight Time, in the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky.

3. No later than August 21, 2015, Augusta shall pre-file with the Commission the testimony of each witness it intends to call at the September 8, 2015 hearing in support of its proposed new rate. Augusta shall provide the order in which it intends to call its witnesses.

4. No later than August 21, 2015, Bracken District shall provide the name and title of each witness it intends to call at the September 8, 2015. For each witness that Bracken District intends to call at the September 8, 2015 hearing, Bracken District shall pre-file with the Commission the testimony of that witness and also provide the order in which it intends to call its witnesses.

5. Each party shall file with the Commission no later than August 31, 2015, a list of all documents that it intends to offer as exhibits and ten single-sided copies of any document that will be presented as an exhibit that has not been previously filed with the Commission in this proceeding. A party filing a document containing personal

information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the document so that personal information cannot be read.

6. Parties will present their witnesses in the following order:

- a. City of Augusta; then
- b. Bracken County Water District.

7. Cross-examination of witnesses will be conducted in the following order:

- a. City of Augusta;
- b. Bracken County Water District; then
- c. Commission Staff.

8. No opening or closing statement shall be presented by any party.

9. Augusta shall publish notice of the scheduled hearing in accordance with 807 KAR 5:001, Section 9(1)(b)(2), no more than 21 days and no less than seven days before the day of the scheduled hearing. In addition, the notice of hearing shall include the following statement: "This hearing will be streamed live and may be viewed on the PSC website, psc.ky.gov."

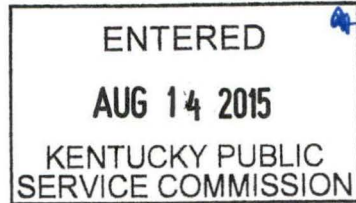
10. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9)(a), the record of the formal hearing in this matter shall be by digital video recording.

11. Commission Staff shall prepared a written list of all exhibits presented at the hearing and shall file this list with the Commission, with all hearing exhibits and a copy of the video transcript of the hearing.

12. Any request to cancel or postpone this hearing shall be made by motion filed with the Commission at least one week before the hearing is scheduled to commence.

13. An informal conference shall be held on September 1, 2015 at 1:00 p.m. Eastern Daylight Time in the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, for the purpose of considering the possibility of settlement, the simplification of issues, and any other matters that may aid in the handling or disposition of this case.

By the Commission



ATTEST:



Executive Director

Case No. 2015-00039

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