

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF CITY OF)	CASE NO.
AUGUSTA REVISING ITS WHOLESALE WATER)	2020-00277
SERVICE RATES)	

ORDER

On July 29, 2020, the city of Augusta (Augusta) filed with the Commission a revised tariff sheet setting forth a proposed adjustment to its existing rate for wholesale water service to Bracken County Water District (Bracken District) effective September 1, 2020. Augusta's current monthly wholesale water rate to Bracken District consists of a usage charge of \$2.35 per 1,000 gallons. Augusta's proposal increases the usage charge by \$0.15 per 1,000 gallons, or 6.4 percent, to \$2.50 per 1,000 gallons. Augusta responded to three requests for information on August 7, 2020, and August 10, 2020. Those responses are attached to this Order as the Attachment, and they will be included in the evidentiary record on this matter.

Augusta provides wholesale water service to Bracken District through a Water Purchase Contract (Contract) dated February 16, 2016, and the First Amendment to Water Purchase Contract dated April 20, 2016. The Contract sets forth a notice period to Bracken District of at least 60 days prior to the effective date of the proposed rate. Section 16 of the Contract sets forth the methodology to be used to adjust the wholesale rate. Due to the COVID-19 pandemic, Augusta requested that Bracken District waive the 60-day notice period.

On July 30, 2020, Bracken District filed a letter with the Commission waiving the 60-day notice period and indicating that it would not file an objection to the proposed rate increase or seek to intervene in any Commission proceeding investigating the proposed rate increase.

KRS 278.030 provides that a utility may collect fair, just, and reasonable rates and that the service it provides must be adequate, efficient, and reasonable. Having considered the proposed rate adjustment and being otherwise sufficiently advised, the Commission finds that an investigation will be necessary to determine the reasonableness of the proposed rate adjustment and that such an investigation cannot be completed by September 1, 2020. Pursuant to KRS 278.190, the Commission will, therefore, suspend the effective date of the proposed rate for five months, up to and including February 1, 2021.

The Commission finds that Bracken District has a significant interest in this proceeding and should be served with a copy of this Order and presented an opportunity to intervene in this proceeding. The Commission further finds that Bracken District, or any other interested party, should file any motion to intervene, signed by counsel, no later than September 15, 2020.

The Commission finds that within seven days of the date entry of this Order, Augusta should have its counsel enter an appearance into this proceeding that contains the name, address, telephone number, fax number, and electronic mail address of counsel.

As 807 KAR 5:001, Section 8, permits the Commission to direct the use of electronic filing procedures for proceedings that we initiate on our own motion, we find

that electronic filing procedures should be used. As such, Augusta, and Bracken District should it intervene, should follow the procedures set forth in 807 KAR 5:001, Section 8, when filing any document or paper in this matter.

The Commission further finds that a procedural schedule should be established to review the reasonableness of the Amendment. The procedural schedule is attached hereto as Appendix A to this Order and is incorporated herein.

IT IS THEREFORE ORDERED that:

1. This proceeding is established to investigate the reasonableness of Augusta's proposed wholesale rate increase to Bracken District.

2. Augusta's proposed wholesale rate is suspended for five months from September 1, 2020, up to and including February 1, 2021.

3. Bracken District, or any interested party, may, by counsel, file a motion to intervene no later than September 15, 2020.

4. Augusta shall, by counsel, enter an appearance in this proceeding within seven days of the date of entry of this Order. The entry of appearance shall include the name, address, telephone number, fax number, and electronic mail address of counsel.

5. Unless otherwise ordered by the Commission, the procedures set forth in 807 KAR 5:001, Section 8, related to service and electronic filing of papers shall be followed in this proceeding.

6. Pursuant to 807 KAR 5:011, Section 8(9), within seven days of entry of this Order, Augusta shall file by electronic means a written statement that it waives any right to service of Commission orders by United States mail and that it or its authorized agents possesses the facilities to receive electronic submissions. The paper original shall be

filed within 30 days of the ending of the current state of emergency caused by COVID-19.¹

7. Unless a party granted leave to intervene states its objection to the use of electronic filing procedures in a motion for intervention, the party shall:

a. Be deemed to have consented to the use of electronic filing procedures and the service of all papers, including Orders of the Commission, by electronic means; and

b. Within seven days of the date of entry of an Order of the Commission, granting intervention, file with the Commission a written statement that:

(1) It, or its authorized agent possesses the facilities to receive electronic transmissions; and

(2) Sets forth the electronic mail address to which all electronic notices and messages related to this proceeding should be served.

8. If a party objects to the use of electronic filing procedures and the Commission determines that good cause exists to excuse that party from the use of electronic filing procedures, service of documents on that party and by that party shall be made in accordance with 807 KAR 5:001, Section 4(8).

9. The procedural schedule set forth in Appendix A to this Order shall be followed.

10. Augusta shall file responses to the information request set forth in Appendix B no later than September 15, 2020.

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

11. a. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked. The paper original shall be filed within 30 days of the ending of the current state of emergency caused by COVID-19.

b. Each response shall include the name of the witness responsible for responding to the questions related to the information provided and shall be answered under oath or, for representatives of a public or private corporation or a partnership or an association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. A party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

f. Any party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that the personal information cannot be read.

12. As set forth in 807 KAR 5:001, Section 4(11)(a), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either (1) a special interest in the proceeding which is not adequately represented in the case, or (2) that the person requesting permissive intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Therefore, any person requesting to intervene in a Commission proceeding must state with specificity the person's special interest that is not otherwise adequately represented, or the issues and facts that the person will present that will assist the Commission in fully considering the matter. A mere recitation of the quantity of utility service consumed by the movant or a general statement regarding the potential impact of possible modification of rates will not be deemed sufficient to establish a special interest. In addition, any motion to intervene after the date established in the procedural schedule shall also show good cause for being untimely. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule.

13. Augusta shall give notice of the hearing in accordance with the provisions set forth in 807 KAR 5:001, Section 9(2). In addition, the notice of the hearing shall include the following statement: "This hearing will be streamed live and may be viewed on the PSC website, psc.ky.gov." At the time publication is requested, Augusta shall forward a duplicate of the notice and request to the Commission.

14. At any public hearing in this matter, neither opening statements nor summarization of direct testimonies shall be permitted.

15. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9), a digital video recording shall be made of the hearing.

16. The Commission does not look favorably upon motions of continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

17. The Acting Executive Director shall serve a copy of this Order on Bracken District.

18. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission



ATTEST:

A blue ink signature, appearing to be "H. Ball", written in a cursive style. The signature is positioned above a horizontal line.

Acting Executive Director

ATTACHMENT

ATTACHMENT TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00277 DATED AUG 25 2020

[SEVEN PAGES TO FOLLOW]

Hinton, Daniel E (PSC)

From: Doug Padgett <dpadgett@augustaky.com>
Sent: Monday, August 10, 2020 8:29 AM
To: Hinton, Daniel E (PSC)
Subject: RE: Augusta Tariff Filing

Daniel,

Page 2 of the attachment that I submitted contains the audit information that I used.

16.a. The test period for determining any wholesale rate adjustment shall be Augusta's most recent fiscal year for which an audit has been completed and approved.

16.b – The rate is a flat volumetric rate.

16.c & 16.d – The debt service calculation has not changed.

16.e – The \$.15/1,000 rate increase is the same for both water sold to the City of Augusta and to Bracken County Water District.

I hope this helps.

Doug Padgett
Operations Manager
Augusta Regional Water Treatment Plant
606-756-3305
606-756-3257 (fax)

From: Hinton, Daniel E (PSC) [mailto:dehinton@ky.gov]
Sent: Monday, August 10, 2020 8:09 AM
To: Doug Padgett
Subject: RE: Augusta Tariff Filing

Do you have any support showing that the methodology in Section 16 of the contract was adhered to?

Thanks.

Daniel

From: Doug Padgett <dpadgett@augustaky.com>
Sent: Monday, August 10, 2020 7:49 AM
To: Hinton, Daniel E (PSC) <dehinton@ky.gov>
Subject: RE: Augusta Tariff Filing

Daniel,

I did use the 2016 contract language as a guide in calculating the rate increase. It was mainly based upon the most recent audit (FY19).

Thanks

Doug Padgett
Operations Manager
Augusta Regional Water Treatment Plant
606-756-3305
606-756-3257 (fax)

From: Hinton, Daniel E (PSC) [<mailto:dehinton@ky.gov>]
Sent: Friday, August 7, 2020 12:56 PM
To: Doug Padgett
Cc: Gretchen England
Subject: RE: Augusta Tariff Filing

Was the methodology in the 2016 contract (see link below) between Augusta and Bracken County Water District not followed in coming up with the rate?

Thanks.

Daniel

https://psc.ky.gov/tariffs/Water/Municipals/Augusta/Contracts%20and%20Info/Bracken%20County%20Water%20District%20No.%201/2016-04-21_Water%20Purchase%20Contract.pdf

From: Doug Padgett <dpadgett@augustaky.com>
Sent: Friday, August 7, 2020 10:44 AM
To: Hinton, Daniel E (PSC) <dehinton@ky.gov>
Cc: Gretchen England <gengland@augustaky.com>
Subject: FW: Augusta Tariff Filing

****CAUTION** PDF attachments may contain links to malicious sites. Please contact the COT Service Desk ServiceCorrespondence@ky.gov for any assistance.**

Daniel,

Please find attached the calculations used to justify the rate increase for the Augusta Regional Water Treatment Plant.

Thanks,

Doug Padgett
Operations Manager
Augusta Regional Water Treatment Plant
606-756-3305
606-756-3257 (fax)

From: Gretchen England [<mailto:gengland@augustaky.com>]
Sent: Friday, August 7, 2020 8:36 AM

To: 'Doug Padgett'
Subject: FW: Augusta Tariff Filing

From: Hinton, Daniel E (PSC) [<mailto:dehinton@ky.gov>]
Sent: Friday, August 7, 2020 7:45 AM
To: Gretchen England
Subject: RE: Augusta Tariff Filing

Just checking on the status of the rate calculation.

Thanks.

Daniel

From: Hinton, Daniel E (PSC)
Sent: Friday, July 31, 2020 10:13 AM
To: Gretchen England <gengland@augustaky.com>
Subject: RE: Augusta Tariff Filing

That is fine.

Thanks.

From: Gretchen England <gengland@augustaky.com>
Sent: Friday, July 31, 2020 10:12 AM
To: Hinton, Daniel E (PSC) <dehinton@ky.gov>
Subject: RE: Augusta Tariff Filing

Doug will be out until Tuesday, so hopefully we can get the rate calculation then.

From: Hinton, Daniel E (PSC) [<mailto:dehinton@ky.gov>]
Sent: Friday, July 31, 2020 10:00 AM
To: Gretchen England
Subject: RE: Augusta Tariff Filing

Thanks.

From: Gretchen England <gengland@augustaky.com>
Sent: Friday, July 31, 2020 9:59 AM
To: Hinton, Daniel E (PSC) <dehinton@ky.gov>
Subject: RE: Augusta Tariff Filing

I will email and fax the notice to Bracken County now. I will check with Doug about the rate calculation.

From: Hinton, Daniel E (PSC) [<mailto:dehinton@ky.gov>]
Sent: Friday, July 31, 2020 9:51 AM
To: Gretchen England
Subject: RE: Augusta Tariff Filing

I hope he gets to feeling better.

The notice is the only thing that needs to be sent to Bracken County.

Does Augusta have anything showing how the new rate was calculated? As I said, I don't have to have that today, but I know Staff will want something showing that.

Thanks.

Daniel

From: Gretchen England <gengland@augustaky.com>
Sent: Friday, July 31, 2020 9:45 AM
To: Hinton, Daniel E (PSC) <dehinton@ky.gov>
Subject: RE: Augusta Tariff Filing

****CAUTION** PDF attachments may contain links to malicious sites. Please contact the COT Service Desk ServiceCorrespondence@ky.gov for any assistance.**

Mr. Hinton,

Doug has been out sick the last few days and asked that I help take care of this.

I have attached the two signed tariff sheets. Do I send the tariff sheets and the notice to Bracken County or just the notice?

Thanks for your help.
Gretchen

From: Hinton, Daniel E (PSC) [<mailto:dehinton@ky.gov>]
Sent: Friday, July 31, 2020 9:25 AM
To: 'gengland@augustaky.com'
Subject: FW: Augusta Tariff Filing

Ms. England,

Please see the email below that I sent to Mr. Padgett on Wednesday. I have tried reaching out to him by phone since I have not heard back yet but have not been able to reach him.

I am just trying to ensure that the attached notice, assuming it is correct, is sent to Bracken County today so they will have gotten the proper 30 day notice. I am aware that they had already gotten notice, but for our purposes, the notice needs to include the information in the attached notice.

Regarding the tariff pages and something showing how the rate was calculated, it is OK if we don't get them today.

If you have any questions, please let me know.

Thanks.

Daniel

From: Hinton, Daniel E (PSC)
Sent: Wednesday, July 29, 2020 1:13 PM
To: dpadgett@augustaky.com
Cc: Ripy, Zachary (PSC) <Zachary.Ripy@ky.gov>
Subject: Augusta Tariff Filing

Mr. Padgett,

We received your tariff filing earlier today. There were a couple of formatting corrections that needed to be made, so I made those on the attachment entitled "2020 Tariff". I also noticed we did not have a tariff page showing the \$2.35 rate that became effective in 2016. So, in order for our records to be complete, I have prepared a tariff page reflecting that rate too. If both of the tariffs look good, they'll just need to be signed and emailed back to us at this address.

In addition, there is certain language that has to be included in the notice to Bracken County. So, I have prepared a notice and attached it to this email. If it looks correct, you'll just need to send it to Bracken County however you like (mail, email, fax, hand delivered, etc.) and email a copy back to me when you send the tariff pages back.

Please look over all of the documents carefully. While I prepared the attached documents, it is ultimately Augusta's responsibility to ensure that the information in the documents is accurate.

If you have how the rate was calculated, it would probably be good to send that to me as well so I can include that with the filing.

If you have any questions, please let me know.

Thanks.

Daniel



Virus-free. www.avast.com

City of Augusta
Regional Water Treatment Plant
Rate Calculation

July 1, 2020

The calculations to adjust the water rates from \$2.35/1,000 gallons to \$2.50/1,000 gallons are based upon the following:

- The City audit for Fiscal Year ending June 30, 2019, page 36, (see attached audit page) lists the Net Income (Loss) to be (\$23,962),
- Health insurance premiums for water treatment plant employees increased by \$7,739 in Fiscal Year 2020 and by \$2,892 for Fiscal Year 2021. The total increase is \$10, 631.
- Raising rates by \$.15/1,000 gallons should generate an additional income of \$31,200.

CITY OF AUGUSTA, KENTUCKY
COMBINES STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2019

	Water Fund	Water Treatment Plant Fund	Gas Fund	Sewer Fund	Combined Total
OPERATING REVENUES					
Charges for services	\$ 275,375		\$ 471,354	\$ 142,763	\$ 889,491
Charges to Bracken Water District		347,414			347,414
Charges to Augusta Water Fund		140,981			140,981
Total Revenues	275,375	488,395	471,354	142,763	1,377,887
OPERATING EXPENSES					
Salaries and Wages	42,365	186,731	57,639	29,551	316,285
Gas Purchases			205,475		205,475
Water Treatment	140,981				140,981
Chemicals, Testing and Study		33,217	5,685	8,756	47,658
Utilities and Telephone	20,348	72,489	1,473	66,363	160,673
Professional Fees	7,740	5,793	8,804	18,120	40,458
Insurance	13,994	31,831	28,765	12,935	87,525
Repair and Supplies	12,300	72,006	8,950	15,639	108,896
Transportation	2,287	1,390	5,706	4,189	13,573
Office Expense and Other	6,520	1,159	4,843	4,245	16,766
Amorization				-	-
Depreciation	12,717	108,612	12,383	30,704	164,416
Total Operating Expenses	259,252	513,228	339,725	190,502	1,302,706
OPERATING INCOME (LOSS)	16,123	(24,832)	131,629	(47,739)	75,181
NON-OPERATING REVENUES (EXPENSES)					
Other Income	1,090	37,657	(16,410)	78,930	101,267
Franchise Charges to General Fund	-	-	(12,000)	-	(12,000)
Interest Income	-	795	-	20	814
Interest Expense	-	(37,581)	-	-	(37,581)
Net Income (Loss) Before Capital Contributions	17,213	(23,962)	103,219	31,210	127,682
Capital Contributions				-	-
NET INCOME (LOSS)	17,213	(23,962)	103,219	31,210	127,682
Net Assets (Deficit), July 1, 2018	(271,521)	795,667	1,104,687	395,458	2,024,289
NET ASSETS (DEFICIT), JUNE 30, 2019	\$ (254,308)	\$ 771,705	\$ 1,207,907	\$ 426,668	\$ 2,151,969

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00277 DATED AUG 25 2020

Requests for intervention shall be filed no later than 09/15/2020

Augusta shall file its response to the Commission's request
for information attached hereto no later than..... 09/15/2020

Initial requests for information to Augusta
shall be filed no later than 09/29/2020

Augusta shall file responses to
initial requests for information no later than..... 10/13/2020

Intervenor Testimony, if any, in verified prepared
form shall be filed no later than..... 10/27/2020

All requests for information to Intervenors shall
be filed no later than..... 11/10/2020

Intervenors shall file responses to requests for
information no later than..... 11/24/2020

Augusta or any Intervenor shall request either a
hearing or that the case be submitted for decision
based on the record no later than 12/01/2020

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2020-00277 DATED AUG 25 2020

1. Refer to the February 6, 2016 Water Purchase Contract (Contract) between Augusta and Bracken District, Section 16, Methodology for Rate Adjustment, pages 4–5.
 - a. Provide the calculations that follow the requirements outlined in the February 6, 2016 Contract that Augusta used to compute its proposed wholesale rate of \$2.50 per 1,000 gallons.
 - b. If Augusta did not follow the methodology that is outlined in the February 6, 2016 Contract, provide the calculations it did use to compute the proposed wholesale water rate and explain why it deviated from the method that is defined in the Contract.
 - c. Provide copies of Augusta’s responses to Items 1.a and 1.b in Excel spreadsheet format with all columns and rows accessible and all formulas unprotected.

*Bracken County Water District
Bracken County Water District
1324 Brooksville Germantown Road
P. O. Box 201
Brooksville, KY 41004

*Doug Padgett
City of Augusta
219 Main Street
Augusta, KY 41002

*City of Augusta
219 Main Street
Augusta, KY 41002

*Gerald E Wuetcher
Attorney at Law
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801