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**PUBLIC SERVICE
COMMISSION**

Barkley Lake Water District

In the Matter of:

**CONTRACT FILING OF CHRISTIAN COUNTY
WATER DISTRICT TO PURCHASE WATER
FROM BARKLEY LAKE WATER DISTRICT**

CASE # 2006-00068

June 19, 2006

Prepared By:

**Terry Goins
General Manager
Barkley Lake Water District**

Barkley Lake Water District



POST OFFICE BOX 308 • CADIZ, KENTUCKY 42211
OFFICE: (270) 522-8425 • PLANT: (270) 924-5616
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June 12, 2006

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Ms. Beth O'Donnell
Executive Director
Public Service Commission
Frankfort, KY 40602

JUN 22 2006

PUBLIC SERVICE
COMMISSION

Dear Ms. O'Donnell and Staff:

Thank you for your consideration of approving this contract. Barkley Lake Water District's intentions are to generate a small amount of income from the sale of wholesale water in an effort to avoid a rate increase to our residential customers. We understand that rate increases are necessary and unavoidable eventually; however, we feel this contract offers us an opportunity to at least cut into the soaring prices of fuel, pipe, etc.

Secondly, this contract will save the residents of Christian County money. It provides them a second source of water in the event of an emergency. The county line is a dead end for our system. This will give our system an avenue to keep water flowing and avoid costly flushing.

You have requested additional data. No data on the first report was intentionally omitted. We felt items such as debt service were pre-existing and will not change whether we sell wholesale water or not. Another example would be salaries. Our plant is staffed 24/7. We are merely trying to utilize what we already have. The following pages will hopefully provide the additional data you have requested. This will no doubt inflate our cost production, but we feel the new figures are deceiving when considering all the existing debts.

In conclusion, we understand that all must be considered to get an accurate figure on cost production, but please consider our reasoning for this contract. It is a good contract and its intentions are to sincerely help the citizens of both Trigg and Christian counties.

With much respect,

A handwritten signature in cursive script that reads "Terry Goins".

Terry Goins, General Manager
Barkley Lake Water District

Serving Eastern Shore of Barkley Lake in Trigg County, Kentucky

Barkley Lake Water District
Responses for The Commission Staff

Question #1.

Explain why Barkley Lake did not include the debt service cost and depreciation expense in calculating the cost of production.

Response: We felt these expenses were existing and not effected by the sell of whole Sell water. Selling more water would not increase our debt service, however it could effect our depreciation such as wear on pumps, chemical feeders, and ect. This was overlooked in error. Please refer to the corrected production cost sheet tagged PC 1.

Question #2

Barkley Lake has reported to the Commission that it incurred depreciation expenses of \$333,825 for calendar year 2005. State the amount of this expense that is associated with:

Response:

(A) Facilities used to produce water \$ 29,876.50
(B) Facilities used to transport water \$ 7,462.30

Question #3

Provide the calculations and state all assumptions used to derive the response to item 2.

Response: See attached sheet tagged Dep.

Question #4

Barkley Lake reports Supply and Operations Expense of \$212,300 and Water Treatment Operations Expense of \$293,203 for calendar year 2005. The sum of these two expenses produces a total water production cost of \$505,503. In its response to the Commissions order of Feb. 24, 2006, Appendix A Item 5 however, Barkley Lake states the total expense to produce water in calendar year 2005 was \$382,502. Explain the discrepancy.

Question #4 Cont.

Response: This discrepancy could be explained in the vagueness of the auditors report. A good portion of these expenses are associated with the distribution system such as; materials & supplies, purchased power, and even at times salaries. For example, often plant employee's are used to help in the distribution system but not vice versa because they are not properly certified. We tried to breakdown the cost production in more detail to provide better accuracy.

Question # 5

Barkley Lake reports Purchased Power Expense of \$ 155,074 for calendar year 2005. In its response to the Commissions Order of February 24, 2006 Appendix A, Item 5, however, Barkley Lake states the total purchase power expense (i.e., "electric bill") to produce water in Calendar Year 2005 was \$ 80,786. Explain the discrepancy.

Response:

The Purchased Power Expense of \$ 155,074 included all of the Districts facilities. Some facilities such as the business office, the maintenance garage and booster pumping stations are not associated with water production. We reported the Power Expenses of the Treatment Plant and the Raw Water Intake \$ 80,786. The additional pumping expense will be addressed in question # 8.

Question # 6.

Barkley Lake reports debt service payments of \$ 289,098 for calendar Year 2005.

- a. State the amount of these payments that are attributable to water treatment and supply facilities.**

Response: These debts go back as far as 1969. We, nor our auditors have access To a detailed breakdown of these debts.

- b. State the amount of these payments that are attributable to water Transmission mains.**

Response: These debts go back as far as 1969. We nor our auditors have access To a detailed breakdown of these debts.

Question # 7

Refer to Barkley Lakes response to the Commissions Order of February 24, 2006, Appendix A, Item 7, Barkley lake states that water must be pumped twice. Explain how Barkley Lake determined that the cost of pumping water from its treatment plant is \$0.10 per 1000 gallons. This description should at a minimum, list all the cost that are included in Barkley Lakes determination of the cost of pumping. Show all calculations and state all assumptions used to derive this amount.

Response: It is difficult to isolate the pumping cost from the treatment plant, since this is the largest bill we have and includes all aspects of the treatment process. The cost of pumping from the plant is included in the total production cost.
(See sheet tagged PC 1)

Question # 8

In its response to the Commissions Order of February 24, 2006, Appendix A, Item 7, Barkley Lake states that water must be pumped twice. Explain how Barkley Lake determined that the cost of pumping water from the pumping station to the point of delivery was also \$.10 per 1000 gallons.

Response: See sheet tagged # 8

Question # 9

Refer to Barkley Lake's Response to the Commission's Order of February 24, 2006, Appendix A. For each response, state the name of the person(s) who prepared the response.

Response: All responses were prepared by General Manager Terry Goins.

Question #10

Refer to the Minutes of the September 12, 2005 Meeting of Barkley Lake's Board of Commissioners.

- a. Describe the results of the trial runs that were conducted to determine the effects of the proposed water sales on Barkley Lake's water pressures.
- b. Provide all reports, studies, memoranda, and notes in which these trial runs were discussed.
- c. Describe how the trial runs were conducted.

Response: See sheet tagged #9

Question #11

State whether Barkley Lake is currently selling water to the city of Cadiz, Kentucky. If yes, state the rate at which Barkley Lake is providing water and provide a copy of any contract between it and the City of Cadiz, Kentucky.

Response:

Barkley Lake Water District is not selling water to the City of Cadiz, Kentucky.

**Barkley Lake Water District
Production Cost – 2005**

Treatment plant salaries	\$125,766.00
Chemicals	\$ 72,529.22
Uniform rental	\$ 1,998.22
Health Insurance	\$ 46,702.40
Retirement Cont.	\$ 10,664.96
Lab supplies & service	\$ 5,926.30
Electric Bill	\$ 80,786.34
Laboratory Analysis	\$ 10,817.88
Building Maintenance	\$ 15,000.00
Office Supplies	\$ 1,200.00
Telephone Service	\$ 2,928.00
Parts & Misc.	\$ 8,183.15
Depreciation (Transport)	\$ 7,462.30
Depreciation (Production)	\$ 29,876.50

Total Expenses **\$ 419,841.27**

Total Gallons Treated For 2005 = 450,510,740

\$419,841.27 divided by 450,510.740 = 93 cents / 1000 gallons

Barkley Lake Water District

Water Mains

April 2005

2"- 158,758 Ft.

3"- 537,217 Ft.

4"- 839,141 Ft.

6"- 516,631 Ft.

8"- 177,515 Ft.

10"- 14,621 Ft.

12"- 25,067 Ft.

14"- 9,575 Ft.

16"- 12,795 Ft.

18"- 52 Ft.

Total all pipe for Lake Barkley Water District

2,291,372 feet or 434 miles

Depreciation Work Sheet For 2005

Facilities used to produce water

Total depreciation of all structures for 2005	\$ 84,510
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Facilities used to produce water include the treatment plant and the raw water intake structure.

Assumption: These account for 25% of our facilities.

25% of \$ 84,510 =	\$ 21,127.50
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Other plant and misc. equipment	\$ 8,749.00
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Total depreciation of facilities used to produce water =	<hr style="width: 100%; border: 0.5px solid black;"/> \$ 29,876.50
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#2 Depreciation Work Sheet For 2005

Facilities used to transport water

Total depreciation for all transmission mains \$ 138,686.00

Total footage of all water mains 2,291,372 feet or 434 miles

Total footage from treatment plant to point of delivery 25.7 miles

Assumption: Percentage of water mains affected by this contract =

25.7 divided by 434.0 = 5%

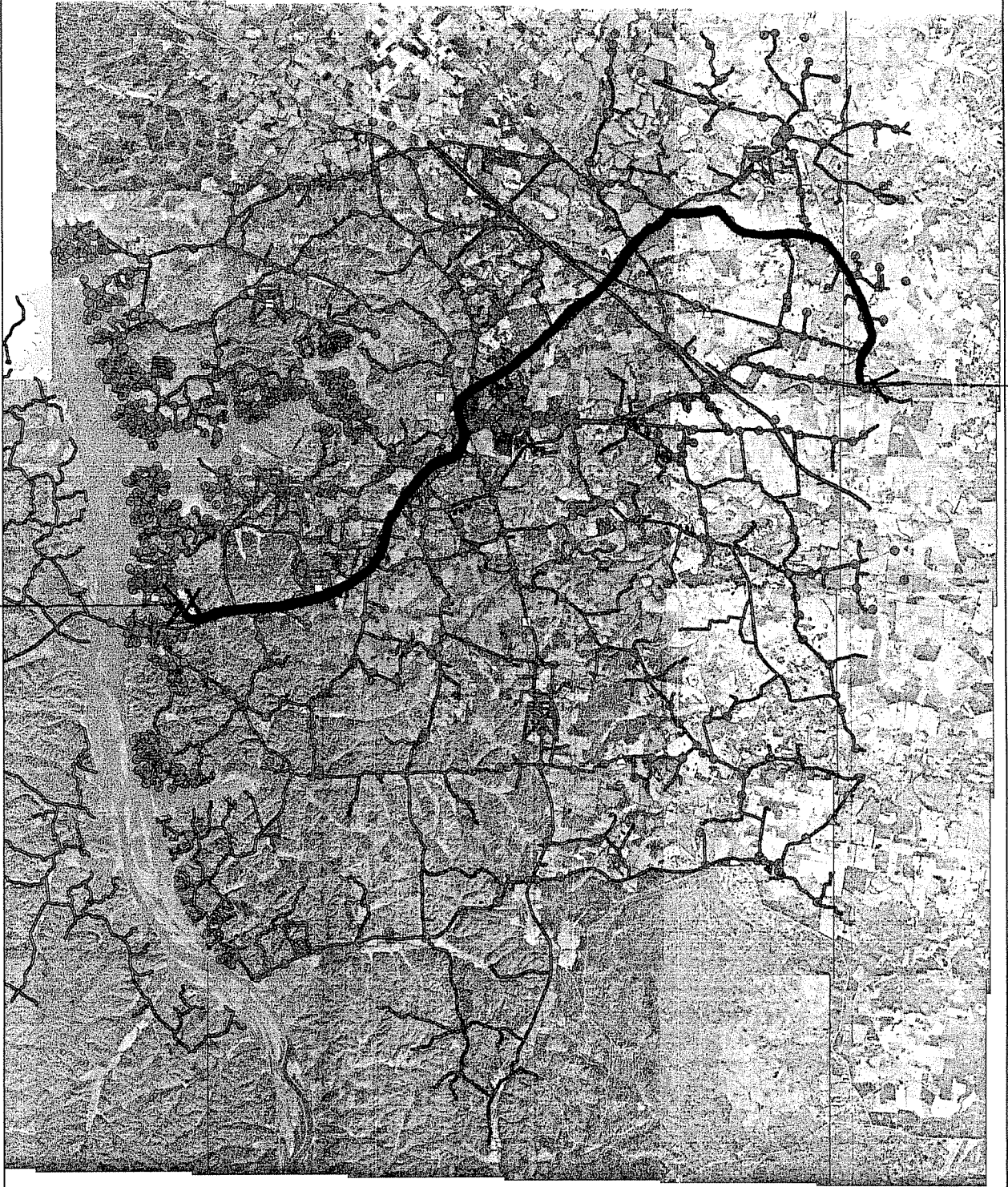
5% of \$ 138,686.00 = \$ 6,934.30

Pumping equipment \$ 528.00

Total depreciation of facilities used to transport water affected by this contract. \$ 7,462.30

PATH of Flow

W.T.P. to CHRISTIAN Co. WATER DIST. - 25.7 mi.



C.C.W.D.
MASTER
METER

P.

←

PETE LIGHT PUMP STATION
(Water must travel through this station to reach point of delivery)

	<u>GALLONS</u>	<u>COST</u>
NOVEMBER 2005	16,281,000	\$1549.00
DECEMBER 2005	17,016,000	\$1459.00
JANUARY 2006	16,530,000	\$1807.00
FEBRUARY 2006	<u>15,379,000</u>	<u>\$1473.00</u>
<hr/>	65,206,000	\$6288.00

$\$6288.00 \div 65,206 = 0.096$ or $\$.10 / 1000$ gallons

Question #10 (A,B,C,) Response

Arrangements were made by the two districts to perform a trial run in order to better determine the effects this contract could possibly have on Barkley Lakes existing customers.

This test was scheduled October 4, 2005. Those in attendance representing Christian County Water District were General Manager James Owen and Distribution Supt. Rodney Hamby. Those in attendance representing Lake Barkley Water District were General Manager Terry Goins and Distribution Supt. Mike Jones. The pressure readings were taken in the middle of the day and in key areas that may impose potential pressure problems. The trial run results are as follows.

<u>Location</u>	<u>Existing PSI</u>	<u>PSI Flowing 100 GPM @ hydrant-County Line</u>
County Line	101 PSI	81 PSI
Stewart Road	97 PSI	84 PSI
Wallonia Road	83 PSI	72 PSI
Jct. 276 & 124	84 PSI	77 PSI
Jct. 128 & 124	85 PSI	74 PSI

The representatives for Barkley Lake performed the field test, while the representatives for Christian County monitored and recorded the results at the County Line hydrant. Communication was achieved via cell phones. The rate of flow was intentionally exaggerated to 100 GPM in order to see a worst case scenario. Realistically a flow between 35 and 50 GPM will be desired by The Christian County Water District.