

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

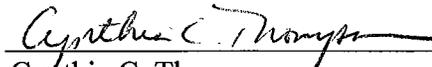
PROPOSED ADJUSTMENT OF THE)
WHOLESALE WATER SERVICE RATES OF) CASE NO. 2015-00039
THE CITY OF AUGUSTA)

CITY OF AUGUSTA'S RESPONSE TO THE KENTUCKY PUBLIC SERVICE
COMMISSION'S SECOND REQUEST FOR INFORMATION

Pursuant to the Commission's request for information dated April 13, 2015, the City of Augusta respectfully submits the following information to the Kentucky Public Service Commission.

Dated: April 27, 2015

Respectfully submitted,

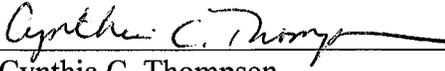


Cynthia C. Thompson
202 E. Riverside Drive
Augusta, KY 41002
ccthompsonatty@yahoo.com
Telephone: (606) 756-2663
Fax: (606)756-2664

Counsel for City of Augusta

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that the City of Augusta's April 27, 2015 electronic filing of this Statement is a true and accurate copy of the same document being filed in paper medium; that the electronic filing was transmitted to the Commission on April 27, 2015; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that a paper copy of this Statement will be mailed to the Commission on April 27, 2015.


Cynthia C. Thompson

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
BRACKEN COUNTY)

The undersigned, Susan Butts; being duly sworn, deposes and says that she is the Chief Operator for the City of Augusta's Regional Water Treatment Plant, and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and that the answers contained therein are true and correct to the best of her information, knowledge and belief.

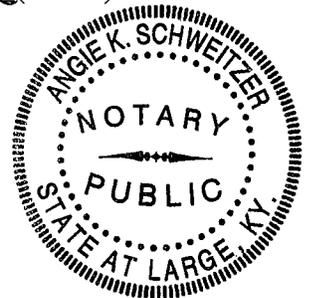
Susan Butts
Susan Butts

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 27th day of April 2015

Angie K. Schweitzer (SEAL)
Notary Public

My Commission Expires:

3-10-19



VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
BRACKEN COUNTY)

The undersigned, Gretchen Usleaman; being duly sworn, deposes and says that she is the City Clerk for the City of Augusta, and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and that the answers contained therein are true and correct to the best of her information, knowledge and belief.

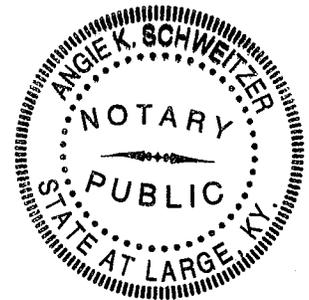
Gretchen Usleaman
Gretchen Usleaman

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 27th day of April 2015

Angie K Schweitzer (SEAL)
Notary Public

My Commission Expires:

3-10-19



SECOND RESPONSE TO THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE
NO. 2015-00039

1. Augusta intends to call the following witnesses at the scheduled hearing in this matter:
 - Donna Hendrix, CPA
 - a. Donna J. Hendrix, CPA, PSC; 550 W. First Street, Morehead, KY 40351
 - b. Ms. Hendrix is the City of Augusta's Auditor
 - c. Ms. Hendrix prepared the City's Audit for Fiscal Year 2014.
 - d. The City's Audit is the informational basis for calculating the proposed rate needed to be charged by the Regional Water Treatment Plant.

 - Gretchen Usleaman, Augusta City Clerk
 - a. Gretchen Usleaman, Augusta City Clerk; PO Box 85, Augusta, KY 41002
 - b. Ms. Usleaman is the City Clerk of Augusta
 - c. Ms. Usleaman administers the purchase order system for the City and the Water Treatment Plant. Prepares and maintains and/or insures the preparation and maintenance of accurate accounts receivable and accounts payable records. Prepares financial reports; prepares all supporting journals. Signs checks for expenditures after checking invoices for accuracy; insures that all expenditures are charged to correct fund and/or department. Posts monthly transactions to general ledger; checks for accuracy. Prepares payroll; records payroll by department and posts to general ledger; insures that required reports are prepared and forwarded as scheduled. Manages City funds.
 - d. Ms. Usleaman utilizes the annual audit along with other financial statements to prepare the annual rate adjustment for water produced at the Regional Water Treatment Plant. She also sends any needed proposed rate tariffs to the Public Service Commission and Bracken County Water District.

 - Susan Butts, Chief Operator, Augusta Regional Water Treatment Plant
 - a. Susan Butts, Chief Operator, Augusta Regional Water Treatment Plant, PO Box 85, Augusta, KY 41002
 - b. Ms. Butts is the Chief Operator at the Augusta Regional Water Treatment Plant.
 - c. Ms. Butts is in charge of the daily operations at the Regional Water Treatment Plant.
 - d. Ms. Butts controls expenditures at the Water Treatment Plant which has a direct impact on proposed rate increases.

Will supplement this witness list if necessary

CITY OF AUGUSTA

Question No. 2

Witness: Gretchen Usleaman

2. Testimony for proposed rate.

- a. The proposed change in the wholesale rate is a direct result of the City of Augusta's annual audit conducted by Donna Hendrix, CPA. Per the City's Water Purchase Contract Modification Agreement of 2008 with Bracken County Water District;

Paragraph 4. – The yearly rate calculation performed by the Auditor shall continue to be calculated on actual usage of the parties and the method of rate calculation is not changed by this Water Purchase Modification Agreement but shall be as provided in the Water Purchase Contract and Order (dated February 14th, 2000) and Settlement Agreement (dated November 4th, 1999 and November 5th, 1999) entered in KY PSC Case No. 98-497.). The yearly water rate calculation shall be based on the actual percentage of water use by each party for the audit year and shall not be determined by the "Capital Percentage" reflected in Paragraph 1. herein.

- b. Attached as Exhibit 2-b. is a copy of the correspondence submitted to Bracken County Water District once the City of Augusta's annual audit was completed and approved by City Council. This correspondence includes a copy of the audit page containing the auditor's calculations of the proposed rate change. This has been the same process that I have followed in the past years.
- c. As explained in a. and b. above, the factors utilized in determining the proposed change in the wholesale rate is determined by the Water Purchase Agreements and approved City of Augusta Audit.
- d. Per the original Water Purchase Contract between the City of Augusta and Bracken County Water District, a Variable Rate Schedule is to be used. Contained in the Variable Rate Schedule, (included in Exhibit 31 of the City of Augusta's first response to Public Service Commission Staff) is the actual cost review formula for revising fiscal year wholesale rate charge. This is the formula that the City's auditor utilizes in her annual audit report.
- e. It is my belief that the City's auditor followed the parameters identified in the original Water Purchase Agreement and subsequent amendments and modifications in her preparation of the City's Fiscal Year 2014 Audit. This has been the procedure followed since the KY PSC Case No. 98-497 was decided.

CITY OF AUGUSTA

Question No. 3 - 5

Witness: Gretchen Usleaman

3. Attached as Exhibit 3 are copies of the amortization schedules that include principal and interest payments. These are copies of pages taken from the City's Fiscal Year 2014 audit.
4. Attached as Exhibit 4, is an updated spreadsheet that has included new columns providing an itemized list and amount of each benefit included in the column labeled "GROSS"
5. Bracken County Water District's Initial Request for Information item 37, is asking for retail sales through the City's distribution system. The requested information is not for wholesale usage. The difference between the two (2) amounts would be the amount of water loss that is incurred once the wholesale water reaches the City's distribution system.

CITY OF AUGUSTA

Question No. 6 and 7

Witness: Susan Butts

6. The 3,001,400 gallons of water usage listed as Plant Use is considered finished treated water for reporting purposes to Kentucky Division of Water.
7. I have amended the table that was included in Item 21 of Augusta's First Response to Public Service Commission Staff. Wholesale City of Augusta included a typographic error. The correct amount for Wholesale City of Augusta is 50,026,000. The Wholesale to BCWD contained two (2) errors. The typed Wholesale BCWD should have been 164,134,700. The second error was found while reviewing monthly reports. On the original July 2013 Water Consumption Report, included as Exhibit 7, no data was entered for Bracken Water District usage for July 31. The attached Exhibit 7 has been amended to show 492,700 gallons used by Bracken County Water District on July 31, 2013. The Water District has not yet been billed for this usage since the error was just discovered.

Regional Water Treatment Plant	Gallons for Test Period	Gallons for Fiscal Year 2014.
Plant Use	3,001,400	Same
Wholesale BCWD	164,627,400	Same
Wholesale City of Augusta	50,026,000	Same
Total Produced	217,654,800	Same
Total Sold	214,653,400	Same

CITY OF AUGUSTA

Question No. 8

Witness: Gretchen Usleaman

8. Regarding the January 12, 2015 letter from Gerald Wuetcher to Mayor Mary Zeigler contained in Bracken County Water District's filing with the Commission on March 18, 2015, I have reviewed the letter and it appears to accurately describe the contents of the original Water Purchase Agreement of 1996 and subsequent Amendments and Modifications between the City of Augusta and Bracken County Water District.

CITY OF AUGUSTA

Question No. 9

Witness: Susan Butts

9. Regarding Augusta's response to Bracken County Water District's initial Request, Item 39, the water treatment plant's 2-inch meter is for finished water used at the treatment Plant. This finished water usage consists of domestic usage, laboratory usage and chemical feeder usage.



"HISTORY on the river...AUGUSTA, my old Kentucky home."

January 5, 2015

Bracken County Water District #1
P.O. Box 201
Brooksville, KY 41004

To Whom It May Concern:

Effective February 11, 2015 the water rate will increase to \$1.95 per thousand, the water rate was decided by the Public Service Commission.

If you have any questions please call.

Sincerely,

Gretchen England-USleaman
City Clerk/Treasurer

City Clerk/Treasurer
**GRETCHEN
ENGLAND-USLEAMAN**

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Equal Opportunity
Employer & Provider

CITY OF AUGUSTA, KENTUCKY
WATER TREATMENT PLANT COSTS
For the Year Ended June 30, 2014

Operating costs for the fiscal year 2014 that were incurred by the City were consistent with cost calculations by Public Service Commission of Commonwealth of Kentucky.

<u>OPERATING COSTS</u>	<u>2014</u>	(For Comparison) <u>2013</u>
Salaries and Benefits	\$ 189,260	\$159,023
Chemicals and Testing	96,128	93,436
Utilities	89,290	73,983
Insurance	13,244	11,865
Repairs and Supplies	26,667	30,004
Accounting & Legal	-0-	4,100
Office Expense	<u>3,189</u>	<u>2,510</u>
TOTAL OPERATING COSTS	<u>\$417,778</u>	<u>\$374,921</u>

TREATED GALLONS OF WATER

Bracken County Water	164,134,700	158,328,300
City of Augusta	<u>50,026,000</u>	<u>46,450,000</u>
TOTAL GALLONS	<u>214,160,700</u>	<u>204,778,300</u>

Cost Per 1000 Gallons	<u>\$1.95</u>	<u>\$1.83</u>
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The above-calculated costs do not include Capital Cost charged to the users each month:

	<u>Month</u>	<u>Annual</u>
Bracken County Water	\$6,090.00	\$ 73,080
City of Augusta	<u>2,030.00</u>	<u>24,360</u>
	<u>\$8,120.00</u>	<u>\$ 97,440</u>

**CITY OF AUGUSTA, KENTUCKY
 SCHEDULE OF DEBIT SERVICE REQUIREMENTS
 SERIES A WATER SYSTEM REVENUE BONDS
 June 30, 2014**

Payable to: Rural Development
 Purpose: Water Treatment Plant

<u>Fiscal Year</u>	<u>Rate of Interest</u>	<u>Interest Coupons Payable December 1</u>	<u>Interest Coupons Payable June 1</u>	<u>Bond Principle Payable December 1</u>	<u>Total Annual Requirement</u>
2014-2015	4.50%	20,363	19,834	23,500	63,697
2015-2016	4.50%	19,834	19,283	24,500	63,617
2016-2017	4.50%	19,283	18,698	26,000	63,981
2017-2018	4.50%	18,698	18,090	27,000	63,788
2018-2019	4.50%	18,090	17,449	28,500	64,039
2019-2020	4.50%	17,449	16,774	30,000	64,223
2020-2021	4.50%	16,774	16,065	31,500	64,339
2021-2022	4.50%	16,065	15,323	33,000	64,388
2022-2023	4.50%	15,323	14,535	35,000	64,858
2023-2024	4.50%	14,535	13,714	36,500	64,749
2024-2025	4.50%	13,714	12,848	38,500	65,062
2025-2026	4.50%	12,848	11,948	40,000	64,796
2026-2027	4.50%	11,948	10,991	42,500	65,439
2027-2028	4.50%	10,991	10,001	44,000	64,992
2028-2029	4.50%	10,001	8,955	46,500	65,456
2029-2030	4.50%	8,955	7,853	49,000	65,808
2030-2031	4.50%	7,853	6,694	51,500	66,047
2031-2032	4.50%	6,694	5,479	54,000	66,173
2032-2033	4.50%	5,479	4,208	56,500	66,187
2033-2034	4.50%	4,208	2,869	59,500	66,577
2034-2035	4.50%	2,869	1,463	62,500	66,832
2035-2036	4.50%	1,463		65,000	66,463
Totals		<u>273,437</u>	<u>253,074</u>	<u>905,000</u>	<u>1,431,511</u>

**CITY OF AUGUSTA, KENTUCKY
SCHEDULE OF DEBIT SERVICE REQUIREMENTS
SERIES B WATER SYSTEM REVENUE BONDS
June 30, 2014**

Payable to: Rural Development
Purpose: Water Treatment Plant

<u>Fiscal Year</u>	<u>Rate of Interest</u>	<u>Interest Coupons Payable December 1</u>	<u>Interest Coupons Payable June 1</u>	<u>Bond Principle Payable December 1</u>	<u>Total Annual Requirement</u>
2014-2015	4.50%	6,535	6,369	6,800	19,704
2015-2016	4.50%	6,369	6,196	7,100	19,665
2016-2017	4.50%	6,196	6,013	7,500	19,709
2017-2018	4.50%	6,013	5,821	7,900	19,734
2018-2019	4.50%	5,821	5,618	8,300	19,739
2019-2020	4.50%	5,618	5,406	8,700	19,724
2020-2021	4.50%	5,406	5,182	9,200	19,788
2021-2022	4.50%	5,182	4,946	9,700	19,828
2022-2023	4.50%	4,946	4,697	10,200	19,843
2023-2024	4.50%	4,697	4,436	10,700	19,833
2024-2025	4.50%	4,436	4,161	11,300	19,897
2025-2026	4.50%	4,161	3,871	11,900	19,932
2026-2027	4.50%	3,871	3,566	12,500	19,937
2027-2028	4.50%	3,566	3,247	13,100	19,913
2028-2029	4.50%	3,247	2,908	13,900	20,055
2029-2030	4.50%	2,908	2,555	14,500	19,963
2030-2031	4.50%	2,555	2,179	15,400	20,134
2031-2032	4.50%	2,179	1,787	16,100	20,066
2032-2033	4.50%	1,787	1,372	17,000	20,159
2033-2034	4.50%	1,372	936	17,900	20,208
2034-2035	4.50%	936	478	18,800	20,214
2035-2036	4.50%	478		19,600	20,078
Totals		<u>88,279</u>	<u>81,744</u>	<u>268,100</u>	<u>438,123</u>

**CITY OF AUGUSTA, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS
SERIES 2004 WATER SYSTEM REVENUE BONDS
June 30, 2014**

Payable to: Rural Development
Purpose: Water Treatment Plant

<u>Fiscal Year</u>	<u>Rate of Interest</u>	<u>Interest Coupons Payable December 1</u>	<u>Interest Coupons Payable June 1</u>	<u>Bond Principle Payable December 1</u>	<u>Total Annual Requirement</u>
2014-2015	4.50%	2,034	2,034	1,500	5,568
2015-2016	4.50%	2,001	2,000	1,500	5,501
2016-2017	4.50%	1,967	1,966	1,600	5,533
2017-2018	4.50%	1,931	1,930	1,700	5,561
2018-2019	4.50%	1,892	1,892	1,700	5,484
2019-2020	4.50%	1,854	1,854	1,800	5,508
2020-2021	4.50%	1,814	1,814	1,900	5,528
2021-2022	4.50%	1,771	1,771	2,000	5,542
2022-2023	4.50%	1,726	1,726	2,100	5,552
2023-2024	4.50%	1,679	1,679	2,200	5,558
2024-2025	4.50%	1,629	1,629	2,300	5,558
2025-2026	4.50%	1,577	1,577	2,400	5,554
2026-2027	4.50%	1,523	1,523	2,500	5,546
2027-2028	4.50%	1,467	1,467	2,600	5,534
2028-2029	4.50%	1,409	1,409	2,700	5,518
2029-2030	4.50%	1,348	1,348	2,900	5,596
2030-2031	4.50%	1,283	1,283	3,000	5,566
2031-2032	4.50%	1,215	1,215	3,100	5,530
2032-2033	4.50%	1,145	1,145	3,300	5,590
2033-2034	4.50%	1,071	1,071	3,400	5,542
2034-2035	4.50%	995	995	3,600	5,590
2035-2036	4.50%	914	914	3,800	5,628
2036-2037	4.50%	828	828	3,900	5,556
2037-2038	4.50%	740	740	4,100	5,580
2038-2039	4.50%	648	648	4,300	5,596
2039-2040	4.50%	551	551	4,500	5,602
2040-2041	4.50%	450	450	4,700	5,600
2041-2042	4.50%	344	344	4,900	5,588
2042-2043	4.50%	234	234	5,200	5,668
2043-2044	4.50%	117	117	5,200	5,434
Totals		<u>38,157</u>	<u>38,154</u>	<u>90,400</u>	<u>166,711</u>

Exhibit 4

UPDATED APRIL 23, 2015
SALARIES ATTRIBUTIBLE TO WTP

EMPLOYEE	JOB/POSITION TITLE	GROSS	BENEFITS	AMT. OF BENEFIT	PORTION OF SALARY CHARGED TO WTP OPERATING COST
SUSAN BUTTS	WTP SUPERINTENDENT	\$ 51,881.19	Health Ins.	\$6,368.40	100% - WTP SALARY
	OPERATOR IV		Retirement	\$300.00	
SHANE MAINS	WTP OPERATOR III	\$ 33,514.36	Health Ins.	\$6,368.40	100% - WTP SALARY
			Retirement	\$300.00	
			Life Ins.	\$132.00	
JOHN OLSON	WTP OPERATOR III	\$ 32,916.82	Health Ins.	\$6,368.40	100% - WTP SALARY
			Retirement	\$300.00	
ANGIE SCHWEITZER	ASST. CITY CLERK	\$ 42,475.54	Health Ins.	\$16,721.88	THIS IS 85% WHICH IS CHARGED TO WTP/THE
			Retirement	\$255.00	OTHER 15% IS GENERAL FUND SALARY
			Life Ins.	\$132.00	
JEFFREY MOFFORD	WTP OPERATOR III	\$ 276.00	No Benefits		100% - WTP SALARY
ALEXANDRIA THOMPSON	YOUTH SUMMER PROGRAM	\$ 526.36	No Benefits		100% - WTP SALARY
CINDY BLEVINS	YOUTH SUMMER PROGRAM	\$ 949.04	No Benefits		100% - WTP SALARY
MATTHEW WELTE	YOUTH SUMMER PROGRAM	\$ 435.00	No Benefits		100% - WTP SALARY
MADISON CANTRELL	YOUTH SUMMER PROGRAM	\$ 285.65	No Benefits		100% - WTP SALARY
LEANN TUCKER	YOUTH SUMMER PROGRAM	\$ 239.98	No Benefits		100% - WTP SALARY
SHELBY NICKERSON	YOUTH SUMMER PROGRAM	\$ 395.86	No Benefits		100% - WTP SALARY
GABERIAL THOMAS	OPERATOR TRAINEE	\$ 2,780.99	No Benefits		100% - WTP SALARY

* 1 HOUR PER DAY FOR ONE EMPLOYEE TO COLLECT WATER DISTRIBUTION SAMPLES. THIS EMPLOYEE VARIES.

Month/Year Jul-13

Water Consumption

Exhibit 7
Amended

Date	Augusta Water Treatment Plant	Gal. X 100	Bracken County Water District	Gallons X 100	City Of Augusta	Gallons X 1000	Initials
Previous	34347						
1	34421	7400	660204	464100	592606	115000	JO
2	34523	10200	669879	503400	592878	157000	JO
3	34616	9300	673631	375200	593021	143000	SM
4	34728	11200	678375	474400	593167	146000	SM
5	34818	9000	682422	404700	593287	120000	SM
6	34919	10100	686667	424500	593437	150000	JO
7	35013	9400	690366	369900	593571	134000	JO
8	35109	9600	694859	449300	593704	133000	JO
9	35204	9500	699324	446500	593842	138000	JO
10	35307	10300	704045	472100	593987	145000	SM
11	35403	9600	707706	366100	594130	143000	SM
12	35492	8900	711787	408100	594277	147000	SM
13	35588	9600	715997	421000	594411	134000	JO
14	35692	10400	720470	447300	594583	172000	JO
15	35802	11000	725595	512500	594725	142000	JO
16	35891	8900	730439	484400	594866	141000	JO
17	35991	10000	735023	458400	595014	148000	SM
18	36098	10700	740087	506400	595172	158000	SM
19	36208	11000	745111	502400	595317	145000	SM
20	36308	10000	749774	466300	595458	141000	JO
21	36410	10200	754394	462000	595629	171000	JO
22	36508	9800	759252	485800	595769	140000	JO
23	36603	9500	762931	367900	595975	206000	JO
24	36695	9200	767573	464200	596095	120000	SM
25	36800	10500	772539	496600	596235	140000	SM
26	36926	12600	778802	626300	596399	164000	SM
27	37036	11000	783635	483300	596547	148000	JO
28	37132	9600	787450	381500	596694	147000	JO
29	37227	9500	790856	340600	596831	137000	JO
30	37321	9400	795098	424200	596974	143000	JO
31	37423	10200	800025	492700	597153	179000	SM
Total		307600		13982100		4547000	
Average		9923		451035		146677	
Max		12600		626300		206000	
Min		7400		340600		115000	
Median		9800		462000		143000	