

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 BRACKEN COUNTY WATER DISTRICT'S
FIRST REQUEST FOR INFORMATION

Pursuant to the Commission's Order of March 17, 2015, the City of Augusta ("Augusta") respectfully submits the following information in response to the Bracken County Water District's first request for information.

Dated: March 30, 2015

Respectfully submitted,

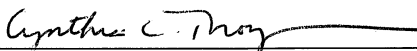


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CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that the City of Augusta's March 30, 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 March 30, 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 March 31, 2015.



Cynthia C. Thompson

AUGUSTA'S RESPONSE TO BRACKEN COUNTY WATER DISTRICT'S FIRST
REQUEST FOR INFORMATION

The following information has been supplied by the following persons:

- Gretchen Usleaman, Augusta City Clerk
- Susan Butts, Chief Operator, Augusta Regional Water Treatment Plant

1. The Kentucky Division of Water classifications for the City of Augusta:

- a) Regional Water Treatment Plant – Class III-A.
- b) Distribution System – Class II.

2. Water samples.

- a) As part of routine duties, water treatment plant operators, collect water samples from the City's distribution system.
- b) Water samples are taken daily. Daily time spent on collecting samples is approximately one (1) hour.
- c) Employees collecting water samples are as follows:
 - 1) Shane Mains
 - 2) John Olson

3. Water Treatment Plant Salaries.

- a) Raises

Name	Date	Raise	Rate of Pay	Description
Susan Butts	7/1/10	.30	15.17	Budgeted Raise
	7/22/10	3.50	18.67	Promoted to Supervisor
	7/1/12	.56	19.23	Budgeted Raise
	7/1/13	.39	19.62	Budgeted Raise
Shane Mains	11/22/11	1.07	10.07	Received Class III License
	7/1/12	.31	10.38	Budgeted Raise
	7/30/12	.62	11.00	Completed Training
	7/1/13	.22	11.22	Budgeted Raise
	12/18/13	1.00	12.22	Received Distribution I License
John Olson	7/1/13	.22	11.22	Budgeted Raise
Angie Schweitzer	7/1/10	.26	13.26	Budgeted Raise
	7/1/12	.40	13.66	Budgeted Raise
	7/1/13	.88	14.54	Budgeted Raise
Jeff Mofford	7/1/10	.41	20.79	Budgeted Raise
Mike Greenlee	7/1/10	.24	12.35	Budgeted Raise
Kevin Carlisle	7/1/12	.36	12.36	Budgeted Raise
Robert Hitt	7/1/10	.31	16.01	Budgeted Raise
Gerald King	7/27/10	.00	12.00	Left employment
Gabe Thomas	9/10/13	.00	8.94	Left employment

- b) Attached as Exhibit 3-b are copies of City Budget Summaries submitted to council as part of budget approval process. Also attached are copies of minutes approving the annual budgets.
4. Summer Youth Workers
- a) Summer workers performed miscellaneous maintenance tasks for the water treatment plant. Examples of duties include but not limited to painting (over 30 gallons of paint used), sweeping, mopping, organizing files, cleaning water treatment plant exterior property, etc.
 - b) Summer workers performed duties solely for the water treatment plant.
 - c) Since the summer workers worked solely for the water treatment plant, wages were assigned to the water treatment plant.
 - d) Augusta did not receive any outside funding for summer workers.
5. KLC Worker's Compensation
- a) A copy of the invoice for \$18,615.41 is attached as Exhibit 5-a.
 - b) KLC workers compensation policy is for the entire City but breaks out the costs of different classifications within the City's departments.
 - c) KLC policy breakout.
 - 1) Full extent of the coverage is Worker's Compensation Insurance and Employers' Liability Insurance.
 - 2) Total cost the FY 2014 policy was \$40,466.00.
 - 3) Costs allocated to the Water Treatment Plant are itemized per KLC's invoice.
 - d) KLC calculates its workers compensation rates based upon payroll exposure. Water Treatment Plant employees are based upon 5.1114 per \$100 of payroll.
 - e) The two (2) refunds from KLC appear as income in the audit report on page 36, under Other Income \$818. On the expense register there should have appeared a column for other income.
6. The following invoices are attached.
- a) 07/18/2013 – USA Bluebook - \$300.95
 - b) 09/13/2013 – USA Bluebook - \$322.72
 - c) 10/09/2013 – USA Bluebook - \$20.16
 - d) 01/17/2014 – USA Bluebook - \$796.26
7. We are attaching as Exhibit 7, a copy of the insurance portion of the City's Personnel Policies and Procedures Plan that was adopted November 2004. Also attached is a copy of Ordinance 04-22 approving the Policies and Procedures for Employees.
8. Entries to Office Health Insurance and Health Insurance.
- a) Both Health Insurance entries were for health insurance. Office Health Insurance was for Angie Schweitzer and Health Insurance was for the water treatment plant operators.

- b) Both entries were erroneously added separately instead of included in the normal payroll entry.
 - c) The entries appear only once because after the July 19, 2013, the health insurance costs were included in the Payroll entries.
 - d) The water treatment plant did not incur additional health insurance costs, they were separated out by entry error.
9. Refer to number 7 of your request of March 17, 2015, and Attachment 7. Ms. Schweitzer was hired prior to June 14, 2014, and qualifies for 100% of dependent health insurance coverage to be provided at the City's expense. Water Treatment Plant employees hired after June 15, 2004 qualify for single health insurance and 50% of dependent coverage at the City's expense. None of the other Water Treatment Plant Operators have dependent coverage.
10. Augusta withholds the following deductions from employees: Federal Taxes, State Taxes, FICA and City taxes.
11. City employees are offered an annual payment of \$300 per year into a deferred compensation account as long as the employee agrees to pay a minimum of \$7.50 each week into the account.
12. When the Regional Water Treatment Plant became operational, the Mayor budgeted the Assistant City Clerk at 85% of the position's salary and benefits attributable to the Water Treatment Plant and 15% General Fund Salary.
13. City employees, other than water treatment plant operators, devote approximately 34 hours per week on water treatment plant duties. Based upon a 40 hour week, this is 85% of a work week. On a typical week, the City Clerk spends 14 hours per week on water treatment plant activities, Assistant City Clerk spends 14 hours per week on water treatment plant tasks, Maintenance Department spends 4 hours per week on water treatment plant maintenance and Computer Technician devotes 2 hours per week on water treatment plant computer assistance.

When the plant became operational, it was deemed most efficient, for internal bookkeeping, to bill time to one employee instead of breaking down individual hours of other employees' time devoted to the operations of the water treatment plant. Initial budgeting proved that 85% of the Assistant Clerk's salary adequately covered these costs. See Exhibit 13 for a complete breakdown of typical office staff hours spent on Water Treatment Plant Activities.

14. Ms. Schweitzer is required to work 40 hours per week.
15. (a. thru d.) The following is a breakdown of hours spent on water treatment plant activities.

Class Title	Weekly Hours on WTP
City Clerk	14
Assistant City Clerk	14
Maintenance	4
Computer and Technical	2

16. Ms. Schweitzer's workplace is located at 219 Main Street, Augusta, KY.
17. Kentucky Utilities is the sole provider of electrical service to the City of Augusta and the regional water treatment plant.
18. Electric meters are located at the following addresses.
- a) West Second Street (0085-0903) – Water Well
 - b) West Second Street (0517-2774) – Water Well
 - c) 203 Ferry Street (0640-0174) – Water Treatment Plant
19. Attached as Exhibit 19, are copies of Kentucky Utility bills for FY 2014.
20. Rate Schedules
- a) West Second Street (0085-0903) – Power Service Secondary
 - b) West Second Street (0517-2774) – General Service – 3 Phase
 - c) 203 Ferry Street (0640-0174) – General Service - 3 Phase
21. Ohio Casualty and Liberty Mutual Insurance.
- a) Attached as Exhibit 21-a are copies of invoices from Ohio Casualty and Liberty Mutual Insurance for FY 2014.
 - b) Coverage sheets for the Water Treatment Plant and equipment are attached as Exhibit 21-b.
 - c) The Insurance policy issued by Ohio Casualty covers only facilities used in the operation of the Water Treatment Plant.
 - d) Only properties and facilities used by the Water Treatment Plant are covered by this policy.
22. Sulfur dioxide is not used at the Water Treatment Plant.
23. Calcium Hypochlorite is not used at the Water Treatment Plant.
24. The Augusta Water Treatment Plant is the City's exclusive user of 2,000 pound cylinders of chlorine gas.
25. C. I. Thornburg Co., Inc., invoices
- a) Invoice No. S1607735.1 – This invoice is for chemicals used at the Wastewater Treatment Plant.
 - b) Invoice No. S1614625.1 – This invoice is for chemicals used at the Wastewater Treatment Plant.

- c) Invoice No. S1621110.1 - This invoice is for chemicals used at the Wastewater Treatment Plant.
- d) Invoice No. S1626045.2 - This invoice is for chemicals used at the Wastewater Treatment Plant.
- e) Invoice No. S1626547.1 - This invoice is for chemicals used at the Wastewater Treatment Plant.
- f) Invoice No. S1629578.1 - This invoice is for chemicals used at the Wastewater Treatment Plant.
- g) Invoice No. S1632847.1 - This invoice is for chemicals used at the Wastewater Treatment Plant.
- h) Invoice No. S1637504.1 - This invoice is for chemicals used at the Wastewater Treatment Plant.
- i) Invoice No. S1643002.1 - This invoice is for chemicals used at the Wastewater Treatment Plant.

26. The following invoices to C.I. Thornburg were used for wastewater treatment and should not have been charged to the Water Treatment Plant.

- a) 11/13/13 - \$1,327.50
- b) 01/17/14 - \$2,571.25
- c) 01/17/14 - \$157.00
- d) 02/05/14 - \$1,190.00
- e) 03/19/14 - \$1,608.75
- f) 04/23/14 - \$1,561.25
- g) 06/03/14 - \$1,321.25

27. C.I. Thornburg missing invoices are attached as exhibit 27.

- a) 10/09/13 – \$1,342.11 – A copy is attached. Invoice is actually from Chlorination Co., Inc. It was for repairs to the Water Treatment Plant Chlorination system.
- b) 11/01/13 - \$2,000 – A copy is attached. Invoice is from C.I. Thornburg for Flowmeter Calibration performed at the Water Treatment Plant.
- c) 11/13/13 – \$1,250 – A copy is attached. Invoice is from C.I. Thornburg for meter testing at the Water Treatment Plant.
- d) 01/17/14 – \$2,072.96 – Consists of two (2) invoices that are attached. Invoices are from C.I. Thornburg for Chlorine. (S1626573.1 and S1626860.1)
- e) 06/30/14 – \$6,691.61 – This amount is actually an adjusting entry made by the City's CPA, reclassifying supplies to chemicals.
- f) 06/30/14 - \$3,464.75 – Another adjusting entry to correct Accounts Payable bookkeeping.

28. C.I. Thornburg invoice No. S1645601.1, includes 43.5 pound pail of Accu-Tab Waste Water Tablets. These are dechlorination tablets that are used at the Water Treatment Plants decant lagoons. Water contained in the Water Treatment Plant lagoons is required to be DE chlorinated before it can be discharged.

29. C. I. Thornburg invoice No. S16105281.1, was classified as supplies by the City's CPA.

30. Repairs/Supplies in the amount of \$26,167.81.
- a) The \$26,167.81 is the total amount of an adjusting entry that the City of Augusta's Accountant used correct the year end bookkeeping.
 - b) Expenditure list.
 - 1) Invoices are attached as Exhibit 30.
 - i. \$3,472.06 - Electro-Mech. Services, Invoice #2070.
 - ii. \$16,004.14
Grainger, Invoice #9313153547. (\$1,650.00)
Layne Christensen Company, Invoice #89061500. (\$6,369.60)
Layne Christensen Company, Invoice #89056420. (\$7,984.54)
 - iii. \$6,691.61
C.I. Thornburg, Invoice #S1610528.1. (\$2,921.00)
C.I. Thornburg, Invoice #S1626858.1. (\$1,063.90)
Hach, Invoice #8767535. (\$1,216.39)
Hach, Invoice #8517465. (\$1,490.32)
 - 2) The \$3,472.06 was originally charged to the Water Treatment Plant but was for Sewer Plant work. This adjusting entry reimbursed the Water Treatment Plant. The \$16,004.14 was reclassified to capital improvements. The \$6,693.61 was reclassified to chemicals.
 - 3) Adjusting entries had no effect on the Depreciation Reserve Account.
31. The Augusta Water Treatment Plant has a 2003 Chevrolet S10 assigned for its use which is used exclusively by the Water Treatment Plant personnel for Water Treatment Plant matters including the collection of water samples for testing at the Water Treatment Plant.
32. The Augusta Water Treatment Plant has a U.S. Bank credit card available for its use. All Water Treatment Plant Operators are authorized to use this credit card. The credit card can be used for fuel for the plant's truck, training and travel for training. The credit card is in the possession of the City Clerk until it is needed.
33. The City has no written policy for the use of the Chevrolet S10. It is for in town use and rarely leaves Augusta City Limits.
34. There is no requirement for recording mileage on the vehicle assigned solely to the Water Treatment Plant.
35. The Water Treatment Plant's credit card is labeled Water Treatment and is billed separately from other city credit cards.
36. The \$243 in service charges occurred on the Bond Reserve Account and Depreciation Account. US Bank charged the Bond Reserve Account \$213 in Analysis Service Charges and \$30 from the Depreciation Reserve Account for Dormant Service Charges. Attached as Exhibit 36, are copies of the relevant bank statements.

37. Attached as Exhibit 37, is a revised City of Augusta monthly retail water sales calculation. Clopay Corporation, located in Augusta, uses untreated water from a well located on the west end of town. Clopay is the sole user of this well and is billed by the City for its well water usage. The updated calculation shows that the City billed for 31,721,494 gallons of water usage from the Water Treatment Plant.
38. Monthly usage reports.
- a) The Water Treatment Plant has a meter documenting raw water entering the plant. This meter is used to report Raw Water Treated to the Kentucky Division of Water. Some of this water is used in the treatment process through “blowdowns” that occur every 70 seconds in 4 separate locations. This water is waste and is not metered as treated water. Also, backwashing of the filters is also required. The plant contains four (4) filters. During an average month, the treatment plant backwashes 15 times. Backwashing is also not reported as finished water.
 - b) The meter for water entering the plant is for raw water. Meter readings provided for billing and audit purposes is actual finished water. The difference between the raw water meter and finished water is considered water used in the treatment process.
39. The Water Treatment Plant has three (3) meters for finished water. The Bracken County Water District’s meter is an 8” McCrometer. The City of Augusta’s meter is a 6” Sensus. The Water Treatment Plant’s meter is a 2” Thermo Polysonics. A copy of the testing reports is attached as Exhibit 39.
40. The following bond issues were used for the construction of the Water Treatment Plant.
- a) 1995 Series A Bonds – Bond proceeds were used to construct the Augusta Regional Water Treatment Plant.
 - b) 1995 Series B Bonds – Bond proceeds were used to construct the Augusta Regional Water Treatment Plant.
 - c) 2004 Series Bonds – Bond proceeds were used to construct an additional lagoon at the Regional Water Treatment Plant.
41. The City of Augusta cannot find documentation confirming the filing of the Water Purchase Contract Modification Agreement of 2008.
42. The City of Augusta agrees that the Public Service Commission has jurisdiction over contracts between municipal utilities such as itself and public utilities such as the Bracken County Water District and that it is subject to regulation by the Public Service Commission by contracting to sell water to the Bracken County Water District. The City of Augusta objects to the question presented as it assumes a conclusion of law that has not been specifically made on the particular facts in the instant proceeding.
43. Capital Cost Charges are calculated based upon the amount of funds borrowed plus interest for the construction of the Water Treatment Plant and its facilities. The agreed upon rate included in the Water Purchase Contract Modification Agreement of 2008 is based upon total annual capital costs plus funds required to be deposited into the Water

System Revenue Bond and Interest Sinking Fund. This total is then allocated 75% Bracken County Water District and 25% City of Augusta.

44. The City of Augusta agrees that the design capacity of the Water Treatment Plant is 1.44 MGD.
45. The actual production capacity of the plant is also 1.44 MGD.
46. Paragraph 16 of the Water Purchase Contract dated March 4, 1993, provides for the creation of a Water Advisory Board. The Water Advisory Board was designed to function in an advisory position only.
47. Attached as Exhibit 47 are copies of City documents relating to the Water Supply Advisory board.
48. All minutes of the Water Supply Advisory Board in the City's possession are attached as Exhibit 48.
49. The Water Supply Advisory Board that was created after the 2008 Agreement is no longer active. The City has recently contacted members that were appointed to the board. According to the appointed members, they no longer meet.
50. Water Supply Management Board.
 - a) A Water Supply Management Board has not been established. Per Paragraph 5 of the 2008 Agreement, parties are to investigate the feasibility of establishment of a Water Supply Management Board. To our knowledge no meetings have been held by the joint committee established in May 2008.
 - b) The current Water Advisory Board does not have any involvement in the day-to-day operations of the Water Treatment Plant.
 - c) The Water Supply Advisory Board never attended a City Council Meeting, thus no minutes exist.
51. Paragraph 6 of the 2008 agreement.
 - a) Augusta is currently not providing the Bracken County Water District copies of expenditures on a monthly basis.
 - b) The City has occasionally provided Bracken County Water District with copies of monthly reports. Monthly reports have not been made available on a regular basis.
52. Water charges sheets included in audits from FY02 through FY 09 are attached at Exhibit 52.
53. Refer to sheets included in Exhibit 52.
54. Fiscal Year 2013 invoices for chemicals and testing are attached as Exhibit 54.
55. Attached as Exhibit 55 is a copy of the Expense Register for Fiscal Year 2013.

56. Capital Cost Depreciation Account.

- a) City Ordinance 95-2, Section 7, Paragraph (B), calls for a Depreciation Fund each month. The Depreciation Fund shall be available and may be withdrawn and used by the City, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals or replacements, not included in the annual budget. Said fund shall also be available for transfer to the sinking fund in order to avoid default in connection with any bonds payable from the sinking fund.
- b) Augusta established the Depreciation Account at the US Bank in Augusta in 1996 and is still in existence.
- c) The account requires two (2) signatures by authorized City of Augusta officials.
- d) Bracken County Water District has made 16 payments of \$588.75 since the 2008 Agreement.
- e) Upon receipt of Bracken County Water District's monthly payment, since the 2008 Agreement, Augusta immediately deposited the full amount of the payment into the Water Treatment Plant Account. After the funds were deposited into the Treatment Plant Account, the portion of the check allocated for the Depreciation Account was transferred to that account.
- f) Augusta made monthly deposits into the Depreciation Account. See Exhibit 5 from the City's January 30, 2015 submittal.
- g) Augusta's practice regarding deposits of funds into the Depreciation Account consisted of the process listed in (e) above.
- h) The 2008 Agreement required Augusta to make additional deposits of \$196.25 per month in addition to the \$591.74, required prior to the 2008 Agreement.

57. Depreciation Fund Account.

- a) Page 1 reflects actual deposits, withdrawals and account balances of the Depreciation Fund Account.
- b) Transaction clarification
 - 1) 12/24/08 - \$12,677.88 – This transaction consists of four (4) months of payments. \$9,455.92 from Bracken County Water District and \$3,151.96 from the City of Augusta.
 - 2) 03/05/09 - \$6,303.94 – This transaction consists of 2 (two) months of payments. \$4,727.96 from Bracken County Water District and \$1,575.98 from the City of Augusta.
- c) The City of Augusta notified Bracken County Water District regarding pump repair payments on 4/21/11 and 2/21/12. No written approval was obtained from Bracken County Water District. Both repairs were for pumps in wells that the Water Treatment Plant utilizes. When a well goes offline because of mechanical failure, the City considers this an emergency situation and repairs are initiated expeditiously.
- d) The City of Augusta did not expend funds attributable to the Depreciation Account prior to transferring funds into that account.

58. Augusta received a payment of \$5,149.99 from Bracken County Water District and deposited the funds on 07/15/2013. This deposit is shown in Exhibit 2, page 1 or 10 of Augusta's January 30, 2015 submittal.

59. The City of Augusta is not currently providing monthly financial statements for the Water Treatment Plant.
60. Since the 2008 Agreement, Augusta has on occasion provided the Bracken County Water District with copies of monthly expenditure reports.
61. Any statements of expenditures provided to the Bracken County Water District were sent via fax. The City did not keep documentation of said faxes.