

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BRACKEN COUNTY)
WATER DISTRICT TO MODIFY THE FINAL)
ORDER OF CASE NO. 2015-00149 TO PERMIT)
USE OF PROCEEDS OF AN ASSISTANCE) **CASE NO. 2016-00104**
AGREEMENT WITH THE KENTUCKY)
INFRASTRUCTURE AUTHORITY FOR)
OTHER PURPOSES)

RESPONSE OF BRACKEN COUNTY WATER DISTRICT
TO
COMMISSION STAFF’S FIRST REQUEST FOR INFORMATION

DATED MARCH 31, 2016

FILED: APRIL 6, 2016

BRACKEN COUNTY WATER DISTRICT

**Response To Commission Staff's First Request For Information
March 30, 2016**

Case No. 2016-00104

Question No. 1

Witness: Gerald E. Wuetcher

- Q-1.** Bracken District states that it has entered into a Water Purchase Agreement with Western Mason County Water District ("Western Mason District") "in which both water utilities have agreed to provide water service to the other on an as-needed basis." Provide a full description of what Bracken District means by the phrase "as-needed basis" and whether the Water Purchase Agreement is an interconnection solely for stand-by, emergency service or whether the interconnection is for Bracken District's purchase or sale of any amount of water on a regular, non-emergency basis.
- A-1.** The primary purpose of the interconnection is to provide an emergency source of water for each water system. Paragraph 2 of the Water Purchase Agreement, however, permits Bracken District to purchase without regard to the existence of an emergency "such quantity of water as the Purchaser may require, but not to exceed an amount which, when combined with the usage of the Seller's other customers, would exceed the Seller's water production capacity." In the absence of any emergency, Bracken District would consider purchasing water from Western Mason District if such purchase is economical, results in a lower purchased water cost, and benefits Bracken District's customers. Please note that the proposed interconnection will allow Western Mason District to supply no more than 40 percent of Bracken's average daily demand. Major improvements to the distribution systems of Bracken District and Western Mason District would be necessary for the interconnection to provide larger volumes of water to Bracken District.

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Question No. 2

Witness: Diana Moran

Q-2. Provide the following information regarding Bracken District's water ability treatment and delivery:

- a. State whether Bracken District has water treatment facilities, and, if applicable, state the rated daily capacity of the treatment facilities.
- b. State whether Bracken District purchases water from another water system or systems, and, if applicable, identify each system.
- c. What is the annual peak day water usage for Bracken District for each year since 2010?

- A-2.
- a. Bracken District has no water treatment facilities.
 - b. Bracken District currently purchases its total water requirements from the Augusta Water Treatment Plant.
 - c. Bracken District assumes that "water usage" refers to water sales. See the table below.

Year	Peak Day Water Sales
2010	777,000
2011	714,000
2012	857,000
2013	747,000
2014	751,000
2015	613,000

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Question No. 3

Witness: Michael Brothers

- Q-3. Provide the following information concerning Bracken District's interconnections with other systems:
- a. Identify each interconnection that Bracken District has with another system.
 - b. For each interconnection identified in sub-part a, identify the other system.
 - c. For each interconnection identified in sub-part a, state the amount of water that is transmitted through the interconnection during an average day.
 - d. For each interconnection identified in sub-part a, state whether the interconnection is used on a regular basis or is for providing stand-by or emergency service.
 - e. For each interconnection identified in sub-part a, state whether the interconnection is used to supply Bracken District, used by Bracken District to supply another system, or both.
 - f. By vendor, state the rate that Bracken District pays for the water that it purchases.
- A-3.
- a. See table below.
 - b. See table below.
 - c. See table below. Average daily usage is based upon calendar year 2014 operations.
 - d. See table below.
 - e. See table below.
 - f. Bracken District currently purchases water only the City of Augusta. Augusta assesses a rate of \$1.83 per 1,000 gallons and a monthly capital charge (including a monthly depreciation reserve fund contribution) of \$6,090. On February 6, 2016, Bracken District and Augusta executed a new purchase water agreement. This agreement

is currently under Commission review. Under the terms of this agreement, Bracken District will pay a rate of \$2.35 per 1,000 gallons and will not be subject to any additional charges.

Interconnection (a)	Connecting Utility (b)	Average Daily Water (Gallons) (c)	Frequency of Use (d)	Purpose (e)
Augusta Water Treatment Plant	Augusta	443,068	Regular	Purchase
Near Intersection of Ky Hwy 1159 and Cooper Lane	Brooksville	52,137*	Regular	Supply/Sell
800 feet south of Intersection of Ky Hwy 10 and Don Galloway Drive	Brooksville	52,137*	Regular	Supply/Sell
Near Intersection of Ky Hwy 10 and S. Bluegrass Road	Brooksville	52,137*	Regular	Supply/Sell
Near Intersection of McKinneysburg Road and Milford Road (Pendleton County)	East Pendleton County Water District	1,907	Regular	Supply/Sell
100 feet south of Intersection of Ky Hwy 10 and Lennoxburg Road (Falmouth)	East Pendleton County Water District	0	Emergency	Supply/Sell

* Represents combined flow of three connection points

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Question No. 4

Witness: Paul Reynolds

- Q-4. For the proposed interconnection, provide the following:
- a. Will there be a master meter for each direction?
 - b. Will flow run through the meter in a reverse direction or will reverse flow be prevented?
 - c. Who will be responsible for testing the master meter(s)?
- A-4.
- a. Yes. The engineering design includes a master meter for each direction.
 - b. Due to the presence of check valves, the engineering design does not allow for flow to run through an individual master meter in a reverse direction.
 - c. Paragraph 7 of the Water Purchase Agreement provides that Bracken District is responsible for testing the meters.

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Question No. 5

Witness: Paul Reynolds/Michael Brothers

- Q-5. Regarding the service area of Bracken District, provide the following:
- a. What portion of Bracken District's water system will be supplied by Western Mason District in an emergency?
 - b. What are the average daily and peak day demands of this portion of the system?
- A-5.
- a. The interconnection will allow Western Mason District to supply 40 percent of Bracken District's average daily demand in the event of an emergency. Bracken District estimates that the connection can supply a sufficient quantity of water to serve the eastern third of Bracken County in the event of an emergency.
 - b. See table below.

	Peak Day	Average Daily
May 2015	280,000	191,225
March 2016	199,000	150,774

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Question No. 6

Witness: Gerald E. Wuetcher/Diana Moran

Q-6. Regarding the Water Purchase Agreement, provide the following:

a. Is the initial wholesale water rate applicable to both purchases by Bracken District from Western Mason District and purchases by Western Mason District from Bracken District?

b. Does the initial rate of \$1.83 per 1,000 gallons to Bracken District include the \$0.50 per 1,000 gallon credit?

(1) If no, does that mean that the initial wholesale rate for purchases by Western Mason District from Bracken District is \$2.33 per 1,000 gallons?

(2) If yes, does that mean Bracken District will pay \$1.33 per 1,000 gallons while putting \$0.50 per 1,000 gallons toward debt payment on the SRF loan?

A-6. a. Paragraph 12 of the Water Purchase Agreement provides in relevant part:

The Purchaser and Seller recognize that the Seller may use the interconnection to supply the Seller's distribution system in an emergency that arises from a catastrophic system failure of power failure, line break, or other situation that creates a loss of pressure to the Seller's customers. If the Seller takes water through the interconnection in an emergency, all water will be metered and the Seller will reduce the volume of water for which the Purchaser is billed on the Purchaser's next monthly bill by an amount equal to the volume that the Seller took through the interconnection. If the Purchaser's usage through the interconnection does not equal or exceed the volume that the Seller has taken for the month in question, then the Seller shall reduce the volume billed in the following months until the total amount taken by the Seller through the interconnection has been deducted from the Purchaser's billed usage.

The initial wholesale rate applies to Western Mason District's *net sales* of water to Bracken District.

b. The initial rate of \$1.83 per 1,000 gallons does not include the \$0.50 per 1,000 gallon credit. Once sales begin, Bracken District will pay an effective rate of \$1.33 per 1,000 gallons (\$1.83 per 1,000 gallons minus \$0.50 per 1,000 gallons) until the total amount credited on Bracken District's bills equals one-half the total project cost.

For example, assume the total project cost is \$75,000 and the initial rate is not adjusted. One half of the total cost equals \$37,500. Western Mason District would provide a billing credit of \$0.50 per 1,000 gallons (or an effective rate of \$1.33 per 1,000 gallons) until its net sales of water to Bracken District reached 75,000,000 gallons. At that time, it would cease to provide the credit.

Bracken District intends to use the additional funds resulting from the \$0.50 per 1,000 gallons credit to make additional principal payments to the Kentucky Infrastructure Authority (KIA) and thus reduce the debt service for the KIA loan.

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Question No. 7

Witness: Gerald E. Wuetcher

- Q-7. State the factors that support Bracken District's request for the Commission to enter an Order within 30 days of the acceptance of the Application for filing.
- A-7. The Commission has already conducted a review of the Assistance Agreement and Bracken District's financial condition and has approved Bracken District's entry into the Assistance Agreement. The Commission has also reviewed the Water Purchase Agreement between Western Mason District and Bracken District and allowed it to become effective. Since the funds are to be used to effectuate a Water Purchase Agreement that the Commission has accepted and allowed to take effect, it has already made the findings required by KRS 278.300. Moreover, the amount of surplus funds at issue is very small in comparison to Bracken District's net utility plant and to its total outstanding liabilities. Accordingly, an extended review is not necessary.

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Question No. 8

Witness: Diana Moran

- Q-8. Provide a copy of all minutes of meetings of Board of Commissioners of Bracken District since January 1, 2014 in which the construction of an interconnection with Western Mason District was discussed.
- A-8. A copy is attached. Please note that minutes of the March 16, 2016 meeting of the Board of Commissioners is in draft form and has not yet been approved by the Board of Commissioners.

BRACKEN COUNTY WATER DISTRICT
REGULAR MEETING
JULY 15, 2015

The regular meeting of the Bracken County Water District was called to order at 9:00 a.m. Wednesday, July 15, 2015.

Motion made by Eddie, 2nd by Tim to accept the minutes from the regular meeting June 17, 2015. Motion carried. Check detail from 6/17/15 - 7/15/15 was reviewed and approved. Copy is attached.

Paul Reynolds, Ky Engineering, discussed the KY 10 & 19/ MM project. Meter replacements on the project were not included in the bid package. Badger radio read meters will be change-ordered into the project. Meters have already been installed. Eric Sutton has complained about the location of the hydrant that was put in his yard. After some discussion the commissioners instructed Paul to have it taken out. Interconnection with Western Mason Water District was discussed. Ky Engineers does work for Western Mason so they will check into it and report back. Jerry Wuetcher told Diana that there may be some homeland security monies available for alternate sources.

Michael reported that a week or so ago 3 wells were down at Augusta. Something was wrong with KU. It has now been repaired. He was also told that Augusta has contacted Layne Christensen regarding a preventive maintenance program for the plant.

BRACKEN COUNTY WATER DISTRICT
REGULAR MEETING
SEPTEMBER 16, 2015

The regular meeting of the Bracken County Water District was called to order at 9:00 a.m. Wednesday, September 16, 2015. Due to the absence of the Chairman and Vice-Chairman, Timothy Sweeney, Secretary, presided over the meeting.

Motion made by Eddie 2nd by Baxter to accept the minutes from the meeting August 19, 2015. Motion carried. Motion made by Eddie 2nd by Baxter to accept the minutes from the special meeting September 1, 2015. Motion carried. Check detail from 8/20/15 - 9/16/15 was reviewed and approved. Copy is attached.

Dick Badger and Chris Pulliam were present to discuss water that goes to Pulliam's property. They had attended a meeting previously to discuss the district taking the line over. It is a 2" line that was installed by Wandell and Delores Perkins and they had told Mr. Badger that the district would take the line over. Michael is going to talk with Katie Haven from the DOW to see if we can take the line over and what would be required if we did since there is no plans or DOW approval on the line. Commissioners told them that we will let them know what the DOW decides.

Mary and Dwight Bryant were present to ask for an extension on their water bill. The account is in Mary's mothers name, Joan Hatfield. The Bryant's reside with Ms. Hatfield because she is in bad health. Mrs. Bryant explained that her daughter was on drugs and had left a garden hose running. The bill that's due October 20th is \$389.40. The Bryant's requested that the district allow them to make \$40 monthly payments on

this bill along with their regular bill. Eddie made a motion 2nd by Baxter to allow them to make payments. Motion carried.

Paul Reynolds discussed the interconnect with Western Mason. No action.

City of Augusta bill for August 13,363,300 gallons. Plant usage was 108,200 gallons. Continue to hold depreciation reserve. Total paid \$30,104.60.

The meter at the Brooksville Feed Mill was moved during the 10 & 19 project. John Corlis has spoken with Michael and is upset about the meter being moved because he has no shut off valve. After discussion the board instructed Michael to install a shut off valve where the old meter used to be.

A pump is down at our main pump station. Michael ordered parts from HD Supply, but they didn't come in so he has now ordered from Layne.

Michael discussed replacing a section of line that goes cross country from 1019 to Holts Creek. There have been two significant leaks in the same area and he is worried that the line is going to blow out again. He thinks it needs to be replaced with DI or HDPE. Board instructed Michael to get with Paul Reynolds and get some prices.

With no further business Eddie made a motion to adjourn 2nd by Baxter. Motion carried.

Approved by:



Date: Oct - 21 - 15

BRACKEN COUNTY WATER DISTRICT
REGULAR MEETING
OCTOBER 21, 2015

The regular meeting of the Bracken County Water District was called to order at 9:00 a.m. Wednesday, October 21, 2015. Motion made by Eddie 2nd by Baxter to accept the minutes from the meeting September 16, 2015. Motion carried. Check detail from 9/17/15 - 10/21/15 was reviewed and approved. Copy is attached.

Michael gave an update on the Dick Badger/Chris Pulliam line on Bladeston Drive. He has talked with Katie Haven at the Division of Water. In order for the district to assume the line it has to be brought up to current standards and approved by the DOW. After discussion it was decided that Anthony will send a letter to Mr. Badger explaining what the DOW has said and also one to Tony Perkins, Plumbing Inspector, explaining that they cannot hook up the new residence to the existing line.

Repair on cross country line from 1951 to Holts Creek was discussed. There has been two leaks there recently and Michael expects there to be more because the bank is slipping. The board instructed Michael to have Tilton look at it and give us a bid on repairing.

Discussed the contract with Augusta. The Board instructed Anthony to contact Jerry Wuetcher regarding a counter proposal.

Michael reported that the district had a bid leak on Vermillion Road that was found on Monday. Approximate loss is 400-500,000 gallons. Charlie Blum also had a leak at a cattle fountain on Vermillion Road and he lost 209,000.

Health insurance renewal is up about 8%. Monthly \$3109.43. Commissioner's instructed Diana to renew as is.

Buffalo Trace meeting is 9:00 on 10/23 at the courthouse. Michael will attend.

Jeff Reynolds gave an update on the Highway 1159 project. Waiting on DOT to give approval for easement acquisition. Design is about done.

Sales are at 11,145,600 gallons. Purchases at 13,147,000. Plant usage is 131,400 gallons. Total paid \$29,741.36. Continue to hold depreciation reserve.

Water at the Industrial site for the new company that is coming in was discussed. The board instructed Michael to tell Industrial Board that the new company needs to pay for a meter and we will install a 1" service line.

Michael reported that a customer on Neave Milford Road has constructed a building within our right-of-way and possibly a corner of it may be on the line. Commissioners instructed Michael to check on it and have the county attorney send them a letter.

Tim is going to check CD rates with People's Bank.

Michael reported that he is ready to have some of the GPS transferred to the maps.

Reviewed letter of completion for the Highway 10&19/MM pit project. Completion date was July 27, 2015. Contractor warranty will expire July 27, 2016.

Paul Reynolds discussed the inter-connect with Western Mason. No action.

BRACKEN COUNTY WATER DISTRICT
REGULAR MEETING
NOVEMBER 18, 2015

The regular meeting of the Bracken County Water District was called to order at 9:00 a.m. Wednesday, November 18, 2015. Motion made by Dale 2nd by Eddie to accept the minutes from the meeting October 21, 2015. Motion carried. Check detail from 10/22/15 - 11/18/15 was reviewed and approved. Copy is attached.

Darren discussed the meter connection at Mike and Margaret Branam's on Brooksville Germantown Road. When the Delisle Curve project went through, Bauer's Garage lot was bypassed with a line that went behind the shop. The old line along Hwy 10 is connected to the new line before Bauer's Garage and at Rocky Ridge. The Branam's meter is still being fed by the old line. Mrs. Branam had complained to the office that her pressure was low and inquired about being connected to the new line. After discussion the board determined that her pressure should not be affected by being on the old line so they instructed the distribution crew to leave it as is.

Michael presented the board with an estimate from Tilton Excavating to replace a portion of line that runs cross country from Hwy 1951/1019 to Holts Creek - \$14,000. Line repair on Rumford's property on Hwy 1159 estimate - \$17,500. Motion made by Dale 2nd by Eddie to have Tilton begin work on the line going to Holts Creek. Motion carried. Repair on Hwy 1159 on hold at this time.

Darren presented the board with reports from the tank inspections by Leary. They plan to do the Parina tank next year.

BRACKEN COUNTY WATER DISTRICT
REGULAR MEETING
MARCH 16, 2016

The regular meeting of the Bracken County Water District was called to order at 9:00 a.m. Wednesday, March 16, 2016. Motion made by Dale 2nd by Tim to accept the minutes from the meeting February 17, 2016. Motion carried. Check detail from 2/18/16 - 3/16/16 was reviewed and approved. Copy is attached.

City of Augusta bill for February was 11,806,000 gallons. Plant usage 195,300 gallons. Total paid \$27,374.28. Continue to hold depreciation reserve. Sales are at 9,954,000. We had dirty water at the 1st of March due to an issue at the treatment plant. Loss will be up next month because Michael had to do quite a bit of flushing.

Shirley Robinson has been sick and was unable to read meters this past month and only partial last month. Michael, Darren, and Tony have been helping Louie. This month Evelyn King, Louie's wife, helped one day. The board has instructed Diana to let Louie know that Evelyn can fill in for Shirley.

Paul Reynolds presented the pay request for Tilton's retainage for the 10 & 19 Project. Anthony signed change order for the inter connect project with Western Mason. Darrell Williams has requested an 1-1/2" meter for his easment. The board has agreed. The district will install a backflow before the meter. We will send a letter to Williams explaining that this meter is for their personal farm use only. Motion made by Eddie 2nd by Tim to sign the application and resolution to the PSC for the inter connect project with Western Mason Water District. Motion carried.

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**Response To Commission Staff's First Request For Information
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Question No. 9

Witness: Paul Reynolds/Gerald Wuetcher

- Q-9. Provide the amount of contribution in aid of construction that Western Mason District will make for receiving the benefit of the proposed interconnection. If no contribution will be made, explain why not.
- A-9. Through the billing credit provided in Paragraph 12 of the Water Purchase Agreement, Western Mason District will contribute one-half of the total cost of the interconnection.

Paragraph 12 provides in pertinent part:

The Purchaser assumes responsibility for the total project cost to construct the interconnection. The Seller, however, recognizes that the interconnection will benefit its distribution system by providing an emergency supply of potable water and agrees to reimburse the Purchaser for fifty (50) percent of the project cost of the interconnection through a billing credit. Seller will provide a billing credit of \$0.50 per 1,000 gallons to the Purchaser for its water purchases until the total of such credits equals fifty (50) percent of the total project cost upon completion. At the time of completion of the interconnection, the project engineer will provide written notice of the total project cost to the Purchaser and Seller.

The total cost of construction will not be known until completion of the project. It is currently estimated at \$75,000.