

CASE NO. 2020-00277
CITY OF AUGUSTA
RESPONSES TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

1. Refer to Augusta's response to the request for information attached as Appendix B to the August 25, 2020 Order (Commission's First Request), Item 1:

a. Provide the data and provide the calculation for the 15 cents increase as calculated by Augusta. Provide this information in Excel spreadsheet format with all columns and rows accessible and all formulas unprotected.

b. Explain how the 15 cents increase was determined to be the appropriate level of increase for Bracken County Water District (Bracken District).

RESPONSE:

As stated in response to Item 1 of the Commission's First Request for Information, in making its initial proposal to Bracken County Water District, Augusta identified two primary drivers requiring an increase in rates: (1) the FY2019 Audit showing a net loss for the water treatment plant operations and (2) increases in health insurance premiums for its water treatment plant employees. As identified in the letter dated July 1, 2020, and filed into the record with the Commission's August 25, 2020, Order, the FY2019 Audit showing a net loss for the water treatment plant operations of \$23,962 and increases in health insurance premiums for its water treatment plant employees totaled \$10,631. The sum of these two numbers is approximately \$34,500.

In FY2019, Augusta sold approximately 207,828,000 gallons of water (147,836,000 gallons to Bracken County Water District and 59,992,000 to Augusta customers). Augusta proposed to increase its rates by 15 cents per 1,000 gallons for all customers, which would generate approximately \$31,200 additional revenue. The 15-cent increase was proposed because

CASE No. 2020-00277
CITY OF AUGUSTA
RESPONSES TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

is close to (but less than) the increase that would be necessary to make up for the net loss for the water treatment plant in FY2019 and the increase for the health insurance premiums for its water treatment plant employees. Please see attached Excel spreadsheet.

WITNESS: Doug Padgett

CASE NO. 2020-00277
 CITY OF AUGUSTA
 RESPONSES TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

2 Refer to Augusta's response to Commission's First Request, Item 1(c) and the Excel Spreadsheet: 2020_Proposed_Increase_Calculation, Tab Audit.

a Explain the operating expense labeled Natural Gas, and how it pertains to the provision of wholesale water service to Bracken District.

b Explain the operating expense labeled Telephone, and how it pertains to the provision of wholesale water service to Bracken District.

c Explain the operating expense labeled Professional Fees, and how it pertains to the provision of wholesale water service to Bracken District.

d Explain the operating expense labeled Office Expense, and how it pertains to the provision of wholesale water service to Bracken District.

e Augusta proposes to increase its Fiscal Year ended June 30, 2019 (Fiscal Year 2019) audited operating expenses by \$26,575. Provide detailed documentation to show that each of Augusta's proposed adjustments listed in table below meets the rate-making criteria of being known and measurable. For each adjustment include the supporting calculation in an Excel spreadsheet format with all columns and rows accessible and all formulas unprotected.

	Fiscal Year 2019 Audit	Augusta's <u>Adjustments</u>	Pro Forma <u>Expenses</u>
a. Salaries and Wages	186,731	8,497	195,228
b. Chemicals and Testing	33,217	2,022	35,239
c. Electric	64,317	9,117	73,434
d. Telephone	2,272	(262)	2,010
e. Repairs and Supplies	72,006	7,201	79,207

RESPONSE:

Please refer to the Water Purchase Contract between the City of Augusta and Bracken County Water District. It states:

CASE NO. 2020-00277
CITY OF AUGUSTA
RESPONSES TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

The Water Treatment Plant's operating costs shall be allocated based upon the total annual volume of finished treated water delivered to Bracken District and to Augusta's distribution system at their respective delivery points located immediately adjacent to the Water Treatment Plant. . . . Bracken District shall be assigned the percentage of Water Treatment Plant operating costs that is equal to the percentage that results from dividing the volume of finished treated water delivered to Bracken District at the Point of Delivery during the test period by the total annual volume of finished treated water delivered to Bracken District and Augusta's distribution system.

Each of the above-mentioned items (natural gas, telephone, professional fees, and office expenses) are the Water Treatment Plant's operating costs. Therefore, they are appropriately allocated to and recovered from Bracken County Water District as described above.

- a. Natural gas is used to heat the building housing the water treatment facilities. Heat is necessary for the water treatment plant, which produces water for Bracken County Water District.
- b. The water treatment plant telephone is used for normal business activities of the Water Treatment Plant. It can be used to communicate with a variety of individuals including vendors and regulatory staff, who are necessary to properly operate the water treatment plant that produces water for Bracken County Water District. It can also be used to communicate with Bracken County Water District.
- c. Professional fees relate to expenses related to legal, accounting, and auditing services for the water treatment plant. These services are necessary for the operations of the water treatment plant, which produces water for Bracken County Water District.
- d. Office expenses are incurred for various business-related items of the water

CASE NO. 2020-00277
CITY OF AUGUSTA
RESPONSES TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

treatment plant. This expense includes paper and pens for employees; paper and ink/toner for printers, and a variety of other supplies that are necessary to operate the water treatment plant that produces water for Bracken County Water District.

- e. See attached Excel Tab 2-1 of Augusta Responses to Information Requests for description of actual expenses, Excel file Augusta KU Electric Usage, and attached bids for necessary repairs.

WITNESS: Doug Padgett

MOODY'S of Dayton, Inc.



4359 INFIRMARY ROAD
MIAMISBURG, OHIO 45342-1231
PHONE AC 937-859-4482
FAX AC 937-859-4522
www.moodysofdayton.com

October 4, 2019

City of Augusta
219 Main Street
Augusta, KY 41002

Subject: Preventative Maintenance Package

Attention: Mr. Doug Padgett

Moody's of Dayton, Inc. is please to respond to your request for a quote on a Preventative Maintenance Package for you wells.

Moody's of Dayton proposes to provide service to conduct a vibration analysis, wire-to-water efficiency analysis and a flow test on all wells on an annual basis. The cost to perform the preventative maintenance annually is \$600.00 per well (\$500 for flow testing and \$100 preventative maintenance). This service will include mob/demob, setup of temporary piping, valve and orifice meter, as well as the equipment necessary to conduct a vibration and wire-to-water analysis. The flow test will be conducted for approximately two (2) hours at three (3) different flowrates and pressures.

In addition, upon running each flow test, the pumping levels, flowrates, pressures, amps and volts will be recorded and used to generate a performance report. After completion of the preventative maintenance, Augusta will be furnished with a Preventative Maintenance Summary Report describing the overall condition of each well and pump, the overall well efficiency and a vibration analysis of any vertical turbine motor.

If you have any questions or need additional information, please do not hesitate to call.

Thank you for the opportunity to serve the City of Augusta.

Respectfully,

Michael Spicer
Vice President/Geologist

ACCEPTED BY: _____ DATE: _____



CITCO Water
 740 ENTERPRISE DRIVE
 LEXINGTON, KY 40510
 Phone 859-255-0852
 Fax 859-259-1171



Quotation

EXPIRATION DATE	QUOTE NUMBER
11/02/2020	S100128183
CITCO Water 740 ENTERPRISE DRIVE LEXINGTON, KY 40510 Phone 859-255-0852 Fax 859-259-1171	PAGE NO.
	1 of 1

QUOTE TO:

SHIP TO:

AUGUSTA REGIONAL WTP
 PO BOX 85
 AUGUSTA, KY 41002

AUGUSTA REGIONAL WTP
 AUGUSTA WWTP
 WEST SECOND STREET
 AUGUSTA, KY 41002

CUSTOMER NUMBER	CUSTOMER PO NUMBER	JOB NAME / RELEASE NUMBER	SALESPERSON	
489	MAG METER		Andrew Jackson	
WRITER	SHIP VIA	TERMS	SHIP DATE	FREIGHT ALLOWED
Todd Bennett	ROUTE 68 NORTH	NET 30 DAYS	10/01/2020	No
ORDER QTY	DESCRIPTION		UNIT PRICE	EXT PRICE
1ea	4" ROSEMOUNT 8750WDMW1A1FPSA040CA1M4G1 150# FLANGED MAG FLOW METER WITH REMOTE TRANSMITTER, 4-20MA OUTPUT PLUS FREIGHT FROM FACTORY		2360.000/ea	2360.00
2ea	4"X1/8" 150# RR RING B&G SET		10.559/ea	21.12
1ea	MISCELLANEOUS ELECTRICAL ITEMS		150.000/ea	150.00
1ea	^MECHANICAL AND ELECTRICAL INSTALLATION BY CITCO TECHNICIANS (NOTE - LAY LENGTH DIMENSIONS WILL NEED CONSIDERED. THIS QUOTE DOES NOT INCLUDE ANY PIPING MODIFICATIONS THAT MAY NEED ADDRESSED IF THE LAY LENGTHS ARE DIFFERENT)		2700.000/ea	2700.00
Extras not listed or spelled out are not included in pricing. We reserve the right to correct clerical errors.			Subtotal	5231.12
			S&H Charges	0.00
			Amount Due	5231.12

CASE NO. 2020-00277
CITY OF AUGUSTA
RESPONSES TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

3. Augusta reports a repairs and supplies expense of \$72,006 for Fiscal Year 2019. Provide a schedule in Excel spreadsheet format with all columns and rows accessible and all formulas unprotected that lists each item included in the Fiscal Year 2019 repairs and supplies expense.

RESPONSE: See attached Excel spreadsheet

WITNESS: Doug Padgett

CASE NO. 2020-00277
CITY OF AUGUSTA
RESPONSES TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

4. Refer to the February 6, 2016 Water Purchase Contract (Contract) between Augusta and Bracken District, Section 16, Methodology for Rate Adjustment, page 4, paragraph 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."

a. Confirm that the Fiscal Year 2019 Audit is the most recent completed audit.

b. If the Audit for the Fiscal Year ended June 30, 2020 (Fiscal Year 2020) has been completed:

(1) Explain in detail why Augusta used the Fiscal Year 2019 as the test year to calculate the wholesale water rate to be charged to Bracken District.

(2) Submit a revised Excel spreadsheet calculating the wholesale water rate for Bracken District using Fiscal Year 2020 as the test Year.

RESPONSE: The FY2019 Audit is the most recent and completed audit. The FY2020 Audit has not been finalized.

WITNESS: Doug Padgett

CASE NO. 2020-00277
CITY OF AUGUSTA
RESPONSES TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

5. Refer to the Contract. Cite to the section in the Contract that allows Augusta to adjust the Audited operating expenses reported in the test year.

RESPONSE: Section 16(f) of the Water Purchase Agreement states, "Test period operating costs may be adjusted to reflect known and measurable changes."

WITNESS: Doug Padgett

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

ELECTRONIC TARIFF FILING OF CITY)
OF AUGUSTA REVISING ITS)
WHOLESALE WATER SERVICE RATES)

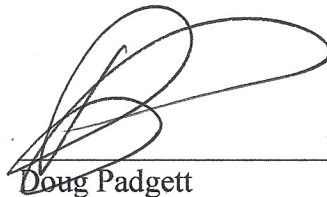
Case No. 2020-00277

**CERTIFICATION OF RESPONSES TO THE
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION**

This is to certify that I have supervised the preparation of the City of Augusta's responses to the requests for information from the Commission Staff's Second Request for Information, and that the responses are true and accurate to the best of my knowledge, information, and belief after reasonable inquiry.

Date: _____

10/14/2020



Doug Padgett
WTP Operations Manager