

CITY OF AUGUSTA
CASE NO. 2024-00349
BRACKEN COUNTY WATER DISTRICT FIRST REQUEST FOR INFORMATION

Witness: Doug Padgett and Jack Scott Lawless

1. The Tariff filing of City of Augusta, utilizes the “test period” of fiscal year 2023, i.e. (July 1, 2022 to June 2023), see. *20240926_Augusta Tariff Filing.pdf, Page 4*; Please verify this is the “test period” (test year) chosen by City of Augusta.

Response:

The test year used as the basis for the City of Augusta’s (“Augusta”) Tariff Filing in this proceeding is the fiscal year ended June 30, 2023.

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2. Please state the City of Augusta’s position, as to why a more current fiscal year (i.e. fiscal year 2024), was not chosen as the “test period” (test year), considering the fiscal year ended June 30, 2024, and the water study rate is dated August 5, 2024.

Response:

Provision 16.b. of the 2016 Contract between Augusta and Bracken County Water District requires that “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.” The 2023 Audit Report, dated February 28, 2024, was the most recent audit report available on August 5, 2024, the date of the water study.

Witness: Doug Padgett and Jack Scott Lawless

3. The Tariff filing of City of Augusta, utilizes the “test period” of fiscal year 2023, i.e. (July 1, 2022 to June 2023), see. *20240926_Augusta Tariff Filing.pdf, Page 4*. Please review the numbers used by the City of Augusta, in its rate study, (Page 6, Test Year Column) and explain why the numbers that are stated in the test period, are not congruent and/or match, the audited numbers for either year (fiscal year 2022 or 2023) provided by the City of Augusta (see. *20240926_Augusta Tariff Filing.pdf, Page 95 (Page 16 of 2023 Audit)*; see. *20240926_Augusta Tariff Filing.pdf, Page 64 (Page 36 of the 2022 Audit)*). For purposes of example, employee salaries on water rate study salaries were \$185,277, 2023 audit states \$224,775.00; Insurance, on water rate study says \$11,039 for general liability and \$6,492 for workers comp., 2023 audit says insurance \$11,040; repairs, water rate study \$49,301, 2023 audit 53,270.

Response:

The test-year expense accounts shown in the Audit Report are not congruent with the expense accounts shown in the rate study because the Audit Report displays the test-year expenses from Augusta Treatment’s general ledger in a condensed manner using account titles that are common to the City of Augusta’s other Proprietary Funds shown on Page 16 of the Audit Report. The rate study displays the general ledger accounts using a format that closely follows the Uniform System of Accounts for Class A and B Water Districts and Associations prescribed by the Kentucky Public Service Commission, which is more detailed than the accounts listed in the Audit Report. A reconciliation of the Audit Report to the rate study is shown below.

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| Rate Study | | Audit | |
|--|-------------------|---------|-------------------------|
| Salaries and Wages | \$ 185,277 | | |
| Employee Benefits - Health Insurance | 19,003 | | |
| Taxes Other Than Income | 14,004 | | |
| Insurance - Workers Comp | <u>6,492</u> | 224,776 | Salaries and Wages |
| | | | \$ 224,775 |
| Purchased Power for Pumping | 87,413 | | |
| Natural Gas | 3,559 | | |
| Communication | <u>2,416</u> | 93,388 | Utilities and Telephone |
| | | | 93,388 |
| Contracted Services - Audit | 1,700 | | |
| Contracted Services - Legal | <u>2,142</u> | 3,842 | Professional Fees |
| | | | 3,841 |
| Insurance - General Liability | 11,039 | | Insurance |
| | | | 11,040 |
| Depreciation | 104,882 | | Depreciation |
| | | | 104,882 |
| Repairs - Materials and Contract Labor | 49,301 | | |
| Ground Maintenance | 2,838 | | |
| Chemicals - Water Treatment | 30,870 | | |
| Chemicals - Lab | 5,800 | | |
| Testing | 3,524 | | |
| Employee Training | 1,021 | | |
| Contracted Services - Software | 713 | | |
| Copier | 541 | | Repairs |
| Office Supplies | 323 | | 53,270 |
| Miscellaneous - Bond Fees | 450 | | Chemicals Testing |
| Bank Service Fees | <u>65</u> | 95,446 | 36,225 |
| | | | Other Expense |
| | | | 4,373 |
| | | | Office |
| | | | <u>1,578</u> |
| | | | 95,446 |
| Total | <u>\$ 533,373</u> | | Total |
| | | | <u>\$ 533,372</u> |

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Witness: Doug Padgett, Jack Scott Lawless and Mayor John Laycock

4. The City of Augusta's annual audit for fiscal year 2023, has audited total water plant expenses of \$533,372.00 (including \$104,882 of depreciation); see. *20240926_Augusta Tariff Filing.pdf, Page 95 (page 16 of 2023 audit)*; Please state if the City of Augusta agrees with this audited number; if not, explain why the audited number is not accurate and/or why the audited number should not be used.

Response:

Augusta agrees that the \$533,372 fairly represents, in all material respects, the portion of Augusta's expenses that are directly assignable or allocable to Augusta Treatment's operations for accounting purposes. However, it does not include indirect costs that may be allocated to Augusta Treatment for rate-making purposes such as the operation and maintenance of the mayor's office or City Council's office.

Witness: Doug Padgett, Jack Scott Lawless and Mayor John Laycock

5. The City of Augusta’s schedule of operating expenses, uses \$414,486 (before depreciation) as the total expenditures for the water treatment plant in the chosen “test period” (test year) of 2023, (see. *20240926_Augusta Tariff Filing.pdf, Page 6 (schedule A of the Rate Study)*); Does the City of Augusta believe this is the accurate number of total expenditures for the chosen “test period” (test year) before requested pro-forma adjustments?

Response: No. That amount omits Taxes Other Than Income, Interest Expense and Non-Operating Expenses that are directly allocable to Augusta Treatment. It also omits other expenses that are either directly allocable or indirectly allocable to August Treatment that were incurred by other operating units of the City of Augusta, such as the mayor’s office and the City Council’s office.

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Witness: Doug Padgett and Jack Scott Lawless

6. The City of Augusta has proposed adding several expenses to the audited expenses for the “test period” (test year) chosen, however the requested added expenses do not all represent expenses in the audited financial time frame; see. *20240926_Augusta Tariff Filing.pdf, Page 6 (schedule A of the Rate Study)*; Please explain why expenses outside the chosen “test period” (test year) should be added to the expenses for this rate case.

Response: Pro forma adjustments were made to Test-Year Operations in accordance with the 2016 Contract, Provision 16. f., which is consistent with 807 KAR 5:001, Section 16(5) and 807 KAR 5:076 Section 9.

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Witness: Doug Padgett and Jack Scott Lawless

7. Refer to question No. 6; Please explain why the requested expenses outside of the “test period” (test year) are normalized and routine expenses, that are justified to be in the expenses of the implemented “test period” (test year) for purposes of rate making.

Response: Refer to Augusta Treatment’s response to Item 6.

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Witness: Doug Padgett and Mayor John Laycock

8. Please refer to City of Augusta's Tariff Filing, Audited Financials for 2023, *see. 20240926_Augusta Tariff Filing.pdf, Page 95, (page 16 of 2023 audit)*, salaries and wages; Please identify all employees for each "propriety interests" (i.e. a) water fund, b) water treatment fund c) gas fund d) sewer fund, and identify which employee works for each propriety interest, with total hours worked in the applicable fiscal "test period" (test year) for each employee for each propriety interest; if an employee works for more than one propriety interest, identify the amount of hours worked for each propriety interest in the "test period" (test year), and a copy of the written protocol on how the employee is given direction as to how many hours to work and when, for each propriety interest of the City of Augusta. In so doing please identify each employee of the water treatment plant that equals the cumulative amount of wages reported on the submitted financials for the City of Augusta herein, that matches the "test period" (test year).

Response: See Attachment 8 Aug Response to BCWD DR1.

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Witness: Doug Padgett

9. Please state the amount of gallons sold by the City of Augusta to the intervenor, BCWD, for each month beginning July 1, 2023 to present.

Response:

| Gallons sold to BCWD, July 1, 2023 to present | |
|---|------------|
| July 2023 | 13,862,081 |
| August 2023 | 14,039,725 |
| September 2023 | 12,900,334 |
| October 2023 | 11,730,678 |
| November 2023 | 11,613,079 |
| December 2023 | 12,102,538 |
| January 2024 | 12,975,798 |
| February 2024 | 11,189,294 |
| March 2024 | 11,290,404 |
| April 2024 | 10,149,945 |
| May 2024 | 11,181,344 |
| June 2024 | 12,004,099 |
| July 2024 | 13,300,450 |
| August 2024 | 13,806,288 |
| September 2024 | 12,083,526 |
| October 2024 | 11,409,794 |
| November 2024 | 10,500,954 |
| December 2024 | 13,090,113 |

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Witness: Doug Padgett

10. Please state each date and time the City of Augusta has had its master meter, that services the interventor, BCWD's interconnection for water sales, serviced and/or calibrated, since July 1, 2021; and provide copies of those paid services and copies of their reports and/or calibration findings.

Response: See Attachment 10 Aug Response to BCWD DR1

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Witness: Jack Scott Lawless

11. Please state whether the “Wholesale Water Rate Study” used by the City of Augusta for its tariff filing herein, as dated August 5, 2024, and that has a cover sheet that states “Kentucky Rural Water Association” is a work product of the Kentucky Rural Water Association or by preparer Jack Scott Lawless d/b/a J S Lawless Consultants, LLC; and if the actual vendor and author of the work product is only J S Lawless Consultants, LLC, why did the “wholesale water rate study” have Kentucky Rural Water Association used on its cover sheet. *See. 20240926_Augusta Tariff Filing.pdf, Page 3, (Page 1 of the water rate study).*

Response: The Wholesale Water Rate Study used by the City of Augusta is the work product of Kentucky Rural Water Association.

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Witness: Doug Padgett and Mayor John Laycock

12. Please provide copies of the agendas for all City of Augusta, City Council meetings from June 1, 2022 to present.

Response: See Attachment 12 Aug Response to BCWD DR1.

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Witness: Doug Padgett and Mayor John Laycock

13. Please provide copies of all agendas for the Water Treatment Advisory Board from June 1, 2022 to present.

Response: See Attachment 13 Aug Response to BCWD DR1.

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Witness: Doug Padgett and Mayor John Laycock

14. Please provide copies of the approved minutes for all City of Augusta, City Council meetings, from June 1, 2022 to present.

Response: See Attachment 14 Aug Response to BCWD DR 1.

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Witness: Doug Padgett and Mayor John Laycock

15. Please provide copies of all approved minutes for the Water Treatment Advisory Board from June 1, 2022 to present.

Response: See Attachment 15 Aug Response to BCWD DR 1.

Witness: Doug Padgett and Mayor John Laycock

16. Please provide copies of any qualified infrastructure improvement plan(s), capital improvement plan(s), capital replacement plan(s) and/or any plans to cure deficiencies, resolve maintenance issues and/or address impending regulatory requirements (example. PFAS, PFOS, PFAX) for the water treatment facility.

Response: See Attachment 16 Aug Response to BCWD DR 1.

Currently the Augusta Regional Water Treatment Plant has no deficiencies and is operating within the Kentucky Division of Water regulations. The WTP has undergone extensive testing for PFA's and is working with Kentucky Division of Water and the Environmental Protection Agency for technical support with this matter.

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Witness: Doug Padgett

17. Please identify what constitutes in the City of Augusta Water Treatment Plant Fund's 2023 audit, an interest expense of \$31,759.00. (see. *20240926_Augusta Tariff Filing.pdf*, Page 95 (Page 16, 2023 audit).

Response: The amount of \$31,759 appears to be interest expenses on long-term debt at the water treatment plant.

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Witness: Doug Padgett

18. Please see question No. 17, if the interest expense is for debt, please advise which debts are paid by that amount and if more than one debt, how much of that cumulative number is applied to each outstanding debt, and identify which debt(s) are being paid and how much for each debt being paid.

Response: See Attachment 18 Aug Response to BCWD DR1

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Witness: Doug Padgett

19. Please identify what constituted the amount of repairs which cumulatively totaled amount of \$53,270.00 for the audited year 2023, and provide receipts of those expenses. See. *20240926_Augusta Tariff Filing.pdf, Page 95 (Page 16 of 2023 audit)*.

Response: See Attachment 19 Aug Response to BCWD DR1

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Witness: Doug Padgett

20. Please provide copies of all paid invoices which show the electric kilowatt usages and kilowatt charges for each meter that is paid and/or charged to the water treatment plant account for the chosen “test period” (test year/audited year 2023).

Response: See Attachment 20 Aug Response to BCWD DR1.

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Witness: Doug Padgett

21. Please provide copies of all paid invoices which show the telephone usage of the phone charged to the water treatment plant for the months of the chosen “test period” (test year/audited year 2023).

Response: See Attachment 21 AUG Response to BCWD DR1.

Witness: Doug Padgett and Jack Scott Lawless

22. Please explain why the sales from the water treatment plant to the City of Augusta water fund propriety interest, does not show any income from the sales to the City of Augusta for resale. See. *20240926_Augusta Tariff Filing.pdf, Page 95 (Page 16 of 2023 Audit, treatment fund)*, although the “water rate study” identifies \$126,680 in sales from the water treatment plant to the City of Augusta Water Department.

Response: The water sales transactions between Augusta Distribution and Augusta Treatment were properly recorded in the test-year general ledger accounts of each department. However, preparers of the 2023 Audit Report eliminated these intercity transactions following accounting requirements for entities regulated by the Securities and Exchange Commission. This method of audit reporting is a departure from the City of Augusta’s previous auditors. To improve transparency of future audit reports, the City of Augusta will request that intercity water sales transactions be shown in the audited financial statements.

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Witness: Doug Padgett and Jack Scott Lawless

23. Refer to question No. 22; has the water treatment plant billed the City of Augusta Water Department for the billed services of \$126,660.00 or more as shown in the water treatment plant water rate study, and has \$126,660.00 been paid into the water treatment plant or are those monies owed as unpaid accounts? Please provide copies of all bills for monthly water sales from the water treatment plant to the city of Augusta water department, and copies of all receipts, for all payments of the monies billed to the City of Augusta Water Department, by the water treatment plant.

Response: See Response to Item 22 and Attachment 23 AUG Response to BCWD DR1.

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Witness: Doug Padgett and Jack Scott Lawless

24. Refer to question No.'s 22-23, Why does the 2023 audit not show any expenses of sales of purchased water for the water fund, City of Augusta, to the water treatment fund, City of Augusta. see. *20240926_Augusta Tariff Filing.pdf, Page 95 (Page 16, 2023 audit)*.

Response: See Response to Item 22 and 23.

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Witness: Doug Padgett, Jack Scott Lawless and Mayor John Laycock

25. Does the City of Augusta agree that the current 2016 water purchase contract (2015-00039) and amendment of 2021 (2020-00277), signed by the City of Augusta, and the intervenor BCWD, and approved by the Kentucky Public Service Commission, is a valid existing enforceable contract.

Response: Yes, the City of Augusta agrees that the 2016 Contract, as amended in 2021, is a valid existing enforceable contract that is subject to adjustment by the Commission if found unreasonable.

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Witness: Doug Padgett, Jack Scott Lawless and Mayor John Laycock

26. If the answer to question No. 24 is no or not equivocal yes; please explain why any (2016 or 2021 amendment) of the contracts are not a valid existing, enforceable contracts.

Response: N/A

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Witness: Doug Padgett, Jack Scott Lawless and Mayor John Laycock

27. Why does the City of Augusta believe that a unified rate should be used as opposed to a volumetric rate? If so why?

Response: The unified rate proposed in this proceeding is a volumetric rate.

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Witness: Doug Padgett, Jack Scott Lawless and Mayor John Laycock

28. Does the City of Augusta agree that the 2022 audit as presented by them, see. *20240926_Augusta Tariff Filing.pdf, Page 64 (Page 36 of the 2023 audit)*, which does show charges and/or income to City of Augusta for water sales, show a net loss of (\$17,130), which includes \$108,109 of depreciation?

Response: Yes.

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Witness: Doug Padgett, Jack Scott Lawless and Mayor John Laycock

29. Does the City of Augusta agree that from an accounting perspective (i.e. remove depreciation), the 2022 audit shows over \$90,000.00 of cash flow to the water treatment fund? See. *20240926_Augusta Tariff Filing.pdf, Page 64 (page 36 of the 2022 Audit)*.

Response: No. The audited financial statement referenced above is an income statement where revenues and expenses have been reported on a modified accrual basis, not on a cash basis. Augusta Treatment's 2022 operations generated a net increase to cash in the amount of \$47,600 as shown on page 37 of the audit report referenced above.

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Witness: Doug Padgett, Jack Scott Lawless and Mayor John Laycock

30. Please provide copies of all paid health insurance premiums paid by the City of Augusta Water treatment plant fund for its employees of the water treatment plant, for the chosen “test period” (test year), and state how much of each premium is paid for by the City of Augusta and how much is paid by the employee, for each employee.

Response: See Attachment 30 AUG Response to BCWD DR1.

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Witness: Doug Padgett, Jack Scott Lawless and Mayor John Laycock

31. Does the City of Augusta agree that from an accounting perspective (i.e. remove depreciation), the 2023 audit would show over \$67,000.00 of cash flow to the water treatment fund, if the billed sales to Water Fund, City of Augusta, was included as income? *See. 20240926_Augusta Tariff Filing.pdf, Page 64, (page 36 of the 2022 Audit).*

Response: No. The audited financial statement referenced above is an income statement where revenues and expenses have been reported on a modified accrual basis, not on a cash basis. Furthermore, cash activity affecting only the balance sheet is not reported on the income statement.

Witness: Doug Padgett and Mayor John Laycock

32. The letter of the City of Augusta filed with its tariff filing, stated “at the Augusta City Council meeting on September 18, 2024, the Augusta City Council approved wholesale water rate adjustment of \$2.967 per 1000 gallons for wholesale water sales....The Bracken County Water District Advisory Board also recommended the exact same rate adjustment at its September 19, 2024 meeting. (see. *20240926_Augusta Tariff Filing.pdf, Page 1*). However, in the first responses to information to City of Augusta by KY PSC, at bottom of Page 1 to Page 2, stated the “Water Treatment Plant Advisory Board held a meeting on September 18, 2024 at 1:00 p.m.....with the recommendation to the City Council approve the Unified Wholesale Water Rate...The 2024 Study and Advisory Board’s recommendation was presented to the City Council September 18, 2024 at 6:30 p.m.” see. *First_Response_to_Commission_Staffs_First_Request.pdf, (filed 12-31-24), Page 1, last paragraph to first paragraph page 2*.

These statements are contradictory, please explain the true sequence of events and provide copies of all documented proof of the true event sequence.

Response: *First_Response_to_Commission_Staffs_First_Request.pdf*, is the true statement. See responses to item 14 and 15.

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Witness: Witness: Doug Padgett and Mayor John Laycock

33. Please describe when (date and time, and method) the “water rate study”, was first provided to the Advisory Board Members.

Response: On September 18, 2024 @ 1:00 pm the Advisory Board met to discuss the “water rate study”. The “water rate study” was provided at that meeting.

Witness: Doug Padgett and Mayor John Laycock

34. Please describe the meeting where the “water rate study” recommendations were presented to the Advisory Board, including who was present, who presented the “water rate study” and how long the presentation and discussion were before the vote on the recommendation.

Response: Advisory Board members reviewed and discussed the “water rate study” during their regular September meeting at the Augusta Regional Water Treatment Plant. All members were present. Doug Padgett, Operations Manager presented and discussed the “water rate study” with the Advisory Board. No recording devices were utilized during the meeting. Therefore, timing is unknown.

Witness: Doug Padgett and Mayor John Laycock

35. Please describe how the expenses of the water treatment plant were presented to the water advisory board at the meeting in September 2024, including but not limited to how long the expenses at the meeting were discussed.

Response: Water Treatment Plant expenses are presented to the Advisory Board at every meeting, including the September 2024, meeting. No recording devices were utilized at the meeting. Therefore, timing is unknown.

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Witness: Doug Padgett and Mayor John Laycock

36. Please state the meeting date and time, where the 2023 audited financials (used as the “test period”, test year), were presented to the Water Advisory Board.

Response: The Water Advisory Board does not review the City’s audited financials.

Witness: Doug Padgett, Jack Scott Lawless and Mayor John Laycock

37. Please state whether the City of Augusta agrees that the 2016 water purchase contract at Page 4, numerical paragraph 16, subparagraph b, states “The rate for wholesale water service shall be a flat volumetric rate. No separate charge for debt service or depreciation reserve will be assessed. All costs are recovered only through the volumetric charge for sales.”

Response: Yes, that statement is included in the 2016 Contract.

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Witness: Doug Padgett and Mayor John Laycock

38. Please state if the water treatment plant advisory board discussed the formula under the 2016 water purchase contract and/or 2021 contract amendment as it applies to wholesale water rate increases, and its application and/or implementation versus a unified rate.

Response: The Advisory Board discussed and reviewed the entire “water rate study”.

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Witness: Doug Padgett and Mayor John Laycock

39. Please state if the City of Augusta, City Council, discussed the formula under the 2016 water purchase contract and/or 2021 contract amendment as it applies to wholesale water rate increases, and its application and/or implementation versus a unified rate.

Response: The City Council discussed and reviewed the entire “water rate study”.

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Witness: Doug Padgett, Jack Scott Lawless and Mayor John Laycock

40. Please state how long the City of Augusta, City Council discussed the water rate study and the recommendation of the water advisory board.

Response: There is no record of how long the City Council discussed the “water rate study” and the recommendation of the Advisory Board.

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Witness: Jack Scott Lawless

41. Please state why it was recommended by the “water rate study” to use a unified rate versus the contracted rate calculation pursuant to the 2016 water purchase contract and 2021 amendment.

Response: Refer to Item 3 of the City of Augusta’s Response to Commission Staff’s First Request for Information filed with the Commission on December 31, 2024.

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Witness: Jack Scott Lawless

42. Please state whether the “water rate study” evaluated and/or recommended rates based increased amount of increased prepaid usage (i.e “flat rates” increasing monthly minimum amounts and increased usage amounts; example rate for the first 5,000.00 gallons, and another fee for next 5,000.00 gallons as opposed to lower monthly minimums with corresponding lower monthly usage), and if not, why the unified flat rate was not evaluated and/or recommended.

Response: Provision 16.b. of the 2016 Contract requires that “The rate for wholesale water service shall be a flat volumetric rate.” A take-or-pay rate component was not considered when evaluating the reasonableness of the current wholesale rate.

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Witness: Doug Padgett and Mayor John Laycock

43. Please admit that the water treatment plant fund had, as of end of the year fiscal year 2023 audit, \$266,165.00 of cash and cash equivalents, with additional \$36,743.00 as receivables, and \$7,223.00 due from other funds; for a cumulative total of \$310,131.00. see. *20240926_Augusta Tariff Filing.pdf, Page 94 (Page 15 of the 2023 audit).*

Response: Augusta agrees that the cumulative total of \$310,131, fairly represents in all material respects, the water treatment plant fund for accounting purposes.

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Witness: Doug Padgett and Mayor John Laycock

44. Does the City of Augusta agree that the 2016 Order of the KY PSC, KY PSC Order 2015-00039, and water purchase contract between it and BCWD, required the parties to pay all of their own costs associated with the Orders and agreements associated therewith.

Response: No, the City of Augusta does not agree.

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Witness: Doug Padgett and Mayor John Laycock

45. Does the City of Augusta agree that the 2021 Order of the KY PSC (2020-00277) and joint contractual agreement of the parties therein (i.e. City of Augusta and BCWD), required them to pay all of the costs associated with their required performance.

Response: Yes, the City of Augusta agrees.

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Witness: Doug Padgett and Mayor John Laycock

46. State whether the City of Augusta complied with paragraph 5, alphabetical subparagraph h (Page 4 of the amended 2021 contract; the engineering report), and if so, please state when this provision was completed and all copies of such compliance.

Response: See Attachment 46 Aug Response to BCWD DR1.

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Witness: Doug Padgett and Mayor John Laycock

47. Please state if the City of Augusta employed anyone to perform a rate analysis of its operations and existing rate structure, or if they only obtained the filed water rate study, as filed which evaluates the 2016 contract methodology, and any amendments thereto, and makes a unified rate recommendation.

Response: The City of Augusta obtained only the rate study filed in this proceeding.

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Witness: Doug Padgett, Jack Scott Lawless and Mayor John Laycock

48. Please state if the work products produced by the City of Augusta in its first responses to KY PSC staff herein, are the complete work products of the employed consultant(s) of the water rate study. If not, please identify the work product producers.

Response: Each response to the Commission Staff's First Request for Information was produced by the witnesses shown on the response.

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Witness: Jack Scott Lawless

49. Please state if any additional documents of the water rate study have not been produced and if so, please produce such documents.

Response: There are no additional documents of the water rate study.

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Witness: Doug Padgett, Jack Scott Lawless and Mayor John Laycock

50. Please identify all witness that City of Augusta intends to call at any hearing in this matter before the Kentucky Public Service Commission. Please provide their name, address, and contact information, along with a brief narrative of the nature of their intended testimony.

Response: Mayor John Laycock (PO Box 85, Augusta, Kentucky 41002; jlaycock@augustaky.gov) will be available to provide testimony concerning the office of the mayor.

Doug Padgett (PO Box 85, Augusta, Kentucky 41002; dpadgett@augustaky.gov) will be available to provide testimony concerning the operations and management of the water treatment plant and also advisory board matters.

Gretchen Usleaman (PO Box 85, Augusta, Kentucky 41002; gengland@augustaky.gov) will be available to provide testimony concerning financial recording and reporting.

Jack Scott Lawless (17111 Mallet Hill Drive, Louisville, Kentucky 40245; jlawlessconsulting@gmail.com) will be available to provide testimony concerning the water rate study.

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Witness: Jack Scott Lawless

51. Please identify all experts that the City of Augusta intends to call at any hearing in this matter before the Kentucky Public Service Commission. Please provide their name, address, and contact information, and CV a/k/a curriculum vitae (provide copy), along with a brief narrative of the nature of their intended testimony.

Response: See response to Item 50 for names and contact information of witnesses. see Attachments 51 Aug Response to BCWD DR1 for CV's.

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Witness: Doug Padgett, Jack Scott Lawless and Mayor John Laycock

52. Please identify all exhibits the City of Augusta intends to introduce at any hearing in this matter before the Kentucky Public Service Commission. Please provide copies of the same or if already filed, please identify.

Response: The City of Augusta does not anticipate introducing exhibits at a hearing that have not already been filed with the Kentucky Public Service Commission.

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Witness: Doug Padgett, Jack Scott Lawless and Mayor John Laycock

53. Please state if the City of Augusta will timely supplement all requests for information herein, on its own as soon as practicable, without further request by the intervenor.

Response: The City of Augusta will timely supplement all requests for information without further request by the intervenor.

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Witness: Doug Padgett and Jack Scott Lawless

54. Please review City of Augusta’s response to KY PSC Staff’s 1st request for information, as to the correct calculation pursuant to the 2016 water purchase contract; and determine if this answer is based upon the numbers actually used for the “test period” (test year), described test year or is based upon the numbers in the pro-forma column. (see. *20240926_Augusta Tariff Filing.pdf, Page 6 (Exhibit “A”, Pro Forma Adjusted Operating Statement, column test year and pro-forma column)*)

Response: The unified rate in the wholesale rate study was calculated using the pro forma financial information following Provision 16. f. of the 2016 contract.

Witness: Doug Padgett, Jack Scott Lawless and Mayor John Laycock

55. Please read the following calculations using the test year “test period” numbers, as applied to the calculation in numerical paragraph 16, subparagraph I, of the water purchase contract at issue (refer to question No. 54), which states that the adjusted rate to Bracken District shall be the sum of the debt service costs (\$66,709.00); see *20240926_Augusta Tariff Filing.pdf, Page 20 (Page 18 of Rate Study)*; see *Schedule A, Calculation of wholesale rate; First_Response_to_Commission_Staffs_First_Request.pdf, (filed 12-31-24)*; and operating costs (depreciation expenses shall not include debt associated with Revenue Bonds 1995, Series A and B; reduction of depreciation of \$42,822, (\$104,882 – \$42,822 = \$62,060), therefore, \$414,486 (see *Augusta Tariff Filing.pdf, Page 6 (Exhibit “A”, Pro Forma Adjusted Operating Statement, column test year, total operating expenses)*), plus \$14,004, taxes other than income (see *Augusta Tariff Filing.pdf, Page 6 (Exhibit “A”, Pro Forma Adjusted Operating Statement, column test year, taxes other than income)*), minus interest income (see *Augusta Tariff Filing.pdf, Page 6 (Exhibit “A”, Pro Forma Adjusted Operating Statement, column test year, interest income)*); equation would be $\$414,486 + \$14,004 - \$1409 = \$427,081$ would be the preliminary expenses using the test year numbers.

The preliminary expense number (\$427,081, see above for reference) plus the debt service assigned to BCWD (\$66,709.00, see above for reference), plus the depreciation amount assigned to BCWD (\$62,060, see above for reference) equals total expenses pursuant to the calculation for the test year of $(\$427,081 + \$66,709 + \$62,060) = \$555,850$.

This amount of costs to be assigned to BCWD shall be the percentage of total amount of finished water provided to BCWD compared to the City of Augusta, to be determined by taking the total amount of sold water for the “test period” divided by the amount of total water sold to BCWD by the water treatment plant. Therefore, the amount of gallons sold to BCWD by the water treatment plant for the test year (“test period”) was 173,162,980, and the amount sold to City of Augusta by the water treatment plant was 52,539,444 for a total of 225,702,424. see *Augusta Tariff Filing.pdf, Page 20 (Exhibit “B”, allocation of adjusted test year operating expenses)*. Therefore, 173,162,980 divided by 225,702,424 equates to 0.7672180783 or for purposes of rounding up 77%; $\$555,850 \times 77\%$ ($555,850.00 \times 0.77$) = \$428,005.

The amount of debt service and operating costs (see above), “...allocated to Bracken District divided by the water treatment plant’s test period sales to Bracken District”; $428,005$ (see above) / 173,162,980 (see above) = \$2.47

Therefore, pursuant to the 2016 contract rate methodology based upon test year (“test period”) numbers **without adjustments/pro-forma requests** (see *Augusta Tariff Filing.pdf, Page 6 (Exhibit “A”, Pro Forma Adjusted Operating Statement, column test year)*); the

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calculated rate would be \$2.47 per 1000 gallons, using the test year (“test period”) numbers only.

AFTER REVIEW OF THESE NUMBERS AND CALCULATIONS IN THIS NUMERICAL PARAGRAPH 55, BESIDES THE UNDERSTANDING THAT THE NUMBERS DO NOT REFLECT THE REQUESTED ADJUSTMENTS UNDER THE PRO-FORMA REQUESTS IN THE RATE STUDY; A) PLEASE IDENTIFY ANY ERRORS IN THE NUMBERS USED, WHICH ARE BASED UPON THE TEST YEAR (“TEST PERIOD”) NUMBERS USED BY THE CITY OF AUGUSTA IN ITS WATER RATE STUDY, IDENTIFYING THE ERRORS WITH REFERENCES TO THE WATER RATE STUDY; B) AND IDENTIFY ANY ERRORS IN THE METHOD OF THE CALCULATION AND WHY THE METHOD IS WRONG IF BELIEVED WRONG BY THE CITY OF AUGUSTA, IDENTIFY WHY THE METHODOLOGY IS INCORRECT WITH REFERENCES; AND C) FINALLY IDENTIFY IF ANY OF THE CALCULATIONS ARE BELIEVED TO BE IN ERROR, AND IF SO BELIEVED BY THE CITY OF AUGUSTA, IDENTIFY WHY THE CALCULATION IS INCORRECT WITH REFERENCES.

Response:

a. The table below summarizes the calculation described in the request.

| | Test Year |
|--|-------------|
| Operation and Maintenance | \$ 414,486 |
| Plus: Depreciation | 62,060 |
| Taxes Other Than Income | 14,004 |
| Less: Interest Income | (1,409) |
| Total | 489,141 |
| 64 Percent of Debt Maximum to Bracken District | 66,709 |
| Total | 555,850 |
| Times: Percentage gallons sold to Bracken District | 77% |
| Total | 428,005 |
| Divided by: Gallons Sold to Bracken District | 173,163 |
| Equals | \$ 2.47 |

Bracken District is allocated only 49.3 percent ($\$66,709 \times .77 = \$51,366 / \$104,233 = .493$) in the calculation above. The correct calculation is shown below.

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| | Test Year |
|--|-------------|
| Operation and Maintenance | \$ 414,486 |
| Plus: Depreciation | 62,060 |
| Taxes Other Than Income | 14,004 |
| Less: Interest Income | (1,409) |
| Total | 489,141 |
| Times: Percentage gallons sold to Bracken District | 77% |
| Allocation to Bracken District | 376,639 |
| Plus: 64 Percent of Debt to Bracken District | 66,709 |
| Total | 443,348 |
| Divided by: Gallons Sold to Bracken District | 173,163 |
| Equals | \$ 2.56 |

b. In addition to the error noted in Item a., the method used in the example does not included adjustments “to reflect known and measurable changes” to test-year operations as allowed by Provision 16.f. of the 2016 Contract.

c. See Items a. and b.