

COMMONWEALTH OF KENTUCKY
BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF THE CITY OF)	
AUGUSTA TO INCREASE THE WHOLESALE)	CASE NO.
WATER RATE CHARGED TO BRACKEN)	2024-00349
COUNTY WATER DISTRICT)	

REQUEST FOR RECONSIDERATION OF COMMISSION ORDER

ENTERED APRIL 18TH, 2025 & REQUEST FOR EMERGENCY HEARING

PURSUANT TO KRS TO 278.190 (2)

Comes now the City of Augusta (“Augusta”), by and through counsel, and requests the Commission to reconsider its Order entered April 18th, 2025. Specifically, the City of Augusta requests the Commission to allow Augusta to place its proposed \$2.967 per thousand gallon wholesale water rate into effect for services rendered on and after May 1, 2025 pursuant to KRS 278.190 (2), which states in pertinent part that “If the proceeding has not been concluded and an order made at the expiration of five (5) months...the utility may place the proposed change of rate...in effect at the end of that period after notifying the commission, in writing, of its intention so to do.” It continues “Provided, however, if the commission, at any time, during the suspension period, finds that the company’s credit or operations will be materially impaired or damaged by the failure to permit the rates to become effective during the period, the commission may, after any hearing or hearings, permit all or a portion of the rates to become effective under terms and conditions as the commission may, by order, prescribe.”

The Commission’s failure to issue a final ruling on Augusta’s proposed rate within the five-month suspension period will result in material impairment and damage to

Augusta Water Treatment Plant's credit and operations. To minimize this impairment and damage, Augusta requests that the Commission approve the proposed rate for service provided on and after May 1, 2025 using either provision stated in KRS 278.190. The first provision is preferred. Since no hearing under the first provision is required, it would be less expensive and more expedient. However, should the Commission not allow the \$2.967 per thousand-gallon rate to go into effect under such provision one of KRS 278.190, Augusta then request an emergency hearing date be set wherein Augusta is given the opportunity to establish that Augusta's credit and operations will be materially impaired and/or damaged by the Commission's failure to permit the rates to become effective May 1st, 2025.

BACKGROUND

On September 26, 2024, Augusta applied for approval to modify its tariff provisions related to an increase the wholesale water rate to Bracken County Water District ("Bracken District"). On November 19, 2024 the Commission suspended Augusta's proposed tariff for five months from December 1, 2024, up to and including April 30, 2025. On November 27, 2024 Bracken District, filed a motion for full intervention, which was granted by the Commission on December 27, 2024. The parties responded to several requests for information and on March 25, 2025, Augusta requested that the matter be taken under submission.

On March 26, 2025, Bracken District filed a motion to indefinitely suspend the rate increase request. In addition, Bracken District pointed out that, on March 19, 2025, Augusta amended its application by requesting a rate of \$3.181 per thousand gallons, an increase from the \$2.967 per thousand gallons proposed in the application. Bracken

District argued that the amended request must go through the appropriate process of the request for a rate increase, or alternatively, Bracken District asked the Commission to dismiss this rate increase request and require Augusta to file an amended tariff with the new rate. Also, on March 26, 2025, Bracken District filed a request for a hearing before the Commission and the issuance of subpoenas for witnesses.

On April 1, 2025, Augusta filed with the Commission a Notice of Intent to impose the \$2.967 per thousand gallons pursuant to KRS 278.190(2) as set forth in its original application effective May 1, 2025 and noted in such filing that such rate of \$2.967 per 1000 gallons was “per the existing and current Augusta Tariff filed herein.”

By Order dated April 18, 2025, the Commission agreed with Bracken District and found that Augusta’s March 19, 2025 testimony should be considered an amendment to Augusta’s original application and that Augusta “effectively amended its application by requesting a wholesale rate of \$3.181 per thousand gallons, an increase from the \$2.967 per thousand gallons proposed in the original filing”. The Commission rejected Augusta’s Notice of Intent to place the original tariff into effect subject to refund and suspended the amended rate for a period of five months, up to and including September 18, 2025, to allow for the execution of a procedural schedule established to investigate the new rate.

MARCH 19, 2025 TESTIMONY SHOULD NOT BE CONSIDERED
AN AMENDMENT TO THE ORIGINAL TARIFF FILING

Generally, in rate case proceedings brought before the Commission, a utility submits its initial application to the Commission that includes a proposed tariff with supporting evidence and documentation that is required by Kentucky statutes and regulations. To review the reasonableness of the proposed tariff, the Commission accepts

for filing additional evidence provided by the utility, intervening parties, and sometimes Commission Staff that may be in the form of witness testimony, financial exhibits, responses to interrogatories, hearing transcripts, etc. Evidence is collected and reviewed by Commission in every proceeding from the time an application is filed until all parties have exhausted their right to rehearing.

Evidence provided to the Commission by all parties to the case often supports additional pro forma adjustments to test-year operations that were not proposed by the utility in its initial tariff application. An example that is pertinent to this proceeding is rate case expenses. There are many examples where the Commission has authorized rate recovery of rate case expense in an amount that was greater or less than the amount originally requested in the utility's application. In none of such other cases did the Commission find that the petitioner "effectively" amended the original tariff application warranting a second suspension period to allow for another review of the application.

Like in those other proceedings brought before the Commission, in this proceeding Mayor Laycock requested in his testimony that the Commission consider additional evidence related to rate case expenses as well as depreciation expense. The evidence included reference to future plant improvements with an estimated cost of \$3,250,000 and additional rate case expense in the amount of \$11,500. Mayor Laycock's testimony should only be considered additional evidence upon which the Commission should rely when determining the amount of depreciation expense and rate case expense that should be allowed for rate recovery in this proceeding. It should in no way be used to nullify or cancel the \$2.967 tariff proposed in Augusta's original application.

Further, after Bracken District filed a motion on March 26th, 2025, asserting that the Mayor's reference to a prospective rate of \$3.181 in his testimony be taken as an immediate Amendment to the original tariff, and before the Commission's April 18th, 2025 was entered recognizing such testimony as an Amendment to the original tariff, at a regular City Council Meeting held on April 16th, 2025, the Augusta City Council adopted an Ordinance setting the wholesale water rate at \$2.967 per 1000 gallons, indicating the City's intent to stand by its original tariff filing of \$2.967 per 1000 gallons, until such time as a hearing on this case could occur, at which hearing additional evidence would be presented and at which time, the increased rate of \$3.181 "will be requested." (Line 15, Mayor's Rebuttal Testimony). For the above reasons, Augusta requests the Commission reconsider that portion of its April 18th, 2025 Order wherein it found that Augusta had amended its original Tariff Filing based on Mayor Laycock's testimony.

MATERIAL IMPAIRMENT/DAMAGE TO AUGUSTA'S CREDIT AND OPERATIONS

Material Impairment/Damage to Credit

Augusta Water Treatment Plant's credit and operations will be materially impaired and damaged if the proposed tariff of \$2.967 per thousand gallons is not authorized to go into effect immediately. As shown below, based on the financial information provided in Kentucky Rural Water Association's August 5, 2024 Water Study, Augusta's current wholesale water rate does not generate revenues sufficient to repay debt owed to the United States Department of Agriculture Rural Development and Kentucky Rural Water Finance Corporation.

Pro forma Present Rate Revenue	\$ 464,737
Plus: Interest Income	<u>1,409</u>
Gross Revenue	466,146
Less: Pro forma Operating Expenses, No Depreciation	<u>(416,123)</u>
Net Revenues ("Cash")	<u>\$ 50,023</u>
Annual Average Principal and Interest Payments	\$ 86,861
Times: 120 Percent	<u>120%</u>
Required Net Revenues	<u>\$ 104,233</u>
Annual Revenue Shortfall to:	
Repay Debt	<u>\$ (36,838)</u>
Satisfy Bond Covenant	<u>\$ (54,210)</u>

In addition to the pro forma financial information shown above, the historic financial information summarized in the March 19, 2025 Rebuttal Testimony of Doug Padgett, Exhibit-DP-1, demonstrates that current rates provided a negative \$5,235.83 net cash flow before "Other Revenue" (Grant Receipts) and "Capital Expenses" for the 18 months ended December 31, 2024.

Material Impairment/Damage to Operation

Without an immediate increase in revenue, and with more and more financial resources being diverted to the current proceeding, Augusta will be required to continue to defer maintenance that is imperative to its production of safe and reliable service. Two primary examples include cleaning two wells (estimated combined cost is \$48,000) and pulling and inspecting rebuilding two high service pumps that are currently operating at half their

rated capacity (estimated combined cost is \$11,200). Both high service pumps will also have to be repaired once inspected to determine repair needs that will be substantially more expensive than the pull and inspect process. The water plant currently does not have an emergency generator and has been pursuing grant opportunities for a generator. In 2019, the estimated cost of a generator was in excess of \$76,000. Lastly, while Augusta is aware of its obligation to manage each and every expenditure, including legal fees, attorney's fees and expenses for this intensely litigated proceeding are now expected to be in the tens of thousands.

REQUEST FOR IMMEDIATE RATE RELIEF

For the above reasons, Augusta must receive immediate rate relief as provided for in KRS 278.190 (2). Augusta's preferred method is to place the proposed rate into effect subject to refund for services rendered on and after May 1, 2025, as originally stated in its April 1, 2025 filing, and as amply supported by the well-developed financial record in this proceeding. This method offers the most immediate rate relief and is far less costly than the alternative method that requires a hearing be held. Further there is no risk of loss to Bracken District. All amounts collected that are later found to be unreasonable by the Commission would be refunded back to Bracken District.

Alternatively, if the Commission does not allow the rate of \$2.967 per 1000 gallons to become effective for services rendered on and after May 1, 2025, Augusta requests that the Commission immediately schedule an emergency hearing, to allow the Commission to determine the appropriate rate to allow Augusta to avoid material impairment and damage to the Augusta Water Treatment Plant's credit and operations.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing is being electronically transmitted to the Public Service Commission on April 24th, 2024, and that there are no parties that the Public Service Commission has excused from participation by electronic means in this proceeding.

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