

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**RE: ELECTRONIC TARIFF FILING OF THE CITY OF
AUGUSTA TO INCREASE THE WHOLESALE
WATER RATE CHARGED TO BRACKEN
COUNTY WATER DISTRICT**

**INTERVENOR, BRACKEN COUNTY WATER DISTRICT'S (BCWD'S) ANSWERS TO
REQUESTS FOR INFORMATION SUBMITTED BY THE CITY OF AUGUSTA**

CASE NUMBER 2024-00349

Comes now the intervening party, Bracken County Water District, ("BCWD") by and through counsel, Mr. Jesse P. Melcher, Esq., and verified, by chairman of the Board of Commissioners, Anthony Habermehl, and hereby answers questions propounded to it by the City of Augusta, under verification as follows:

1.

The City of Augusta operates a water treatment facility ("Augusta Treatment") that serves wholesale water to the City of Augusta's water distribution system ("Augusta Distribution") and to Bracken County Water District ("Bracken District"). All water produced by Augusta Treatment is delivered to either Augusta Distribution or Bracken District through water meters located immediately adjacent to the Water Treatment Plant facilities. Augusta Distribution receives through a 6 inch meter connected to a 6 inch transmission main whereas Bracken District receives service through an 8 inch meter connected to an 8 inch transmission main. Augusta Treatment does not transmit or distribute water to any entity beyond the location of those metering points.

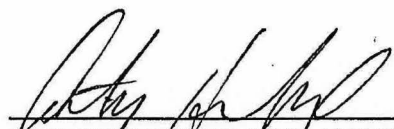
KRS 278.170 (1) states: "No utility shall, as to rates or service, give any unreasonable preference or advantage to any person or subject any person to any unreasonably prejudice or disadvantage, or establish or maintain any unreasonable difference between localities or between classes of service for doing a like and contemporaneous service under the same or substantially the same conditions."

Identify and describe separately each difference in the physical characteristics of the wholesale water service provided by Augusta Treatment to Bracken District when compared to the wholesale water service provided by Augusta Treatment to Augusta Distribution that warrants Bracken District being charged a wholesale rate by Augusta Treatment that is less than the rate charged to Augusta Distribution.

ANSWER: Object to the question on grounds of relevance; *See KRE 401; "Relevant Evidence" means evidence making the existence of any fact that is of consequence to the determination of the action more probable or less probable than it would be without the evidence. Id.* Object to question as to form; wherein the majority of the alleged question, if one, is a statement, which then requests a response.

Bracken County Water District, without waiving its objection above, states the parties have an agreed and approved rate calculation for wholesale water purchase increases, pursuant to a water purchase contract and amendment thereto between the parties. *See 2016 Water Purchase Contract.* The water plant facility is operated and owned by the City of Augusta, therefore, the Bracken County Water District is without sufficient information and/or knowledge as to the physical characteristics or daily operations of how the City of Augusta operates the water treatment plant, and can not answer due to lack of personal knowledge, KRE 602.

Bracken County Water District asserts the parties agreed to contractual wholesale rate increase calculation is controlling, and that the implied assertion that KRS 278.170, mandates that the City of Augusta, to charge the same wholesale rate to itself for distribution is inapplicable, as the City of Augusta is not under Kentucky Public Service Commission as to its rates to its own propriety interest. *See. City of Mount Sterling, Kentucky, Case No. 95-193 (Ky. PSC May 31, 1995).*



ANTHONY HABERMEHL, CHAIRMAN,
BRACKEN COUNTY WATER DISTRICT

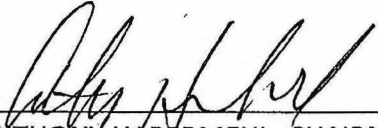
2.

During the fiscal year ended June 30, 2023, Bracken District purchased 173,162,980 gallons of water from Bracken District. Bracken District decreased its purchases to 154,489,119 gallons for the 12 months ended April 30, 2024 and to 142,982,009 gallons for the calendar year ended December 31, 2024. Explain the reason that Bracken District decreased the volume of water purchased from Augusta Treatment and state whether Bracken District intends to continue purchasing wholesale water from Augusta Treatment at the reduced volume in future periods.

ANSWER: Bracken County Water District has a secondary supplier for purchased water, i.e. Western Mason Water District. Bracken County Water District has not made an intentional effort to purchase less water from the City of Augusta. Bracken County Water District does state that since 2023, it has been utilizing an interconnect with Western Mason Water District to purchase water; wherein, the wholesale water rate of purchase to BCWD from Western Mason Water District, is lower than the City of Augusta's current wholesale rate to BCWD.

Bracken County Water District does state that the water purchase contract that establishes the water purchase contract, only mandates 6,500,000.00 million gallons of water purchased from City of Augusta on a monthly basis. *See. 2016 Water Purchase Contract, Page 2, Item 6, "Minimum Purchase Volume"*. Bracken County Water District has fulfilled this minimum purchase every month for the duration of the contract.

Bracken County Water District objects to the question as to future volume use with City of Augusta., as it calls for speculation. *See. KRE 602*. Bracken County Water District without waiving its right to the objection and subject to said objection, states as follows: Bracken County Water District can not predict the future decision of its board of commissioners, and refuses to speculate as to future decisions, as speculation is not introducible evidence. Bracken County Water District states the current contract has mechanisms and/or procedures, for Bracken County Water District, to implement, if it ever desires in the future to reduce its minimum purchases; for which Bracken County Water District is contractually bound. Bracken County Water District has not notified City of Augusta of any intent to purchase less than the minimum monthly purchase amount of 6,500,000. *See. 2016 Contract, Page 2, Item 6, "Minimum Purchase Volume"*.



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3. Refer to Case No. 2021-00415, in the matter of Electronic Application of Bracken County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076, where Bracken District sought and was awarded rate recovery of pro forma depreciation expense (a non-cash expense) in the amount of \$379,720. This depreciation expense accrued on plant that was originally funded with retained earnings, contributions in aid of construction, and proceeds from issuing long term debt. Explain in full detail the reasons that Bracken District believes it was necessary to recover through rates 100 percent of its proforma depreciation expense.

ANSWER: Objection due to relevance; *See. KRE 401*; an alternative rate case for Bracken County Water District has nothing to do with the current wholesale water rate increase request by the City of Augusta.

Bracken County Water District, without waiving its objection above, states all utilities implement depreciation as expenses in their rate adjustment requests, and that KY PSC Staff and Commission, ultimately determine the approved expenses for the rate adjustment, including applicable approved depreciation; including but not limited to depreciation balances, depreciation life, and annual depreciable approved amounts for rate purposes. The requested depreciation expenses were provided in the Case No. 2021-00415, *see. Case No. 2021-00415, 02_DepreciationSchedule_12.31.20.xls*; all depreciation expenses implemented in the approved rate in that case, are all related to KY PSC approved depreciable expenses.



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4.


As required by the Stipulated Agreement entered in Case No. 2020-00277, Augusta Treatment contracted Cann-Tech, LLC/Kenvirons ("Cann-Tech") to prepare an engineering review of the water treatment plant condition and capital improvement needs. In Cann-Tech's May 2022 report, necessary plant renewals, replacements and improvements are identified to have an estimated cost of \$3,250,000.00. State whether Bracken District agrees or disagrees with Cann-Tech's findings. Explain in detail all reasons for disagreement.

ANSWER: Objection due to relevance; *See. KRE 401*, a possible new loan and upgrades by City of Augusta do not have any relevance to the current wholesale water rate calculation agreement between the parties. Bracken County Water District also states that on page 2 of the 2016 water purchase contract, at number 4, Bracken County Water District has no obligation to pay for future financed projects of the City of Augusta except as it relates to current wholesale water rate calculation. *See. 2016 Water Purchase Contract, Page 2, Number 4.*

Bracken County Water District, without waiving its objection above, states that Bracken County Water District relies on its engineers and employed engineering firm for advice on such matters. The referenced engineering report dated in May 2022, is voluminous in its recommendations; *See attached pages 10-12 and estimated costs of construction for each on page 13.* Bracken County Water District would note that the attached application for funding of \$3,250,000.00 is only for \$2,500,000.00 of construction costs. *See attached application of City of Augusta, Kentucky Infrastructure authority, www.kia.ky.gov/KRIS/Pages/WRIS-Portal.aspx. (Project Profiles, Project ID# WX21023047.*

The employed engineering firm of Bluegrass Engineers, has reviewed the May 2022 report and findings, and reviewed the necessitated improvements by City of Augusta application, and have determined that the total costs of construction as requested by City of Augusta are undeterminable due to inflationary costs; and BCWD believes the current costs of construction for all requested improvements would exceed \$2,500,000.00

Further, Bracken County Water District is concerned with the progress of processing from the May 2022 report, wherein, the grant application funding priority was previously downgraded by City of Augusta for funding, delaying the possibility of funding.



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5.

Exhibit A attached hereto is a copy of the worksheet presented to Bracken District by Augusta Treatment at their February 14, 2025 meeting.

- a. At the volume of water sold by Augusta Treatment in pro forma operations, does Bracken District agree that Augusta Treatment must charge a unified rate of \$2.635 per thousand gallons to generate the minimum level of annual revenue required by Augusta Treatment's long term debt resolutions? Explain in detail all reasons for disagreement.
- b. AT the volume of water sold by Augusta Treatment in pro forma operations, does Bracken District agree that Augusta Treatment must charge a unified rate of \$3.181 per thousand gallons to recover through rates 100 percent of pro forma depreciation expense? Explain in detail all reasons for disagreement.
- c. Does Bracken District recognize that Augusta Treatment's proposed unified rate in the amount of \$2.967 does not include recovery of depreciation expense in the amount of \$42,105.00

ANSWER: Bracken County Water District states the parties had a meeting to determine if they could attempt to a consensus for a rate adjustment and signed a confidentiality agreement, and due to the document as referenced (Exhibit "A" to questions) which was as referenced herein presented in said "confidential meeting"; therefore, Bracken County Water District asserts that City of Augusta, has waived the confidentiality of said meeting, and its discussions, by asking questions related thereto, and has "opened the door" to adequate "operation, maintenance and workings" of the water treatment plant.


a. Objection, as to relevancy. KRE 401, Bracken County Water District. Objection as to introduction of a document not previously identified as an Exhibit to be introduced by the City of Augusta, herein. Bracken County Water District is total unaware of any financial requirements of the City of Augusta's long term debt resolutions.

Bracken County Water District, without waiving its objection above, states, the parties have an agreed and approved rate calculation for wholesale water purchase increases. Bracken County Water District does not operate or manage the water treatment plant. The Water Treatment Plant is not under the jurisdiction of KY PSC as it relates to rates to itself and/or its own propriety interest, as it is not a regulated utility for purposes of selling to itself (its own propriety interest, a non-regulated utility).

b. Objection, as to relevancy. KRE 401, Bracken County Water District The parties have an agreed and approved rate calculation for wholesale water purchase increases; and the same contract and/or its amendments, provide for the determination of depreciation in said calculation. Inclusion of the full amount of depreciation would violate the contract and nullify the detrimental reliance Bracken County Water District has relied upon and made previous concessions and waivers to City of Augusta; including but not limited to waiver of equity in the Water Treatment Plant. *See. 2016 Water Purchase Contract, Page 1 (whereas clauses) and Page 2, # 2, "Relinquishment of Equitable Interest".*

c. Objection, as to relevancy. KRE 401. Bracken County Water District, states the parties have an agreed and approved rate calculation for wholesale water purchase increases, and the calculation of depreciation, which does not include full inclusion of all of City of Augusta's depreciation. *See. 2016 Water Purchase Contract.*

Bracken County Water District, without waiving any objections stated, would state it finds the unified rate argument not only inapplicable and/or in violation of the contractually agreed wholesale water rate increase calculation. *See. City of Mount Sterling, Kentucky, Case No. 95-193 (Ky. PSC May 31, 1995).*



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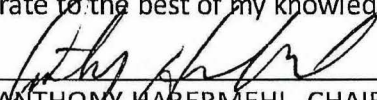
6.

What is the name of the licensed individual currently providing water system distribution services for Bracken County Water District? Is such individual an employee of Bracken County Water District or an independent contractor? What are the specific duties and regular hours of such individual at Bracken Water District, has such individual entered into a written contract for water system distribution services with Bracken County Water District.

ANSWER: Rick King, License# 19233, expires 6/30/2026, DW Distribution II. Pursuant to the 401 KAR 8:303(3), the distribution system of the Bracken County Water District is under the supervision of Rick King. Rick King is a water commissioner of the Board, for Bracken County

Water District. He is not an employee, and is not paid for his supervision. See. Affidavit of Rick King.

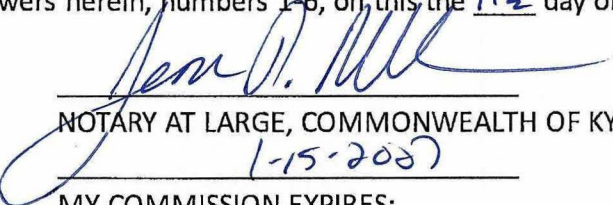
I, Anthony Habermehl, do hereby state that I have read over the foregoing response, and that it is true and accurate to the best of my knowledge and belief.



ANTHONY HABERMEHL, CHAIRMAN,
BRACKEN COUNTY WATER DISTRICT

COMMONWEALTH OF KENTUCKY
COUNTY OF BRACKEN

I, Jesse P. Melcher, being a notary public, in the State/Commonwealth of Kentucky At Large, do hereby state that Anthony Habermehl, has signed, sworn and acknowledged to the answers herein, numbers 1-6, on this the 11th day of March, 2025.



NOTARY AT LARGE, COMMONWEALTH OF KY
1-15-2027

MY COMMISSION EXPIRES:
DYWP64630

NOTARY ID:

Respectfully submitted,

/s/ JESSE P. MELCHER, ESQ.
BRACKEN COUNTY WATER DISTRICT,
ATTORNEY
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Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Jesse P. Melcher, Esq. as counsel and representative of BCWD herein, do hereby certify that I have mailed out by electronic filing through the KY PSC web portal, pursuant to 807 KAR 5:001(8), this the 12th day of March, 2025; and that no party herein, has opted out of the electronic notice and/or filing herein, and proof of electronic filing and courtesy copy are as follows, of BCWD's responses to City of Augusta's questions:

KY PSC, filed by web portal in this case number

Ms. Cynthia Thompson, Esq.
Counsel for City of Augusta
ccthompsonatty@yahoo.com

Courtesy Copy by mail, U.S.P.S.
City of Augusta
Attn: Cynthia Thompson, Esq.
219 Main Street
P.O. Box 85
Augusta, KY 41002

/s/ MR. JESSE P. MELCHER, ESQ.