

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE)	CASE NO.
WHOLESALE WATER SERVICE RATES OF)	2015-00039
THE CITY OF AUGUSTA)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
MADE JOINTLY TO THE CITY OF AUGUSTA, KENTUCKY,
AND BRACKEN COUNTY WATER DISTRICT

The city of Augusta, Kentucky, ("Augusta") and Bracken County Water District ("Bracken District"), pursuant to 807 KAR 5:001, are to jointly file with the Commission the original in paper medium and an electronic version of the following information. The information requested herein is due within 14 days of the date of this request. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Augusta and Bracken District shall make timely amendment to any prior response if they obtain information which indicates that the response was incorrect

when made or, though correct when made, is now incorrect in any material respect. For any request to which Augusta and Bracken District fail or refuse to furnish all or part of the requested information, they shall provide a written explanation of the specific grounds for their failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When filing a paper containing personal information, Augusta and Bracken District shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the New Water Purchase Contract ("New Contract") attached as Exhibit A to the Settlement Agreement and Stipulation, which is attached as Exhibit A to the Joint Motion for Approval of Settlement Agreement and Stipulation and Water Purchase Contract.

a. Numbered paragraph 2 of the New Contract states that Bracken District is relinquishing any equitable ownership interest it may have in the Augusta water treatment plant. Explain why Commission approval of the relinquishment of interest pursuant to KRS 278.020(5) is not required.

b. Did Bracken District record an amount in its Annual Report to the Public Service Commission for the year ended December 31, 2014, for an equitable interest in the Augusta water treatment plant? If so, provide the amount and the account name and account number on the Balance Sheet that contains the amount.

2. Refer to the New Contract, numbered paragraph 6, which states in pertinent part: “For the first 120 months following the Effective Date of this Agreement, Bracken District shall purchase a minimum of 6,500,000 gallons of water each month (‘Agreed Monthly Minimum Volume’). At the end of this 120-month period, Bracken District shall not be required to purchase the Agreed Monthly Minimum Volume.”

a. State the basis for the number of gallons included in the Agreed Monthly Minimum Volume and explain why this number of gallons is reasonable.

b. State the basis for the period of time, 120 months, that is assigned to the Agreed Monthly Minimum Volume and explain why this period of time is reasonable.

c. The original 1993 contract between the parties was an integral part of Rural Development’s (“RD”) decision to fund the construction of, and improvements to, Augusta’s water treatment plant. State whether RD has been notified of the proposed modifications to the existing agreement.

3. Refer to the New Contract, numbered paragraph 16.d., which states: “Bracken District shall not be assigned more than 64 percent of the Water Treatment Plant’s total annual debt service.”

a. Explain whether it is Bracken District’s position that this provision entitles Bracken District to be assigned less than 64 percent of the Water Treatment Plant’s total debt service.

b. Explain how the amount of the 64 percent ceiling was determined.

4. Refer to the New Contract, number paragraph 16.g., which states: “Depreciation expense shall be included in calculation of the Water Treatment Plant’s

operating costs, but only such depreciation expense on plant and facilities whose cost is not financed through the issuance of debt and that are in service at the time of the proposed rate adjustment.”

a. Explain how Augusta will separate depreciation expense accrued on plant that was funded with debt from that which was not funded with debt. This explanation should include an example using financial information for the year ended June 30, 2014.

b. If the Commission authorizes the proposed contract to go into effect with part g included, explain whether Bracken District will commit to removing depreciation expense accrued on debt-funded plant from its revenue requirements in its next application to adjust rates. If it is not willing to make this commitment, explain why it is reasonable for Augusta to forfeit recovery of depreciation accrued on debt-funded plant, but not Bracken District.

5. Refer to the New Contract, numbered paragraph 31.a., which states: “Any Dispute related to an adjustment of the wholesale rate shall be governed by Paragraphs 11 through 16 of this Agreement, shall be subject to the jurisdiction of the Kentucky Public Service Commission, but shall not be subject to the procedures set forth in this Paragraph.”

a. Is it the parties’ position that disputes concerning matters in the New Contract other than paragraphs 11 through 16 are not subject to the jurisdiction of the Commission?

b. The New Contract, numbered paragraph 31.f., states: “If the Parties cannot resolve for any reason. . . any such Dispute, either Party may initiate

proceedings in an appropriate forum.” Identify each part of the New Contract other than the parts governed by paragraphs 11 through 16 for which the parties believe that the Commission would be the appropriate forum for initiating proceedings.

6. The New Contract, numbered paragraph 20, requires Augusta to submit reports and records to Bracken District. The paragraph also specifies the corresponding periods in which the reports and records must be submitted. Numbered paragraph 21 describes the consequences if Augusta fails to make timely submission of any report or document required by numbered paragraph 20, which includes Bracken District’s permanently withholding 10 percent of the total invoiced cost of water for the monthly period in which Augusta’s failure is alleged to have occurred.

a. In the event that Bracken District permanently withholds 10 percent of the total invoiced cost of water by exercising a claim of right under numbered paragraph 21, how will Bracken District record the amount permanently withheld on its books? Provide the proposed journal entries.

b. In the event that Bracken District permanently withholds 10 percent of the total invoiced cost of water by exercising a claim of right under numbered paragraph 21, how will Bracken District refund the permanently withheld amount to its ratepayers?

c. Explain how the parties arrived at 10 percent as the amount that would be subject to a permanent withholding.

d. Is it Bracken District’s position that funds permanently withheld are not subject to the jurisdiction of the Commission?

7. Provide Augusta's total rate case expense to date. Identify, in response, the portion of Augusta's total rate case expense that is attributable to legal fees for the rate issues in this proceeding.

8. Provide Bracken District's legal fees for the rate issues in this proceeding.


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DATED **MAR 16 2016**

cc: Parties of Record

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