

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BUTLER)	CASE NO.
COUNTY WATER SYSTEM, INC. FOR A RATE)	2024-00061
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

ORDER

On March 14, 2024,¹ Butler County Water System, Inc. (Butler County Water) filed its application with the Commission requesting an adjustment to its water rates pursuant to 807 KAR 5:076. Butler County Water filed this application in compliance with the final Order in Case No. 2021-00016.² In that proceeding, Butler County Water was ordered to file an application by March 12, 2024, for either a general rate adjustment pursuant to 807 KAR 5:001, Section 16, or for an alternative rate adjustment (ARF) pursuant to 807 KAR 5:076 to ensure its revenue is sufficient to support adequate and reliable service. On March 12, 2024, the Commission granted an extension to file its application until March 22, 2024.³

¹ Butler County Water tendered its application on March 13, 2024. By letter dated March 14, 2024, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application was deemed filed on March 14, 2024.

² Case No. 2021-00016, *Electronic Application of the Butler County Water System, Inc. to Issue Securities in the Approximate Principal Amount of \$840,000 for the Purpose of Refunding Certain Outstanding Obligations of the Association Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Mar. 12, 2021), Order at 7, ordering paragraph 5.

³ Case No. 2021-00016, Order (Ky. PSC Mar. 12, 2024).

The Commission finds that a procedural schedule⁴ should be established to ensure the orderly review of Butler County Water's application. The procedural schedule is attached as Appendix A to this Order.

In addition, Butler County Water shall file on or before the date set forth in the procedural schedule its responses to the Commission Staff's request for information, attached to this Order as Appendix B, and shall respond to any future requests for information propounded by Commission Staff by the date or dates set forth on any such requests.

IT IS THEREFORE ORDERED that:

1. The procedural schedule set forth in Appendix A to this Order shall be followed.
2. On or before the date set forth in the procedural schedule, Butler County Water shall file its responses to the Commission Staff's request for information, attached to this Order as Appendix B.
3. Butler County Water shall respond to any additional requests for information propounded by Commission Staff as provided in those requests.
4. No later than the date set forth in the procedural schedule, Commission Staff shall file with the Commission and serve upon all parties of record a written report (Commission Staff's Report) containing its recommendations regarding Butler County Water's requested rate adjustment.

⁴No action is necessary to suspend the effective date of Butler County Water's proposed rates for service. Pursuant to 807 KAR 5:076, Section 7(1), an applicant who applies for a rate adjustment pursuant to the procedures set for in 807 KAR 5:076 may not place its proposed rates into effect until the Commission approves those rates or six months from the date of the filing of its application.

5. No later than 14 days after the date of service of the Commission Staff's Report, each party of record shall file with the Commission:

a. Its written comments on and any objections to the findings contained in the Commission Staff's Report; and

b. Any additional evidence for the Commission to consider.

6. If Commission Staff recommends that Butler County Water's financial condition supports a higher rate than Butler County Water proposes or the assessment of an additional rate or charge not proposed in Butler County Water's application, Butler County Water, in its response to the Commission Staff's Report, shall also state its position in writing on whether the Commission should authorize the assessment of the higher rate or the additional rate or charge.

7. If Commission Staff recommends that changes should be made to the manner in which Butler County Water accounts for the depreciation of Butler County Water's assets, Butler County Water in its response to the Commission Staff's Report shall also state its position in writing on whether the Commission should require Butler County Water to implement the proposed change for accounting purposes.

8. A party's failure to file written objections to a recommendation contained in the Commission Staff's Report within 14 days after the date of the filing of the Commission Staff's Report shall be deemed a waiver of all objections to that finding.

9. If a party requests a hearing or informal conference, then the party shall make the request in its written comments and state the reason a hearing or informal conference is necessary.

10. A party's failure to request a hearing or informal conference in the party's written response shall be deemed a waiver of all rights to a hearing on the application and a request that the case stand submitted for decision.

11. A party's failure to file a written response within 14 days after the date of service of the Commission Staff's Report shall be deemed a waiver of all rights to a hearing on the application.

12. As set forth in 807 KAR 5:001, Section 4(11)(a), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either (1) a special interest in the proceeding that is not adequately represented in the case, or (2) that the person requesting permissive intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Therefore, any person requesting to intervene in a Commission proceeding must state with specificity the person's special interest that is not otherwise adequately represented or the issues and facts the person will present that will assist the Commission in fully considering the matter. A mere recitation of the quantity of the utility consumed by the movant or a general statement regarding a potential impact of possible modification of rates will not be deemed sufficient to establish a special interest.

13. Any motion to intervene filed after the date established in the procedural schedule attached as Appendix A to this Order shall also show good cause for being untimely. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule.

14. The Commission directs the parties to the Commission's July 22, 2021 Order in Case No. 2020-00085⁵ regarding filings with the Commission.

⁵ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
APR 05 2024 bstb
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00061 DATED APR 05 2024

Requests for intervention shall be filed no later than 04/15/2024

All requests for information to Butler County Water
shall be filed no later than 04/22/2024

Butler County Water shall file responses to requests
for information no later than 05/06/2024

All supplemental requests for information to
Butler County Water shall be filed no later than 05/20/2024

Butler County Water shall file responses to supplemental
requests for information no later than 06/03/2024

Commission Staff's Report shall be filed no later than..... 07/15/2024

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00061 DATED APR 05 2024

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO BUTLER COUNTY WATER SYSTEM, INC.

Butler County Water System, Inc. (Butler County Water), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on May 6, 2024. The Commission directs Butler County Water to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and 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.

Butler County Water shall make timely amendment to any prior response if Butler County Water obtains information that indicates the response was incorrect or incomplete

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

when made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

For any request to which Butler County Water fails or refuses to furnish all or part of the requested information, Butler County Water shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied and scanned 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 applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Butler County Water shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Provide copies of each of the following, and when appropriate, provide in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected. Employee names should be redacted from all documents.

a. The general ledger in Excel spreadsheet format for the years ended December 31, 2022, and 2023.

b. A list of all year-end adjusting entries.

c. The trial balance in Excel spreadsheet format for the years ended December 31, 2022, and 2023, including all year-end adjustments that will appear on the financial statements.

d. Refer to Application Schedule of Adjusted Operations (SAO). Provide a cross reference that matches each 2022 general ledger account to each revenue and expense line in the SAO and reconcile each amount that does not match.

2. Provide a list of all general ledger accounts that reflect allocations from Warren County Water District (Warren District).

3. Provide in an Excel spreadsheet with all formulas, rows, and columns fully accessible and unprotected, all allocation methodologies and formulas used to allocate expenses from Warren District to Butler County Water.

4. Provide the following information related to billing software:

- a. State whether the billing software and general ledger/financial management software are separate or integrated.
- b. Brand or common name for software.
- c. State whether the software is locally installed on a utility-owned computer or is a subscription service that is internet based.
- d. If locally installed, state the installation date.
- e. State whether the system is still serviced by the manufacturer and whether the utility maintains a service contract.

5. Refer to the Application, SAO, Adjustment References. Provide all workpapers used to generate the proposed adjustments. The workpapers should tie to the general ledger accounts that comprise the SAO line items, including any adjustment for unreconciled amounts.

6. Refer to the Application, Attachment 4, 4_SAO_With_Attachments.pdf, References, Adjustment C. Using a table format, provide an Excel spreadsheet with all

formulas, rows, and columns fully accessible and unprotected that lists each position (Position 1, Position 2, etc.) job title, hours worked, pay rate, total wages paid, and total FICA cost for each employee for the years ended December 31, 2022, and 2023. Include the date the employee was hired and, if applicable, the employee's termination date. The table should include a column for total wages by employee (regular wages and overtime) and a row for total wages for all employees. Employee names should be redacted from all documents.

a. Provide calculations by employee that support pro forma wages of \$527,285. This may be provided as a separate table or combined with the table above. If a position is recently vacated but the intent is to fill it, note the vacancy and the amount of time that it has been vacant.

b. Provide a summary of overtime hours worked and costs that were due to vacant positions and thus will be eliminated when the vacant positions are filled.

c. Distribute the increase of \$97,270 in pro forma labor costs in the following format:

Description	Amount	Percent
Gross Test Year Wages	\$430,015	
Charged to Tap Fees/Capitalized ()		
Reported Test Year Wages	430,015	
Wage Rate Inflation		
Merit/Promotional Increases		
Postions Added Since Beginning of Test Year		
Turnover During Test Year		
Pro Forma Wages	\$527,285	

7. Provide certificates of insurance and most recent invoices for general liability, workers' compensation, automobile, property, and casualty for 2022 and 2023.

8. Provide the minutes from Butler County Water's Board of Commissioners' (Board) meetings for the calendar years 2022, 2023, and year to date 2024.

9. Provide a document listing the name of each member of the Board for each of the calendar years 2022, 2023, and 2024 and state, individually, the total amount of each benefit paid to, or on the behalf of, each director during each year (i.e., wages, health insurance premiums, life insurance premiums, FICA taxes, etc.), their term (beginning and ending), and current authorized annual compensation.

a. Provide documentation from the Fiscal Court that authorizes each Board member's appointment and compensation.

b. Provide training records for each board member for 2022, 2023, and year to date 2024.

c. Provide a list of every member currently on the Butler Water System board of water commissioners, their role, when they were originally appointed, and the expiration of term

10. Provide the following with respect to new tap installations.

a. The number of installations during the test year.

b. State whether labor costs were capitalized and, if so, provide the total amount and designate the line in the fixed assets listing that reflects the capitalization.

c. State whether material costs were capitalized and, if so, provide the total amount and designate the line in the fixed assets listing that reflects the capitalization.

11. State the last time Butler County Water performed a cost-of-service study (COSS) to review the appropriateness of its current rates and rate design.

a. Explain whether Butler County Water considered filing a COSS with the current rate application and the reasoning for not filing one.

b. Explain whether any material changes to Butler County Water would cause a new COSS to be prepared since the last time it completed one.

c. If there have been no material changes to Butler County Water, explain when Butler County Water anticipates completing a new COSS.

d. Provide a copy of the most recent COSS that has been performed for Butler County Water in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

12. Refer to the Application, Current Billing Analysis 2022 Usage and Existing Rates and Proposed Billing Analysis 2022 Usage and Proposed Rates.

a. Provide the billing analysis in Excel Spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

b. Describe adjustments to the billing analysis and the justification for each.

c. Provide an analysis of the proposed pro forma adjustment to metered revenues of \$23,666.

13. Refer to the Application, Exhibit 4, 4_SAO_With_Attachments.pdf, Revenue Requirement table. Also refer to the Annual Report of Butler County Water to the Public Service Commission for the Calendar Year Ended December 31, 2022 (2022 Annual Report), at 20.

a. In the Revenue Requirement Table, Interest Income is reported as \$10,548, however in the 2022 Annual Report Interest and Dividend Income (419) on page 20 is reported as \$28,351.70. Reconcile and explain the difference.

b. In the Revenue Requirement Table, Nonutility Income is reported as \$348, however in the 2022 Annual Report Nonutility Income (421) is reported as \$684.40. Reconcile and explain the difference.

14. Provide the number of occurrences and dollar amounts for late fees that were recorded during the calendar years 2022 and 2023.

15. Provide a schedule listing the number of occurrences for each nonrecurring charge listed in the current tariff that was recorded during the test year and the total amount recorded for each nonrecurring charge. If the revenue for any nonrecurring charge was zero, include that charge and indicate that no revenue was recorded. Include the general ledger account numbers where each nonrecurring charge is recorded.

a. Provide updated cost justification sheets to support each nonrecurring charge listed in Butler County Water's tariff.

b. Provide updated cost justification sheets to support each Meter Connection/Tap-on Charge listed in Butler County Water's tariff.

16. Refer to the Application, Exhibit 4, 4_SAO_With_Attachments.pdf, Schedule of Adjusted Operations, Adjustment J. Provide an explanation of why Butler County Water requests a change in the service life in the AMR meters. Include in this explanation, any engineering reports, testing reports, or technical specifications that support the current 20-year service life and the proposed 10-year service life for the AMR meters.

17. Refer to the Application, Exhibit 7, 7_Depreciation_Schedule_2022.pdf. Provide an Excel spreadsheet with all formulas, rows, and columns fully accessible and unprotected, a fixed asset list that is used to generate the Depreciation Schedule.

18. Refer to Butler County Water's Tariff, PSC Ky. No. 1, Original Sheet No. 11, Billing, Meter Readings and Related Information, Frequency of meter reading.

a. Provide the date that Butler County Water's billing cycle begins (meter read date).

b. State whether the date that the billing cycle begins is the date that would be best stated as the effective date of any order the Commission issues concerning rates in this case.

19. Refer to the Application, Attachment 8, 8_Debt_Amortization_Schedules.pdf. For each outstanding debt issuance still active, provide the case number in which Butler County Water was authorized to issue the debt.

20. Refer to the 2022 Annual Report, Comparative Operating Statement, at 20, Gains (Losses) from Disposition of Utility Property (414). Provide an explanation for the transactions that account for the \$5,839.90 balance.

21. Refer to the Application, Exhibit 4, 4_SAO_With_Attachments.pdf, SAO, Adjustment B. Also refer to the Application, Exhibit 4, 4_SAO_With_Attachments.pdf, References List, Adjustment B. In the SAO, Adjustment B reflects a decrease to Private Fire Protection of \$5,344. However, in the references list, Adjustment B reflects a decrease to Fire Protection Revenues of \$4. Reconcile and explain the difference between the two proposed adjustments.

22. Refer to the Application, Exhibit 4, 4_SAO_With_Attachments.pdf, SAO, Salaries and Wages Employee and Contractual Services. Explain the cost classification of Warren District's services and whether Butler County Water includes those costs as contractual services or salaries and wages. If these costs are allocated to different locations for different services, provide reasoning and calculations for each of the allocations.

23. Refer to the Application, Exhibit 4, 4_SAO_With_Attachments.pdf, SAO, Contractual Services - Other.

a. Provide a list of each contractor that has a cost allocation to the Contractual Services Account Balance.

b. Provide the corresponding amounts for each contractor.

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