

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF WARREN)	
COUNTY WATER DISTRICT FOR AN)	CASE NO.
ADJUSTMENT OF RATES FOR WATER)	2024-00200
SERVICE)	

ORDER

On July 30, 2024, Warren County Water District (Warren District) filed an application for a general adjustment of rates. The application proposed that new rates become effective on August 31, 2024. By Order entered on August 15, 2024, the Commission suspended the effective date of the proposed rates for five months, up to and including January 31, 2025, and established a procedural schedule.¹ Warren District responded to four rounds of discovery.² There are no intervenors in this case. By Order issued November 21, 2024, the Commission granted Warren District's motion for this matter to proceed without a formal hearing.³

On December 30, 2024, Warren District filed a notice of filing of supplement to application Exhibit 8, a supplement to the Statement of Adjustments Operations (SAO) (Supplemental SAO). Warren District further filed a brief on March 31, 2025., which

¹ Order (Ky. PSC Aug. 15. 2024).

² Warren District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Aug. 13, 2024); Warren District's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Sept. 13, 2024); Warren District's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Oct. 11, 2024); Warren District's Response to Commission Staff's Fourth Request for Information (Staff's Fourth Request) (filed Dec. 13, 2024).

³ Order (Ky. PSC Nov. 21, 2024).

included an additional Supplement to the SAO (Second Supplemental SAO).⁴ This matter now stands submitted for decision.

BACKGROUND

Warren District provides water and sewer service in Warren County, Kentucky, and, by contract, manages and operates the Butler County Water System (Butler Water) and Simpson County Water District (Simpson District) under a Joint Operations Agreement.⁵ Warren District is the “lead” water system and all five of its employees work for Warren District.⁶ Each utility system, including the Warren Water Division and the Warren Sewer Division, are charged the actual cost for labor, equipment, materials, and all other costs incurred by each respective utility system.⁷

In its application, Warren District requested a total revenue requirement of \$19,215,088 and revenue requirement from water sales of \$18,229,148, requiring an increase in revenue from water sales of \$2,146,247 or approximately 13.34 percent.⁸ In its Supplemental SAO, Warren District made additional adjustments to test period expense and to the debt service costs that reduced the District’s total revenue requirement to \$18,881,241 and its revenue requirement from sales to \$17,895,301.⁹ Originally, Warren District proposed a revenue increase of 13.34 percent, but after making

⁴ Warren District’s Brief (filed Mar. 31, 2025), Appendix.

⁵ Application at 3, paragraph 5.

⁶ Application, Exhibit 9b; Written Testimony of Jacob Cuarta at 4.

⁷ Application, Exhibit 9b; Written Testimony of Jacob Cuarta at 4.

⁸ Warren District’s Brief at 7-8.

⁹ Warren District’s Brief at 8.

additional adjustments to the test year, proposed an 11.27 percent increase to its revenues.¹⁰

LEGAL STANDARD

Pursuant to KRS 278.030(1), the Commission's statutory obligation when reviewing a rate application is to determine whether the proposed rates are "fair, just and reasonable."¹¹ Warren District bears the burden of proof to show that the proposed rates are fair, just and reasonable under the requirements of KRS 278.190(3).

TEST PERIOD

Warren District proposed, and the Commission accepts, a historical 12-month period ended December 31, 2023, as the test period to determine the reasonableness of its proposed rates.¹² Warren District proposed several pro forma adjustments, which are discussed below.

REVENUE REQUIREMENT

Billing Analysis. Warren District did not propose an adjustment to test period revenues from water sales, as it claimed there were no known and measurable changes to metered revenues when the billing analysis was performed.¹³ However, Warren District provided a billing analysis showing the gallons of water billed to its retail customers during the test year.¹⁴

¹⁰ Warren District's Second Supplemental SAO at 2.

¹¹ KRS 278.030; *Pub. Serv. Comm'n v. Com. Ex rel. Conway*, 324 S.W.3d 373, 377 (Ky. 2010).

¹² Application at 4, Paragraph 7.

¹³ Warren District's Response to Staff's Second Request, Item 10.

¹⁴ Warren District's Response to Staff's Second Request, Item 9c.

Applying the water service rates that were in effect during the test year to the water sales shown in the billing analysis, the Commission finds that an increase of \$54,003 is appropriate, and results in pro forma revenues from retail customers of \$15,975,438. The Commission finds that adjusting metered water sales of \$54,003 to reflect the difference between the billing analysis and test period metered sales is appropriate. The billing analysis represents actual metered gallons sold to customers at current tariff rates. This is a known and measurable adjustment that normalizes the revenue from the test year to the amount calculated by the billing analysis.

Interest Income. In its application, Warren District included \$259,702 of Interest Income in its Operating Revenues, as a component of Other Water Revenues.¹⁵ The Commission finds that moving Interest Income from the Operating Revenues and placing it in the Non-Operating Revenues category is necessary. This move is consistent with the Uniform System of Accounts for Class A/B Water Companies (USoA), in which Interest and Dividend Income is included with Non-Operating Revenues.¹⁶ The Commission notes that Interest Income will still be included in the revenue requirement calculation but not included in the Net Income calculation.

Miscellaneous Service Revenues. As discussed below in the section on Nonrecurring Charges, Warren District personnel are already compensated for labor performed during normal business hours, as such, estimated labor costs performed during normal business hours and included in the cost justification for a Nonrecurring Charge is akin to a double recovery and should be eliminated. The labor performed

¹⁵ Application, Exhibit 8, Statement of Adjusted Operations and Revenue Requirement Calculations.

¹⁶ USAO, Other Income and Deductions, Account 419. Interest and Dividend Income.

during regular business hours is already recovered as a part of the revenue requirement, salaries and wages. The adjustments to Warren District's nonrecurring charges result in a decrease to miscellaneous service revenues of \$138,870, as shown below.

The Commission finds removing \$138,870 from Miscellaneous Service Revenues to be reasonable and consistent with Commission precedent in removing labor costs from Nonrecurring Charges.

Description	Occurrences	Current Charge	Revised Charge	Adjustment	Pro Forma
Service Connection Charge	5,198	\$25.00	\$8.00	\$ (57,261)	\$ 41,584
Service Connection Charge (After Hours)	45	\$65.00	\$57.00	63	2,565
Delinquent Service Charge	3,793	\$25.00	\$6.00	(57,917)	22,758
Delinquent Service to Reconnect	1,918	\$50.00	\$14.00	(19,663)	26,852
Delinquent Service to Reconnect (After Hours)	458	\$90.00	\$63.00	(266)	28,854
Meter Reading Recheck	0	\$25.00	\$8.00	0	0
Service Investigation Charge	23	\$25.00	\$12.00	(349)	276
Service Investigation Charge (After Hours)	2	\$65.00	\$104.00	78	208
Meter Test Request	0	\$50.00	\$5.00	0	0
Meter Investigation Charge	67	\$75.00	\$9.00	228	603
Returned Check Charge	413	\$25.00	\$12.00	(3,944)	4,956
Service Line Inspection Charge	1	\$50.00	\$12.00	162	12
Pro Forma Test Year NRC Revenue				<u>\$ (138,870)</u>	<u>\$ 128,668</u>
Test Year NRC Revenue ()					(267,538)
Adjustment					<u>\$ (138,870)</u>

Other Water Revenues. In its application, Warren District included \$32,445 from the disposition of assets in Other Water Revenues.¹⁷ The gains are a result of selling automobiles at auction.¹⁸ These are unusual transactions not expected to recur and therefore should be removed from pro forma revenues.

The Commission finds that Warren District's Other Water Revenues should be decreased by \$32,445 because of the unusual transactions that are not expected to recur

¹⁷ Warren District's Response to Staff's Second Request, Item 1 Attachment 2-3 Cross Reference Between General Ledger and Schedule of Adjusted Operations, at 1. Other Water Revenues.

¹⁸ Warren District's Response to Staff's First Request, Item 1a, 04_Exhibit_1-1a_2023GL.xls, Rows 29,232 through 29,237.

are not indicative of Warren District's standard operations and therefore should not be included in the pro forma Other Water Revenues amount.

Salaries and Wages – Employees, Cost of Living Adjustment. Warren District proposed an increase of \$57,098, to account for a 3.241 percent cost-of-living (COLA) adjustment that took effect on January 1, 2024.¹⁹ Warren District's employees receive a COLA increase annually.²⁰ In Warren District's Brief, it supported the COLA adjustment by referring to its Operating Policy that requires annual cost-of-living adjustments based upon changes in the Consumer Price Index-Urban Consumers(CPI-U) for the 12-month period ending October 31.²¹ The COLA provided to district employees reflected the increase in consumer prices according to the CPI-U for the 12-month period ending October 31, 2023.²² Warren District stated that "the use of the CPI-U to adjust salaries and wages for inflation is a common practice among businesses and is consistent with the Commission's statements that utilities should use a 'relevant inflation index' to adjust wages and salaries for the effects of inflation."²³ Warren District determined this amount by multiplying the test year Salaries and Wages Expense of \$1,761,749 by the implemented 3.241 percent COLA amount.²⁴

¹⁹ Application, Exhibit 8, Adjustment A; Second Supplemental SAO.

²⁰ Warren District's Response to Staff's First Request, Item 23.

²¹ Warren District's Brief at 11, Item A.

²² Warren District's Brief at 11.

²³ Warren District's Brief at 11, Item A.

²⁴ Warren District's Response to Staff's First Request, Item 30, 03_Exhibit_3-1.xlsx, Tab, Cells B9.

COLA Salaries and Wages:	Amount
Test Year Salaries and Wages	\$ 1,761,749
Times: 2024 COLA adjustment	3.241%
Total - COLA Salaries and Wages	<u>\$ 57,098</u>

The Commission finds that the increase to Salaries and Wages – Employee by \$57,098 is reasonable and should be approved, because it is based on known and measurable changes to Salaries and Wages. Warren District has implemented the increase to Salaries and Wages, thus the increases are known and measurable. However, Warren District is on notice that the Commission has repeatedly rejected the use of a CPI as metric for projecting appropriate increases for expenses in most cases. In future rate cases, Warren District should provide an explanation for its choice of CPI-U over other methods of determining and implementing employee wage increases.

Salaries and Wages – Employees, Merit Raise. Warren District proposed an increase of \$35,235, to account for an average merit increase of 2 percent employees' salaries beginning on January 1, 2024. In its brief, Warren District stated, "the Commission has found that merit-based salary and wages increases are reasonable when based upon 'a performance-based metric.'"²⁵ Warren District further stated the increase to salaries and wages at issue are performance driven.²⁶ The District's Employee Handbook provides:

All employees shall have a performance evaluation annually. Merit increases in compensation will normally range from 0 – 4% and will be based on employee performance provided the employee's compensation has not exceeded the position pay range. All salary increases must be approved by the General Manager. Each department manager is responsible for

²⁵ Warren District's Brief at 11-12.

²⁶ Warren District's Brief at 11-12.

evaluating his employees' job performance and determining appropriate merit increases, if any, based on established performance criteria. No employee is guaranteed a merit increase.²⁷

The Commission has previously addressed merit pay increases during its review of the recent rate adjustment applications of Butler Water and Simpson District and allowed similar adjustments, as proposed by Warren District, to test period Salary and Wages – Employees expense to reflect the award of merit pay increases.²⁸ Warren District determined this amount by multiplying the test year Salaries and Wages Expense of \$1,761,749 by the budgeted 2 percent merit amount.²⁹

Merit - Salaries and Wages:	Amount
2023 Base Year Salaries and Wages	\$ 1,761,749
Times: 2024 Budgeted Merit Percentage	2.00%
Total Merit - Salaries and Wages	<u>\$ 35,235</u>

The Commission finds that the increase to Salaries and Wages – Employee by \$35,235 is reasonable and should be approved because it is based on known and measurable changes to Salaries and Wages based on the merit calculations provided by Warren District. In addition, the Commission notes that this policy is set out in writing with a procedure to award the raises.

Salaries and Wages – New Employees. Warren District proposed an increase of \$257,271 to account for the salaries of new employees not previously accounted for due

²⁷ Warren District's Brief at 12.

²⁸ Warren District's Brief at 11–12, Item A; see Case No. 2024-00061, *Electronic Application of Butler County Water System, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Nov. 1, 2024); Case No. 2024-00068, *Electronic Application of Simpson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 29, 2024).

²⁹ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, Merit Tab, Cells B10.

to their starting date.³⁰ Warren District calculated the adjustment to account for both employees hired after the test year as well as Customer Service Representative (CSR) employees reclassified as expense labor.³¹

First, Warren District identified the number of hours not included in the test year, due to the employees hiring date³² and the wages for the new employees.³³ Then, Warren District determined the percentage of the new employees' salaries that needed to be allocated to the Warren District's Water Division (64.1 percent for all but one employee, which resulted in a 79.6 percent).³⁴ Next, Warren District calculated how much of the allocated Water Division Salaries was expensed labor instead of capitalized labor.³⁵ Next, Warren District increased the Expenses Labor by 5 percent to account for the COLA and Merit increases the employees will receive starting January 1, 2024.³⁶ As a result, Warren District calculated \$183,961 should be added to Salaries and Wages – Employee.³⁷

³⁰ Application, Exhibit 8, Adjustment A; Second Supplemental SAO.

³¹ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, Proforma Tab, Cells G10 and G11.

³² Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, New Employees Tab, Cells F29 through F37.

³³ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, New Employees Tab, Cells E29 through E37.

³⁴ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, New Employees Tab, Cells H29 through H37.

³⁵ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, New Employees Tab, Cells J29 through J37.

³⁶ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, New Employees Tab, Cells K29 through K37.

³⁷ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, New Employees Tab, Cell L38.

Warren District followed the same process to determine the amount of expenses to add for the CSR employees reclassified as expensed labor instead of capitalized labor. Warren District calculated \$68,196 be added to Salaries and Wages – Employee.³⁸ Warren District used these calculated allocated amounts to determine the amount to increase the New Employee Salaries and Wages – Employee to be \$38,298.³⁹

The Commission agrees with Warren District's calculation methodology. However, when the Commission reviewed the calculations, it discovered a mathematical error in Warren District's adjustment, as the two changes for New Employees and CSR employees' salaries' reclassification do not total \$257,271.⁴⁰ The Commission finds an increase of \$252,157, which is \$5,114 less than the increase proposed by Warren District, is reasonable and should be accepted because it is a known and measurable change to Salaries and Wages based on the calculations provided by Warren District, as well as a correction to Warren District's calculations, as shown in the following table.

Description	Warren District Proposed	Commission Approved
Reclassification of Capitalized Labor	\$ 68,196	\$ 68,196
Positions Added Since Beginning of Test Year	183,961	183,960
Total Additional Employee Expense	<u>\$ 257,271</u>	252,157
Less: Warren District Proposed Adjustment ()		(257,271)
Commission Adjustment		<u>\$ (5,114)</u>

³⁸ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, CSR Tab, Cell H23.

³⁹ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, Employee Overhead Tab, Cell F49.

⁴⁰ Warren District's response to Staff's Third Request, Item 3-1, 03_Exhibit_3-1.xlsx, Proforma Tab, Cells C10, G10, and G11.

Employee Overhead – Reclassify Payroll Taxes. Warren District proposed an adjustment to decrease Employee Overhead by \$151,971,⁴¹ to account for a reclassification of Payroll taxes from Employee Overhead.⁴² Warren District proposed a separate adjustment to account for the revised Payroll taxes inclusion to Taxes other than Income.⁴³ This move is consistent with the USoA in which Payroll Taxes are included with Taxes other than Income.⁴⁴

The Commission finds that Warren District's adjustment is reasonable and should be accepted. Warren District's Employee Overhead should be reduced by \$151,971 to reflect the reclassification of Payroll Taxes into the correct expense category in accordance with the USoA.

Employee Overhead – Benefit Wages. Warren District proposed an increase of \$38,298, to account for an increase to Worker's Wages for Employees whose wages were capitalized and are now expensed.⁴⁵

Warren District allocates its employee salaries between Warren District Water, Warren District Sewer, Butler Water, and Simpson District in accordance with the Joint Operations Agreement.⁴⁶ Warren District records non-hours worked yet still paid, such

⁴¹ Application, Exhibit 8, Adjustment B; Second Supplemental SAO.

⁴² Application, Exhibit 8, Adjustment B.

⁴³ Application, Exhibit 8, Adjustment J.

⁴⁴ USAO, at 107 – 108, Account 408, Taxes Other Than Income, Sub-Account 408.12 Payroll Taxes.

⁴⁵ Application, Exhibit 8, Statement of Adjusted Operations, Revenue Requirement table, Adjustment B.

⁴⁶ Application, Exhibit 9b, Written Testimony of Jacob Cuarta, Appendix C, Joint Operations Agreement.

as annual leave, sick leave, holidays, birthdays, and United Way Holidays, as part of employee overhead and allocated between the four districts.⁴⁷ In addition, Warren District's calculated Overhead expense was equivalent to 59.04 percent of Salaries and Wage Base.⁴⁸

First, Warren District calculated that benefit wages accounted for 27.01 percent of the test year's Total Employee Overhead Costs.⁴⁹ Then, Warren District determined the percentage of the new employees' salaries needed to be allocated to the Warren District's Water Division.⁵⁰ Next, Warren District calculated how much of the allocated Water Division Salaries was expensed labor⁵¹ instead of capitalized labor. Using the allocated expense wages previously calculated, Warren District then used the 59.04 overhead percentage to determine how much to expense to total overhead.⁵² Then, using the 27.01 percent Benefits Wages amount determined earlier in the process, Warren District calculated the percentage of the overall overhead amount that should be added to

⁴⁷ Warren District's Response to Staff's Third Request, Item 4a.

⁴⁸ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, Employee Overhead Tab, Cell B25.

⁴⁹ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, Employee Overhead Tab, Cell D13.

⁵⁰ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, New Employees Tab, Cells H29 through H37 (allocated 64.1 percent⁵⁰ for all but one employee that is 79.6 percent).

⁵¹ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, New Employees Tab, Cells J29 through J37.

⁵² Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, New Employees Tab, Cells F46 through F54.

Benefits Wages.⁵³ As a result, Warren District calculated \$27,940 should be added to Employee Overhead.⁵⁴

Warren District followed the same process to determine the amount of expenses to add for the CSR employees reclassified as expensed labor instead of capitalized labor. Warren District calculated \$10,358 be added to Employee Overhead.⁵⁵ Therefore, it used these calculated allocation factors to determine the amount the Benefit Wages increased for the new employees and CSR added or reclassified post-test year to be \$38,298.⁵⁶

The Commission finds that Warren District's adjustment to increase Employee Overhead by \$38,298 is reasonable and should be accepted, based on the calculations provided by Warren District, since the increase to overhead expenses is a direct result of the change in Salaries and Wages – Employees discussed above.

Employee Overhead – Workers' Compensation. Warren District proposed an increase of \$1,404, to account for an increase to Workers' Compensation.⁵⁷ Warren District calculated that Workers' Compensation accounted for 0.99 percent of the test year Overhead Expense.⁵⁸ Warren District followed the same steps as the Benefit Wages

⁵³ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, New Employees Tab, Cells H46 through H54.

⁵⁴ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, New Employees Tab, Cell H55.

⁵⁵ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, CSR Tab, Cell H23.

⁵⁶ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, Employee Overhead Tab, Cell F49.

⁵⁷ Application, Exhibit 8, Adjustment B; Second Supplemental SAO.

⁵⁸ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, Employee Overhead Tab, Cell D14.

adjustment. Warren District used these calculated allocation factors to determine the amount the workers' compensation increased for the new employees in the amount of \$1,024,⁵⁹ and for CSRs added or reclassified post-test year in the amount of \$380.⁶⁰ Therefore, it used these calculated allocation factors to determine the amount the worker's compensation increased for the new employees and CSRs added or reclassified post-test year to be \$1,404.⁶¹

The Commission finds that Warren District's adjustment to increase Employee Overhead by \$1,404 is reasonable and should be accepted, based on the calculations provided by Warren District, since the increase to overhead expenses is a direct result of the change in Salaries and Wages – Employees discussed above.

Employee Overhead – Fringe Benefits – Insurance. Warren District proposed an increase of \$30,296, to account for an increase in Fringe Benefits – Insurance.⁶² Warren District calculated Fringe Benefits accounted for 21.37 percent of the test year's Overhead expense.⁶³ Warren District followed the same steps as the Benefit Wages adjustment. Warren District used these calculated allocation factors to determine the amount the Fringe Benefits – Insurance increased for the new employees in the amount

⁵⁹ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, New Employees Tab, Cell I55.

⁶⁰ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, CSR Tab, Cell I23.

⁶¹ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, Employee Overhead Tab, Cell H49.

⁶² Application, Exhibit 8, Adjustment B; Second Supplemental SAO.

⁶³ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, Employee Overhead Tab, Cell D19.

of \$22,103,⁶⁴ and CSRs added or reclassified post-test year in the amount of \$8,194.⁶⁵ Therefore, it used these calculated allocation factors to determine the amount of Fringe Benefits – Insurance increased for the new employees and CSRs added or reclassified post-test year in the amount of \$30,296.⁶⁶

The Commission finds that Warren District's adjustment to increase Employee Overhead by \$30,296 is reasonable and should be accepted based on the calculations provided by Warren District since the increase in overhead expenses is a direct result of the change in Salaries and Wages—employees discussed above.

Employee Overhead – Fringe Benefits. Warren District proposed no adjustment to the pro forma employer insurance expense of \$30,296 that reflects the district's contribution of 70 percent of the cost of an employee's health insurance coverage⁶⁷ regardless of an employee having a single or family plan. This contribution rate slightly exceeds national average for private sector employers for family coverage as found by the most recent survey of United States Bureau of Labor Statistics (BLS).⁶⁸ That survey found the average private sector employer contribution rate of 80 percent for single employee coverage and 68 percent for family coverage.⁶⁹ Warren District stated that to the extent that the district's contribution may slightly exceed the reported national

⁶⁴ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, New Employees Tab, Cell J55.

⁶⁵ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, CSR Tab, Cell J23.

⁶⁶ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, Employee Overhead Tab, Cell J49.

⁶⁷ Warren District's Brief at 14, Item B.

⁶⁸ Warren District's Brief at 14, Item B.

⁶⁹ Warren District's Brief at 14, Item B.

average, no disallowance of the proforma expense is required.⁷⁰ Warren District stated that contributing 70 percent of the cost of an employee's health insurance cost has been in a part of the benefits' package for 25 years and strikes a balance between providing comprehensive employee benefits while managing operational costs effectively.⁷¹ Warren District stated that this amount ensures it can allocate resources across various operational needs while still offering competitive benefits to attract and retain competent and qualified employees.⁷² Warren District cited to Commission precedent which stated that "the Commission held that "as long as the employee contribution rate for health insurance is at least 12 percent, it [the Commission] will not make a further adjustment to the national average."⁷³

The Commission finds that, in this instance, Warren District's contribution of 70 percent to an employee's health insurance coverage is reasonable and should be accepted. However, the Commission notes that it does not have a bright line rule regarding employer contribution, and instead looks at each utility's circumstances as to whether the contribution is reasonable. The Commission accepts Warren District's statement that the contribution percentage strikes a balance between providing comprehensive employee benefits while managing operational costs effectively.

⁷⁰ Warren District's Brief at 14 – 15, Item B.

⁷¹ Warren District's Brief at 16, Item B.

⁷² Warren District's Brief at 15, Item B.

⁷³ Warren District's Brief at 16, Item B.

Employee Overhead – Retirement. Warren District proposed an increase of \$50,186 to account for an increase to Retirement Expense.⁷⁴ Warren District's calculated Retirement expense accounted for 35.40 percent of the test year Overhead expense.⁷⁵ Warren District followed the same steps as the Benefit Wages adjustment. Warren District used these calculated allocation factors to determine the amount the Retirement expense increased for the new employees was \$36,613⁷⁶ and CSRs added or reclassified post-test year would be \$13,573.⁷⁷ Therefore, it used these calculated allocation factors to determine the amount the Retirement increased for the new employees and CSRs added or reclassified post-test year to be \$50,186.⁷⁸

The Commission finds that Warren District's adjustment to increase Employee Overhead by \$50,186 is reasonable and should be accepted based on the calculations provided by Warren District, since the increase to overhead expenses is a direct result of the change in Salaries and Wages – Employees discussed above.

Employee Overhead – COLA. Warren District proposed an increase of \$25,421, to account for a 3.241 percent COLA that took effect on January 1, 2024.⁷⁹ This adjustment is to account for the Overhead Expense that is incurred as a result of the test

⁷⁴ Application, Exhibit 8, Adjustment B; Second Supplemental SAO.

⁷⁵ Warren District's Response to Staff's First Request, Item 30, Attachment, Employee Overhead Rate- Adjusted.

⁷⁶ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, New Employees Tab, Cell K55.

⁷⁷ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, CSR Tab, Cell K23.

⁷⁸ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, Employee Overhead Tab, Cell L49.

⁷⁹ Application, Exhibit 8, Adjustment C; Second Supplemental SAO.

year employees receiving the COLA.⁸⁰ The Employee Overhead is proportional to the Employee Salaries and Wages Expense; therefore, both accounts should grow at a proportional amount based upon the Employee Overhead rate, which is applied to wages and allows for the recovery of overhead expenses.⁸¹ Warren District calculated the increase by multiplying the Employee Overhead Expense by 3.241 percent⁸² since these are all expenses tied to the amount the employees are paid and should be affected by the COLA year over year for existing employees.

Discription	Amount
Payroll Taxes	\$ 151,971
Benefit Wages	269,440
Worker's Comp	9,881
Insurance	213,146
Retirement	353,079
Total Test Year Overhead Expenses	997,517
Less: Insurance	(213,146)
Subtotal	784,371
2024 COLA	3.241%
Total - COLA Employee Overhead	<u>\$ 25,421</u>

The Commission finds that Warren District's adjustment to increase Employee Overhead by \$25,421 is reasonable and should be accepted because it is a known and measurable adjustment based on the calculations provided by Warren District. The increase in overhead expenses is a direct result of the change in Salaries and Wages—employees discussed above. In addition, the Commission notes that the CPI-U

⁸⁰ Application, Exhibit 8, Adjustment C.

⁸¹ Application, Exhibit 9c, Written Testimony of Jeff Peeples, at 5 – 6.

⁸² Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, COLA Tab, Cell B23.

adjustment was discussed above, and the Commission reiterates that it expects Warren District to justify its use of the CPI-U in its next application for a rate adjustment.

Employee Overhead – Merit. Warren District proposed an increase of \$15,687 to account for a 2 percent merit increase in all employees' salaries.⁸³ At its November 29, 2023 board meeting, the Warren District Board of Commissioners approved a 2 percent merit increase in all employees' salaries to begin on January 1, 2024.⁸⁴ In Warren District's brief, Warren District stated as the employee benefits are tied to the level of employee salaries and wages, the District has further proposed to adjust Employee Overhead to reflect the increase in employee salaries and wages due to the COLA and merit pay increases that took effect on January 1, 2024.⁸⁵ The Employee Overhead is proportional to the Employee Salaries and Wages Expense; therefore, both accounts should grow at a proportional amount based upon the Employee overhead rate applied to wages and allows for the recovery of overhead expenses.⁸⁶ Warren District calculated the increase by multiplying Payroll Taxes, Benefit Wages, Workers' Compensation, and Retirement by 2 percent; however, it did not include Fringe Benefits – Insurance in the calculation,⁸⁷ since insurance expense is a set amount from the provider and is not affected by any merit increase paid to the employees, as shown in the following table.

⁸³ Applicant, Exhibit 8, Adjustment C; Second Supplemental SAO.

⁸⁴ Warren District's Response to Staff's Second Request, Item 7.

⁸⁵ Warren District's Brief, at 14, Item A.

⁸⁶ Application, Exhibit 9c, Written Testimony of Jeff Peebles, at 5 – 6.

⁸⁷ Warren District's Response to Staff's First Request, Item 30. 03_Exhibit_3-1.xlsx, COLA Tab, Cell B23.

Discription	Amount
Payroll Taxes	\$ 151,971
Benefit Wages	269,440
Worker's Comp	9,881
Retirement	353,079
Total Test Year Overhead Expenses	784,371
Merit Increase Percentage	2.00%
Total Merit - Employee Overhead	<u>\$ 15,687</u>

The Commission finds that Warren District's adjustment to increase Employee Overhead by \$15,687 is reasonable and should be accepted because it is a known and measurable adjustment based on the calculations provided by Warren District. The increase is a direct result of the change in Salaries and Wages—Employees discussed above for existing employees.

Contractual Services – Legal and Other. In its application, Warren District proposed to include \$16,922 in Contractual Services – Legal in operating expenses.⁸⁸ The test year expense amounts Warren District reported under Contractual Services – Legal was incorrect as it did not contain all the invoices.⁸⁹ Warren District reported Contractual Services – Legal did not include Invoice number 23144-26961 for \$560 and Invoice number 1018510 for \$365.⁹⁰ Invoice number 1018510 was recorded as Contractual Services – Other.⁹¹ Therefore, Warren District proposed an adjustment to increase Contractual Services – Legal by \$925, to account for all the invoices for the test

⁸⁸ Application, Exhibit 8.

⁸⁹ Warren District's Response to Staff's Second Request, Item 5.

⁹⁰ Supplemental SAO at 1 – 2, Item 1.

⁹¹ Warren District's Response to Staff's Second Request, Item 5.

year,⁹² for a pro forma expense of \$17,847.⁹³ Correspondingly, Warren District proposed a decrease to Contractual Services – Other to account for the reclassification of Invoice number 1018510.⁹⁴

The Commission finds that Warren District's request is reasonable and therefore Contractual Services – Legal should be increased by \$925 because it is a known and measurable adjustment to include the missing invoices, and Contractual Services – Other should be decreased by \$365 to account for the reclassification of Invoice number 1018510.

Contractual Services – Other. In its application, Warren District proposed to include \$772,869 in Contractual Service – Other in operating expenses.⁹⁵ As discussed in the Contractual Services – Legal section above, Warren District proposed to decrease the Contractual Services – Other expense for a misclassified invoice, Invoice number 1018510, in the amount of \$365.⁹⁶

Warren District supplied information about restaurant expenses identified in its general ledger.⁹⁷ Warren District also provided a breakdown of each restaurant expense, which included employee meals related to travel for training and conferences,

⁹² Supplemental SAO at 1–2, Item 1; Second Supplemental SAO.

⁹³ Supplemental SAO at 1–2, Item 1; Second Supplemental SAO.

⁹⁴ Supplemental SAO at 1–2, Item 1.

⁹⁵ Application, Exhibit 8.

⁹⁶ Supplement Statement of Adjusted Operations, 02_Notice_of_Filing_Supplemental_SAO.pdf, at 1–2, Item 1.

⁹⁷ Warren District's Response to Staff's Fourth Request, Item 13a.

appreciation events, and work meetings.⁹⁸ Also included in Warren District's restaurant expenses were costs related to employee appreciation events in the amount of \$1,765.

While the Commission recognizes the value to a business to publicly appreciate its employees, water districts have a duty, first and foremost, to provide adequate, efficient and reasonable service as well as safe drinking water. Employee appreciation events cannot be recovered in rates as the event is unrelated to the statutory obligations Warren District operates within. The Commission finds that removing the restaurant expenses for employee appreciation event amounts while leaving those for trainings, board meetings, and meetings with outside groups, is reasonable because employee appreciation events are not a direct expenditure related to Warren District's statutory purpose to furnish adequate, efficient, and reasonable service.⁹⁹ However, the Commission notes that the merit raises reflect an incentive for employees to provide excellent service to the community in their roles and may be recovered in rates.

Also included in the Contractual Services – Other account were charitable contributions. When Commission Staff asked for explanations for the amounts, Warren District provided two lists: the first were expenses that Warren District viewed as legitimate, prudently incurred business expenses.¹⁰⁰ The second list included expenses totaling \$6,366 that Warren District did not seeking to recover, based on Commission precedent.¹⁰¹ The Commission determined a mathematical error was made in the

⁹⁸ Warren District's Response to Staff's Fourth Request, Item 13a.

⁹⁹ KRS 278.030.

¹⁰⁰ Warren District's Response to Staff's Fourth Request, Item 13b.

¹⁰¹ Warren District's Response to Staff's Fourth Request, Item 13b; Second Supplemental SAO.

calculation and recalculated the amount to be removed at \$6,011. Warren District specifically stated that it would not seek to recover the following expenses:

(1) the January 11, 2023 payment of \$500.00 made to the United Way of Southern Kentucky, Inc.; (2) the January 25, 2023 payment of \$347.40 made to Bowling Green Parks and Recreation; (3) the May 16, 2023 payment of \$2,000.00 made to College Heights Foundation, as discussed in detail in Warren District's Response to Commission Staff's Fourth Request for Information, Item No. 4; (4) the June 30, 2023 payment of \$2,663.40 made to the Builders' Association of Central Kentucky; and (5) the July 31, 2023 payment of \$500.00 made to Down's Syndrome of South Central Kentucky.¹⁰²

As for Warren District's proposal to remove certain charitable expenses, the Commission finds that Warren District's proposal is reasonable and the corrected \$6,011 amount should be removed from Contractual Services- Other. This is consistent with prior precedent of removing expenses that are not a direct expenditure for the purpose of furnishing adequate, efficient, and reasonable service.¹⁰³

Miscellaneous Non-Utility Income. Warren District proposed an increase of \$11,001 to miscellaneous non-utility income¹⁰⁴ to reflect the removal of proceeds from the sale of scrap metal and vendor payment discounts.¹⁰⁵ Warren District stated that, of the \$11,001, \$10,934 represents proceeds from the sale of scrap metal, and \$67 represents proceeds from vendor payment discounts.¹⁰⁶ Warren District stated that the amount of

¹⁰² Warren District's Supplemental SAO at 2.

¹⁰³ Case 2024-00010, *Electronic Application of Morgan County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076*, (Ky. PSC Oct. 25, 2024), at 23; See also KRS 278.030.

¹⁰⁴ Application, Exhibit 8, unnumbered adjustment; Second Supplemental SAO.

¹⁰⁵ Warren District's Response to Staff's Third Request, Item 3.

¹⁰⁶ Warren District's Response to Staff's Third Request, Item 3.

scrap metal proceeds varies annually, and because these proceeds and vendor discounts for future years are unknown, the amount received in the test year was removed from the pro forma calculation.¹⁰⁷

The Commission finds that Warren District's proposed adjustment is reasonable and should be accepted because the scrap metal sales and vendor payment discounts are unknown and may not occur in future years. Unusual transactions not expected to reoccur are not indicative of standard utility operations and, therefore, should not be included in the pro forma revenue requirement calculation.

Unrealized (Gain)/Loss on Investment. Warren District recorded \$3,996 as part of unrealized gain on Investments in the Operations and Maintenance Expenses.¹⁰⁸ On Warren District's monthly financial statements, Unrealized (Gain)/Loss on investments is included in Other Expenses. Likewise, Warren District's audit report and annual report filed with the Commission include Unrealized (Gain)/Loss on Investments in Non-Operating Expenses and Other Income & Deductions, respectively. In the Application, Warren District included \$3,996 worth of Unrealized (Gain)/Loss on Investments in the Operations and Maintenance Expense which is inconsistent with Warren District's monthly financial statements.¹⁰⁹

The Commission finds that reducing the Unrealized Gain on investments by \$3,996, making the pro forma amount \$0, is reasonable and should be accepted. Unrealized gains are not a component of operating and maintenance expenses, they do

¹⁰⁷ Warren District's Response to Staff's Third Request, Item 3.

¹⁰⁸ Application, Exhibit 8;.and Warren District's Response to Commission Staff's Second Request, Item 3, Attachment 2-3 at 2.

¹⁰⁹ Warren District's Response to Staff's Fourth Request, Item 1b.

not a benefit or detriment Warren District's operations. In addition, in its financial records, Warren District does not include Unrealized (Gain)/Loss on Investments in the Operations and Maintenance Expense category.

Amortization Expense – Rate Case Expense. Warren District proposed an increase of \$64,495, to account for the inclusion of rate case expense amortized over a three-year period.¹¹⁰ However, Warren District included this increase in the Revenue Requirement calculation instead of the Pro Forma Operating Expenses Calculation.¹¹¹ Warren District explained that it did not include Rate Case Expense as part of Total Operation and Maintenance Expense, since no rate case expenses were incurred in the test year.¹¹² Instead, Warren District stated that the estimated legal, engineering, and publication costs of \$64,495 were reported separately in the Revenue Requirements section of the SAO.¹¹³ In its brief, Warren District proposed to adjust the Rate Case Expense adjustment; based upon its final report,¹¹⁴ which reflects total rate case expense of \$161,878. Warren District requested that annual recovery of \$53,959 be permitted through the authorized rates.¹¹⁵ Warren District submitted an updated rate case expense of \$163,843.¹¹⁶

¹¹⁰ Application, Exhibit 8, Adjustment M.

¹¹¹ Application, Exhibit 8 at 2.

¹¹² Warren District's Response to Staff's Fourth Request, Item 1c.

¹¹³ Warren District's Response to Staff's Fourth Request, Item 1c.

¹¹⁴ Warren District's Seventh Supplemental Response to Staff's First Request, Item 14d, Seventh_Supplemental_Response_Staff_Request_1-14d_Water.pdf, (Filed Mar. 28, 2025).

¹¹⁵ Warren District's Brief (filed Mar. 31, 2025), at 22 – 23, Item G; Second Supplemental SAO.

¹¹⁶ Final Rate Case Expense, (Filed Apr. 29, 2025), Final_Rate_Case_Expense_Eighth_Supplemental_Response_Staff_Request_1-14d_(Water).pdf.

In the USoA, Amortization of Rate Case Expense is first included in Account 186.1 – Deferred Rate Case Expense and amortized to Account 666 Regulatory Commission Expenses – Amortization of Rate Case Expense as prescribed by the Commission to this account.¹¹⁷ The Commission finds that a three-year amortization of Warren District’s rate case expense is reasonable and should be accepted, as this is the amount of time barring unusual circumstances, when Warren District should, or is expected to file a new rate case.¹¹⁸ Furthermore, the Commission finds that the rate case expenses were improperly classified and should be moved to operation and maintenance expenses. This move is consistent with the USoA, in which Amortization of Rate Case Expense is included with water operations and maintenance accounts. Therefore, the Commission finds an adjustment to increase Amortization Expense of \$54,614, as shown in the following table, is reasonable.

Description	Amount
Accounting	-
Engineering	\$ 46,873
Legal	112,305
Consultants	1,125
Other Expenses	3,540
Total	163,843
Amortization Years	3
Annual Rate Case Expense	<u>\$ 54,614</u>

¹¹⁷ USoA, Water Operation and Maintenance Accounts, Account 666. Regulatory Commission Expenses – Amortization of Rate Case Expense.

¹¹⁸ Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, a Certificate of Public Convenience and Necessity for Installation of Advanced Metering Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions* (Ky. PSC May 3, 2024), Order at 23 (Note that a Rehearing Order was entered in this case on Nov. 6, 2024 but was unrelated to amortization of rate case expense).

Depreciation Expense – Development Hydrants. Warren District proposed an increase of \$8,775, to account for new projects that will add to Depreciation Expense.¹¹⁹ Warren District confirmed that the development hydrant project was completed between August 2023 and May 2024.¹²⁰

The Commission finds that the inclusion of the development hydrant project in the revenue requirement is reasonable and should be accepted because the project was completed, and all hydrants were placed into service after the test year, but all the amounts are known and measurable. Therefore, Warren District should be allowed to begin recovery of the costs. However, Warren District provided the calculations used to determine the adjustment, which showed that Warren District was using a partial year amount for the proposed adjustment.¹²¹ Warren District calculated it added \$519,160 worth of capital assets for the hydrant development project.¹²²

To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the National Association of Regulatory Utility Commissioners (NARUC) study titled *Depreciation Practices for Small Water Utilities* (NARUC Study) published in 1979. Although this is a general rate case pursuant to 807 KAR Section 16, Warren District is a water utility and tried to minimize its expenses in this matter. Warren District did not engage a depreciation consultant for a

¹¹⁹ Application, Exhibit 8, Adjustment E; Second Supplemental SAO.

¹²⁰ Warren District's Response to Staff's Fourth Request, Item 2.

¹²¹ Warren District's Response to Staff's Second Request, Item 4, 04_Exhibit_2-2_Known_and_Measurables.xlsx, Developments-W Tab, Cells L84 through L100.

¹²² Warren District's Response to Staff's Second Request, Item 4, 04_Exhibit_2-2_Known_and_Measurables.xlsx, Developments-W Tab, Cells E84 through E100.

full depreciation study but instead relied on the NARUC study, a depreciation study already recognized by the Commission as acceptable for depreciation calculations.

When no evidence exists to support a specific life outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant. Therefore, by annualizing depreciation over 50 years to align with the NARUC Studies proposed service lives for hydrants, the Commission finds an adjustment to increase Depreciation Expense of \$10,383, which is \$1,608 more than proposed by Warren District, as shown in the following table, is reasonable.

Description	Amount
Capital Assets Added for Hydrants	\$ 519,160
NARUC recommended Service Lives	50.00
Normalized Depreciation Expense	10,383
Less: Warren District's Proposed Adjustment ()	(8,775)
Commission Adjustment	<u>\$ 1,608</u>

Depreciation Expense – Development Mains. Warren District proposed an increase of \$34,267 to account for new projects that will add to Depreciation Expense.¹²³ Warren District confirmed all the Development Main upgrades were completed between August 2023 and May 2024.¹²⁴

The Commission finds that including Development Main projects in the revenue requirement is reasonable and should be accepted. However, Warren District provided the calculations used to determine the adjustment, which showed that Warren District

¹²³ Application, Exhibit 8, Adjustment E.

¹²⁴ Warren District's Response to Staff's Fourth Request, Item 2.

was using a partial year amount for the proposed adjustment.¹²⁵ Warren District calculated that it added \$2,657,090 worth of capital assets for the Main Development project.¹²⁶ Therefore, by annualizing depreciation over 62.5 years to align with the NARUC Studies proposed service life for Transmission and Distribution Mains, the Commission finds an adjustment to increase Depreciation Expense of \$42,513, which is \$8,246 more than proposed by Warren District, as shown in the following table, is reasonable.

Description	Amount
Capital Assets Added for Mains	\$ 2,657,090
NARUC recommended Service Lives	62.5
Normalized Depreciation Expense	42,513
Less: Warren District's Proposed Adjustment ()	(34,267)
Commission Adjustment	<u>\$ 8,246</u>

Depreciation Expense – Transpark 2 Project Hydrants. Warren District proposed an increase of \$4,207 to account for the new Transpark 2 Project's hydrants.¹²⁷ Warren District confirmed in the application that the Transpark 2 Project's hydrant upgrades were completed in May 2024.¹²⁸ Warren District calculated that the project added \$210,337

¹²⁵ Warren District's Response to Staff's Second Request, Item 4, 04_Exhibit_2-2_Known_and_Measurables.xlsx, Developments-W Tab, Cells L8 through L83.

¹²⁶ Warren District's Response to Staff's Second Request, Item 4, 04_Exhibit_2-2_Known_and_Measurables.xlsx, Developments-W Tab, Cells E8 through E83.

¹²⁷ Application, Exhibit 8, Adjustment F.

¹²⁸ Application, Exhibit 8, Adjustment F.

worth of capital assets for the Transpark 2 Project hydrants,¹²⁹ and proposed to depreciate them over a 50-year service life.¹³⁰

The Commission finds that this adjustment is reasonable and should be accepted based on the calculations submitted to the Commission by Warren District. Since the hydrants are currently in service, the Commission finds it is reasonable to begin recording depreciation. The Commission also finds the proposed service life of 50 years is reasonable to align with the NARUC Studies proposed service lives for hydrants.

Depreciation Expense – Transpark 2 Mains. Warren District proposed an increase of \$77,772, to account for the new Transpark 2 Project's mains.¹³¹ Warren District confirmed in the application the Transpark 2 Project's main upgrades were completed in May 2024.¹³² Warren District calculated that it added \$4,860,753 worth of Capital Assets for the Transpark 2 Project mains¹³³ and proposed to depreciate them over a 62.5-year service life.¹³⁴

The Commission finds that this adjustment is reasonable and should be accepted, based on the calculations submitted to the Commission by Warren District. Since the mains are currently in service, the Commission finds it reasonable to begin recording

¹²⁹ Warren District's Response to Staff's Second Request, Item 4, 04_Exhibit_2-2_Known_and_Measurables.xlsx, Transpark 2 Upgrade Tab, Column K.

¹³⁰ Warren District's Response to Staff's Second Request, Item 4, 04_Exhibit_2-2_Known_and_Measurables.xlsx, Transpark 2 Upgrade Tab, Column O.

¹³¹ Application, Exhibit 8, Adjustment F.

¹³² Application, Exhibit 8, Adjustment F.

¹³³ Warren District's Response to Staff's Second Request, Item 4, 04_Exhibit_2-2_Known_and_Measurables.xlsx, Transpark 2 Upgrade Tab, Column K.

¹³⁴ Warren District's Response to Staff's Second Request, Item 4, 04_Exhibit_2-2_Known_and_Measurables.xlsx, Transpark 2 Upgrade Tab, Column O.

depreciation. The Commission also finds the proposed service life for the mains of 62.5 years is reasonable to align with the NARUC Studies proposed service lives for Transmission and Distribution Mains.

Depreciation Expense – Transpark 2 Tank Structures. Warren District proposed an increase of \$123,171, to account for the Transpark 2 Project's new tank, which was scheduled to be completed in September 2024.¹³⁵ Warren District confirmed the Transpark 2 Project's tank is now in service.¹³⁶ Warren District calculated that it added \$5,542,715 worth of capital assets for the Transpark 2 Project tank,¹³⁷ and proposed to depreciate it over a 45-year service life.¹³⁸

The Commission finds that this adjustment is reasonable and should be accepted, based on the calculations submitted to the Commission by Warren District. Since the tank is currently in service, the Commission finds it is reasonable to begin recording depreciation. The Commission also finds the proposed service life of 45 years is reasonable to align with the NARUC Studies proposed service lives for Reservoirs and Tanks.

Depreciation Expense – SCADA Upgrades. Warren District originally proposed an increase of \$188,269 to account for an upgrade to Warren District's Supervisory Control

¹³⁵ Application, Exhibit 8, Adjustment F; Second Supplemental SAO.

¹³⁶ Warren District's Response to Staff's Fourth Request, Item 3a.

¹³⁷ Warren District's Response to Staff's Second Request, Item 4, 04_Exhibit_2-2_Known_and_Measurables.xlsx, Transpark 2 Tank Tab, Cell B10.

¹³⁸ Warren District's Response to Staff's Second Request, Item 4, 04_Exhibit_2-2_Known_and_Measurables.xlsx, Transpark 2 Upgrade Tab, Column O.

and Data Acquisition (SCADA) System¹³⁹ and proposed to depreciate it over a 10-year service life.¹⁴⁰

Warren District had initially proposed to recover 100 percent of the annual depreciation expense associated with the SCADA upgrade.¹⁴¹ However, Warren District stated as of December 4, 2024, the SCADA upgrades were 80 percent completed, with the remainder projected to be completed by the end of 2025.¹⁴² Therefore, Warren District revised its proposal to begin depreciating 80 percent of the SCADA project and proposed a lower adjustment of \$150,615.¹⁴³

The Commission agrees with Warren District that a revised adjustment of \$150,615 based on the 80 percent completion of SCADA upgrades is reasonable and should be accepted because it has been substantially completed and should be placed in service in 2025. The Commission also finds the proposed service life of 10 years is reasonable to align with the NARUC Studies proposed service lives for Communication Equipment.

Depreciation Expense – CIS Infinity Upgrade Billing Software. Warren District originally proposed an increase of \$73,452, to account for an upgrade to Warren District's CIS Infinity billing software.¹⁴⁴ Warren District, in its brief, confirmed this project would

¹³⁹ Application, Exhibit 8, Adjustment G.

¹⁴⁰ Warren District's Response to Staff's Second Request, Item 4, 04_Exhibit_2-2_Known_and_Measurables.xlsx, SCADA Upgrade Tab, Column H.

¹⁴¹ Supplemental SAO at 4, Item 3b.

¹⁴² Warren District's Brief at 20–21, Item E.

¹⁴³ Warren District's Brief at 20–21, Item E.

¹⁴⁴ Application, Exhibit 8, Adjustment H.

not be completed until February 2026, and therefore, revised the proposal from a \$73,452 increase to Depreciation Expense to \$0.¹⁴⁵ The Commission agrees with the removal of the project's depreciation expense since the project will not be placed into service within the next calendar year.

Depreciation Expense – Meter Change-Out (MCO) Program. Warren District proposed to increase Depreciation Expense by \$162,380 to account for a new meter change-out program (MCO).¹⁴⁶ Warren District plans to change out 5,948 meters in Warren District's Water Division service area.¹⁴⁷

Out of these planned replacement meters, 5,399 are Badger Meter, Inc. (Badger) meters.¹⁴⁸ As seen recently in Case No. 2024-00061¹⁴⁹ and 2024-00068¹⁵⁰, Butler Water and Simpson District's alternative rate filings, Badger meters appear to be failing much earlier than their expected lives, and Badger is not responsive to warranty claims.¹⁵¹ A sample testing of 48 Badger meters from Warren District, Butler Water, and Simpson District resulted in 31 samples failing American Water Works Association (AWWA) meter accuracy standards.¹⁵² Warren District stated that on April 6, 2023, it notified Badger of

¹⁴⁵ Supplemental SAO at 4, Item 3b; Warren District's Brief at 21, Item E.

¹⁴⁶ Application, Exhibit 8, Adjustment I.

¹⁴⁷ Application, Exhibit 8, References, Adjustment I.

¹⁴⁸ Warren District's Response to Staff's Second Request, Item 15d.

¹⁴⁹ Case No. 2024-00061 *Electronic Application of Butler County Water System, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076*.

¹⁵⁰ Case No. 2024-00068, *Electronic Application of Simpson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076*.

¹⁵¹ Warren District's Response to Staff's Second Request, Item 16c.

¹⁵² Warren District's Response to Staff's Second Request, Item 16b.

the accuracy failures, and at the request of Badger, Warren District shipped six failed meters to Badger testing facilities on May 1, 2023.¹⁵³

In its brief, Warren District stated that the change-out has not commenced because of the ongoing lawsuit filed by Warren District, Butler Water, and Simpson District against Badger for Badger's refusal to replace inaccurate M25 water meters according to the terms of its written warranty.¹⁵⁴ Therefore, Warren District stated the depreciation expense associated with the meter change-out program should not be included in the pro forma depreciation and be removed the proposed adjustment.

The Commission agrees with the removal of the project's expense since the meters will not be placed into service within the next calendar year.

Taxes other than Income – Payroll Taxes. Warren District proposed an increase of \$173,572, to account for the reclassification to Payroll Taxes and changes to Payroll taxes resulting from alterations to Salaries and Wages – Employees.¹⁵⁵

The Commission calculated the pro forma payroll taxes expense using the pro forma Salaries and Wages Employees, as discussed above and the pro forma Salaries and Wages – Officers. In addition, the Commission included the Benefit's Wages amount in payroll taxes since the Benefit wages consists of Annual Leave, Sick Leave, Holidays, Birthday, and United Way Holiday¹⁵⁶ since these are subject to Payroll taxes. The Commission finds that the payroll expense should be \$166,743, which is \$6,829 less than

¹⁵³ Warren District's Response to Staff's Second Request, Item 16b.

¹⁵⁴ Warren District's Brief at 21, Item E Meter Change-Out Program.

¹⁵⁵ Application, Exhibit 8, Adjustment J; Second Supplemental SAO.

¹⁵⁶ Warren District's Response to Staff's Third Request, Item 4a.

proposed by Warren District, because it is a known and measurable change that is a direct result from changes to Salaries and Wages – Employees.

Description	Staff's
Salaries and Wages - Employees	\$ 2,111,354
Benefit Wages	38,298
Salaries and Wages - Officers	30,000
Total Salaries and Wages	2,179,652
Times: 7.65 Percent FICA Rate	7.65%
Total Pro Forma Payroll Taxes	166,743
Less: Test Year Payroll Taxes ()	-
Payroll Tax Adjustment	166,743
Less: Proposed Adjustment ()	(173,572)
Commission Adjustment	\$ (6,829)

Summary of Adjustments to Operating Expenses and Revenues

The following schedule is a summary of Warren District's test-year operating revenues and expenses, including appropriate adjustments found reasonable herein. The chart in Appendix C, attached to this Order, is a detailed pro forma Income Statement that shows the proposed, revised, and accepted adjustments for Warren District:

Description	2023 Test Year	Commission Pro Forma Adjustments	Commission Approved Pro Forma
Total Operating Revenues	\$ 17,057,840	\$ (376,384)	\$16,681,456
Total Operating Expenses ()	(16,903,543)	(1,145,998)	(18,049,541)
Net Operating Income	154,297	(1,522,382)	(1,368,085)
Interest Income	-	259,072	259,072
Income Available to Service Debt	\$ 154,297	\$ (1,263,310)	\$ (1,109,013)

Debt Service Coverage

Warren District proposed the Debt Coverage Method (DSC) method to calculate its revenue requirement. The Commission has historically applied a DSC method to

calculate the Overall Revenue Requirement of water districts and water associations.¹⁵⁷ This method allows for recovery of (1) cash-related pro forma operating expenses; (2) depreciation expense, a noncash item, to provide working capital;¹⁵⁸ (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense. The Commission finds that the three-year Principal and Interest DSC method is appropriate given the debt currently held by Warren District. This will allow for the proper funding of the debt service obligations.

1. Average Annual Principal and Interest Payments. Warren District reported one outstanding United States Department of Agriculture Rural Development (RD) bond,¹⁵⁹ three outstanding Kentucky Rural Water Finance Corporation (KRWFC)

¹⁵⁷ Case No. 2023-00104, *Electronic Application of Peaks Mill Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 4, 2024), Order at 23.

¹⁵⁸ Case No. 2022-00124, *Electronic Application of Elkhorn Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 24, 2022). Case No. 2021-00475, *Electronic Application of Carroll County Water District #1 for an Adjustment of Rates Pursuant to 807 KAR 5:076* (Ky. PSC June 28, 2022).

¹⁵⁹ Case No. 2005-00299, *The Application of Warren County Water District, Warren County, Kentucky, (A) for a Certificate of Convenience and Necessity, Pursuant to KRS 278.020 and 278.023, Authorizing Said District to Construct Improvements and Extensions to its Existing Water System, Which Improvements and Extensions Will be Financed in Part Under the Terms of an Agreement Between the Water District and the United States Department of Agriculture; Rural Development, (B) for Authority to Issue Certain Securities as Required by KRS 278.300; and (C) for Approval of Water Rates and Charges*, (Ky. PSC Aug. 15, 2005).

loans,¹⁶⁰ one outstanding Kentucky Infrastructure Authority (KIA) loan,¹⁶¹ and two short term debts.¹⁶²

In its application, Warren District requested recovery of the average annual principal and interest on its indebtedness based on an average of the annual principal, interest, and fee payments for the three years following the test year, which is 2024 through 2026.¹⁶³ In the Supplemental SAO, Warren District proposed to calculate its Average Principal and Interest payments excluding principal amounts associated with the short-term loans, resulting in a revised average annual principal and interest payments of \$822,396.¹⁶⁴ In its brief,¹⁶⁵ Warren District proposed to exclude from the revenue requirements calculation the principal payments associated with the Series 2022D Loan and the Series 2024D Loan because the two loans involve short-term debt instruments,

¹⁶⁰ Case No. 2012-00043, *Application of Warren County Water District to Issue Securities in the Approximate Principal Amount of \$2,095,000 for the Purpose of Refunding Certain Outstanding Revenue Bonds of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001*, (Ky. PSC Mar. 8, 2012). Case No. 2016-00134, *Application of Warren County Water District to Issue Securities in the Approximate Principal Amount of \$2,365,000 for the Purpose of Reamortizing a Certain Outstanding Loan of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Apr. 15, 2016). Case No. 2021-00007, *Electronic Application of Warren County Water District to Issue Securities in the Approximate Principal Amount of \$3,735,000 for the Purpose of Refunding and Reamortizing Certain Outstanding Obligations of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Mar. 24, 2021).

¹⁶¹ Case No. 2020-00052, *Electronic Application of Warren County Water District for (1) A Certificate of Public Convenience and Necessity, Pursuant to KS 278.020 Authorizing Said District to Construct Improvements and Extensions to its Existing Water System, Which Improvements and Extensions will be Financed in Whole or in Part Under Terms of an Agreement Between the Water District and the Kentucky Infrastructure Authority; and (2) For Authority to Issue Certain Securities as Required by KRS 278.300*, (Ky. PSC Apr. 7, 2020).

¹⁶² Warren District's Response to Staff's Second Request, Item 4b.

¹⁶³ Warren District's Response to Staff's Third Request, Item 1, 03_Exhibit_3-1.xlsx, Principal & Interest Tab.

¹⁶⁴ Supplement Statement of Adjusted Operations, 02_Notice_of_Filing_Supplemental_SAO.pdf, at 5–6, Item 4.

¹⁶⁵ Warren District's Brief at 24–25.

and their principal payments have a significant impact upon the District's Revenue requirement.¹⁶⁶

However, because the suspension date for a final Order to be issued in this proceeding is January 31, 2025, the 2024 debt service payments will be recovered through Warren District's existing rates. Therefore, only the debt service payments made after the new rates are placed into effect should be considered in determining Warren District's Annual Principal and Interest Expense.

The Commission calculated the average annual principal and interest on a three-year average for the years 2025 through 2027, not including the short-term loans' principal amounts, as the 2024 time period has passed. This is different from three-year average of 2024 through 2026 that Warren District used. However, the Commission agrees in excluding from the revenue requirement calculation of the principal payments associated with the two short-term loans. The Commission calculated average debt service of \$733,840 as shown below.

Loan	2025			2026			2027			Total
	Principal	Interest	Fees	Principal	Interest	Fees	Principal	Interest	Fees	
RD Series 2005A	\$ 28,000	\$ 37,698		\$ 29,000	\$ 36,486		\$ 30,000	\$ 35,233		\$196,416
KRWFC Series 2013B	144,800	11,592		130,787	7,389		135,458	2,697		432,724
KRWFC Series 2016G	165,000	31,219	\$ 450	175,000	25,694	\$ 450	180,000	20,375	\$ 450	598,638
KIA Loan Series 2020	83,655	50,054	3,337	86,183	47,525	3,168	88,788	22,791	2,995	388,496
KRWFC Series 2021A	180,000	32,481	450	65,000	27,275	450	65,000	24,513	450	395,619
KRWFC Series 2022D	-	-		-	-		-	-		-
RWFA Series 2024D	-	189,402	225	-	-		-	-		189,627
Totals	\$601,455	\$352,446	\$4,462	\$485,970	\$144,370	\$4,068	\$499,246	\$105,609	\$3,895	2,201,520
Divided by: Three Years Average										3
Average Annual Principal and Interest Payments										<u>\$733,840</u>

2. Additional Working Capital. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital equal to the minimum

¹⁶⁶ The KRWFC Series 2022D Loan was a short-term loan that matured in 2024. Therefore, it is not included in the 2025 through 2027 Debt Service calculation.

net revenues required by a district's lenders above its average annual debt payments. In its application, Warren District requested recovery of an allowance for working capital equal to 120 percent of its average annual debt payments for its Waterworks Revenue bonds and KIA loan at the time of its application.¹⁶⁷ In its supplemental Schedule of Adjusted Operations, Warren District updated the Additional Working Capital based upon the revisions to the average annual principal and interest payments as discussed above, resulting in revised additional working capital of \$146,768.¹⁶⁸

Following its historic practice,¹⁶⁹ the Commission agrees with Warren District's methodology however finds the amount should be adjusted due to the change in time period discussed above. Therefore, when the change from 2024 through 2026 to 2025 through 2027 is taken into account, \$146,768 is included in the revenue requirement.

Description	Amount
Average Annual Principal and Interest	\$ 733,840
Times: DSC Coverage Ratio	120%
Total Net Revenues Required	880,608
Less: Average Annual Principal and Interest Payments ()	(733,840)
Additional Working Capital	<u>\$ 146,768</u>

Overall Revenue Requirement

Applying the DSC method to Warren District's pro forma operations results in an Overall Revenue Requirement of \$18,930,149 and, based upon pro forma present rate

¹⁶⁷ Application, Exhibit 9A at 5.

¹⁶⁸ Supplement Statement of Adjusted Operations, 02_Notice_of_Filing_Supplemental_SAO.pdf, Item 5.

¹⁶⁹ Case No. 2022-00431, *Electronic Application of Letcher County Water and Sewer District for a Rate Adjustment Pursuant To 807 KAR 5:076* (Ky. PSC Nov. 17, 2023). Case No. 2023-00154, *Electronic Application of Harrison County Water Association, Inc. For An Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024). Case No. 2023-00182, *Electronic Application of Western Mason County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 4, 2024).

service revenues of \$16,136,904, a revenue increase of \$1,989,621 from water service rates is necessary to generate the overall revenue requirement.

Description	Warren District Initial Proposal	Warren District Revised Proposal	Commission Approved
Pro Forma Operating Expenses	\$ 18,119,337	\$ 17,840,407	\$ 18,049,541
Plus: Average Annual Principal and Interest Payments	859,380	822,396	733,840 (1)
Plus: Additional Working Capital at 20%	171,876	164,479	146,768 (2)
Plus: Annualized Rate Case Expense	64,495	53,959	-
Total Revenue Requirement	19,215,088	18,881,241	18,930,149
Less: Other Operating Revenue ()	(715,867)	(715,867)	(544,552)
Less: Interest Income ()	(259,072)	(259,072)	(259,072)
Less: Nonutility Income ()	(11,001)	(11,001)	-
Revenue Required From Water Sales	18,229,148	17,895,301	18,126,525
Less: Revenue from Sales at Present Rates ()	(16,082,901)	(16,082,901)	(16,136,904)
Required Revenue Increase / (Decrease)	\$ 2,146,247	\$ 1,812,400	\$ 1,989,621
Percentage Increase / (Decrease)	13.34%	11.27%	12.33%

RATE DESIGN

Warren District included with its application a Cost-of-Service Study (COSS) performed following the procedures recommended by the American Water Works Association (AWWA) in its *Water Rates Manual M-1, Seventh Edition for the Base Extra Capacity Method*.¹⁷⁰ This method has been accepted by the Commission in past proceedings and the Commission finds that is a reasonable method for allocating expenses to the retail customers in this case.¹⁷¹

Base costs are operations and maintenance (O&M) costs as well as capital costs that are integral to daily utility functions including costs associated with service to customers under average day conditions. These costs would include salaries, insurance, power, chemical, etc. Capital investments related to meeting constant or average day usage would also be included in this category.

¹⁷⁰ Application, Exhibit 19.

¹⁷¹ See Case No. 2019-00268, *Application of Knott County Water and Sewer District for an Alternative Rate Adjustment* (Ky. PSC Nov. 20, 2019), Commission Staff Report at 4.

Extra capacity costs are associated with meeting water usage requirements above the average day condition. This includes capital and O&M expenses for system capacity required beyond the average rate of use and a determination of the impact of maximum hour and maximum day requirements. Examples of this expense would include overtime salaries, extra chemical, power, storage needed and pipe capacity.

Customer costs are those which are directly related with serving the customers such as billing, meter reading, customer service or utility management. In addition, costs related to meters, services and administrative functions are also included in this category. This category is typically related to expenses that are outside of the production and transmission aspects of the system.

Warren District's COSS determined that the cost to serve industrial and commercial customers exceeds the revenue from sales to those customers.¹⁷² Conversely, revenues from sales to residential customers is exceeding the cost of serving those customers. Warren District proposed to increase each volumetric rate block by 13.34 percent.¹⁷³

Warren District proposed to modify the minimum volumes and charges for meter sizes larger than 2 inches.¹⁷⁴ Warren District stated that the current minimum volumes are not consistent with industry practice, and they currently represent water flows that are too low to justify the meter size.¹⁷⁵ Additionally, Warren District stated the larger sized meters are generally used to service commercial and industrial customers; therefore,

¹⁷² Application, Exhibit 9A, Written Testimony of Ross Guffey, P.E., at 9.

¹⁷³ Application, Exhibit 9A, Written Testimony of Ross Guffey, P.E., at 9.

¹⁷⁴ Application, Exhibit 9A, Written Testimony of Ross Guffey, P.E. at 10.

¹⁷⁵ Application, Exhibit 9A, Written Testimony of Ross Guffey, P.E., at 10.

increasing the minimum volume and rates for these meter sizes will produce additional revenues that will reduce the existing gap between the cost to serve these customers and the revenues resulting from sales to these customers.¹⁷⁶ Warren District proposed to remove the rate for 3/4-inch meter customers as the district no longer uses this meter size to provide service to its customers.¹⁷⁷

Additionally, Warren District provides water to one wholesale customer, BGMU. Warren District proposed to increase BGMU's current wholesale rate from \$0.0027647 per gallon, to \$0.00313 per gallon, an increase of \$0.00037 per gallon, or 13.21 percent. The Commission notes that neither Warren District's Annual Report, nor the billing analysis provided in this case, indicate any sales to BGMU during the test period.¹⁷⁸ The Commission finds the proposed increase to BGMU to be acceptable, as the increase follows general ratemaking principles.

The Commission accepts Warren District's proposed COSS as a reasonable basis for allocating costs, but incorporates revisions based upon the adjustments made to the pro-forma expenses explained above. The Commission's calculations and resulting rates are shown in Appendix B. The rates set forth in Appendix B to this report are based upon the revenue requirement as calculated by the Commission and will produce sufficient revenues from water sales to recover the \$18,929,494 Revenue Requirement from water sales determined by the Commission, an approximate 12.31 percent increase. These rates will increase the monthly bill of a retail customer using

¹⁷⁶ Application, Exhibit 9A, Written Testimony of Ross Guffey, P.E., at 10.

¹⁷⁷ Application, Exhibit 9A, Written Testimony of Ross Guffey, P.E., at 10.

¹⁷⁸ Annual Report of Warren County Water District at 57; Warren District's Response to Staff's Second Request, 07_Exhibit_2-9c_Billing_Analysis.xlsx.

4,418 gallons from \$26.03 to \$29.23, an increase of \$3.19 or 12.26 percent. The average monthly bill of a wholesale customer, using 51,196 gallons, will increase from \$141.54 to \$158.99, an increase of \$17.45 or 12.33 percent.

NONRECURRING CHARGES

The Commission reviewed Warren District's Nonrecurring Charges.¹⁷⁹ The labor performed during regular business hours is already recovered as a part of the revenue requirement. As a result, the Commission expects that the charges be directly related to the actual cost incurred to provide the service.¹⁸⁰ It is unreasonable to allocate an expense already incurred as a day-to-day cost of maintaining a system, such as the salary of a distribution operator, to a nonrecurring service such as the connection and reconnection of a meter during normal working hours without sufficient evidence to support such a finding. Only the marginal costs related to the service should be recovered through a special nonrecurring charge for service provided during normal working hours.

Warren District provided updated cost justification forms for its Nonrecurring Charges.¹⁸¹ The Commission has reviewed the cost justification forms provided by Warren District and has adjusted these charges to remove the estimated costs of labor from each charge. The breakdown of cost for each nonrecurring charge and any

¹⁷⁹ Case No. 2023-00299, *Electronic Application of Magoffin County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 24, 2024); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 5, 2024); Case No. 2023-00258, *Electronic Application of Kirksville Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2023-00220, *Electronic Application of East Casey County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 21, 2024).

¹⁸⁰ Case No. 2021-00434, *Electronic Application of Kentucky-American Water for an Alternative Rate Adjustment* (Ky. PSC Sept. 2, 2022), Order at 8.

¹⁸¹ Warren District's Response to Staff's Second Request, Item 1-36.

Commission adjustment can be found in Appendix A to this Order. The Commission finds that these adjustments to Warren District's nonrecurring charges are reasonable because the evidence filed into the case record is consistent with existing precedent.¹⁸²

TARIFFS


Warren District proposed to remove purchased water rates from the tariff sheets for water purchased from Bowling Green Municipal Utilities (BGMU). Warren District explained that these wholesale rates have been approved by the Commission and are set forth in BGMU's tariff sheets, which are on file with the Commission. The Commission agrees with this removal as they are not rates charged by Warren District.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by Warren District in its application and supplemental statement of adjusted operations are denied.
2. The rates and charges as set forth in Appendix B are approved as fair, just and reasonable rates for Warren District, and these rates and charges are approved for service on and after the date of this Order.
3. Within 20 days of the date of this Order, Warren District shall file with the Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates, charges, and modifications approved or as required herein and reflecting their effective date and that they were authorized by this Order.
4. This case is closed and removed from the Commission's docket.

¹⁸² Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020) and Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020); Case No. 2020-00196, *Electronic Application of West Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020), and Case No. 2020-00195 *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020).

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman


Commissioner

ATTEST:

 
Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00200 DATED MAY 20 2025

Nonrecurring Charges Adjustments

Meter Investigation Charge			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor	\$	41.74	\$ -
Office Supplies	\$	-	\$ -
Office Labor	\$	40.41	\$ -
Transportation	\$	9.45	\$ 9.45
Misc.	\$	-	\$ -
Total Revised Charge*	\$	91.60	\$ 9.00
Current Rate	\$	75.00	

Delinquent Service			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor	\$	23.81	\$ -
Office Supplies	\$	1.11	\$ 1.11
Office Labor	\$	6.63	\$ -
Transportation	\$	5.29	\$ 5.29
Misc.	\$	-	\$ -
Total Revised Charge*	\$	36.84	\$ 6.00
Current Rate	\$	25.00	

Meter Reading Re-Check Charge			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor	\$	30.99	\$ -
Office Supplies	\$	-	\$ -
Office Labor	\$	11.07	\$ -
Transportation	\$	7.86	\$ 7.86
Misc.	\$	-	\$ -
Total Revised Charge*	\$	49.92	\$ 8.00
Current Rate	\$	25.00	

Meter Test Request			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor	\$	71.84	\$ -
Office Supplies	\$	-	\$ -
Office Labor	\$	4.43	\$ -
Transportation	\$	5.00	\$ 5.00
Misc.	\$	-	\$ -
Total Revised Charge	\$	81.27	\$ 5.00
Current Rate	\$	50.00	

Service Connection - After Hours			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor	\$	40.75	\$ 40.75
Office Supplies	\$	-	\$ -
Office Labor	\$	13.95	\$ -
Transportation	\$	7.58	\$ 7.58
Misc.	\$	8.97	\$ 8.97
Total Revised Charge	\$	71.25	\$ 57.00
Current Rate	\$	65.00	

Returned Check Charge			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor	\$	-	\$ -
Office Supplies	\$	-	\$ -
Office Labor	\$	19.93	\$ -
Transportation	\$	-	\$ -
Misc. (Bank Charge)	\$	12.00	\$ 12.00
Total Revised Charge	\$	31.93	\$ 12.00
Current Rate	\$	25.00	

Service Investigation - After Hours			
	Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$ -
Field Labor	\$	82.98	\$ 82.98
Office Supplies	\$	-	\$ -
Office Labor	\$	7.75	\$ -

Transportation	\$	11.64	\$	11.64
Misc.	\$	8.97	\$	8.97
Total Revised Charge*	\$	111.34	\$	104.00
Current Rate	\$	65.00		

Service Connection

		Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$	-
Field Labor	\$	27.17	\$	-
Office Supplies	\$	-	\$	-
Office Labor	\$	13.95	\$	-
Transportation	\$	7.58	\$	7.58
Misc.	\$	-	\$	-
Total Revised Charge*	\$	48.70	\$	8.00
Current Rate	\$	25.00		

Service Investigation

		Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$	-
Field Labor	\$	55.32	\$	-
Office Supplies	\$	-	\$	-
Office Labor	\$	7.75	\$	-
Transportation	\$	11.64	\$	11.64
Misc.	\$	-	\$	-
Total Revised Charge*	\$	74.71	\$	12.00
Current Rate	\$	25.00		

Service Line Inspection Charge

		Utility Revised Charge		Staff Revised Charge
Field Materials	\$	-	\$	-
Field Labor	\$	55.03	\$	-
Office Supplies	\$	-	\$	-
Office Labor	\$	7.75	\$	-
Transportation	\$	11.58	\$	11.58
Misc.	\$	-	\$	-

Total Revised Charge	\$	74.36	\$	12.00
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Current Rate	\$	50.00
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APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00200 DATED MAY 20 2025

Monthly Water Rates

5/8- x 3/4-Inch Meter

First	2,000	gallons	\$ 15.97	Minimum bill
Next	8,000	gallons	0.00548	per gallon
Next	90,000	gallons	0.00474	per gallon
Next	900,000	gallons	0.00426	per gallon
All Over	1,000,000	gallons	0.00389	per gallon

1-Inch Meter

First	5,000	gallons	\$ 32.41	Minimum bill
Next	5,000	gallons	0.00548	per gallon
Next	90,000	gallons	0.00474	per gallon
Next	900,000	gallons	0.00426	per gallon
All Over	1,000,000	gallons	0.00389	per gallon

1 ½-Inch Meter

First	10,000	gallons	\$ 59.81	Minimum bill
Next	90,000	gallons	0.00474	per gallon
Next	900,000	gallons	0.00426	per gallon
All Over	1,000,000	gallons	0.00389	per gallon

2-Inch Meter

First	20,000	gallons	\$ 107.21	Minimum bill
Next	80,000	gallons	0.00474	per gallon
Next	900,000	gallons	0.00426	per gallon
All Over	1,000,000	gallons	0.00389	per gallon

3-Inch Meter

First	30,000	gallons	\$ 154.61	Minimum bill
Next	70,000	gallons	0.00474	per gallon
Next	900,000	gallons	0.00426	per gallon
All Over	1,000,000	gallons	0.00389	per gallon

4-Inch Meter

First	50,000	gallons	\$ 202.01	Minimum bill
Next	50,000	gallons	0.00474	per gallon
Next	900,000	gallons	0.00426	per gallon
All Over	1,000,000	gallons	0.00389	per gallon

6-Inch Meter

First	100,000	gallons	\$ 486.41	Minimum bill
Next	900,000	gallons	0.00426	per gallon
All Over	1,000,000	gallons	0.00389	per gallon

8-Inch Meter

First	150,000	gallons	\$ 699.41	Minimum bill
Next	850,000	gallons	0.00426	per gallon
All Over	1,000,000	gallons	0.00389	per gallon

10-Inch Meter

First	250,000	gallons	\$1,125.41	Minimum bill
Next	750,000	gallons	0.00426	per gallon
All Over	1,000,000	gallons	0.00389	per gallon

Wholesale	\$0.00311 per gallon
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Nonrecurring Charges

Meter Investigation Charge	\$9.00
Delinquent Service Charge	\$6.00
Meter Reading Recheck Charge	\$8.00
Meter Test Request	\$5.00
Service Connection Charge	\$8.00
Service Connection Charge (After Hours)	\$57.00
Service Investigation Charge	\$12.00
Service Investigation Charge (After Hours)	\$104.00
Service Line Inspection Charge	\$12.00
Returned Check Charge	\$12.00

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00200 DATED MAY 20 2025

Description	2023 Test Year	Warren District Initial Adjustments	Warren District Revised Adjustments	Commission Approved Adjustments	Total Adjustments	Commission Approved Pro Forma
Metered Revenues						
Metered Retail Sales	\$ 15,921,435	\$ -	\$ -	\$ 54,003	\$ 54,003	\$ 15,975,438
Fire Protection	161,466				-	161,466
Total Metered Revenues	16,082,901	-		54,003	54,003	16,136,904
Other Water Revenues						
Forfeited Discounts	207,919					207,919
Interest Income	259,072	-	-	(259,072)	(259,072)	-
Miscellaneous Service Revenues	267,538	-	-	(138,870)	(138,870)	128,668
Other Water Revenues	240,410	-	-	(32,445)	(32,445)	207,965
Total Other Water Revenues	974,939	-		(430,387)	(430,387)	544,552
Total Operating Revenues	17,057,840	-		(376,384)	(376,384)	16,681,456
Operation and Maintenance						
Salaries and Wages - Employees	1,761,749	57,098	57,098	-	57,098	
		35,235	35,235	-	35,235	
		257,271	257,271	(5,114)	252,157	2,106,239
Salaries and Wages - Officers	15,000					15,000
Employee Overhead	997,517	(151,971)	(151,971)	-	(151,971)	
		38,298	38,298	-	38,298	
		1,404	1,404	-	1,404	
		30,296	30,296	-	30,296	
		50,186	50,186	-	50,186	
		25,421	25,421	-	25,421	
		15,687	15,687	-	15,687	1,006,838
Purchased Water	8,149,609					8,149,609
Purchased Power	542,510					542,510
Materials and Supplies	347,272					347,272
Contractual Services - Accounting	14,534					14,534
Contractual Services - Legal	16,922	-	925	925	925	17,847
Contractual Services - Other	772,869		(6,366)	(7,776)	(7,776)	
			(365)	(365)	(365)	764,728
Rental of Building/Real Property	57,450					57,450
Equipment Expenses	296,881					296,881
Insurance - Gen. Liab. & Workers Comp.	72,305					72,305
Insurance - Other	2,843					2,843
Regulatory Expense	20,980					20,980
Bad Debt	20,960					20,960
Miscellaneous Expense	55,503					55,503
Miscellaneous Non-Utility Income	(11,001)	11,001	11,001	-	11,001	-
Unrealized (Gain)/Loss on Investment	3,996	-	-	(3,996)	(3,996)	-
Total Operating and Maintenance Expenses	13,137,899	369,926	364,120	(16,326)	353,600	13,491,499
Rate Case Amortization	-	-	-	54,614	54,614	54,614
Depreciation Expense	3,763,349	8,775	8,775	1,608	10,383	
		34,267	34,267	8,246	42,513	
		4,207	4,207	-	4,207	
		77,772	77,772	-	77,772	
		123,171	123,171	-	123,171	
		188,269	150,615	-	150,615	
		73,452	-	-	-	
		162,380	-	-	162,380	4,334,390
Taxes Other Than Income	2,295	173,572	173,572	(6,829)	166,743	169,038
Total Operating Expenses	16,903,543	1,215,791	936,499	41,313	1,145,998	18,049,541
Net Operating Income	154,297	(1,215,791)	(936,499)	(417,697)	(1,633,488)	(1,368,085)
Interest Income	-			259,072	259,072	259,072
Income Available to Service Debt	\$ 154,297	\$ (1,215,791)	\$ (936,499)	\$ (158,625)	\$ (1,374,416)	\$ (1,109,013)

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