

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**ELECTRONIC APPLICATION OF )  
WARREN COUNTY WATER DISTRICT )  
TO ISSUE SECURITIES IN THE )  
APPROXIMATE PRINCIPAL AMOUNT )  
OF \$3,735,000 FOR THE PURPOSE OF ) CASE NO. 2021-00007  
REFUNDING AND REAMORTIZING )  
CERTAIN OUTSTANDING )  
OBLIGATIONS OF THE DISTRICT )  
PURSUANT TO THE PROVISIONS OF )  
KRS 278.300 AND 807 KAR 5:001 )**

**MOTION FOR EXTENSION OF TIME**

Warren County Water District (“Warren District”), by counsel, moves the Kentucky Public Service Commission (the “Commission”) for a four (4) month extension of time, until July 31, 2024, to file Warren District’s application for a general adjustment of rates for its Water Division and an application for a general adjustment of rates for its Sewer Division. In support of this Motion, Warren District states as follows:

**Background**

1. On March 24, 2021, the Commission entered an Order in Case No. 2021-00007, directing Warren District to file a general rate case application by March 24, 2024, in part so that the Commission can “ensure that the cost allocations

between Warren District’s water and sewer divisions are reasonable and that there is not cross-subsidization between the two divisions.”<sup>1</sup>

2. In the Commission’s Order dated September 2, 2022 in Case No. 2022-00232, the Commission reiterated its order for Warren District to file a general rate case application by March 24, 2024.<sup>2</sup>

3. For the following reasons, Warren District is requesting a four (4) month extension of time—until July 31, 2024—to file its application for a general adjustment of rates for its Water Division, and to file a separate application for a general adjustment of rates for its Sewer Division.

### **Analysis**

4. In addition to operating a Water Division and a Sewer Division, Warren District also manages, operates, and maintains two additional water utilities—Butler County Water System, Inc. (“Butler System”) and Simpson County Water District (“Simpson District”) pursuant to a long-term Joint Operations Agreement with each of these utilities. For accounting purposes, Warren District has four (4) separate operating divisions: (1) Warren District Water Division; (2) Warren District Sewer Division; (3) Butler System; and (4) Simpson District. Butler System and Simpson

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<sup>1</sup> *Electronic Application of Warran 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*, Case No. 2021-00007, Order at 4 (Ky. PSC Mar. 24, 2021).

<sup>2</sup> *Electronic Purchased Water Adjustment Filing of Warren County Water District*, Case No. 2022-00232, Order at 3-4 (Ky. PSC Sept. 2, 2022).

District are both separate legal entities. Butler System is governed by a Board of Directors since it is a water association. Simpson District is governed by a Board of Commissioners since it is a water district.

5. On March 12, 2021, in Case No. 2021-00016, the Commission ordered Butler System to file an application for a rate adjustment on or before March 12, 2024. Warren District's employees, who manage the Butler System, are in the process of preparing an application for a rate adjustment for Butler System, with the assistance of the Kentucky Rural Water Association ("KRWA"), utilizing the Alternative Rate Filing ("ARF") procedures. Butler System's ARF Application will use calendar year 2022 as a Test Year. The Application will be filed during the first quarter of 2024, no later than March 12, 2024.

6. On March 24, 2021, in Case No. 2021-00014, the Commission ordered Simpson District to file an application for a rate adjustment on or before March 24, 2024. Warren District's employees, who manage the Simpson District, are in the process of preparing an application for a rate adjustment for Simpson District, with the assistance of the KRWA, utilizing the ARF procedures. Simpson District's ARF Application will use calendar year 2022 as a Test Year. The Application will be filed during the first quarter of 2024, no later than March 24, 2024.

7. If Warren District were to use calendar year 2022 as a Test Year to enable it to prepare and file an application for a general adjustment of rates by the

deadline of March 24, 2024, Warren District’s employees would be simultaneously working on four (4) separate rate cases—Warren District Water Division, Warren District Sewer Division, Butler System, and Simpson District—over the next six (6) to twelve (12) months. Warren District’s employees have never filed an application for a general rate adjustment, nor have they filed an application for a rate adjustment by utilizing the ARF procedures. Every rate adjustment previously filed by Warren District has been filed utilizing KRS 278.023. Preparing and filing four (4) simultaneous rate cases would be nearly an impossible task for a utility with a staff familiar with filing rate cases on a regular basis. It would be an impossible task for Warren District.

8. For reasons discussed later in this Motion, Warren District believes that calendar year 2023 will be a more representative Test Year than calendar year 2022. A short-term extension will enable Warren District to focus the next few months on working with the KRWA to prepare the ARF Applications for Butler System and Simpson District. Since Warren District also prepares the PSC Annual Reports for all four (4) Operating Divisions “in house” rather than utilizing auditors, it will spend the first quarter of 2024 “closing out its books” for 2023 and preparing four (4) different PSC Annual Reports. It will also be busy during this time responding to Commission Staff’s Requests for Information for Butler System and Simpson District. Then, it will turn its attention to working with a rate consultant to

prepare Cost-of-Service Studies for the Warren District Water and Sewer Divisions. Finally, it will prepare and file a general rate adjustment application for its Water Division and a general rate adjustment application for its Sewer Division.

9. In light of Warren District's strong fiscal standing, the requested four-month extension will not pose a significant risk to Warren District or its ratepayers. Additionally, the requested extension will not adversely affect the Commission's ability to monitor and review Warren District's operations. Warren District has, and will continue to, timely file its annual financial and statistical reports and audit reports with the Commission for both its Water Division and its Sewer Division. These filings provide significant amounts of information regarding Warren District's finances and management.

10. Additionally, attached to this Motion as **Exhibit A** are two tables showing the total amounts of cash provided by Warren District's Water Division and Sewer Division operations in calendar years 2020, 2021, and 2022, as well as the budgeted figures for calendar year 2023. Based upon the analysis shown in **Exhibit A**, an extension of time will not adversely affect Warren District's financial condition, nor will an extension impact the quality or reliability of Warren District's service.

11. Lastly, an extension of time will allow Warren District to use its 2023 calendar year as its Test Year instead of calendar year 2022. Calendar year 2023 is more representative than the 2022 calendar year for the following reasons:

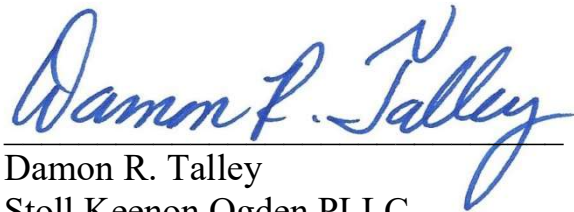
- A. Because Warren County is one of the fastest growing counties in Kentucky, Warren District needs to use a Test Year as close in time to the filing of the rate application as possible. Granting the four-month extension will enable Warren District to utilize 2023 as the Test Year.
- B. Warren District added four (4) new positions during 2023 and anticipates adding additional positions once its 2024 Budget is approved by the Board later this year.
- C. The positions created in 2023 have already been filled.
- D. The new positions which are included in the proposed 2024 Budget should be filled in the first quarter of 2024.
- E. Warren District accepted several new water lines and sewer collector lines which were contributed by subdivision developers during 2023 and will be accepting more before the rate case application will be filed. Depreciating these contributed capital assets will increase Warren District's depreciation expense and, consequently, its revenue requirements.
- F. The escalating costs of operating expenses, including labor, materials, supplies, chemicals, contractual services, and transportation can be included in the Rate Study if 2023 is used as the Test Year.

12. This request is made in good faith, not for purposes of delay, and will not unduly prejudice the Commission.

Wherefore, the Warren County Water District requests that the Commission's Orders of March 24, 2021 and September 2, 2022 be amended to grant Warren District an extension of time until July 31, 2024 to file its applications for rate increases for its Water Division and Sewer Division.

Dated: October 27, 2023

Respectfully submitted,



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## CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that this document was submitted electronically to the Public Service Commission on October 27, 2023, and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding.

  
Damon R. Talley



# EXHIBIT A

## WARREN COUNTY WATER DISTRICT

### Cash Provided by Operations

<u>WATER DIVISION:</u>	BUDGET Year 2023	Actual Year 2022	Actual Year 2021	Actual Year 2020
Operating Revenue	\$ 15,912,200	\$ 15,723,198	\$ 14,392,466	\$ 12,879,704
Operating Expenses	13,007,500	11,701,413	10,244,038	9,258,279
Depreciation Expense	3,406,100	4,283,988	3,005,374	2,828,373
Taxes Other Than Income	26,300	23,624	25,251	23,667
Gain (Loss) from Disposition	-	(7,360)	61,557	-
<b>Total Utility Operating Income</b>	<b>(527,700)</b>	<b>(293,187)</b>	<b>1,179,360</b>	<b>769,385</b>
Other Income	402,900	166,817	135,197	193,975
Interest Expense	356,000	238,071	241,016	222,041
Amortization	51,600	35,364	52,516	3,219
<b>Net Income (Loss)</b>	<b>(532,400)</b>	<b>(399,805)</b>	<b>1,021,025</b>	<b>738,100</b>
Less: Principal	564,800	521,964	584,148	478,787
<b>Net Income (Loss) After Principal</b>	<b>(1,097,200)</b>	<b>(921,769)</b>	<b>436,877</b>	<b>259,313</b>
Net Income (Loss) After Principal	(1,097,200)	(921,769)	436,877	259,313
Add: Depreciation Expense	3,406,100	4,283,988	3,005,374	2,828,373
Add: Amortization Expense	51,600	35,364	52,516	3,219
<b>Cash Provided by Operations</b>	<b>2,360,500</b>	<b>3,397,583</b>	<b>3,494,767</b>	<b>3,090,905</b>
<i>Change from Prior Year</i>	<i>(1,037,083)</i>	<i>(97,184)</i>	<i>403,862</i>	
<i>Depreciation Expense Coverage</i>	<i>69.3%</i>	<i>79.3%</i>	<i>116.3%</i>	

<u>SEWER DIVISION:</u>	BUDGET Year 2023	Actual Year 2022	Actual Year 2021	Actual Year 2020
Operating Revenue	\$ 6,055,800	\$ 5,938,633	\$ 5,546,273	\$ 4,918,804
Operating Expenses	4,402,400	4,096,537	3,748,974	3,445,487
Depreciation Expense	1,939,200	2,122,217	1,433,883	1,258,964
Taxes Other Than Income	10,400	9,059	9,527	8,532
Gain (Loss) from Disposition	-	-	-	-
<b>Total Utility Operating Income</b>	<b>(296,200)</b>	<b>(289,180)</b>	<b>353,889</b>	<b>205,821</b>
Other Income	300,900	86,776	61,492	66,281
Interest Expense	387,400	173,321	117,683	84,204
Amortization	13,600	107,911	35,341	-
<b>Net Income (Loss)</b>	<b>(396,300)</b>	<b>(483,636)</b>	<b>262,357</b>	<b>187,898</b>
Less: Principal	243,600	217,815	190,697	113,067
<b>Net Income (Loss) After Principal</b>	<b>(639,900)</b>	<b>(701,451)</b>	<b>71,660</b>	<b>74,831</b>
Net Income (Loss) After Principal	(639,900)	(701,451)	71,660	74,831
Add: Depreciation Expense	1,939,200	2,122,217	1,433,883	1,258,964
Add: Amortization Expense	13,600	107,911	35,341	-
<b>Cash Provided by Operations</b>	<b>1,312,900</b>	<b>1,528,677</b>	<b>1,540,884</b>	<b>1,333,795</b>
<i>Change from Prior Year</i>	<i>(215,777)</i>	<i>(12,207)</i>	<i>207,089</i>	<i>-</i>
<i>Depreciation Expense Coverage</i>	<i>67.7%</i>	<i>72.0%</i>	<i>107.5%</i>	