

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ROWAN WATER,)
INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY TO CONSTRUCT A SYSTEM)
IMPROVEMENTS PROJECT AND AN ORDER) Case No. 2023 - 00046
APPROVING A CHANGE IN RATES AND)
AUTHORIZING THE ISSUANCE OF SECURITIES)
PURSUANT TO KRS 278.023)

RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION

The Applicant, Rowan Water, Inc. ("Rowan Water"), by Counsel, files this Response to the February 27, 2023 Commission Staff's First Request for Information as follows:

Responding Witness to all Responses: Paul Reynolds, Bluegrass Engineering PLLC, engineer for Rowan Water.

Request No. 1. Refer to RD-Summary_Addendum_Rowan_rev_2_2_23.pdf.

- a. Page 4. Explain how Rowan Water calculated the water loss at 15 percent. Reconcile this percentage with the water loss percent reported in the 2020 Annual Report and the 2021 Annual Report on file with the Commission.

Response No. 1(a). The 15 percent water loss reported in the RD Summary Addendum was a mistake from the engineering firm that prepared such document. The correct percentage in 2019 was 21.06%.

- b. Page 12. Explain why Rowan Water used 2019 Water Revenues and identify what the percentage rate increase would be if Rowan Water utilized the 2021 Water Revenues.

Response No. 1(b). The 2019 Water Revenues used in the Summary Addendum were the most current financial data available at the time of preparation of the Summary Addendum. The Summary Addendum was prepared in early 2021 and the 2020 Audit was not available at that time. See the attached **Exhibit A** for the percentage rate increase using 2021 Water Revenues.

Request No. 2. Refer to RD-Summary_Addendum_Rowan_rev_2_2_23.pdf., section XXII. Water Rates-Proposed, Total Additional Expenses & Anticipated Debt Service.

- a. Provide a detailed breakdown of the \$755,243 Estimated Annual O & M increase.

Response No. 2(a). See the attached **Exhibit B**.

- b. Provide a detailed breakdown of the \$80,000 Short-Lived Assets.

Response No. 2(b). See the attached **Exhibit C**.

Certification of Response to Commission Staff's First Request for Information

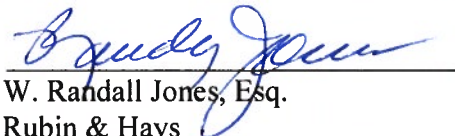
I hereby certify that I have supervised the preparation of Rowan Water's Response to the Commission Staff's First Request for Information. This Response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Paul Reynolds
Bluegrass Engineering, PLLC
Engineers for Rowan Water, Inc.

CERTIFICATE OF SERVICE

The undersigned, in accordance with 807 KAR 5:001, Section 8, hereby certifies that Rowan Water, Inc.'s electronic filing of the foregoing Response is a true and accurate copy of the same document being transmitted to the Kentucky Public Service Commission via their electronic filing system on March 1, 2023, and that there are currently no parties that the Kentucky Public Service Commission has excused from participation by electronic means in this proceeding.



W. Randall Jones, Esq.

Rubin & Hays

450 South Third Street

Louisville, Kentucky 40202

Counsel for Rowan Water, Inc.

Phone: (502) 569-7525

Fax: (502) 569-7555

wrjones@rubinhays.com

EXHIBIT A

Percentage Rate Increase Using 2021 Revenues

**Rowan Water - System Improvements Project
Summary Addendum
Funding Option 1 - 40 year Payback Schedule with Grant
First Year of Operation - Year Ending in 2023**

Total Project Cost	<i>\$1,880,000</i>
Proposed Funding	
RD Grant Funds	\$380,000
RD Grant Funds (Additional Funds)	\$380,000
Proposed Bond Amount	\$1,120,000
Proposed Debt Service	
RD Loan Annual Debt Service (First 2 years of 40 year loan are deferred) 40 years @ 1.75%	\$39,200
RD Loan Debt Service Coverage (10% of Annual Debt Service)	\$3,920
<i>Total New Project Debt Service</i>	<i>\$43,120</i>
Additional Expenses & Anticipated Debt Service	
Estimated Annual O & M Increase	\$755,243
Short-Lived Assets	\$80,000
<i>Total Additional Expenses & Anticipated Debt Service</i>	<i>\$835,243</i>
Total Annual Increase (Total New Project Debt Service + Total Additional Expenses)	\$878,363
Balance Available for Coverage (For Planned & Ongoing Immediate Projects)	-\$8,658
Total Additional Annual Revenue Required	\$869,705
Total Additional Annual Revenue Required	\$869,705
Total 2021 Billed Water Revenue	\$3,365,923
<i>Percentage Rate Increase</i>	<i>26.00%</i>

	2020 Existing Rates	Proposed Rates	
5/8" Meter	<i>In Gallons</i>		
	First 2,000	\$19.42	\$24.47
	Next 3,000	\$8.17	\$10.29
	Next 10,000	\$7.62	\$9.60
	Next 10,000	\$7.45	\$9.39
	Next 10,000	\$7.07	\$8.91
	Next 15,000	\$6.74	\$8.49
	Over 50,000	\$6.52	\$8.22
3/4" Meter	First 4,000	\$36.64	\$46.17
	Next 1,000	\$8.17	\$10.29
	Next 10,000	\$7.62	\$9.60
	Next 10,000	\$7.45	\$9.39
	Next 10,000	\$7.07	\$8.91
	Next 15,000	\$6.74	\$8.49
	Over 50,000	\$6.52	\$8.22
1" Meter	First 5,000	\$44.80	\$56.45
	Next 10,000	\$7.62	\$9.60
	Next 10,000	\$7.45	\$9.39
	Next 10,000	\$7.07	\$8.91
	Next 15,000	\$6.74	\$8.49
	Over 50,000	\$6.52	\$8.22
1.5" Meter	First 15,000	\$120.98	\$152.43
	Next 10,000	\$7.45	\$9.39
	Next 10,000	\$7.07	\$8.91
	Next 15,000	\$6.74	\$8.49
	Over 50,000	\$6.52	\$8.22
2" Meter	First 25,000	\$195.50	\$246.33
	Next 10,000	\$7.07	\$8.91
	Next 15,000	\$6.74	\$8.49
	Over 50,000	\$6.52	\$8.22
	Wholesale	\$2.12	\$2.67
Wholesale Rate	Fleming County Water Assoc.	\$2.12	\$2.67
	City of Olive Hill	\$2.12	\$2.67

Highlighted number has been obtained from Rowan Water, Inc. 2021 Audit

EXHIBIT B

O & M Estimated Annual Increase Calculation

ESTIMATED O & M INCREASE

Account	2020	2021	2022	2023	2023 Rounded	Difference (2023 Rounded - 2020 Actual)
Salaries	\$501,484	\$544,110	\$590,360	\$640,540	\$641,000	
Board Member Fees	\$26,586	\$28,846	\$31,298	\$33,958	\$34,000	
Employee Retirement	\$297,135	\$322,391	\$349,795	\$379,527	\$380,000	
Payroll Tax Exp.	\$42,332	\$45,930	\$49,834	\$54,070	\$55,000	
Purchased Water	\$1,283,767	\$1,392,887	\$1,511,283	\$1,639,742	\$1,640,000	
Purchased Power	\$120,954	\$131,235	\$142,390	\$154,493	\$155,000	
Materials & Supplies	\$93,541	\$101,492	\$110,119	\$119,479	\$120,000	
Contract. Services	\$121,200	\$131,502	\$142,680	\$154,807	\$155,000	
Trans. Expenses	\$31,074	\$33,715	\$36,581	\$39,690	\$40,000	
Insurance	\$42,329	\$45,927	\$49,831	\$54,066	\$55,000	
Bad Debt Exp.	\$9,431	\$10,233	\$11,102	\$12,046	\$13,000	
Misc. Exp.	\$132,924	\$144,223	\$156,481	\$169,782	\$170,000	
	\$2,702,757	\$2,932,491	\$3,181,753	\$3,452,202	\$3,458,000	\$755,243

EXHIBIT C

Short-Lived Assets Breakdown

ROWAN WATER, INC.
2021 WATER SYSTEM IMPROVEMENTS PROJECT
SHORT LIVED ASSETS

Replacement Reserves - Short Lived Assets				
Type of Reserve	User Description	Replacement Cost	Reserve on Hand	Annual Reserve
1-5 Years	computer equipment	\$35,000	\$0	\$7,000
1-5 Years	hydrants, valves, meters etc.	60,000	0	12,000
1-5 Years	SCADA equipment	100,000	0	20,000
Subtotal 1-5 Years				39,000
5-10 Years	bobcat	20,000	0	2,000
5-10 Years	utility truck		0	0
Subtotal 5-10 Years				2,000
10-15 Years	4 tank paintings @ \$100,000 ea	400,000	0	26,667
10-15 Years	8 pumps @ \$25,000 ea	200,000	0	13,333
Subtotal 10-15 Years				40,000

Total Annual Replacement Reserve - Short Lived Assets

\$81,000