

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

RESPONSE OF BUTLER COUNTY WATER SYSTEM, INC.
TO THE COMMISSION STAFF'S THIRD REQUEST
FOR INFORMATION DATED JULY 5, 2024

Butler County Water System, Inc.
Case No. 2024-00061
Commission Staff's Third Request for Information

Witness: Jeff Peeples

1. Refer to the replacement file for Butler County Water's response to Commission Staff's First Request for Information (Staff's First Request), Item 5, 5_Butler_County_Rate_Model.xlsx, Dep Adj Tab, Cell J19. Provide the calculations Butler County Water used to determine the \$75,655 adjustment amount.

Response: See file: 1_Meter_Depreciation_Adjustment_Spreadsheet
The \$75,655 adjustment amount is detailed in column AA of the attached spreadsheet. The total adjustment amount is in cell AA200.

Witness: Jeff Peeples

2. Refer to Butler County Water's response to Staff's First Request, Item 17, Attachment 17_Depreciation.xlsx. .
 - a. Specify which of the 5/8" meters on the Excel spreadsheet are Badger M25 meters.

Response: See file: 2.a,b,c_Fixed_Asset_Spreadsheet
In the attached fixed asset spreadsheet, the Badger M25 meters are identified in column AJ.

- b. Specify the manufacturer of each type of meter on the Excel spreadsheet.

Response: See file: 2.a,b,c_Fixed_Asset_Spreadsheet
In the attached fixed asset spreadsheet, the meter manufacturer is identified in column AK.

- c. Identify if any of the Badger meters are still under warranty and if any, explain any warranty benefits.

Response: See file: 2.a,b,c_Fixed_Asset_Spreadsheet
In the attached fixed asset spreadsheet, all Badger meters are under warranty and identified in column AL.

Summary of warranty benefits for Badger Model 25 5/8" (reference warranty provided in response to question 3b):

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- Meters are warranted to meet or exceed AWWA new meter accuracy standards for 5 years from date of shipment or registration of 750,000 gallons.
- Meters are warranted to meet or exceed AWWA repaired meter accuracy standards for 15 years from date of shipment or registration of 2,500,000.
- Meters are warranted to meet or exceed the low flow accuracy of 98.5% at a rate of 1/4 gpm and low flow rate accuracy at a rate of 95% at a rate of 1/8 gpm for 5 years from date of shipment or registration of 675,000 gallons.
- Meters that fail under the warranty, at the option of Badger Meter, will be repaired or replaced without charge to the customer.

d. State the number and age of any 5/8 meters that are not the Badger M25 meters in use by Butler County Water.

Response: As of 12/31/22, meters that are not Badger M25 meters are provided below:

Sensus SR11 5/8" Meters

Age	Count
0 - 5 years	0
6 - 10 years	11
11-15 years	487
16-20 years	999
21+ years	32
Total	1,529

In year 2023, Butler County Water discontinued the use of Badger M25 5/8" and began installing Kamstrup Ultrasonic 5/8" meters. As of 7/15/24, the number of Kamstrup Ultrasonic 5/8" meters in service totaled 105.

In year 2024, Butler County Water began installing Master Meter Sonata Ultrasonic 5/8" meters in addition to the Kamstrup meters. As of 7/15/24, the number of Master Meter Sonata Ultrasonic 5/8" meters in service totaled 24.

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3. Refer to Butler County Water's response to Staff's First Request, Item 16.
 - a. Explain whether Badger M25 Size 5/8 meters that are approaching 10 years of service would likely be replaced under the 15-year warranty. If so, explain what effect this replacement would have on the meters' useful life.

Response: It is unlikely Badger M25 meters will be replaced under the 15-year warranty based upon communications with Badger Meter representatives. On May 1, 2023, a sample of 6 meters from a group that failed accuracy tests were submitted to Badger Meter as a warranty claim. Badger's case analysis report dated May 16, 2023, confirmed the accuracy failures. In a letter dated December 12, 2023, from Badger's legal counsel, the warranty claim was denied based upon the following language in the warranty:

"This warranty shall not apply to Product repaired or altered by any party other than Badger Meter. The foregoing warranty applies only to the extent that the Product is installed, serviced, and operated strictly in accordance with AWWA Standard C700 and AWWA M6 Manual. The warranty shall not apply and shall be void with respect to Product exposed to conditions other than those detailed in Badger Meter Product technical literature and Installation and Operation Manuals (IOMs), or which have been subject to vandalism, negligence, accident, acts of God, improper installation, operation or repair, alteration, or other circumstances which are beyond the reasonable control of Badger"

Sample testing of the Badger M25 meters indicates a significant number of meters approaching 10 years of service fail accuracy standards. Butler County Water anticipates any meter submitted to Badger for accuracy failures as a warranty claim will be denied based upon Badger's interpretation of the warranty language stated above. More information on the warranty claim is provided in subsequent responses.

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- b. Provide copies of the warranty information for Badger M25 Size 5/8 Meters.

Response: See file: 3.b_Badger_Warranty

- c. Provide documentation of any requests Butler County Water has made in regards to replacing the Badger M25 Size 5/8 meters pursuant to the 15-year warranty.

Response: See file: 3.c_Warranty_Claim_Form

In March 2023, crews began removing Badger M25 meters that had been in service for 10 years. The accuracy testing of 48 meters resulted in 31 of the samples failing AWWA meter accuracy standards. On April 6, 2023, Badger was notified of accuracy failures and at the request of Badger, on May 1, 2023, six (6) failed meters were shipped to the Badger testing facilities (reference Return Material Authorization (RMA) form).

- d. Provide any information regarding Butler County Water's success at replacing Badger M25 Size 5/8 Meters under warranty.

Response: See file: 3.d_WSB_Attorney_Letter

See file: 3.d_Badger_Attorney_Letter

No progress has been made towards replacing Badger M25 meters under warranty that fail accuracy testing. On June 8, 2023, Badger Meter representatives notified Butler County Water that the six failed meters submitted to Badger would not be covered under warranty. On November 16, 2023, the attorney representing Warren County Water District, Simpson County Water District, and Butler County Water System notified Badger Meter of their breach of warranty.

On December 12, 2023, our attorney received a letter from Badger Meter legal counsel stating, "Badger Meter is under no obligation to provide warranty replacement or repair for the six meters".

Warren County Water District, Simpson County Water District, and Butler County Water System intend to pursue litigation against Badger Meter for their refusal to replace meters failing to meet accuracy standards as specified in the meter warranty. Management staff anticipates the litigation may extend over a considerable period with an unknown outcome.

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4. For all non-Badger meters, explain whether Butler County Water believes that a 20-year service life is still appropriate. If not, explain why not and identify what service life would be more appropriate.

Response: As of 12/31/22, the non-Badger meters in service are Sensus SR11 5/8" meters totaling 1,529. When SR11 meters are 21 years old, they are removed from service. Random sample testing shows most SR11 meters maintain accuracy standards and experience low failure rates. Over a ten-year period from 2014 to 2023, a sample of 950 SR11 meters were tested, 898 meters passed accuracy testing (94.53%) and 52 meters failed (5.47%). Based upon these test results, a 20-year service life is still appropriate.

Witness: Jeff Peeples

5. State whether Butler County Water believes that setting all meters at a 15-year useful life in a depreciation schedule would be reasonable. If not, explain why not.

Response: Since test data reflects a 10-year service life for Badger M25 meters and a service life of 21 years for Sensus SR11 meters, Butler County Water believes setting these meters to a 15-year useful life would not be reasonable. For the Badger M25, test data indicates a substantial number of meters will fail around 10 years of age. If a 15-year useful life is applied, meters failing at 10 years will have residual book values. In this case, Butler would be required to write off the residual value and record a disposition loss as the Badger M25 meters are removed from service.

In consideration of Kamstrup and Master Meter ultrasonic meters, the warranty on these meters is 10 years full replacement and 10 years prorated. For these meters, a 10-year useful life that corresponds with the 10-year full replacement warranty is appropriate.

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6. Provide the failure rate for all non-Badger meters, including the inputs used to determine the calculation.: ;

Response: See file: 6_Requested_Test_Data

Witness: Jeff Peeples

7. Explain what Butler County Water's plan is for replacing failing meters.

Response: Butler County Water will issue a Request for Proposals (RFP) for the purchase of the replacement meters and an RFP for removal of the failing meters and installation of the replacement meters.

Witness: Jeff Peeples

8. State whether Butler County Water plans to replace any failing meters with upgraded metering technology. If so, explain what those plans are.

Response: Butler County Water plans to replace failing meters with ultrasonic meters. These are becoming an industry standard and provide improved accuracy and lower maintenance. Pilot programs were installed with small quantities of meters from various manufacturers, and their performance is being monitored. Butler County Water will issue a Request for Proposals specifying the purchase of ultrasonic meters.