

Reasons for Application

Butler County Water Butler System, Inc., (Butler System) is filing this application in accordance with the Public Service Commission's Final Order in Case No. 2021-00016 dated March 12 2021. Butler System's revenue requirement calculation supports an increase in water rates of 34.5 percent. Given the impact that an increase of a 34.5 percent rate increase would have upon its customers, Butler System is proposing a two-year rate phase-in. In the first year Butler System proposes to increase its water rates by approximately 18 and by an additional 15 percent in year two. The rate increase will generate approximately \$746,101 in additional annual revenue from water sales.

Butler System has four long-term debt issuances outstanding. Basing Butler System's revenue requirement on Debt Service Coverage produces a working capital allowance sufficient to allow Butler System:

1. To pay its annual principal payments on its existing long-term debt from water revenues rather than from depreciation reserves;
2. To meet the requirements set forth in its existing debt instruments;
3. To restore the Butler System to a sound financial condition; and
4. To enable Butler System to enhance its financial capacity so it can continue to operate in compliance with the federal Safe Drinking Water Act, as amended in 1996, and KRS Chapter 151