

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

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

**NOTICE OF FILING OF SUPPLEMENT TO APPLICATION EXHIBIT 8**

Warren County Water District (“Warren District”) gives notice of the filing of its Supplemental Statement of Adjusted Operations (“SAO”), which was previously submitted with Warren District’s Application for an Adjustment of Rates for Water Service on July 30, 2024 as Exhibit 8. The Supplemental SAO is attached.

The Supplemental SAO includes five (5) new adjustments to certain Operating Expenses, as well as new adjustments to Principal & Interest Payments and Debt Service Coverage (Additional Working Capital), as explained below.

1. **Contractual Services – Legal & Contractual Services – Other.** In Warren District’s Response to Commission Staff’s Second Request for Information, Item No. 5 (“2-5”), Warren District explained that two invoices were inadvertently omitted when calculating the Contractual Services – Legal expense for the test year in the original SAO: Invoice Number 23144-26961 for \$560.00 and Invoice Number 1018510 for \$365.37. Invoice Number 1018510 for \$365.37 was inadvertently included under the Contractual Services – Other expense amount.

The original SAO reported the Contractual Services – Legal expense for the test year as \$16,922. Warren District has proposed an **upward adjustment of \$925** [ $\$560 + \$365 = \$925$  rounded down], for a total pro forma expense level of **\$17,847** to account for the two previously omitted invoices. The original SAO reported the Contractual Services – Other Expense for the test year as \$772,869. Warren District has proposed a corresponding **downward adjustment of \$(365)** [ $\$365.37$  rounded down] to reclassify Invoice Number 1018510.

2. **Contractual Services – Other.** In Warren District’s Response to Commission Staff’s Fourth Request for Information, Item No. 13b (“4-13b”), at pages 19 through 22, Warren District evaluated certain business expenses recorded to its Contractual Services – Other expense category and determined that it would **not** seek to recover five particular expenses incurred during the test year: (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.

The original SAO reported the Contractual Services – Other expense for the test year as \$772,869. While Warren District views all of its expenses as legitimate and prudently incurred business expenses, it is **not** seeking to recover the particular expenses noted above in rates after considering Commission precedent that precludes the recovery of these expenses. Accordingly, Warren District is proposing a **downward adjustment of \$(6,001)** [ $\$500.00 + \$347.40 + \$2,000.00 + \$2,663.40 + \$500 = \$6,011$  rounded up] to remove these five expenses from the revenue requirement calculation. The revised total pro forma expense level for Contractual Services – Other, including the \$(6,001) downward adjustment and the \$(365) downward adjustment discussed above in paragraph 1, is **\$766,503**.

### 3. **Depreciation Expense**

a. **SCADA Upgrade.** In Warren District’s Response to Commission Staff’s Fourth Request for Information, Item No. 3b (“4-3b”), Warren District explained that the Water Division portion of the SCADA Upgrade is currently 80 percent complete, and the remaining 20 percent of the SCADA Upgrade is not estimated to be completed until December 31, 2025.

Warren District had initially proposed to recover 100 percent of the annual Depreciation Expense associated with the SCADA Upgrade, or \$188,269 [Total Project Cost of \$1,882,691 ÷ 10-year useful life = \$188,269 rounded down annual Depreciation Expense for Total Project Cost]. However, because the

remaining 20 percent of the SCADA Upgrade is not estimated to be completed until the end of 2025, Warren District now proposes to recover only 80 percent of the annual Depreciation Expense [ $\$1,882,691 \times 80\% = \$1,506,153$  rounded up Completed Project Cost  $\div$  10-year useful life =  $\$150,615$  rounded down annual Depreciation Expense for Completed Project Cost]. Accordingly, Warren District is proposing a **lower adjustment of \$150,615** to the Depreciation Expense associated with the SCADA Upgrade.

b. **CIS Infinity Upgrade.** In Warren District's Response to Commission Staff's Fourth Request for Information, Item No. 3c ("4-3c"), Warren District explained that Advanced Utility Systems has caused delays in implementing the CIS Infinity Upgrade, and the CIS Infinity Upgrade is now scheduled to begin in February 2025 and to be completed in February 2026.

The original SAO reported the Depreciation Expense associated with the CIS Infinity Upgrade as \$73,452, because Warren District initially expected the CIS Infinity Upgrade to be completed by the end of 2024. However, because of the implementation delays, Warren District is now proposing a **\$0 adjustment** to remove the entire projected Depreciation Expense associated with the CIS Infinity Upgrade.

The total test year Depreciation Expense in the original SAO was \$3,763,349, with an upward adjustment of \$672,293 initially proposed for a total pro forma

amount of \$4,435,642. However, with the revised adjustments associated with the SCADA Upgrade and the CIS Infinity Upgrade [(\$37,654) + (\$73,452) = \$(111,106)], the proposed total Depreciation Expense adjustment is now **\$561,187**, for a total pro forma Depreciation Expense amount of **\$4,324,536**.

4. **Principal & Interest Payments.** In Warren District’s Response to Commission Staff’s Second Request for Information, Item No. 4a (2-4a), Warren District provided “**Exhibit 2-4a\_Debt Schedule,**” an Excel spreadsheet compiling information from all of the amortization schedules for Warren District’s outstanding debt issuances. In reviewing the information provided within Exhibit 2-4a, Warren District discovered that the Principal & Interest Payments amount provided in the original SAO of \$859,380 was incorrect. Upon recalculating the average annual Principal & Interest Payments for the years 2024, 2025, and 2026 using the data provided in Exhibit 2-4a, Warren District calculated the following:

Principal & Interest Payments	
2024	\$ 4,489,799
2025	4,735,909
2026	634,408
<b>Average</b>	<b>\$ 3,286,705</b>

This average greatly exceeds the Principal & Interest Payments amount stated in the original SAO and would significantly impact Warren District’s Required Revenue Increase in this proceeding. The significant increase is attributable largely to the high principal amounts associated with the Series 2022D Loan from the Rural

Water Finance Agency (“RWFA”) [principal amount equals \$3,615,380] and the Series 2024D Loan from the RWFA [principal amount equals \$3,777,547].

To reduce the rate impact associated with this recalculated average, Warren District proposes to calculate its Average Principal & Interest Payments **excluding** the principal amounts associated with the Series 2022D and Series 2024D Loans. By excluding these principal amounts, the Average Principal & Interest Payments are as follows:

Principal & Interest Payments Excluding Series 2022D and Series 2024D Loan Principals	
2024	\$ 874,418
2025	958,362
2026	634,408
<b>Average</b>	<b>\$ 822,396</b>

This new Principal & Interest Payments amount of **\$822,396** results in a slight decrease from the \$859,380 amount included in the original SAO. Because Warren District believes this amount to be a reasonable, known, and measurable amount to include for ratemaking purposes, Warren District is proposing a **downward adjustment of \$(36,984)** to the Principal and Interest Payments, for a total pro forma amount of **\$822,396**.

5. **Debt Service Coverage (Additional Working Capital).** Warren District’s loan documents require a 20 percent Debt Service Coverage of the annual Principal & Interest Payments amount. This Debt Service Coverage is also known

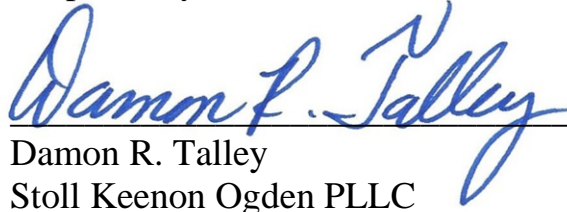
as Additional Working Capital. Because Warren District is proposing an adjustment to its Principal & Interest Payments amount, it must also make a corresponding adjustment to its Debt Service Coverage (Additional Working Capital) amount.

The original SAO listed a Debt Service Coverage (Additional Working Capital) amount of \$171,876 [ $\$859,380 \text{ Principal \& Interest Payments} \times 0.20 = \$171,876$ ]. With the revised Principal & Interest Payments amount of \$822,396, the corresponding Debt Service Coverage (Additional Working Capital) amount is **\$164,479** [ $\$822,396 \text{ Principal \& Interest Payments} \times 0.20 = \$164,479$ ]. Accordingly, Warren District is proposing a **downward adjustment of \$(7,397)** to the Debt Service Coverage (Additional Working Capital) amount, for a total pro forma amount of **\$164,479**.

Aside from the seven (7) new adjustments discussed above, the adjustments and calculations proposed in the original SAO remain the same. Prior to the close of the record in this proceeding, Warren District intends to file an update to its estimated Rate Case Expense, which may differ from the amount that is currently provided in the SAO.

Dated: December 30, 2024

Respectfully submitted,



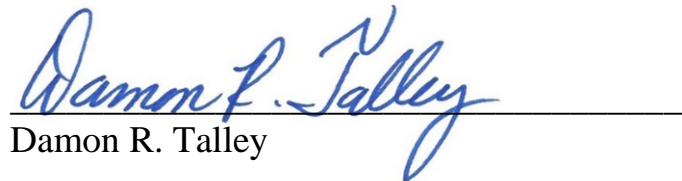
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### **CERTIFICATE OF SERVICE**

In accordance with 807 KAR 5:001, Section 8 and the Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was submitted electronically to the Public Service Commission on December 30, 2024 and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding.



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Damon R. Talley



Supplemental Statement of Adjusted Operations — Warren County Water District Water Division

	Test Year	Initial Proposed Adjustments	Revised Proposed Adjustments	DR Ref.	Initial Pro Forma	Revised Pro Forma
<b>Operating Revenues</b>						
Metered Water Revenues	15,921,435				15,921,435	15,921,435
Fire Protection	161,466				161,466	161,466
Total Sales of Water	16,082,901				16,082,901	16,082,901
Other Water Revenues						
Forfeited Discounts	207,919				207,919	207,919
Interest Income	259,072				259,072	259,072
Misc. Service Revenues	267,538				267,538	267,538
Other Water Revenues	240,410				240,410	240,410
<b>Total Operating Revenues</b>	<b>\$ 17,057,840</b>				<b>\$ 17,057,840</b>	<b>\$ 17,057,840</b>
<b>Operating Expenses</b>						
Operation and Maintenance (O&M)						
Salaries and Wages – Employees	1,761,749	349,605	349,605		2,111,354	2,111,354
COLA		57,098	57,098			
Merit		35,235	35,235			
New Employees		257,271	257,271			
Commissioner Fees	15,000				15,000	15,000
Employee Overhead						
Payroll Taxes	151,971	(151,971)	(151,971)		0	0
Wages	269,440	38,298	38,298		307,738	307,738
Worker’s Comp	9,881	1,404	1,404		11,286	11,286
Fringe Benefits – Insurance	213,146	30,296	30,296		243,443	243,443
Retirement	353,079	50,186	50,186		403,266	403,266
COLA		25,421	25,421		25,421	25,421
Merit		15,687	15,687		15,687	15,687
Purchased Water	8,149,609				8,149,609	8,149,609
Purchased Power	542,510				542,510	542,510
Materials and Supplies	347,272				347,272	347,272
Contractual Services – Accounting	14,534				14,534	14,534
Contractual Services – Legal	16,922	0	925	2-5	16,922	17,847
Contractual Services – Other	772,869	0	(6,366)	2-5 & 4-13b	772,869	766,503
Rental of Building/Real Prop.	57,450				57,450	57,450
Equipment Expenses	296,881				296,881	296,881
Insurance – Gen. Liability	72,305				72,305	72,305
Insurance – Other	2,843				2,843	2,843
Regulatory Expense	20,980				20,980	20,980
Bad Debt	20,960				20,960	20,960
Miscellaneous Expenses	55,503				55,503	55,503
Misc Non-Utility Income	(11,001)	11,001	11,001		0	0
Unrealized (Gain)/Loss on Investment	3,996				3,996	3,996
Total O&M Expenses	<b>13,137,899</b>	<b>369,929</b>	<b>364,485</b>		<b>13,507,828</b>	<b>13,502,384</b>
Depreciation Expense	<b>3,763,349</b>	<b>672,293</b>	<b>561,187</b>		<b>4,435,642</b>	<b>4,324,536</b>
Developments – Hydrants		8,775	8,775			
Developments – Mains		34,267	34,267			
Transpark 2 – Hydrants		4,207	4,207			
Transpark 2 – Mains		77,772	77,772			
Transpark 2 Tank – Structures		123,171	123,171			
SCADA Upgrade		188,269	150,615	4-3b		
CIS Infinity Upgrade		73,452	0	4-3c		
MCO Program		162,380	162,380			
Taxes Other than Income	<b>2,295</b>	<b>173,572</b>	<b>173,572</b>		<b>175,867</b>	<b>175,867</b>
<b>Total Operating Expenses</b>	<b>\$ 16,903,543</b>	<b>1,215,794</b>	<b>1,099,244</b>		<b>\$ 18,119,337</b>	<b>\$ 18,002,787</b>
<b>Net Utility Operating Income</b>	<b>\$ 154,297</b>	<b>(1,215,794)</b>	<b>(1,099,244)</b>		<b>\$ (1,061,497)</b>	<b>\$ (944,947)</b>

<b>REVENUE REQUIREMENTS</b>					
Pro Forma Operating Expenses				18,119,337	18,002,787
Add: Principal & Interest Payments		(36,984)	2-4a	859,380	822,396
Debt Service Coverage (Additional Working Capital)		(7,397)	2-4a	171,876	164,479
Rate Case Expense				64,495	64,495
<b>Total Revenue Requirement</b>				<b>\$ 19,215,088</b>	<b>\$ 19,054,157</b>
Subtract: Other Operating Revenues				(715,867)	(715,867)
Interest Income				(259,072)	(259,072)
Nonutility Income				(11,001)	(11,001)
<b>Revenue Required from Water Sales</b>				<b>\$ 18,229,148</b>	<b>\$ 18,068,217</b>
Revenue from Sales at Present Rates				(16,082,901)	(16,082,901)
<b>Required Revenue Increase</b>				<b>\$ 2,146,247</b>	<b>\$ 1,985,316</b>
<b>Required Revenue Increase as a Percentage of Revenue at Present Rates</b>				<b>13.34%</b>	<b>12.34%</b>