

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**ELECTRONIC APPLICATION OF)
WARREN COUNTY WATER)
DISTRICT FOR AN ADJUSTMENT) CASE NO. 2024-00201
OF RATES FOR SEWER SERVICE)**

**RESPONSE OF
WARREN COUNTY WATER DISTRICT
TO
COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION
DATED OCTOBER 30, 2024**

Filed: NOVEMBER 14, 2024

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ELECTRONIC APPLICATION OF)
WARREN COUNTY WATER)
DISTRICT FOR AN ADJUSTMENT) **CASE NO. 2024-00201**
OF RATES FOR SEWER SERVICE)

**RESPONSE OF WARREN COUNTY WATER DISTRICT TO
COMMISSION STAFF’S FOURTH REQUEST FOR INFORMATION**

Warren County Water District (the “District”) submits its Response to
Commission Staff’s Fourth Request for Information.



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Counsel for Warren County Water District

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, and the Public Service Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was transmitted to the Public Service Commission on November 14, 2024 and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding



Counsel for Warren County Water District

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

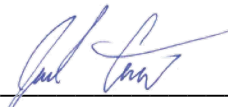
In the Matter of:

| | | |
|-----------------------------------|---|----------------------------|
| ELECTRONIC APPLICATION OF |) | |
| WARREN COUNTY WATER |) | |
| DISTRICT FOR AN ADJUSTMENT |) | CASE NO. 2024-00201 |
| OF RATES FOR SEWER SERVICE |) | |

**CERTIFICATION OF RESPONSE OF
WARREN COUNTY WATER DISTRICT
TO COMMISSION STAFF'S
FOURTH REQUEST FOR INFORMATION**

This is to certify that I have supervised the preparation of Warren County Water District's Response to Commission Staff's Fourth Request for Information as required by 807 KAR 5:001, Section 4(12)(d)(2)(b). The Response submitted on behalf of Warren County Water District is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Date: November 14, 2024

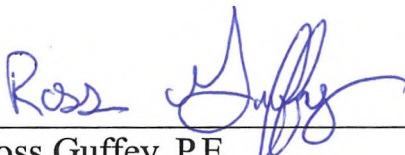


Jacob Cuarta, General Manager
Warren County Water District

SWORN CERTIFICATION AND VERIFICATION

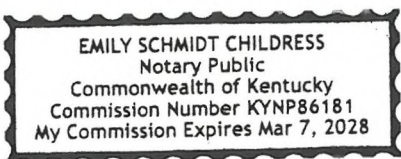
COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF FAYETTE)

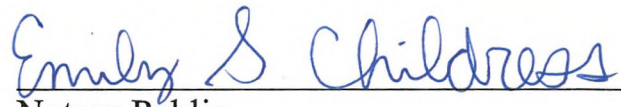
The undersigned, Ross Guffey, being duly sworn, deposes and states that he, as a licensed professional engineer with HDR Engineering, Inc., has personal knowledge of the matters set forth in the responses for which he is identified as the witness in Kentucky Public Service Commission Case No. 2024-00201, and the answers contained therein are true and correct to the best of his information, knowledge, and belief.



Ross Guffey, P.E.
Water/Wastewater Manager
HDR Engineering, Inc.

Subscribed, sworn to, and acknowledged before me, a Notary Public in and for said county and state, this 14 day of November 2024.





Notary Public

My Commission Expires: Mar. 7, 2028

Notary ID: KYNP86181

WARREN COUNTY WATER DISTRICT

Case No. 2024-00201

Response to Commission Staff's Fourth Request for Information

Question No. 4-1

Responding Witness: Ross Guffey, P.E., HDR Engineering, Inc.

Q 4-1. Refer to Warren District's response to Commission Staff's Third Request for Information, Item 8. Warren District discussed how the minimum usage volumes were calculated but did not answer Commission Staff's specific question. Explain and provide support for how the Minimum Bill charges and rates for usage over the Minimum Bill were calculated. Include a specific hypothetical example to demonstrate the calculation.

A 4-1. HDR proposed new minimum bill charges and tiered rates based upon water usage in order to achieve the required revenue as outlined in the Cost-of-Service Study (the "Rate Study"), which is **Exhibit 18** to the Application. Based on the required revenue calculated within the Rate Study, a 13.9% increase in Warren District's overall revenue is necessary. However, calculating the new rates was not as simple as applying a uniform 13.9% increase to the existing rates due to several underlying changes proposed to Warren District's overall rate structure.

First, modifications in rate tier volume thresholds were proposed to permit the Sewer Division to match the Water Division tiers. As a result of

this change, a 13.9% increase in rates across all tiers would have over-generated potential revenue.

Second, specific modifications to the highest usage tier (i.e., all usage over 1,000,000 gallons per month) were proposed to increase the margin between the amount Bowling Green Municipal Utilities (“BGMU”) charges Warren District for treating the wastewater and the amount which Warren District is currently charging its sewer customers. Currently, Warren District pays BGMU \$3.1285 per 1,000 gallons while selling at the highest usage tier for \$3.36 per 1,000 gallons, resulting in a margin of \$0.2315 per 1,000 gallons. Without additional increases specific to the highest usage tier, the possibility of low-volume users subsidizing these highest-volume users would be heightened.

Third, the removal of separate rate tiers for Smiths Grove—a proposal aimed to align all users for Warren District under one rate structure—further impacted the ability to apply a uniform percentage increase to rates based on the overall revenue required.

To mitigate these various changes in the rate structure, HDR determined the specific rate tiers using the Excel spreadsheet filed

separately with this Response as **Exhibit 4-1**.¹ The spreadsheet contains the Sewer Billing Analysis for both the Existing and Proposed Rates based on Test Year retail usage.

In the Existing Tab, using the customer usage data and number of bills for each meter size and existing usage tiers for the Test Year, HDR calculated the revenue from sewer sales under existing rates. In the Proposed Tab, HDR developed a spreadsheet with the proposed usage tiers for each meter size using Test Year retail usage data based on proposed sewer rates referenced in the Sewer Rates Tab. HDR then calculated the projected revenue from sewer sales under proposed rates.

In the Sewer Rates Tab, HDR input both the existing and proposed rates for Warren District Sewer Division based on the proposed usage tiers. HDR incorporated a field for percentage increase for the proposed rates (cells D24 to D28) and modified the potential rate increase until the Billing Analysis Projected Revenue (line 138 in the Proposed Tab) was sufficient to produce the necessary revenue. The proposed percentage increase is 10.10% for all usage tiers except the highest usage, which is proposed to

¹ Identical versions of this spreadsheet were previously filed as “Exhibit_2-8_Billing Analysis” and as “Exhibit_1-31_WCWD Sewer Revenue.”

increase by 14.6%. See **Exhibit 4-1** for additional detail and embedded formulas.

The minimum sewer bill charges are based upon the minimum water amount used for a specific size water meter because none of the sewer customers have a meter to measure the amount of wastewater discharged into Warren District's wastewater collection system. Below is an example which illustrates the calculation of a sewer bill using Warren District's proposed sewer rates for a hypothetical sewer customer who uses 100,000 gallons of water per month through a 6-inch water meter. See **Exhibit 4-1**, Sewer Rates Tab, for the minimum bill charges associated with each meter size.

| Sample Calculation of Customer's Sewer Bill | | | |
|---|---------------------------|---------------------------|------------------|
| | Usage Amount (Gallons) | Rate Per 1,000 Gallons | Amount |
| | First 2,000 | N/A | \$ 13.49 |
| | Next 8,000 | \$ 5.84 | \$ 46.72 |
| | Next 90,000 | \$ 4.59 | \$ 413.10 |
| TOTALS | 100,000 | N/A | \$ 473.31 |