

**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 )**

**NOTICE OF FILING OF SUPPLEMENT TO APPLICATION EXHIBIT 7**

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 Sewer Service on July 31, 2024 as Exhibit 7. The Supplemental SAO is attached.

The Supplemental SAO includes three (3) 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. 4 (“2-4”), Warren District explained that one invoice was inadvertently omitted when calculating the Contractual Services – Legal expense for the test year in the original SAO: Invoice Number 1018510 for \$107.73. This invoice was instead inadvertently included under the Contractual Services – Other expense amount.

The original SAO reported the Contractual Services – Legal expense for the test year as \$5,136. Warren District has proposed an **upward adjustment of \$108** [\$107.73 rounded up], for a total pro forma expense level of **\$5,244** to account for the previously omitted invoice. The original SAO reported the Contractual Services – Other Expense for the test year as \$226,678. Warren District has proposed a corresponding **downward adjustment of \$(108)** [\$107.73 rounded up] to reclassify the invoice, for a total pro forma expense level of **\$226,570**.

2. **Depreciation Expense — CIS Infinity Upgrade.** In Warren District’s Response to Commission Staff’s Fifth Request for Information, Item No. 2b (“5-2b”), Warren District explained that 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 \$22,230, 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 \$1,918,276, with an upward adjustment of \$245,339 initially proposed for a total pro forma amount of \$2,163,615. However, with the revised adjustment associated with the

CIS Infinity Upgrade [(\$22,230)], the proposed total Depreciation Expense adjustment is now **\$223,108**, for a total pro forma Depreciation Expense amount of **\$2,141,384**.

3. **Principal & Interest Payments.** In Warren District’s Response to Commission Staff’s Second Request for Information, Item No. 3a (2-3a), Warren District provided “**Exhibit 2-3a\_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 2-3a, Warren District discovered that the Principal & Interest Payments amount provided in the original SAO of \$618,554 was incorrect. Upon recalculating the average annual Principal & Interest Payments for the years 2024, 2025, and 2026 using the data provided in Exhibit 2-3a, Warren District calculated the following:

Principal & Interest Payments	
2024	\$ 8,396,298
2025	8,856,250
2026	312,253
<b>Average</b>	<b>\$ 5,854,934</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 \$7,754,620] and the Series 2024D Loan from the RWFA [principal amount equals \$8,102,453].

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	\$ 641,678
2025	753,798
2026	312,253
<b>Average</b>	<b>\$ 569,243</b>

This new Principal & Interest Payments amount of **\$569,243** results in a slight decrease from the \$618,554 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 \$(49,311)** to the Principal and Interest Payments, for a total pro forma amount of **\$569,243**.

4. **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

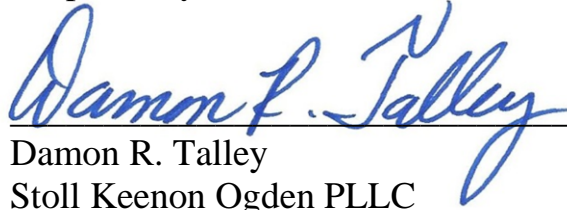
as Additional Working Capital. Because Warren District is proposing an adjustment to its Principal & Interest Payments amount, it must also make a corresponding adjustment to its Debt Service Coverage (Additional Working Capital) amount.

The original SAO listed a Debt Service Coverage (Additional Working Capital) amount of \$123,711 [ $\$618,554 \text{ Principal \& Interest Payments} \times 0.20 = \$123,711$  rounded up]. With the revised Principal & Interest Payments amount of \$569,243, the corresponding Debt Service Coverage (Additional Working Capital) amount is **\$113,849** [ $\$569,243 \text{ Principal \& Interest Payments} \times 0.20 = \$113,849$  rounded up]. Accordingly, Warren District is proposing a **downward adjustment of \$(9,862)** to the Debt Service Coverage (Additional Working Capital) amount, for a total pro forma amount of **\$113,849**.

Aside from the five (5) 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.



Damon R. Talley

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

	Test Year	Initial Proposed Adjustments	Revised Proposed Adjustments	DR Ref.	Initial Pro Forma	Revised Pro Forma
<b>Operating Revenues</b>						
Metered Sewer Revenues	6,144,256				6,144,256	6,144,256
Other Sewer Revenues						
Forfeited Discounts	84,207				84,207	84,207
Interest Income	432,358				432,358	432,358
Misc. Service Revenues	33,870				33,870	33,870
Other Sewer Revenues	(14,276)				(14,276)	(14,276)
<b>Total Operating Revenues</b>	<b>\$ 6,680,415</b>				<b>\$ 6,680,415</b>	<b>\$ 6,680,415</b>
<b>Operating Expenses</b>						
Operation and Maintenance (O&M)						
Salaries and Wages – Employees	317,554	102,012	102,012		419,566	419,566
COLA		10,292	10,292			
Merit		6,351	6,351			
New Employees		85,369	85,369			
Commissioner Fees	15,000				15,000	15,000
Employee Overhead						
Payroll Taxes	27,368	(27,368)	(27,368)		0	0
Wages	48,522	12,746	12,746		61,268	61,268
Worker’s Comp	1,779	467	467		2,246	2,246
Fringe Benefits – Insurance	38,385	10,083	10,083		48,468	48,468
Retirement	63,585	16,702	16,702		80,287	80,287
COLA		4,578	4,578		4,578	4,578
Merit		2,825	2,825		2,825	2,825
Sewage Disposal	3,374,015				3,374,015	3,374,015
Purchased Power	157,890				157,890	157,890
Materials and Supplies	59,604				59,604	59,604
Contractual Services – Accounting	14,000				14,000	14,000
Contractual Services – Legal	5,136	0	108	2-4	5,136	5,244
Contractual Services – Other	226,678	0	(108)	2-4	226,678	226,570
Rental of Building/Real Prop.	0				0	0
Equipment Expenses	37,620				37,620	37,620
Insurance – Gen. Liability	15,774				15,774	15,774
Insurance – Other	2,545				2,545	2,545
Regulatory Expense	8,006				8,006	8,006
Bad Debt	4,466				4,466	4,466
Miscellaneous Expenses	17,777				17,777	17,777
Chemicals	30,983				30,983	30,983
Misc Non-Utility Income	(4)	4	4		0	0
Unrealized (Gain)/Loss on Investment	(39,712)				(39,712)	(39,712)
Total O&M Expenses	<b>4,426,971</b>	<b>122,049</b>	<b>122,049</b>		<b>4,549,020</b>	<b>4,549,020</b>
Depreciation Expense	<b>1,918,276</b>	<b>245,339</b>	<b>223,108</b>		<b>2,163,615</b>	<b>2,141,384</b>
Developments – Structures		7,433	7,433			
Developments – Mains		55,216	55,216			
Development – Laterals		37,845	37,845			
SCADA Upgrade		122,614	122,614			
CIS Infinity Upgrade		22,230	0	5-2b		
Taxes Other than Income	<b>0</b>	<b>34,557</b>	<b>34,557</b>		<b>34,557</b>	<b>34,557</b>
<b>Total Operating Expenses</b>	<b>\$ 6,345,247</b>	<b>401,946</b>	<b>379,714</b>		<b>\$ 6,747,193</b>	<b>\$ 6,724,961</b>
<b>Net Utility Operating Income</b>	<b>\$ 335,168</b>	<b>(401,946)</b>	<b>(379,714)</b>		<b>\$ (66,778)</b>	<b>\$ (44,546)</b>

<b>REVENUE REQUIREMENTS</b>					
Pro Forma Operating Expenses				6,747,193	6,724,961
Add: Principal & Interest Payments		(49,311)	2-3a	618,554	569,243
Debt Service Coverage (Additional Working Capital)		(9,862)	2-3a	123,711	113,849
Rate Case Expense				43,724	43,724
<b>Total Revenue Requirement</b>				<b>\$ 7,533,181</b>	<b>\$ 7,451,777</b>
Subtract: Other Operating Revenues				(103,801)	(103,801)
Interest Income				(432,358)	(432,358)
Nonutility Income				(4)	(4)
<b>Revenue Required from Water Sales</b>				<b>\$ 6,997,018</b>	<b>\$ 6,915,614</b>
Revenue from Sales at Present Rates				(6,144,256)	(6,144,256)
<b>Required Revenue Increase</b>				<b>\$ 852,762</b>	<b>\$ 771,358</b>
<b>Required Revenue Increase as a Percentage of Revenue at Present Rates</b>				<b>13.88%</b>	<b>12.55%</b>