

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)	

ORDER

On March 14, 2024,¹ Butler County Water System, Inc. (Butler County Water) filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076. To comply with the requirements of 807 KAR 5:076, Section 9,² Butler County Water used the calendar year ended December 31, 2022, as the basis for its application. The application was filed pursuant to the Commission’s Order in Case No. 2021-00016 which required Butler County Water to file an application for an adjustment of its base rates by March 12, 2024.³

On March 12, 2024, the Commission granted an extension of time requiring Butler County Water to file the application by March 22, 2024.⁴ Butler County Water’s last base

¹ Butler County Water tendered its application on March 13, 2024. By letter dated March 14, 2024, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application was deemed filed on March 14, 2024.

² The reasonableness of the proposed rates shall be determined using a 12-month historical test period, adjusted for known and measurable changes, that coincides with the reporting period of the applicant’s annual report for the immediate past year.

³ Case No. 2021-00016, *Electronic Application of the Butler County Water System, Inc. to Issue Securities in the Approximate Principal Amount of \$840,000 for the Purpose of Refunding Certain Outstanding Obligations of the Association Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001*, (Ky. PSC Mar. 12, 2021), Order.

⁴ Case No. 2021-00016, Mar. 12, 2024, Order.

rate increase pursuant to the alternative rate filing procedure was in Case No. 2003-00486.⁵ Since that matter, Butler County Water has only adjusted its rates in conjunction with an application for a Certificate of Public Convenience and Necessity and pursuant to KRS 278.023 financing cases.

In its application, Butler County requested rates that would increase its annual water sales revenue by \$751,441, or 34.50 percent.⁶

To ensure orderly review of the application, the Commission established a procedural schedule by Order dated April 5, 2024. The procedural schedule was amended by Order entered July 5, 2024. Butler County Water responded to three information requests from Commission Staff.⁷

On August 28, 2024, Commission Staff issued its report (Commission Staff's Report) summarizing its recommendations regarding Butler County Water's requested rate adjustment. Commission Staff recommended that Butler County Water's adjusted test-year operations support a total revenue requirement of \$2,956,834, and that an annual revenue increase of \$705,311, or 32.30 percent, to pro forma present rate revenues was necessary to generate the Overall Revenue Requirement.⁸ In the absence

⁵ Case No. 2003-00486, *Application of Butler County Water System, Inc. for a General Rate Adjustment Pursuant to the Provisions of KRS 278.030 and 807 KAR 5:001* (Ky. PSC Jan. 12, 2005).

⁶ Application, Exhibit 4, 4_SAO_With_Attachments.pdf, Revenue Requirement Table.

⁷ Butler County Water's Response to Commission Staff's First Request for Information (Staff's First Request) (filed May 3, 2024). Butler County Water's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed May 31, 2024). Butler County Water's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed July 22, 2024).

⁸ Commission Staff's Report at 9.

of a cost-of-service study (COSS), Commission Staff allocated its recommended revenue increase evenly across the board to calculate its recommended water rates.⁹

On September 10, 2024, Butler County Water filed its response to Commission Staff's Report.¹⁰ Butler County Water stated that it did not agree with the removal of certain labor expenses from nonrecurring charges, but the district did not wish to contest that adjustment.¹¹ In its response, Butler County Water clarified the Badger M25 Radio Read Meters count. Commission Staff's Report stated Butler County Water currently has 169 Badger Meters and Butler County Water wanted to clarify the 169 were batch quantity of meters instead of individual meters. The total count of meters is 3,465 Badger M25 meters.¹² Butler County Water concurred with the remainder of findings in Commission Staff's Report¹³ and waived its right to request an informal conference or hearing.¹⁴ The case now stands submitted for a decision by the Commission.

LEGAL STANDARD

Alternative rate adjustment proceedings, such as this one, are governed by Commission regulation 807 KAR 5:076, which establishes a simplified process for small utilities to use to request rate adjustments, with the process designed to be less costly to the utility and the utility ratepayers. The Commission's standard of review of a utility's request for a rate increase is well established. In accordance with KRS 278.030 and case

⁹ Commission Staff's Report at 9–10.

¹⁰ Butler County Water's Response to Commission Staff's Report (filed Sept. 10, 2024).

¹¹ Butler County Water's Response to Commission Staff's Report, Item 1.

¹² Butler County Water's Response to Commission Staff's Report, Item 2.

¹³ Butler County Water's Response to Commission Staff's Report, Item 3.

¹⁴ Butler County Water's Response to Commission Staff's Report, Item 4.

law, the utility is allowed to charge its customers “only fair, just and reasonable rates.”¹⁵ Further, the utility bears the burden of proof to show that the proposed rate increase is fair, just and reasonable under KRS 278.190(3).

BACKGROUND

Butler County Water is a water utility organized pursuant to KRS Chapter 273 that owns and operates a distribution system through which it provides retail water service to approximately 4,659 residential customers, 351 commercial customers, and 9 industrial customers that reside in Butler County, Kentucky.¹⁶ Butler County Water currently produces its own water and does not purchase water from another source.¹⁷ Butler County Water participates in a Joint Operations Agreement with Warren County Water District (Warren District), Warren County Water District Sewer Division (Warren Sewer District) and Simpson County Water District (Simpson District).¹⁸

UNACCOUNTED-FOR WATER LOSS

In its application, Butler County Water reported water loss of 21.758 percent.¹⁹ The Commission notes that, in its 2022 Annual Report, Butler County Water reported a water loss of 21.8325 percent.²⁰ Commission regulation 807 KAR 5:066, Section 6(3), states that for ratemaking purposes, a utility's water loss shall not exceed 15 percent of total

¹⁵ *City of Covington v. Public Service Commission*, 313 S.W.2d 391 (Ky. 1958); and *Public Service Comm'n v. Dewitt Water District*, 720 S.W.2d 725 (Ky. 1986).

¹⁶ *Annual Report of Butler County Water to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 12 and 49.

¹⁷ 2022 Annual Report at 57.

¹⁸ Butler County Water's Response to Staff's First Request, Item 3.

¹⁹ Application, Exhibit 4, References, Adjustment G.

²⁰ 2022 Annual Report at 57.

water produced and purchased, excluding water consumed by a utility in its own operations. The following table shows that the 2022 total annual cost of water loss to Butler County Water is \$53,092, while the annual cost of water loss in excess of 15 percent is \$16,615, based on the 21.8325 percent water loss found in Butler County Water’s 2022 Annual Report.²¹ The Commission views excessive water loss as a potential warning sign of problems with the financial health and operational well-being of water utilities.²²

Description	Purchased		
	Power	Chemicals	Total
Pro Forma Expenses	\$ 154,304	\$ 88,875	\$ 243,179
Water Loss Percent	21.8325%	21.8325%	21.8325%
Total Water Loss	<u>\$ 33,688</u>	<u>\$ 19,404</u>	<u>\$ 53,092</u>

Description	Purchased		
	Power	Chemicals	Total
Pro Forma Expenses	\$ 154,304	\$ 88,875	\$ 243,179
Water Loss in Excess of 15 Percent	6.8325%	6.8325%	6.8325%
Excess Cost	<u>\$ 10,543</u>	<u>\$ 6,072</u>	<u>\$ 16,615</u>

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold.²³ The Commission agrees with Commission Staff and strongly encourages Butler County Water to study its system to identify the sources of unaccounted-for water loss. This is the

²¹ 2022 Annual Report at 57.

²² Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky’s Jurisdictional Water Utilities* (Ky. PSC Mar. 12, 2019), Order.

²³ See generally, Commission final Orders for rate applications from 2017-present for language explaining the greater emphasis on encouraging efforts to reduce water loss and including the approximate amount of money the lost water represented to the utility. Case No. 2017-00176, *Electronic Application of Estill County Water District No. 1 for Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 20, 2017), Order at 4.

logical first step toward developing the comprehensive plan to improve Butler County Water’s infrastructure and eliminate the identified sources of excessive water loss.

TEST PERIOD

The calendar year ended December 31, 2022, was used as the test year to determine the reasonableness of Butler County Water’s existing and proposed wastewater rates as required by 807 KAR 5:076, Section 9.

SUMMARY OF REVENUE AND EXPENSES

The Commission Staff’s Report summarized Butler County Water’s pro forma income statement as follows.

Description	2022 Test Year	Pro Forma Adjustments	Commission Staff Report Pro Forma
Total Operating Revenues	\$ 2,268,006	\$ (39,679)	\$2,228,327
Utility Operating Expenses ()	(2,823,219)	310,145	(2,513,074)
Net Utility Operating Income	(555,213)	270,466	(284,747)
Gains/ Losses from Disposal of Utility Property	(5,840)	-	(5,840)
Interest and Dividend Income	28,352	-	28,352
Nonutility Income	684	-	684
Total Utility Operating Income	<u>\$ (532,017)</u>	<u>\$270,466</u>	<u>\$ (261,551)</u>

REVIEW OF COMMISSION STAFF’S RECOMMENDATIONS

Butler County Water proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. In the Commission Staff’s Report, Commission Staff proposed additional adjustments. The Commission accepts the recommendations contained in the Commission Staff’s Report with no further modifications. The following is the Commission’s complete pro forma:

Description	Test Year	Total Adjustments	Pro Forma	Commission Adjustment	Commission Pro Forma
Operating Revenues					
Total Metered Water Sales	\$ 2,200,475	\$ (23,666)	\$ 2,176,809		\$ 2,176,809
Private Fire Protection	6,685	(4)	6,681		6,681
Total Sales of Water	2,207,160	(23,670)	2,183,490	-	2,183,490
Other Water Revenues					
Forfeited Discounts	32,405		32,405		32,405
Misc. Service Revenues	28,185	(16,009)	12,176		12,176
Other Water Revenues	256		256		256
Total Other Water Revenues	60,846	(16,009)	44,837	-	44,837
Total Operating Revenues	2,268,006	(39,679)	2,228,327	-	2,228,327
Operating Expenses					
Operation and Maintenance Expenses					
Salaries and Wages - Employees	430,015	97,270	527,285		527,285
Salaries and Wages - Officers	18,000		18,000		18,000
Employee Benefits	162,603	(38,510)			-
		5,530	129,623		129,623
Employee Pensions	57,728	22,060	79,788		79,788
Purchased Power	154,304	(10,543)	143,761		143,761
Chemicals	88,875	(6,072)	82,803		82,803
Materials and Supplies	86,124		86,124		86,124
Contractual Services- Accounting	6,041		6,041		6,041
Contractual Services- Legal	161		161		161
Contractual Services- Water Testing	12,351		12,351		12,351
Contractual Services- Other	199,571		199,571		199,571
Rental of Building/ Real Property	16,295		16,295		16,295
Transportation Expenses	95,606		95,606		95,606
Insurance - Vehicle	3,334		3,334		3,334
Insurance - Gen. Liability	21,712		21,712		21,712
Insurance - Workers' Compensation	2,828		2,828		2,828
Insurance - Other	1,202		1,202		1,202
Bad Debt	(1,000)		(1,000)		(1,000)
Miscellaneous Expense	4,944		4,944		4,944
Total Operation and Maintenance Expenses	1,360,693	69,735	1,430,428	-	1,430,428
Depreciation	1,459,231	(36,025)			
		(555,623)			
		94,400			
		75,654	1,037,637		1,037,637
Taxes Other Than Income	3,296	41,714	45,010		45,010
Utility Operating Expenses	2,823,219	(310,145)	2,513,074	-	2,513,074
Net Operating Income	(555,213)	270,466	(284,747)	-	(284,747)
Gains/ Losses from Disposal of Utility Property	(5,840)		(5,840)		(5,840)
Interest and Dividend Income	28,352		28,352		28,352
Nonutility Income	684		684		684
Income Available to Service Debt	\$ (532,017)	\$ 270,466	\$ (261,551)	\$ -	\$ (261,551)

Metered Water Sales – Billing Analysis. Butler County Water provided a billing analysis listing the water usage and water sales revenue for the 12-month test year in its application.²⁴ Butler County Water reported total metered water sales revenue of

²⁴ Application, Attachment 6, Attachment, Billing Analysis.

\$2,200,475 for the test year in its Schedule of Adjusted Operations.²⁵ Butler County Water provided a billing analysis to calculate a normalized revenue amount based on the usage during the test year using the rates authorized in its current tariff to be \$2,176,809 and proposed an adjustment to decrease test-year water sales revenue by \$23,666 to reflect the revenues from water rates generated by the billing analysis.²⁶ Commission Staff noted that a portion of the decrease could be the result of some nonrecurring charges being recorded as Sales of Water.²⁷ Commission Staff recommended the Commission approve these adjustments. An examination of Butler County Water's billing analysis was completed by Commission Staff and a normalized revenue was based on the information provided.²⁸

The Commission finds that, because the adjustment to Metered Sales to Retail Customers is a known and measurable change reflected in the evidence provided in the record, Butler County Water's Metered Water Sales should be decreased by \$23,666. The adjustment is reasonable and should be accepted.

Private Fire Protection – Billing Analysis. In its initial application, Butler County Water proposed an adjustment to Private Fire Protection of \$5,344; however, in the references section, it mentioned an adjustment of only \$4 to which Butler County Water confirmed the \$5,344 adjustment was an error and should be ignored, the correct

²⁵ Application, Attachment 4, 4_SAO_With_Attachmernts.pdf, Schedule of Adjusted Operations.

²⁶ Application, Attachment 6, Attachment, Billing Analysis.

²⁷ Commission Staff's Report, at 14–15.

²⁸ Commission Staff's Report at 14–15.

adjustment was a decrease of \$4;²⁹ to reflect a necessary reduction given that the Current Billing Analysis resulted in a revenue of \$6,681 for Private Fire Protection.³⁰ Commission Staff agreed with the proposed \$4 adjustment because it is known and measurable.³¹

The Commission finds that, because Butler County Water's adjustment to Private Fire Protection is a known and measurable change reflected in the evidence provided in the record, Butler County Water's Private Fire Protection should be decreased by \$4.

Miscellaneous Service Revenues – Nonrecurring Charges. Butler County Water provided the number of instances each nonrecurring charge was performed during the test period,³² as well as the cost justification sheets.³³ Commission Staff reviewed the responses, the cost justification sheets, and the general ledger. Commission Staff followed the Commission's precedent in removing field labor and office/clerical labor costs.³⁴ Commission Staff calculated a decrease to revenue from Nonrecurring Charges of \$16,009, as shown in the following table.³⁵ Commission Staff recommended the

²⁹ Application, Attachment 4, 4_SAO_With_Attachmernts.pdf, Schedule of Adjusted Operations. Butler County Water originally proposed an adjustment to Private Fire Protection of \$5,344 in its Schedule of Adjusted operations but noted that this was an error. Butler County Water's Response to Staff's First Request, Item 21 at 28.

³⁰ Application, Attachment 4, 4_SAO_With_Attachmernts.pdf, Schedule of Adjusted Operations.

³¹ Commission Staff's Report at 15.

³² Butler County Water's Response to Staff's First Request, Item 15, Attachment, Nonrecurring Charges.

³³ Butler County Water's Response to Staff's First Request, Item 15a, Attachment.

³⁴ Case No. 2020-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020); Case No. 2020-00167, *Electronic Application of Ohio County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 3, 2020); Case No. 2020-00196, *Electronic Application of West Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020); and Case No. 2020-00195, *Electronic Application of Southeast Daviess County Water District for an Alternative Rate Adjustment* (Ky. PSC Dec. 30, 2020).

³⁵ Commission Staff's Report at 12.

Commission accept Commission Staff's adjustment to Misc. Service Revenues because the amount is known and measurable.³⁶

<u>Description</u>	<u>Occurrences</u>	<u>Current Charge</u>	<u>Revised Charge</u>	<u>Adjustment</u>	<u>Pro Forma</u>
Service Connection	428	\$25.00	\$8.00	\$ (7,276)	\$ 3,424
Service Connection-After Hours	4	\$65.00	\$57.00	(32)	228
Delinquent Service	561	\$25.00	\$12.00	(7,293)	6,732
Meter Reading Recheck	0	\$25.00	\$8.00	0	0
Service Investigation	5	\$25.00	\$12.00	(65)	60
Service Investigation-After Hours	2	\$65.00	\$104.00	78	208
Meter Test Request	0	\$50.00	\$5.00	0	0
Meter Investigation	12	\$75.00	\$9.00	(792)	108
Returned Check	25	\$25.00	\$12.00	(325)	300
Service Line Inspection	8	\$50.00	\$12.00	(304)	96
Pro Forma Test Year NRC Revenue				<u>\$ (16,009)</u>	\$ 11,156
Less: Test Year NRC Revenue ()					(27,165)
Adjustment					<u>\$ (16,009)</u>

The Commission finds that the Commission Staff's recommendation is consistent with precedent, that labor expenses resulting from work performed during normal business hours should not be recovered through nonrecurring charges.³⁷ The Commission requires that charges be directly related to the actual cost incurred to provide the service. Only the marginal cost related to the service should be recovered through a nonrecurring charge for service provided during normal working hours. Thus, the Commission finds that Commission Staff's recommendation is reasonable, the revised nonrecurring charges as described in Appendix A to be reasonable, and that Butler County Water's Miscellaneous Service Revenue should be reduced by \$16,009 because

³⁶ Commission Staff's Report at 16.

³⁷ Case No. 2023-00090, *Electronic Application of Henry County Water District #2 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 24, 2023); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 4, 2024); Case No. 2023-00090, *Electronic Application of Kirksville Water Association Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2023-00252, *Electronic Application of Oldham County Water District for an Alternative Rate Adjustment* (Ky. PSC June 18, 2024).

only the incremental cost related to the service should be recovered for service provided during normal business hours.

Salaries and Wages – Employees. Butler County Water explained that it pays the actual cost for field crews, engineering, and non-administrative personnel.³⁸ However, Butler County Water explained that it participates in a Joint Operations Agreement with Warren Water District, Warren Sewer District, and Simpson District.³⁹ Therefore, the labor and equipment hours are tracked through Warren District’s timecard system and hours recorded by each employee are charged to the appropriate Water System.⁴⁰ In its application, Butler County Water proposed an adjustment to increase Salaries and Wages – Employees by \$97,270,⁴¹ to reflect Warren District’s current staff, the actual hours of work done during the test period for Butler County Water and the current wage rates.⁴² Each system reimburses Warren District for the actual costs of these services on a monthly basis.⁴³ In addition, Butler County Water determined that the customer service employees are not involved with the capital projects and therefore, on a going forward basis, 100 percent of their hours will be expensed.⁴⁴ Butler County Water provided the test year allocated employee position list with 59 full time employees performing work

³⁸ Butler County Water’s Response to Staff’s First Request, Item 3.

³⁹ Butler County Water’s Response to Staff’s First Request, Item 3.

⁴⁰ Butler County Water’s Response to Staff’s First Request, Item 3.

⁴¹ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment C.

⁴² Application, Attachment 4, References, Adjustment C.

⁴³ Butler County Water’s Response to Staff’s First Request, Item 3.

⁴⁴ Application, Attachment 4, References, Adjustment C. Butler County Water’s Response to Staff’s First Request, Item 6a, Rows 82–84.

during the test year,⁴⁵ allocated test year hours worked for Butler County Water of 15,699 regular hours and 1,183 overtime hours,⁴⁶ and the current wage rates.⁴⁷ Commission Staff calculated a pro-forma Salaries and Wages – Employees amount of \$527,285 and agreed with Butler County Water’s proposed increase of \$97,270 to the test year amount.⁴⁸

Commission Staff recommended the Commission accept Butler County Water’s proposed \$97,270 increase to Salaries and Wages – Employee to reflect the normalization of test year employee-allocated hours at current salary wages.⁴⁹

The Commission finds that Butler County Water’s recommended adjustments are reasonable and should be accepted. Butler County Water’s Salaries and Wages-Employees should be increased by \$97,270, because the adjustment to normalize Salaries and Wages – Employees is a known and measurable change reflected in the evidence provided in the record.

Employee Benefits – Reclassify Payroll Taxes. In its application, Butler County Water proposed an adjustment to decrease Employee Benefits by \$38,510⁵⁰ to account for the reclassification of payroll taxes from Employee benefits to Taxes other than Income.⁵¹ Commission Staff agreed with Butler County Water’s proposed adjustment to

⁴⁵ Butler County Water’s Response to Staff’s First Request, Item 6, Column C.

⁴⁶ Butler County Water’s Response to Staff’s First Request, Item 6a, Cells G97 and J97.

⁴⁷ Butler County Water’s Response to Staff’s First Request, Item 6a, Column D.

⁴⁸ Commission Staff’s Report at 16–17.

⁴⁹ Commission Staff’s Report at 16–17.

⁵⁰ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment D.

⁵¹ Application, Attachment 4, References, Adjustment D.

remove payroll taxes from Employee Benefits in order to properly record payroll taxes in the proper expense account.⁵²

Commission Staff recommended the Commission accept Butler County Water's proposed \$38,510 decrease to Employee Benefits to reflect the reclassification of Payroll Taxes into the correct category.⁵³

The Commission finds that Butler County Water's adjustment is reasonable and should be accepted. Butler County Water's Employee Benefits should be reduced by a total of \$38,510, to reflect the reclassification of payroll tax expenses into the correct expense category.

Employee Benefits – Health Insurance. In its application, Butler County Water proposed an adjustment to increase Employee Benefits – Health Insurance by \$5,250⁵⁴ to reflect the pro forma level of employee benefits.⁵⁵ Butler County Water currently contributes 70 percent to an employee's Health and Dental insurance premiums.⁵⁶ The Commission continues to review employees' total compensation packages, including both salary and benefits programs, for market and geographic competitiveness to ensure the development of a fair, just and reasonable rate. The proposed 30 percent current contribution amount is greater than the recommended percentage and is reasonably

⁵² Commission Staff's Report at 18.

⁵³ Commission Staff's Report at 18.

⁵⁴ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment E.

⁵⁵ Application, Attachment 4, References, Adjustment E.

⁵⁶ Application, Attachment 4, References, Adjustment E.

close to the Bureau of Labor Statistics (BLS) average of 21⁵⁷ for single health insurance premium employee contributions, and 33 percent⁵⁸ for family insurance premium contributions. Commission Staff recommended the Commission accept Butler County Water's contribution rate for single and family insurance premiums, as shown in the table below.⁵⁹

Consistent with precedent,⁶⁰ Commission Staff recommended reducing Butler County Water's contribution amount to Dental Insurance premiums to align with the 60 percent Willis Benchmarking study's average contribution level.⁶¹

Butler County Water provided the most recent copy of Warren District's health and dental insurance invoices, including current premium levels and number of employees enrolled.⁶² From the total insurance paid by Warren District, Commission Staff allocated to Butler County Water 11.76 percent, based upon the allocation methodology of test year allocated hours worked⁶³ by the total test year hours worked, as shown in the following table.

⁵⁷ Bureau of Labor Statistics, Healthcare Benefits, March 2023, Table 3, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

⁵⁸ Bureau of Labor Statistics, Healthcare Benefits, March 2023, Table 4, private industry workers. (<https://www.bls.gov/news.release/pdf/ebs2.pdf>).

⁵⁹ Commission Staff's Report at 18–21.

⁶⁰ Case No. 2023-00182, *Electronic Application of Western Mason County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 4, 2024), Order at 14–15.

⁶¹ See Case No. 2017-00263, *Electronic Application of Kentucky Frontier Gas, LLC for Alternative Rate Adjustment* (Ky. PSC Dec. 22, 2017), at 9-10, and The Willis Benchmarking Survey, 2015, at 62-63. (<https://www.slideshare.net/annette010/2015-willis-benefits-benchmarking-survey-report>).

⁶² Butler County Water's Response to Staff's Second Request, Item 8.

⁶³ Butler County Water's Response to Staff's First Request, Item 6a, Cell G97 Allocated Regular Hours 15,699 + Cell J97 Allocated Overtime Hours 1,183 = 16,882.

Description	Hours Worked
Allocated Employee Hours	16,882
Total Employee Hours (69 employees x 2,080 annual Hours)	143,520
Allocation Factor	<u>11.76%</u>

Accordingly, utilizing the current invoice amount, Commission Staff calculated a final insurance premium amount of \$56,772 which is \$5,530 more than the test year's \$51,242,⁶⁴ and \$280 more than Butler County Water's proposed increase of \$5,250;⁶⁵ as shown in the following table:

Type of Premium	Number of Employees	Employer Contributions	Employee Contribution Rate	Monthly Premium Adjustment	Pro Forma Monthly Premium
Medical Insurance					
Employee Only (E)	46	\$ 27,514	30%	\$ (8,254)	\$ 19,260
Employee/Spouse (ES)	8	8,699	30%	(2,610)	6,089
Employee/Children (EC)	4	3,828	30%	(1,148)	2,680
Family (F)	10	15,049	30%	(4,515)	10,534
Dental Insurance					
Employee Only (E)	35	1,063	60%	(638)	425
Employee/Spouse (ES)	10	630	60%	(378)	252
Employee/Children (EC)	5	370	60%	(222)	148
Family (F)	20	2,081	60%	(1,249)	832
Total Pro Forma Monthly Premium		59,234		(19,014)	40,220
Times: 12 Months		12		12	12
Total Annual Pro Forma Premium		<u>\$ 710,808</u>		<u>\$(228,168)</u>	482,640
Multiplied by Current Allocation Percentage					11.76%
Total Allocated Insurance Premiums					56,772
Less: Test Year Insurance ()					(51,242)
Employee Benefits Adjustment					5,530
Less: Commission Staff Recommended Adjustment ()					(5,250)
Final Pro Forma Employee Benefits Adjustment					<u>\$ 280</u>

⁶⁴ Application, Attachment 4, 4_SAO_With_Attachments.pdf, Schedule of Adjusted Operations table.

⁶⁵ Application, Attachment 4, 4_SAO_With_Attachments.pdf, Schedule of Adjusted Operations table, Adjustment E.

Commission Staff recommended the Commission accept Commission Staff's \$5,530 increase to Employee Benefits to reflect the reduction of employee insurance employer contributions to the dental insurance coverage, as well as changes to insurance premiums.⁶⁶

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Butler County Water's Employee Benefits is decreased by \$5,530, because it is consistent with the precedent established in previous cases regarding the evaluation of employees' total compensation packages for market and geographic competitiveness that ensure the development of a fair, just, and reasonable rate.⁶⁷

Employee Pension – 401(a). Warren District provides its employees with a simplified pension plan 401(a) benefit.⁶⁸ In its application, Butler County Water proposed an adjustment increasing Employee Pension by \$22,060⁶⁹ to account for the increase in pro-forma Salaries and Wages - Wages subsequent to the test year.⁷⁰ For all full time employees, Warren District contributes 7 percent of the Employee's Gross Salaries

⁶⁶ Commission Staff's Report at 21.

⁶⁷ Case No. 2019-00053, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment in Existing Rates* (Ky. PSC June 20, 2019) at 8–12.

⁶⁸ Application, Attachment 4, References, Adjustment F.

⁶⁹ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment F.

⁷⁰ Application, Attachment 4, Adjustment F.

Expense, not including bonuses, into the 401(a),⁷¹ and 12.83 percent for the pension⁷² for a total contribution of 19.83 percent.⁷³

Utilizing the pro forma Salaries and Wages – Employees of \$527,285 calculated above and Butler County Water’s contribution rates to the 401(a) and the Pension, Commission Staff calculated a Pro Forma Retirement contribution of \$104,561. Commission Staff agreed with Butler County Water’s proposed adjustment increasing Employee Pensions and Benefits by \$22,060, as shown in the following table.⁷⁴

Description	Pro Forma Employee Salaries & Wages	Employer Contribution Rates	Total
401A Contribution	\$ 527,285	7.00%	\$ 36,910
Pension	527,285	12.83%	67,651
Pro Forma Retirement			104,561
Less: Test-Year Emp. Retirement ()		19.83%	(82,501)
Retirement Adjustment			<u>\$ 22,060</u>

Commission Staff recommended the Commission accept Butler County Water’s proposed \$22,060 increase to Employee Benefits to reflect the increase of employee retirement expense due to an increase in Salaries and Wages – Employees.⁷⁵

The Commission finds that Butler County Water’s recommended adjustments are reasonable and should be accepted. Butler County Water’s Employee Benefits –

⁷¹ Butler County Water’s Response to Staff’s First Request, Item 5, Pension & Benefits Tab, Cell E32.

⁷² Butler County Water’s Response to Staff’s First Request, Item 5, Pension & Benefits Tab, Cell E33.

⁷³ Application, Attachment 4, Adjustment F.

⁷⁴ Commission Staff’s Report at 21–22.

⁷⁵ Commission Staff’s Report at 21–22.

Pensions should be increased by \$22,060 because the known and measurable change is a direct result of changes to Salaries and Wages – Employees.

Water Loss in Excess of 15 Percent. In its application, Butler County Water proposed adjustments to decrease Purchased Power Expense by \$10,428 and Chemicals Expense by \$6,006⁷⁶ to reflect the expense for water loss in excess of 15 percent.⁷⁷ Butler County Water utilized water loss of 21.7583 percent for the test year.⁷⁸ As noted earlier in the report, Commission regulations prohibit the recovery of expenses for water loss in excess of 15 percent. Commission Staff determined Butler County Water did not include other loss in its calculation of water loss. Therefore, Commission Staff determined a test year water loss should have been of 21.8325 percent for the test year.⁷⁹ Commission Staff calculated a net decrease of \$10,543 to Purchased Water Expense, which is \$115 more than proposed by Butler County Water. Commission Staff also calculated a net decrease of \$6,072 to Chemicals Expense, which is \$66 more than proposed by Butler County Water, as shown in the following table.

Description	Purchased		
	Power	Chemicals	Total
Pro Forma Expenses	\$ 154,304	\$ 88,875	\$ 243,179
Multiply by: Water loss in Excess of 15 Percent	6.8325%	6.8325%	6.8325%
Excess Cost	(10,543)	(6,072)	(16,615)
Less: Proposed Adjustment ()	10,428	6,006	16,434
Commission Staff's Adjustment	\$ (115)	\$ (66)	\$ (181)

⁷⁶ Application, Attachment 4, References, Adjustment G.

⁷⁷ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment G.

⁷⁸ Butler County Water's Response to Staff's First Request, Item 5, WatPurch Tab, Cell D36.

⁷⁹ 2022 Annual Report, at 57.

Commission Staff recommended the Commission accept Commission Staff's \$10,543 decrease to Purchased Water Expense and Commission Staff's \$6,072 decrease to Chemicals expense; to reflect the reduction in purchased power and chemical expenses due to excess water loss above 15 percent.⁸⁰

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Butler County Water's Purchased Power expense should be decreased by \$10,543; Chemical Expense should be decreased by \$6,072 since Commission regulation 807 KAR 5:066, Section 6(3), limits water loss to 15 percent for ratemaking purposes.

Depreciation Expense – Normalize to NARUC Service Lives. In its application, Butler County Water reported a test year Depreciation Expense of \$1,459,231.⁸¹ Butler County Water also reported that during 2022, it adopted using the midpoint of the National Association of Regulatory Utility Commissioners (NARUC) study titled *Depreciation Practices for Small Water Utilities* (NARUC Study).⁸² To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the same NARUC Study published in 1979. When no evidence exists to support a specific life that is outside the NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant.

Upon examination, Commission Staff agreed with Butler County Water's proposed transition to using the NARUC service lives.⁸³ Before the additional proposed

⁸⁰ Commission Staff's Report at 22–23.

⁸¹ Application, Attachment 4, Schedule of Adjusted Operations.

⁸² Application, Attachment 4, References, Adjustment H.

⁸³ Commission Staff's Report at 23–24.

adjustments discussed below, Commission Staff calculated a Depreciation Expense of \$1,423,206. Generally, Commission Staff found no evidence to support depreciable lives that vary significantly from the midpoint of the NARUC ranges. Therefore, Commission Staff proposed a decrease to Butler County Water’s Depreciation Expense of \$36,025, as shown in the following table:

Categories	NARUC Service Life Range	Test Year Depreciation	Depreciation Adjustment	Pro Forma Depreciation
101.3032-8 Land-Pumping Stations	N/A	\$ -	\$ -	\$ -
3042 Structures & Improvements	35 - 40	37,122	1	37,123
3043 Structures & Improvements	35 - 40	14,187	-	14,187
3045 Structures & Improvements	35 - 40	19,673	-	19,673
3065 Lake, Rivers, and Other Intakes	35 - 45	636	809	1,445
3095 Supply Mains	50 - 75	60	(36)	24
3112 Pumping Equipment	35 - 45	38,723	(5)	38,718
3115 Electric Pumping	20	6,660	-	6,660
3203 Water Treatment Equipment	20 - 35	586,282	(4)	586,278
3205 Water Treatment Equipment	20 - 35	5,135	-	5,135
3304 Standpipes - Reservoirs and Tanks	30 - 60	134,483	(15,611)	118,872
3314 Transmission & Distribution Mains	50 - 75	194,682	2,516	197,198
3324 SCADA - Communication Equipment	10	42,770	69.00	42,839.00
3334 Meter Services	30 - 50	78,992	628	79,620
3344 Meters AMR Meters	20	207,559	1,341	208,900
3345- Meter Installations	40 - 50	37,977	238	38,215
3354 Hydrants	50	4,067	11	4,078
3392 Other Pumping Equipment	25	48	412	460
3400 Software Billing System - Office Equipment	20 - 25	23,897	(12,707)	11,190
3401 Hardware Billing System - Office Equipment	20 - 25	4,243	(3,603)	640
3405 Furniture & Office Equipment	20 - 25	1,664	5	1,669
3415 Transportation Equipment	7	4,018	-	4,018
3435 Tools, Shop & Garage Equipment	15 - 20	1,467	74	1,541
3465 Communications Equipment	10	3,702	(3)	3,699
3475 Miscellaneous Equipment - Poer Operated Equipment	10 - 15	62	-	62
3485 Other Tangible Plant - Structures and Improvements	35 - 40	132	830	962
Total Depreciation Expense		<u>\$ 1,448,241</u>	<u>(25,035)</u>	1,423,206
Less: Butler County Water's Test Year Depreciation Expense ()				(1,459,231)
Commission Staff's Proposed Depreciation Expense Adjustment				<u>\$ (36,025)</u>

Commission Staff recommended the Commission accept Commission Staff's \$36,025 decrease to Depreciation Expense; to reflect the adoption of the NARUC midpoint service lives for fixed assets.⁸⁴

The Commission finds Commission Staff's recommended adjustment is reasonable and should be accepted. Butler County Water's Depreciation expense should

⁸⁴ Commission Staff's Report at 23 – 24.

be decreased by \$36,025, to align Butler County Water’s capital assets’ useful lives with the NARUC recommended useful lives.

Depreciation Expense – Fully Depreciated Assets. In 2022, Butler County Water adopted the mid-point of the NARUC Study.⁸⁵ In its application, Butler County Water proposed a decrease to Depreciation expense of \$555,623,⁸⁶ to reflect a one-time adjustment to depreciation expense resulting from assets that exceed the remaining service lives after Butler County Water started using the NARUC Study to determine useful lives.⁸⁷ Since the conversion to the NARUC midpoint methodology was a one-time occurrence, and not likely to reoccur in the future, Commission Staff agreed with reducing Depreciation Expense of \$555,623,⁸⁸ as shown in the following table:

Acct. No.	Account Title	2022 Adjmt to NARUC
3042	Structures & Improvements	\$ 24
3045	Structures & Improvements	8,779
3115	Pumping Equipment	43,416
3205	WTP Equipment	351,646
3304	Distributions Reservoirs & Standpipes	2,470
3324	SCADA Equipment	38,872
3334	Meter Services	16,899
3344	Meters	86,759
3345	Meter Instalations	766
3400	Software	5,706
3435	Tools & Shop Equipment	224
3475	Equip-Other	62
		<u>\$ 555,623</u>

⁸⁵ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment H.

⁸⁶ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment H.

⁸⁷ Application, Attachment 4, References, Adjustment H.

⁸⁸ Commission Staff’s Report at 24–25.

Commission Staff recommended the Commission accept Butler County Water's proposed \$525,623 decrease to Depreciation Expense; to reflect the one-time adjustment for account for fully depreciated assets due to the conversion to the NARUC midpoint methodology.⁸⁹

The Commission finds Butler Water's recommended adjustment is reasonable and should be accepted. Butler County Water's Depreciation expense is decreased by \$555,623, because the conversion to the NARUC depreciation methodology is an unusual event and not likely to reoccur. The Commission finds that a reduction of \$525,623 should be made.

Depreciation Expense – Post Test year Asset Addition. In its application, Butler County Water proposed an adjustment to increase Depreciation Expense by \$104,680,⁹⁰ to reflect depreciation of its post-test year plant additions at the appropriate NARUC depreciation lives.⁹¹ Butler County Water provided a list of its fixed assets used to generate the depreciation schedule⁹² as well as the projects and assets that were added subsequent to the test-year.⁹³ Commission Staff agreed with the inclusion of post-test year asset additions, since the proposed rates should be sufficient to recover the cost for the depreciation of these assets on a going forward basis.⁹⁴ However, Commission Staff disagreed with some of the proposed useful lives and adjusted them to match the NARUC

⁸⁹ Commission Staff's Report at 24–25.

⁹⁰ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment I.

⁹¹ Application, Attachment 4, References, Adjustment I.

⁹² Butler County Water's Response to Staff's First Request, Item 17.

⁹³ Butler County Water's Response to Staff's First Request, Item 5, Dep Adj Tab.

⁹⁴ Commission Staff's Report at 26.

study's useful lives.⁹⁵ Commission Staff calculated additional Depreciation expense of \$94,400, which is \$10,280 less than the \$104,680 proposed by Butler County Water,⁹⁶ as shown in the following table.

Project Description	NARUC Asset Class	Total Project	Depreciation Lives	Annual Depreciation	Completion Date
SCADA Replacement	Communication Equipment	\$ 872,400	10.0	\$ 87,240	In-Progress
Tank Repair - Silver City	Structures and Improvements	72,736	37.5	1,940	12/31/2023
Painting - WTP & Pump Stations	Structures and Improvements	51,455	37.5	1,372	12/31/2023
Cityworks Asset Management Software Implementation	Office Furniture and Equipment	37,578	22.5	1,670	45291
Meter Installations	Meter Installations	19,614	45.0	436	Installed Year 2023
Creek Crossing	Supply Mains	108,870	62.5	1,742	12/31/2022
Totals		<u>\$ 1,162,653</u>		<u>94,400</u>	
Less: Butler County Water's Proposed Adjustment ()				<u>(104,680)</u>	
Commission Staff's Proposed Adjustment				<u>\$ (10,280)</u>	

Commission Staff recommended the Commission accept Commission Staff's proposed \$94,400 increase to Depreciation Expense to reflect the inclusion of post-test year asset additions.⁹⁷

The Commission finds that this adjustment is a known and measurable change to depreciation expense, is reasonable, and should be accepted. Including the actual assets in the Depreciation expense ensures that Butler County Water will be able to recover these costs.

Depreciation Expense – Badger M25 Radio Read Meters. In the application, Butler County Water proposed an adjustment to increase Depreciation Expense by \$75,675⁹⁸ to reflect the reduction of the estimated useful service lives for the Badger M25 5/8-Inch meters from 20 years to 10 years.⁹⁹ Butler County Water has approximately 3,465 Badger

⁹⁵ Commission Staff's Report at 26.

⁹⁶ Commission Staff's Report at 26.

⁹⁷ Commission Staff's Report at 26.

⁹⁸ Application, Attachment 4, Schedule of Adjusted Operations, Adjustment J.

⁹⁹ Application, Attachment 4, References, Adjustment J.

M25 5/8 AMR meters.¹⁰⁰ Butler County Water reported that the 20-year service life for the Badger M25 meters was established based on the performance of a similar Sensus SR11 meters utilized by Warren District, Butler County Water, and Simpson District that maintains accuracy beyond 20 years.¹⁰¹ Butler County Water reported that in March 2023, 64.58 percent, of the Badger M25 meters tested in service for ten years failed the American Waters Works Association (AWWA) meter accuracy testing among the three water utilities under the joint operation agreement.¹⁰²

System	Total	Passed	Failed	Failure Percent
Warren	39	12	27	69.23%
Butler	2	1	1	50.00%
Simpson	7	4	3	42.86%
Total	48	17	31	64.58%

Between January and July 2023, 422 other Badger M25 meters were tested after less than ten years of service life and 21.8 percent failed accuracy standards as shown in the following table.¹⁰³

¹⁰⁰ Butler County Water’s Response to Commission Staff’s Report, Item 2.

¹⁰¹ Butler County Water’s Response to Staff’s First Request, Item 16.

¹⁰² Butler County Water’s Response to Staff’s First Request, Item 16.

¹⁰³ Butler County Water’s Response to Staff’s First Request, Item 16.

Age	Total	Passed	Failed	Failure Percent
Less than 1	21	21	0	0.00%
1	41	41	0	0.00%
2	24	24	0	0.00%
3	30	30	0	0.00%
4	28	25	3	10.71%
5	16	15	1	6.25%
6	25	21	4	16.00%
7	34	34	0	0.00%
8	33	32	1	3.03%
9	155	75	80	51.61%
10	15	12	3	20.00%
Total	422	330	92	21.80%

Butler County Water also reported that the Badger M25 meters were purchased with a 15-year warranty.¹⁰⁴ On April 6, 2023, Butler County Water stated that it notified Badger of accuracy failures and at the request of Badger, on May 1, 2023, six meters with failing levels of accuracy were shipped to the Badger testing facilities.¹⁰⁵ Butler County Water stated that it is unlikely Badger M25 meters will be replaced under the 15-year warranty based upon its communications with Badger representatives.¹⁰⁶ Badger communicated that the warranty shall not apply when products are exposed to conditions outside of Badger’s control, which includes water condition or chemistry to a water utility’s distribution system. Badger clarified that the concern impacting the returned meters is tied to water chemistry and/or water conditions, not water quality.¹⁰⁷ Butler County Water

¹⁰⁴ Butler County Water’s Response to Staff’s First Request, Item 16.

¹⁰⁵ Butler County Water’s Response to Staff’s Third Request, Item 3c.

¹⁰⁶ Butler County Water’s Response to Staff’s Third Request, Item 3a.

¹⁰⁷ Butler County Water’s Response to Staff’s Third Request, Item 3d, Attachment.

stated that it intends to pursue litigation against Badger for its refusal to replace meters failing to meet accuracy standards as specified in the meter warranty.¹⁰⁸

Butler County Water reported that a 15-year service life would not be reasonable for Badger M25 meters as the test data indicates a substantial number of meters will fail at approximately ten years of age.¹⁰⁹ Butler County Water argued that if a 15-year useful life is applied, meters failing at ten years will have residual book values and it would be required to write off the residual value and record a disposition loss as the Badger M25 meters are removed from service.¹¹⁰

Butler County Water began installing Kamstrup Ultrasonic 5/8 meters in 2023 to replace the Badger M25 5/8 Meters;¹¹¹ and reported that as of July 15, 2024, the number of Kamstrup Ultrasonic 5/8” meters in service totaled 105.¹¹² In 2024 it began installing Master Meter Sonata Ultrasonic 5/8” meters in addition to the Kamstrup meters and that as of July 15, 2024, the number of Master Meter Sonata Ultrasonic 5/8” meters in service totaled 24.¹¹³ Butler County Water stated that the other water meters it uses maintain accuracy, with only 5.47 percent failing accuracy tests after 20 years.¹¹⁴

Given the failure rates of the Badger M25 meters, as well as Warren District’s adjustment as to the meters’ useful lives, Commission Staff agreed with Butler County

¹⁰⁸ Butler County Water’s Response to Staff’s Third Request, Item 3d.

¹⁰⁹ Butler County Water’s Response to Staff’s Third Request, Item 5.

¹¹⁰ Butler County Water’s Response to Staff’s Third Request, Item 5.

¹¹¹ Butler County Water’s Response to Staff’s Third Request, Item 2d.

¹¹² Butler County Water’s Response to Staff’s Third Request, Item 2d.

¹¹³ Butler County Water’s Response to Staff’s Third Request, Item 2d.

¹¹⁴ Butler County Water’s Response to Staff’s Third Request, Item 4.

Water's statement¹¹⁵ that a 20-year service life is overstating the life expectancy of the Bader M25 meters.¹¹⁶ Commission Staff believed that Butler County Water has provided sufficient evidence of the problem, its attempts to address the problems and fix the meters using the warranty and Commission Staff agreed that writing off residual book values does not benefit the utility or the ratepayers in this case.¹¹⁷ Commission Staff agreed with Butler County Water's proposed adjustment to reduce the estimated useful lives for only the Bader M25 Meters from the projected 20 years to 10 years.¹¹⁸ Therefore, Commission Staff agreed with the proposed increase to Depreciation expense of \$75,675.¹¹⁹

Commission Staff recommended the Commission accept Butler County Water's proposed \$75,675 increase to Depreciation Expense to reflect the reduction of Badger M25 meter useful lives from 20 to 10 years.¹²⁰

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that Butler County Water's proposed increase of \$75,675 is reasonable and should be accepted. The Commission agrees that, in this case, Butler County Water has provided sufficient evidence demonstrating why reducing the estimated useful life of the Badger M25 Meters is reasonable. The Commission has previously stated that when the life of an asset is determined to be less than or more than the estimated life during the asset's life, an adjustment to the life and corresponding depreciation rate should be

¹¹⁵ Commission Staff's Report at 27–31.

¹¹⁶ Butler County Water's Response to Staff's First Request, Item 16.

¹¹⁷ Commission Staff's Report at 27–31.

¹¹⁸ Commission Staff's Report at 27–31.

¹¹⁹ Commission Staff's Report at 27–31.

¹²⁰ Commission Staff's Report at 27–31.

made.¹²¹ Butler County Water has demonstrated that the asset's determined life is less than its original estimated life and should therefore be reduced. As discussed in Commission Staff's report, the adjustment reflects the average useful life of a badger meter.

Taxes other than Income – Federal Insurance Contributions Act (FICA). In the application, Butler County Water proposed an adjustment to increase Taxes Other than Income by \$41,714¹²² to account for changes in Payroll taxes as a result of changes to Salaries and Wages – Employees.¹²³ Commission Staff agreed with Butler County Water's proposal to remove Payroll taxes from Employee Benefits.¹²⁴ As stated above, Commission Staff agreed with Butler County Water's calculation of pro forma Salaries and Wages – Employees of \$527,285, and Salaries and Wages – Officers of \$18,000.¹²⁵ Therefore, Commission Staff calculated pro forma payroll taxes of \$41,714 and a pro forma Taxes Other Than Income of \$45,010, which is an increase of \$41,714, as shown in the following table.

¹²¹ Case No. 2019-00399, *Application of Salt River Electric Cooperative Corporation for an Order Issuing a Certificate of Public Convenience and Necessity to Construct an Advanced Metering Infrastructure System (AMI) Pursuant to 807 KAR 5:001 and KRS 278.020* (Ky. PSC Mar. 12, 2020), Order at 7.

¹²² Application, Attachment 4, Schedule of Adjusted Operations, Adjustment K.

¹²³ Application, Attachment 4, References, Adjustment K.

¹²⁴ Commission Staff's Report at 31.

¹²⁵ Commission Staff's Report at 31.

Description	Amount
Salaries and Wages - Employees	\$ 527,285
Salaries and Wages - Officers	18,000
	<hr/>
Total Pro Forma Salaries	545,285
Times: 7.65 Percent FICA Rate	7.65%
	<hr/>
Total Pro Forma Payroll Taxes	41,714
Plus: PSC Assessment	3,296
	<hr/>
Total Taxes Other Than Income	45,010
Less: Test Year Taxes Other Than Income ()	(3,296)
	<hr/>
Total Taxes Other Than Income Adjustment	<u>\$ 41,714</u>

Commission Staff recommended the Commission accept Butler County Water's \$41,714 increase to Taxes other than Income; to reflect the normalization of Payroll taxes due to changes in Salaries and Wages.¹²⁶

The Commission finds that Butler County Water's recommended adjustment is reasonable and should be accepted. Butler County Water's Taxes other than Income should be increased by \$41,714 because the known and measurable change is a direct result of changes to Salaries and Wages – Employees.

SUMMARY OF ADJUSTMENTS

Based upon the Commission's findings discussed above, the following table summarizes Butler County Water's adjusted pro forma:

¹²⁶ Commission Staff's Report at 31–32.

Description	Commission		
	Staff Report Pro Forma	Commission Adjustments	Commission Pro Forma
Total Operating Revenues	\$ 2,228,327	\$ -	\$2,228,327
Utility Operating Expenses	(2,513,074)	-	(2,513,074)
Net Utility Operating Income	(284,747)	-	(284,747)
Gains/ Losses from Disposal of Utility Property	(5,840)	-	(5,840)
Interest and Dividend Income	28,352	-	28,352
Nonutility Income	684	-	684
Total Utility Operating Income	<u>\$ (261,551)</u>	<u>\$ -</u>	<u>\$ (261,551)</u>

OVERALL REVENUE REQUIREMENT

The Commission has historically applied a Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations.¹²⁷ This method allows for recovery of (1) cash-related pro forma operating expenses; (2) recovery of depreciation expense, a non-cash item, to provide working capital;¹²⁸ (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense.

¹²⁷ Case No. 2022-00124, *Electronic Application of Elkhorn Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 24, 2022); Case No. 2021-00475, *Electronic Application of Carroll County Water District #1 for an Adjustment of Rates Pursuant to 807 KAR 5:076* (Ky. PSC June 28, 2022).

¹²⁸ The Kentucky Supreme Court has held that the Commission must permit a water district to recover its depreciation expense through its rates for service to provide internal funds for renewing and replacing assets. See *Public Serv. Comm'n of Kentucky v. Dewitt Water Dist.*, 720 S.W.2d 725, 728 (Ky. 1986). Although a water district's lenders require that a small portion of the depreciation funds be deposited annually into a debt reserve/depreciation fund until the account's balance accumulates to a required threshold, neither the Commission nor the Court requires that revenues collected for depreciation be accounted for separately from the water district's general funds or that depreciation funds be used only for asset renewal and replacement. The Commission has recognized that the working capital provided through recovery of depreciation expense may be used for purposes other than renewal and replacement of assets. See Case No. 2012-00309, *Application of Southern Water and Sewer District for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Dec. 21, 2012).

Description	Commission Staff's Report	Commission Approved
Pro Forma Operating Expenses	\$ 2,513,074	\$ 2,513,074
Plus: Average Annual Principal and Interest Payments	369,800	369,800
Plus: Additional Working Capital	73,960	73,960
Total Revenue Requirement	2,956,834	2,956,834
Plus: Loss from Disposition of Utility Property ()	5,840	5,840
Less: Other Operating Revenue ()	(44,837)	(44,837)
Less: Interest and Dividend Income ()	(28,352)	(28,352)
Less: Nonutility Income ()	(684)	(684)
Revenue Required From Water Sales	2,888,801	2,888,801
Less: Revenue from Sales at Present Rates ()	(2,183,490)	\$(2,183,490)
Required Revenue Increase	705,311	705,311
Percentage Increase	32.30%	32.30%

Average Annual Principal and Interest Payments. At the time of Commission Staff's review, Butler County Water had two U.S. Department of Agriculture's (USDA) Rural Development (RD) Promissory Notes¹²⁹ and two Kentucky Rural Water Finance Corporation (KRWFC) loans.¹³⁰ In its application, Butler County Water requested recovery of the average annual principal and interest on its indebtedness based on an

¹²⁹ Case No. 2014-00353, *Application of Butler County Water System, Inc. (1) for a Certificate of Public Convenience and Necessity Authorizing Said System to Construct Major Improvements and Additions to its Existing Municipal Water Treatment System Financed by Rural Economic and Community Development Service (Formally Farmers Home Administration) Pursuant to the Provisions of KRS 278.023 of the Kentucky Revised Statutes; and (2) Seeking Approval of the Issuance of Certain Securities, and (3) Approval of Water Rates*, (Ky. PSC Oct. 27, 2014). Case No. 2018-00048, *Electronic Application of Butler County Water System, Inc., Butler County, Kentucky, (1) for a Certificate of Public Convenience and Necessity Authorizing Said System to Construct Major Improvements and Additions to its Existing Municipal Water Distribution System Financed by Rural Economic and Community Development Service (Formally Farmers Home Administration) Pursuant to the Provisions of KRS 278.023 of the Kentucky Revised Statutes; and (2) Seeking Approval of the Issuance of Certain Securities, and (3) Approval of Water Rates*, (Ky. PSC Mar. 1, 2018).

¹³⁰ Case No. 2012-00474, *Application of Butler County Water System, Inc. to Issue Securities in the Approximate Principal Amount of \$3,085,000 for the Purpose of Refunding Certain Outstanding Indebtedness of the Association Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001*, (Ky. PSC Nov. 9, 2012). Case No. 2021-00016, *Electronic Application of the Butler County Water System, Inc. to Issue Securities in the Approximate Principal Amount of \$840,000 for the Purpose of Refunding Certain Outstanding Obligations of the Association Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001*, (KY. PSC Mar. 12, 2021).

average of the annual principal, and interest and fee payments for the five years following the test year, which is 2024 through 2028.¹³¹ Commission Staff agreed with Butler County Water’s methodology, however Commission Staff calculated a different average annual principal and interest.¹³² Commission Staff calculated an Average Principal and Interest expense of \$369,800 as shown below.¹³³

Debt Issuance	2024		2025		2026		2027		2028		Total
	Principal	Interest & Fees	Principal	Interest & Fees	Principal	Interest & Fees	Principal	Interest & Fees	Principal	Interest & Fees	
KRWFC 2012G	\$160,000	\$ 61,250	\$165,000	\$ 54,750	\$170,000	\$ 48,050	\$175,000	\$ 41,150	\$175,000	\$34,150	\$ 1,084,350
USDA 2014 #91-24	8,058	10,624	8,280	10,402	8,508	10,174	8,742	9,940	8,981	9,701	93,410
USDA 2018 #91-26	23,351	35,719	23,994	35,076	24,653	34,417	25,331	33,739	26,028	33,042	295,350
KRWFC 2021B	55,000	21,330	55,000	19,570	55,000	19,810	60,000	16,050	60,000	14,130	375,890
Total	\$246,409	\$128,923	\$252,274	\$119,798	\$258,161	\$112,451	\$269,073	\$100,879	\$270,009	\$91,023	1,849,000
Divided by 5 years											5
Average Annual Principal and Interest Payments											\$ 369,800

The Commission finds Butler County Water’s proposed average principal and interest payments of \$369,800 should be included in Butler County Water’s Revenue Requirement because the Debt Service Coverage methodology allows for the recovery of the principal and interest payments.

Additional Working Capital. The DSC method, as historically applied by the Commission, includes an allowance for additional working capital that is equal to the minimum net revenues required by a district’s lenders that are above its average annual debt payments. In its application, Butler County Water requested recovery of an allowance for working capital that is equal to 120 percent of its average annual debt payments for its bonds at the time of its application for a total of \$18,401.¹³⁴

¹³¹ Application, Revenue Requirements Calculation, Table B, Debt Service Schedule.

¹³² Commission Staff’s Report, at 33–34.

¹³³ Commission Staff’s Report, at 33–34.

¹³⁴ Butler County Water’s Response to Staff’s First Request, Item 5, SAO-DCS Tab, Cell L50.

Following the Commission’s historic practice,¹³⁵ Commission Staff agreed with Butler County Water’s methodology.¹³⁶ Therefore, when the adjustment to the average Annual Principal and Interest Payments \$73,960 is included in the revenue requirement as shown in the following table:

Description	Amount
Average Annual Principal and Interest	\$ 369,800
Times: DSC Coverage Ratio	120%
Total Net Revenues Required	<u>443,760</u>
Less: Average Annual Principal and Interest Payments ()	(369,800)
Additional Working Capital	<u><u>\$ 73,960</u></u>

The Commission finds Butler County Water’s proposed Additional Working Capital of \$73,960 should be included in Butler County Water’s Revenue Requirement because the Additional Working Capital is a direct result of the calculated Annual Debt Principal and Interest payments.

Interest Income and Nonutility Income. In the application, Butler County Water recorded \$10,548 for its test year Interest and Dividend Income and \$348 for Nonutility Income.¹³⁷ However, Butler County Water reported that these amounts were from 2021 instead of the test year.¹³⁸ Commission Staff updated these figures to represent the test

¹³⁵ Case No. 2022-00431, *Electronic Application of Letcher County Water and Sewer District for a Rate Adjustment Pursuant To 807 KAR 5:076* (Ky. PSC Nov. 17, 2023). Case No. 2023-00154, *Electronic Application of Harrison County Water Association, Inc. For An Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024). Case No. 2023-00182, *Electronic Application of Western Mason County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 4, 2024).

¹³⁶ Commission Staff’s Report at 35.

¹³⁷ Application, Attachment 4, Revenue Requirements table.

¹³⁸ Butler County Water’s Response to Staff’s First Request, Item 13a and 13b.

year amounts.¹³⁹ Therefore, Interest Income was updated to \$28,352,¹⁴⁰ and Nonutility Income was updated to \$684.¹⁴¹

The Commission finds Commission Staff's proposed Interest Income and Nonutility Income of \$28,352 and \$684 should be included in Butler County Water's Revenue Requirement because the updated amounts properly reflect the test year instead of the previous calendar year.

RATE DESIGN

In its application, Butler County Water proposed to increase all of its monthly retail water service rates by 34.50 percent evenly across the board over a two-year period.¹⁴² Butler County Water stated that it did not complete a COSS at this time as there has been no material changes in the water system;¹⁴³ and it did not anticipate having a COSS performed.¹⁴⁴ The Commission has previously found that the allocation of a revenue adjustment evenly across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is

¹³⁹ Commission Staff's Report, at 35–36.

¹⁴⁰ Butler County Water's Response to Staff's First Request, Item 13a.

¹⁴¹ Butler County Water's Response to Staff's First Request, Item 13b.

¹⁴² Application, Attachment 1, Customer Notice.

¹⁴³ Butler County Water's Response to Staff's First Request, Item 11a at 17.

¹⁴⁴ Butler County Water's Response to Staff's First Request, Item 11c.

unreasonable and in the absence of a COSS.¹⁴⁵ Commission Staff followed the allocation methodology proposed by Butler County Water and allocated Commission Staff's revenue increase of \$705,311 across the board to Butler County Water's monthly retail water service rates.

Having considered the evidence and the percentage of rate increase, the Commission agrees with a two-year phase-in implementation to reduce the impact of the increase on Butler County Water's customers. The Commission accepts Commission Staff's recommendation and finds that this allocation is reasonable. The rates set forth in Appendix B to this report are based upon the revenue requirement, as calculated by Commission Staff, and will produce sufficient revenues from water sales to recover the \$2,888,801 Revenue Required from Rates, an approximate 32.30 percent increase. Phase 1 rates will increase a typical residential customer's monthly water bill, using 4,008 gallons per month, from \$32.22 to \$37.34 for an increase of \$5.12, or approximately 15.89 percent.¹⁴⁶ Phase 2 rates will increase a typical residential customer's monthly water bill from \$37.34 to \$42.60, an increase of \$5.26, or approximately 14.09 percent. The total increase will eventually increase rates from \$32.22 to \$42.60, an increase of \$10.38, or approximately 32.22 percent.

¹⁴⁵ Case No. 2023-00299, *Electronic Application of Magoffin County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 24, 2024); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 5, 2024); Case No. 2023-00258, *Electronic Application of Kirksville Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

¹⁴⁶ Application, Attachment 1, Customer Notice at 2, the average retail customer has a 5/8 Inch meter using 4,008 gallons per month as used by Butler County Water.

The Commission finds that the evidence and the analysis provided in the record shows that the revenue requirement and the allocation methodology used by Commission Staff are fair, just and reasonable and should be approved.

Nonrecurring Charges. Butler County Water provided the cost justification for the nonrecurring charges.¹⁴⁷ Commission Staff reviewed the cost justification information provided by Butler County Water and have adjusted these charges by removing Field Labor Costs and Office/Clerical Labor Costs.¹⁴⁸ The Commission Staff's proposed nonrecurring charges are listed below. The Commission finds that the Commission Staff's Report is consistent with recent Commission decisions, that labor expenses resulting from work performed during normal business hours should not be recovered through nonrecurring charges.¹⁴⁹ The Commission requires that charges be directly related to the actual cost incurred to provide the service. Only the marginal cost related to the service should be recovered through a special nonrecurring charge for service provided during normal working hours. For the reasons discussed above, the estimated labor expenses previously included in determining the rate of nonrecurring charges should be eliminated from the charges, as proposed by Commission Staff.

The breakdown of cost for each nonrecurring charge and any Commission Staff adjustment can be found in Appendix A.

¹⁴⁷ Butler County Water's Response to Staff's First Request, Item 15a, Attachment at 21.

¹⁴⁸ Commission Staff's Report at 10–13.

¹⁴⁹ Case No. 2023-00090, *Electronic Application of Henry County Water District #2 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 24, 2023); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 4, 2024); Case No. 2023-00090, *Electronic Application of Kirksville Water Association Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2023-00252, *Electronic Application of Oldham County Water District for an Alternative Rate Adjustment* (Ky. PSC June 18, 2024).

Description	Current Charge	Revised Charge
Service Connection	\$25.00	\$8.00
Service Connection-After Hours	\$65.00	\$57.00
Delinquent Service	\$25.00	\$12.00
Meter Reading Recheck	\$25.00	\$8.00
Service Investigation	\$25.00	\$12.00
Service Investigation-After Hours	\$65.00	\$104.00
Meter Test Request	\$50.00	\$5.00
Meter Investigation	\$75.00	\$9.00
Returned Check	\$25.00	\$12.00
Service Line Inspection	\$50.00	\$12.00

The Commission finds that Commission Staff’s recommendation is reasonable, and the revised nonrecurring charges as described above and in appendix B to be reasonable.

Tap-On Fee: Butler County Water also provided updated cost justification information for its 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge.¹⁵⁰ Commission Staff reviewed Butler County Water’s proposal of keeping the tap-on-charge unchanged at \$1,600.¹⁵¹ However, the cost justification sheet showed a total connection expense of \$1,711. Commission Staff recommended increasing the tap-on charge to reflect the expenses presented in the updated cost justification provided by Butler County Water to avoid under recovering \$111 per tap-on charge.

The Commission agrees with Commission Staff’s recommendation to increase the Tap-on fee to \$1,711, to reflect the current expenses incurred to install new taps, in order to prevent an under recovery of \$111 per tap fee. Although the Commission is cognizant of a utility’s desire to keep rates affordable, not increasing the tap fee rate in line with

¹⁵⁰ Butler County Water’s Response to Staff’s First Request, Item 15b, Attachment at 21.

¹⁵¹ Commission Staff’s Report at 12–13.

Butler County Water's actual cost does not result in a fair, just or reasonable rate. In addition, over time, under recovery of a particular charge will result in degradation of the utility's financial condition.


SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in the Commission Staff's Report, are supported by the evidence of record and are reasonable. By applying the DSC method to Butler County Water's pro forma operations results in an Overall Revenue Requirement of \$2,955,834 and that a \$705,311 revenue increase, or 32.30 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

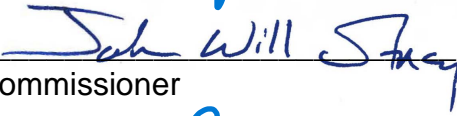
IT IS THEREFORE ORDERED that:

1. The recommendations contained in the Commission Staff's Report are adopted and incorporated by reference into this Order as if fully set out herein.
2. The water service rates proposed by Butler County Water are denied.
3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Butler County Water on or after the date of this Order.
4. Within 20 days of the date of service of this Order, Butler County Water shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.
5. This case is closed and removed from the Commission's docket.

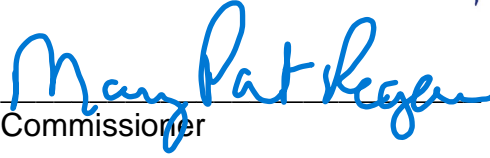
PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

ENTERED
NOV 01 2024 AH
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00061 DATED NOV 01 2024

* Denotes Rounding

Nonrecurring Charges Adjustments

SERVICE CONNECTION		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (0.76 Hours x \$ 35.86)	\$27.17	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor (0.42 Hours X \$ 33.22)	\$13.95	\$0.00
Transportation (0.76 Hours X \$ 10.00)	\$7.58	\$7.58
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$48.70</u>	<u>\$8.00</u>
Current Rate	\$25.00	

SERVICE CONNECTION-AFTER HOURS		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (0.76 Hours x \$ 53.78)	\$40.75	\$40.75
Office Supplies	\$0.00	\$0.00
Office Labor (0.42 Hours X \$ 33.22)	\$13.95	\$0.00
Transportation (0.76 Hours X \$ 10.00)	\$7.58	\$7.58
Misc. (Combined Communications - After Hour Call Service)	\$8.97	\$8.97
Total Revised Charge*	<u>\$71.25</u>	<u>\$57.00</u>
Current Rate	\$65.00	

DELINQUENT SERVICE		
	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1.12 Hours x \$ 44.04)	\$49.45	\$0.00
Office Supplies	\$1.11	\$1.11
Office Labor (0.20 Hours x \$ 33.22)	\$6.63	\$0.00
Transportation (1.12 Hours x \$ 10.00)	\$11.23	\$11.23
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$68.42</u>	<u>\$12.00</u>

Current Rate \$25.00

METER READING RECHECK

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (0.79 Hours x \$ 39.42)	\$30.99	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor (0.33 Hours X \$ 33.22)	\$11.07	\$0.00
Transportation (0.79 Hours X \$ 10.00)	\$7.86	\$7.86
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$49.92</u>	<u>\$8.00</u>
Current Rate	\$25.00	

SERVICE INVESTIGATION

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1.16 Hours x \$ 47.51)	\$55.32	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor (0.23 Hours X \$ 33.22)	\$7.75	\$0.00
Transportation (1.16 Hours X \$ 10.00)	\$11.64	\$11.64
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$74.71</u>	<u>\$12.00</u>
Current Rate	\$25.00	

SERVICE INVESTIGATION-AFTER HOURS

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1.16 Hours x \$ 71 .27)	\$82.98	\$82.98
Office Supplies	\$0.00	\$0.00
Office Labor (0.23 Hours X \$ 33.22)	\$7.75	\$0.00
Transportation (1.16 Hours X \$ 10.00)	\$11.64	\$11.64
Misc. (Combined Communication After Hours Call Service)	\$8.97	\$8.97
Total Revised Charge*	<u>\$111.34</u>	<u>\$104.00</u>
Current Rate	\$65.00	

METER TEST REQUEST

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1.75 Hours x \$ 41.05)	\$71.84	\$0.00

Office Supplies	\$0.00	\$0.00
Office Labor (0.13 Hours X \$ 33.22)	\$4.43	\$0.00
Transportation (0.50 Hours X \$ 10.00)	\$5.00	\$5.00
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$81.27</u>	<u>\$5.00</u>
Current Rate	\$50.00	

METER INVESTIGATION

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (0.95 Hours x \$ 44.17)	\$41.74	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor (1.22 Hours X \$ 33.22)	\$40.41	\$0.00
Transportation (0.945 Hours X \$ 10.00)	\$9.45	\$9.45
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$91.60</u>	<u>\$9.00</u>
Current Rate	\$75.00	

RETURNED CHECK

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor	\$0.00	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor (0.60 Hours X \$ 33.22)	\$19.93	\$0.00
Transportation	\$0.00	\$0.00
Misc. (Bank Fee - Returned Check)	\$12.00	\$12.00
Total Revised Charge*	<u>\$31.93</u>	<u>\$12.00</u>
Current Rate	\$25.00	

SERVICE LINE INSPECTION

	Utility Revised Charge	Staff Revised Charge
Field Materials	\$0.00	\$0.00
Field Labor (1.16 Hours x \$ 47.51)	\$55.03	\$0.00
Office Supplies	\$0.00	\$0.00
Office Labor (0.2333 Hours X \$ 33.22)	\$7.75	\$0.00
Transportation (1.1583 Hours X \$ 10.00)	\$11.58	\$11.58
Misc.	\$0.00	\$0.00
Total Revised Charge*	<u>\$74.36</u>	<u>\$12.00</u>

Current Rate

\$50.00

	Tap-On Fee 5/8-Inch x 3/4-Inch Meter	
	Utility Revised Charge	Staff Revised Charge
Materials Expense	\$865.01	\$865.01
Service Pipe Expense	\$11.20	\$11.20
Installation Labor Expense	\$434.07	\$434.07
Installation Equipment Expense	\$161.69	\$161.69
Installation Miscellaneous Expense	\$42.50	\$42.50
Overhead Expense	\$131.43	\$131.43
Administrative Expense	\$64.65	\$64.65
Total Revised Charge*	<u>\$1,710.55</u>	<u>\$1,711.00</u>
Current Rate	\$1,600.00	

APPENDIX B

APPENDIX TO COMMISSION STAFF'S REPORT OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00061 DATED NOV 01 2024

The following rates and charges are recommended by Commission Staff based on the adjustments in Commission Staff's Report for the customers in the area served by Butler County Water System, Inc. All other rates and charges not specifically mentioned herein are recommended to remain the same.

Monthly Rates Phase 1

5/8-Inch Meter

First	2,000 Gallons	\$23.63	Min. Bill
Next	4,000 Gallons	0.00683	per Gallon
Next	44,000 Gallons	0.00607	per Gallon
Next	50,000 Gallons	0.00522	per Gallon
Over	100,000 Gallons	0.00435	per Gallon

1-Inch Meter

First	5,000 Gallons	\$44.86	Min. Bill
Next	1,000 Gallons	0.00683	per Gallon
Next	44,000 Gallons	0.00607	per Gallon
Next	50,000 Gallons	0.00522	per Gallon
Over	100,000 Gallons	0.00435	per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$80.16	Min. Bill
Next	40,000 Gallons	0.00607	per Gallon
Next	50,000 Gallons	0.00522	per Gallon
Over	100,000 Gallons	0.00435	per Gallon

2-Inch Meter

First	16,000 Gallons	\$117.66	Min. Bill
Next	34,000 Gallons	0.00607	per Gallon
Next	50,000 Gallons	0.00522	per Gallon
Over	100,000 Gallons	0.00435	per Gallon

3-Inch Meter

First	25,000 Gallons	\$191.01	Min. Bill
Next	25,000 Gallons	0.00607	per Gallon
Next	50,000 Gallons	0.00522	per Gallon
Over	100,000 Gallons	0.00435	per Gallon

4-Inch Meter

First	30,000 Gallons	\$264.25	Min. Bill
Next	20,000 Gallons	0.00607	per Gallon
Next	50,000 Gallons	0.00522	per Gallon
Over	100,000 Gallons	0.00435	per Gallon

6-Inch Meter

First	60,000 Gallons	\$461.57	Min. Bill
Next	40,000 Gallons	0.00522	per Gallon
Over	100,000 Gallons	0.00435	per Gallon

8-Inch Meter

First	80,000 Gallons	\$585.45	Min. Bill
Next	20,000 Gallons	0.00522	per Gallon
Over	100,000 Gallons	0.00435	per Gallon

Private Fire Service Rates:

1-1/2-Inch FD	\$20.33
2-Inch FD	\$30.39
3-Inch FD	\$78.94
4-Inch FD	\$171.59
6-Inch FD	\$395.29
8-Inch FD	\$763.48
10-Inch FD	\$1,322.05
12-Inch FD	\$2,087.20

Monthly Rates Phase 2

5/8-Inch Meter

First	2,000 Gallons	\$26.92	Min. Bill
Next	4,000 Gallons	0.00781	per Gallon
Next	44,000 Gallons	0.00693	per Gallon
Next	50,000 Gallons	0.00597	per Gallon
Over	100,000 Gallons	0.00497	per Gallon

1-Inch Meter

First	5,000 Gallons	\$51.17	Min. Bill
Next	1,000 Gallons	0.00781	per Gallon
Next	44,000 Gallons	0.00693	per Gallon
Next	50,000 Gallons	0.00597	per Gallon
Over	100,000 Gallons	0.00497	per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$91.43	Min. Bill
Next	40,000 Gallons	0.00693	per Gallon
Next	50,000 Gallons	0.00597	per Gallon
Over	100,000 Gallons	0.00497	per Gallon

2-Inch Meter

First	16,000 Gallons	\$134.21	Min. Bill
Next	34,000 Gallons	0.00693	per Gallon
Next	50,000 Gallons	0.00597	per Gallon
Over	100,000 Gallons	0.00497	per Gallon

3-Inch Meter

First	25,000 Gallons	\$217.86	Min. Bill
Next	25,000 Gallons	0.00693	per Gallon
Next	50,000 Gallons	0.00597	per Gallon
Over	100,000 Gallons	0.00497	per Gallon

4-Inch Meter

First	30,000 Gallons	\$301.40	Min. Bill
Next	20,000 Gallons	0.00693	per Gallon
Next	50,000 Gallons	0.00597	per Gallon
Over	100,000 Gallons	0.00497	per Gallon

6-Inch Meter

First	60,000 Gallons	\$526.44	Min. Bill
Next	40,000 Gallons	0.00597	per Gallon
Over	100,000 Gallons	0.00497	per Gallon

8-Inch Meter

First	80,000 Gallons	\$667.73	Min. Bill
Next	20,000 Gallons	0.00597	per Gallon
Over	100,000 Gallons	0.00497	per Gallon

Private Fire Service Rates:

1-1/2-Inch FD	\$23.32
2-Inch FD	\$34.86
3-Inch FD	\$90.54
4-Inch FD	\$196.81
6-Inch FD	\$453.40
8-Inch FD	\$875.71
10-Inch FD	\$1,516.39
12-Inch FD	\$2,394.02

Nonrecurring Charges

Service Connection	\$8.00
Service Connection-After Hours	\$57.00
Delinquent Service	\$12.00
Meter Reading Recheck	\$8.00
Service Investigation	\$12.00
Service Investigation-After Hours	\$104.00
Meter Test Request	\$5.00
Meter Investigation	\$9.00
Returned Check	\$12.00
Service Line Inspection	\$12.00

Tap-On Fee

5/8-Inch x 3/4-Inch Meter	\$1,711.00
---------------------------	------------

*Robert K. Miller
Straightline Kentucky LLC
113 North Birchwood Ave.
Louisville, KENTUCKY 40206

*Jacob Cuarta
Butler County Water System, Inc.
P. O. Box 10180
Bowling Green, KY 42102

*Butler County Water System, Inc.
1118 S Main Street, Suite 1
Morgantown, KY 42261

*Mark Frost
Montgomery County Water District #1
4412 Camargo Road
Mt. Sterling, KY 40353