

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

**In the Matter of:**

<b>ELECTRONIC APPLICATION OF BATH COUNTY</b>	)	
<b>WATER DISTRICT FOR A RATE ADJUSTMENT</b>	)	<b>CASE NO. 2022-00404</b>
<b>PURSUANT TO 807 KAR 5:076</b>	)	

**RESPONSE TO COMMISSION STAFF REPORT**

Pursuant to the Commission’s Order of May 3, 2023, Bath County Water District responds to the Commission Staff Report (“Report”) as follows:

1. The Bath District reserves its right to contest specific recommendations listed in the Report in future Commission proceedings but accepts for purposes of this proceeding the Report’s recommended revenue requirement and proposed rates. Provided that the Report’s recommended water service rates are accepted without change, Bath District does not request a conference with Commission staff and waives its right to a hearing in this matter.
  
2. While Bath District accepts for purposes of this proceeding the Report’s recommended revenue requirement and proposed rates, it does not agree with Commission Staff’s recommended disallowance of employee health insurance expense. Commission Staff has not considered the value of total compensation package provided to Bath District employees, the individual elements of the health insurance coverage provided to Bath District employees, labor market conditions, or the level of benefits generally provided to employees in the utility sector or among Kentucky’s water utilities. It has ignored the Bureau of Labor Statistics’ findings regarding the portion of employee health insurance expense provided by government entities and instead chose to use the private employer contribution rate even though Bath District is a government entity and political subdivision.

3. While Bath District accepts for purposes of this proceeding the Report's recommended revenue requirement and proposed rates, it does not agree with the Report's recommendation that labor costs related to the non-recurring charges listed in the Appendix of the Report be removed from those charges.

a. Bath District's current nonrecurring charges are consistent with 807 KAR 5:006, Section 9, which provides that a utility may "make special nonrecurring charges to recover customer specific costs incurred that would otherwise result in monetary loss to the utility or increased rates to other customer to whom no benefits accrue from the service provided or action taken."<sup>1</sup> The regulation does not limit a utility's recovery to the marginal costs associated with an activity but rather defines a nonrecurring charge as a fee or charge "assessed to a customer to recover the specific cost of an activity."<sup>2</sup> Bath District has provided customer specific costs including the cost of labor to provide each nonrecurring service. Bath District's current charges for nonrecurring services reflect the actual customer-specific costs to provide those services. A customer receiving a nonrecurring service pays no more than the cost that Bath District incurs to provide the service.

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807 KAR 5:006, Section 9(1)  
Id at Section 1(6). See also 807 KAR 5:011, Section 1(4)

- b. The inclusion of labor costs in these fees does not result in the double recovery of those costs. When establishing rates for water service, the cost of labor related to the provision of nonrecurring services is included in Bath District's test period proforma operating expenses. These proforma operating expenses are added to Bath District's average annual debt service requirement and its debt coverage requirement to determine Bath District's annual total revenue requirement. Bath District's miscellaneous revenues, including revenues from nonrecurring charges, are deducted from the annual total revenue requirement to determine the *total revenue requirement from rates*. From this amount, Bath District's rates for water service are determined.

Because revenues from the nonrecurring changes have been deducted and are not included in *the total revenue requirement from rates*, none of the costs recovered through nonrecurring charges – including labor costs, are recovered through Bath District's rates for water service.

4. Bath District does not object to Commission Staff's recommendations regarding the useful lives of various asset types but reserves the right to contest such recommendations in future rate proceedings. Bath District takes no position on whether the Commission should require the Commission Staff-recommended useful lives be implemented for accounting purposes.

WHEREFORE, Bath District requests that the Commission issue an Order approving the rates recommended in the Commission Staff Report.

DATED: May 9, 2023,

Respectfully submitted:

A handwritten signature in cursive script, appearing to read "L.W. Patton", written in black ink. The signature is fluid and stylized, with the first and last names being the most prominent.

L.W. Patton  
Chairman  
Bath County Water District