

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF)
OLDHAM COUNTY WATER) CASE NO. 2023-00252
DISTRICT FOR AN ALTERNATIVE)
RATE ADJUSTMENT)

RESPONSE TO COMMISSION STAFF REPORT

Pursuant to 807 KAR 5:076, Section 11(3), Oldham County Water District (“Oldham District”) submits this response to the Commission Staff Report (“Report”).

Objections and Comments

1. **Typographical error in Appendix B.** Oldham District believes the recommended “All Usage Rate” of \$0.405 per gallon, which appears in **Appendix B**, is a typographical error. Such a rate would result in a monthly bill of \$2,033.87 for a typical Oldham District residential customer who is served through a 5/8-inch meter and purchases 5,000 gallons of water. To produce a monthly bill of \$29.12 for a such a customer,¹ the “All Usage Rate” should be **\$0.00405** per gallon.

2. **Non-Recurring Charges.** Oldham District does not agree with Commission Staff’s recommended adjustments to its non-recurring charges, but for

¹ Staff Report at 5.

the purposes of this proceeding only, will accept the recommended adjustments. It reserves the right to contest in future Commission proceedings the elimination of labor expense in the calculation of charges for non-recurring services provided during regular business hours.

3. **Failure to Increase Tap Fee.** Oldham District notes that Commission Staff failed to make any adjustment to Oldham District's Tap Fee to reflect the current cost of \$2,200 to make a service connection to Oldham District's water mains. This failure is inconsistent with past Commission precedent that has required the adjustment of all non-recurring charges, including tap or meter connection fees, in rate adjustment proceedings to reflect current costs.² This failure results in the rates of general water service customers subsidizing the cost to connect prospective customers to Oldham District's system. Given the adjustment made to other non-recurring charges to reflect the perceived cost of non-recurring services, failing to make a similar adjustment to the Tap Fee produces an unfair and unreasonably discriminatory result.

4. **Rounding Down of Non-Recurring Charges.** Oldham District requests that, for purposes of administrative ease and convenience, Commission

² See, e.g., *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment*, Case No. 2023-00154 (Ky. PSC Jan. 11, 2024); *Electronic Application of Western Mason County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076*, Case No. 2023-00182 (Ky. PSC Jan. 4, 2024); *Electronic Application of McKinney Water District for a Rate Adjustment Pursuant to 807 KAR 5:076*, Case No. 2022-00400 (Ky. PSC Sept. 1, 2023).

Staff's recommended charge of \$19.65 be rounded down to \$19.00 for the following charges: Connection/Turn On Charge; Field Collection Charge; Meter Reread Charge; Meter Test Charge, Reconnect Charge, and Service Call/Investigation Charge. Such an action is consistent with prior Commission decisions.³

5. **Disallowance of Employee Benefit Expense.** Oldham District objects to Commission Staff's recommended disallowance of **\$94,445** of employee health and dental insurance expenses. Commission Staff has not considered the following: the value of the total compensation package provided to Oldham District employees; the individual elements of the health and dental insurance coverage provided to Oldham District employees; the labor market conditions; or the level of benefits generally provided to employees in the utility sector or among Kentucky's water utilities.

Oldham District devoted extensive discussion in its Response to Question 6 of Commission Staff's First Request for Information explaining why a reduction in its contribution to employee health, dental, and vision insurance was

³ See, e.g., *Electronic Application of South 641 Water District for A Sewer Rate Adjustment Pursuant to 807 KAR 5:076*, Case No. 2023-0051 (Ky. PSC Dec. 13, 2023) Order, App. A at 1-3 (rounded non-recurring charges to nearest dollar amount); *Electronic Application of Licking Valley Rural Electric Cooperative Corporation for A General Adjustment of Rates Pursuant to Streamlined Procedure Pilot Program Established in Case No. 2018-00407*, Case No. 2020-00338 (Ky. PSC Apr. 8, 2021), Order at 13-14 (ordering prepay service fee rounded down to nearest dollar). See also *Electronic Application of Mountain Water District for A General Adjustment of Sewer Rates*, Case No. 2022-00367, Case No. 2022-00367 (Ky. PSC filed Feb. 27, 2023), Commission Staff Second Request for Information, Question 8 (issued May 22, 2023) (stating the Commission "has historically used the rounding of the nonrecurring charges to the nearest dollar").

neither reasonable nor cost effective and would pose a serious detriment to Oldham District's efforts to recruit and retain highly qualified and experienced employees. Commission Staff has chosen not to address this discussion. It has provided no evidence or argument to rebut the evidence and argument that Oldham District has presented. Moreover, Commission Staff fails to explain how the national average for an employer's share of employee health insurance coverage is relevant to Oldham District's circumstances or why the "national average" is relevant.

Commission Staff's recommendation is based upon a mechanical application of the national average to Oldham District's health and dental insurance cost. There is no evidence in the record to suggest that Commission Staff examined any factor that would assist in determining the reasonableness on Oldham District's expenditures for employee health and dental insurance. It did not request any information regarding the local labor market, employee turnover, or the level of benefits commonly provided to employees in Oldham County or neighboring counties. While Commission Staff refers to the "national average", it makes no reference to the practices of water and wastewater utilities in the state of Kentucky.⁴

⁴ Oldham District also questions the use of an eight-year-old survey to assess the reasonableness of its expenditures for employee dental insurance. Given the significant disruptions that have occurred in the labor market since 2015, such as the COVID pandemic and its aftermath, the reliability and relevance of such dated information is questionable.

6. **Reservation of Right to Contest Findings and Recommendations.**

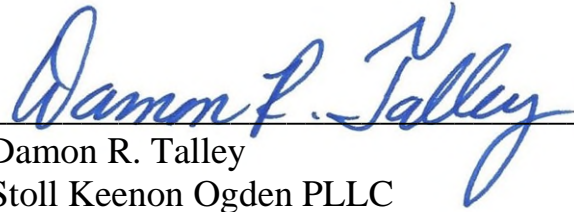
Oldham District's silence on any finding or recommendation contained in the Commission Staff Report should not be construed as agreement with that finding or recommendation or a waiver of its right to contest that finding or recommendation at any hearing scheduled in this matter. It reserves the right to question Commission Staff on all findings and recommendations set forth in the Commission Staff Report and to present evidence and argument on such findings and recommendations.

Request for Hearing

Pursuant to 807 KAR 5:076, Section 11(3), Oldham District requests a hearing in this matter on the following issues: (1) Correction of the typographic error in Volumetric Retail Rate shown in Appendix B; (2) Failure to increase Tap Fee; (3) Request to round-down certain non-recurring charges; (4) Disallowance of certain employee benefit expenses from Oldham District's revenue requirement; and (5) Any other issue which Oldham District subsequently identifies and provides written notice to the Commission prior to any scheduled hearing. No conference with Commission Staff.

Dated: January 16, 2024

Respectfully submitted,



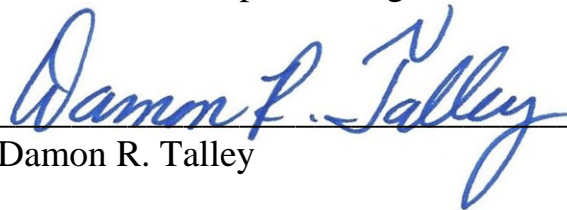
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CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, and the Public Service Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was transmitted to the Public Service Commission on January 16, 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