

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**ELECTRONIC APPLICATION OF GRAVES)
COUNTY WATER DISTRICT FOR AN) CASE NO. 2025-00060
ADJUSTMENT OF ITS WATER RATES)
PURSUANT TO 807 KAR 5:076)**

APPLICATION FOR REHEARING

Pursuant to KRS 278.400, Graves County Water District (“Graves District” or “the District”) applies to the Public Service Commission (“Commission”) for rehearing of its Order of December 23, 2025 regarding the denial of the District’s proposed surcharge to fund water loss detection and repair efforts and the requirement that the District “file proper notice in accordance with 807 KAR 5:011” for approved meter set/tap-on fees.

**The Denial of the Proposed Surcharge is Based Upon Erroneous Premises
and Is Contrary to KRS 278.190(3)**

The Order of December 23, 2025 denies the District’s request to establish a monthly water loss detection and repair surcharge of five dollars for five years to replace the District’s expiring water loss detection and repair surcharge established in Case No. 2018-00429¹ without addressing the merits of that request. Without referring to any supporting statutory or regulatory authority, it finds the request should instead be reviewed in Case No. 2019-00347,² which it describes as “the ongoing surcharge monitoring docket established for this purpose,”³ to avoid “delaying the final

¹ *Application of Graves County Water District for an Alternative Rate Adjustment*, Case No. 2018-00429 (Ky. PSC Sep. 30, 2019). The District was authorized to assess every customer a five-dollar monthly surcharge for 72 months or until \$1,721,160 was billed. In October 2025, it ceased billing this surcharge as the period to bill the surcharge had expired and the total amount billed had reached the authorized limit.

² *Graves County Water District’s Unaccounted-for Water Loss Reduction Plan, Surcharge, and Monitoring*, Case No. 2019-00347 (Ky. PSC initiated Sep. 30, 2019).

³ Order of December 23, 2025 at 33.

Order” in the present case and expressly directs that “a continuation/extension motion [for the proposed surcharge] should be filed in Case No. 2019-00347.”⁴

The Order is based upon two erroneous premises. First, it considers Case No. 2019-00347 to be the appropriate forum to consider the proposed surcharge and that a “continuation/extension motion” in that docket to be the appropriate means to place the surcharge before the Commission. The Order notes that surcharge-administration motions have consistently been handled in that docket.⁵ While the Commission created Case No. 2019-00347 to “monitor Graves District’s unaccounted-for water-loss surcharge proceeds collection and expenses,”⁶ there is no evidence that this docket was intended to address rate adjustments.

The Order’s directive to submit in Case No. 2019-00347 a motion for authorization to assess the proposed surcharge is contrary to Commission precedent. The proposed surcharge is to apply to all District customers. Commission precedent has long held that a surcharge applicable to all of a utility’s customers is a general adjustment of existing rates and must conform to the filing requirements for a general rate adjustment.⁷ There is a significant risk that, were the District to file a motion in compliance with Order’s directive and the motion was granted, the order granting such motion would be subject to legal challenge because it contradicts Commission precedent.

⁴ *Id.* at 34.

⁵ *Id.*

⁶ Case No. 2019-00347, Order of Sep. 30, 2019 at 2.

⁷ See, e.g., *Electronic Application of Kentucky-American Water Company for a Qualified Infrastructure Program Rider*, Case No. 2017-00313 (Ky. PSC Aug. 23, 2017), Order at 3 (“[A] request for a rate surcharge is a request for a general adjustment of existing rates and must conform to the filing requirements set forth in 807 KAR 5:001, Section 16.”); *Application of Bullitt Utilities, Inc. for a Certificate of Convenience and Necessity and Surcharge for Same*, Case No. 2014-00255 (Ky. PSC Dec. 23, 2014); *Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of Purchased Power Agreements and Recovery of Associated Costs*, Case No. 2009-00353 (Ky. PSC Oct. 21, 2009); *The Application of Louisville Gas and Electric Company for Approval of New Rate Tariffs Containing a Mechanism for the Pass-Through of MISO-Related Revenues and Costs Not Already Included in Existing Base Rates*, Case No. 2004-00459, (Ky. PSC Apr. 15, 2005); *The Application of Kentucky Utilities Company for Approval of New Rate Tariffs Containing a Mechanism for the Pass-Through of MISO-Related Revenues and Costs Not Already Included in Existing Base Rates*, Case No. 2004-00460 (Ky. PSC Apr. 15, 2005).

Given that the only forum in which the District or any utility can seek a surcharge applicable to all its customers is a general rate adjustment proceeding, the Order’s failure to address the merits of the proposed surcharge is very troubling. In compliance with Commission precedent, the District in March 2025 submitted its proposed surcharge as part of its application for general rate adjustment. In April 2024, the District had notified the Commission of the existing surcharge’s expiration in October 2025.⁸ In April 2025, it again provided such notice to the Commission.⁹ Despite such notice, no discovery requests were made in this proceeding concerning the proposed surcharge. While Commission Staff noted the existing surcharge’s expiration in its report on the District’s Application, it made no reference to the proposed surcharge.¹⁰ Despite the District’s lengthy discussion of the proposed surcharge in its response to the Commission Staff Report,¹¹ no inquiries regarding the proposed surcharge. Nine months after initiating the application process, the District has received an Order that fails to address the merits of its proposed surcharge and, based upon the Commission’s previous rulings, has no recourse but begin again and submit another application for general rate adjustment requesting the proposed surcharge.

The other erroneous premise upon which the Order of December 23, 2025 is based is that the District’s proposed surcharge is a “continuation” of the expired surcharge and not a new rate or a proposed rate adjustment subject to the requirements of KRS 278.180 and KRS 278.190. The expired surcharge and the proposed surcharge are not the same rate. While each involves the monthly billing of five dollars to every District customer, they have different limits on the time they may be billed (six years versus five years), their total amount billed (\$1,721,160 versus

⁸ Annual Progress Report off Graves County Water District’s Water Loss Detection And Repair Program (October 1, 2022 – September 30, 2023) at 6 (filed in Case No. 2019-00347 on Apr. 19, 2024).

⁹ Annual Progress Report off Graves County Water District’s Water Loss Detection And Repair Program (October 1, 2023 – September 30, 2024) at 6 (filed in Case No. 2019-00347 on Apr. 22, 2025).

¹⁰ Commission Staff’s Report on Graves County Water District (“Commission Staff Report”) at 10 (filed Aug. 21, 2025).

¹¹ Response to Commission Staff Report at 2-8 (filed Sep. 25, 2025).

\$1,482,000), and how the District may use their proceeds.¹² Moreover, the surcharge authorized in Case No. 2018-00429 is a rate that ceased to be billed two months before the issuance of the Order of December 23, 2025.

Even if the proposed surcharge is a “continuation” of the expired surcharge rate, it represents a change in that rate. KRS 278.010(12) defines a “rate” as

any individual or joint fare, toll, charge, rental, or other compensation for service rendered or to be rendered by any utility, and any rule, regulation, practice, act, requirement, or privilege in any way relating to such fare, toll, charge, rental, or other compensation, and any schedule or tariff or part of a schedule or tariff thereof[.]

The proposed surcharge changes the authorized period in which the surcharge may be billed and thus increases the total amount of compensation that the District may require from a customer for water service.¹³ It is, therefore, a “change” in the District’s rates.

Whether the proposed surcharge is a new rate or a change in an existing rate, KRS 278.180 and KRS 278.190 are applicable. KRS 278.180(1) provides that “no change shall be made by any utility in any rate except upon thirty (30) days’ notice to the commission, stating plainly the changes proposed to be made and the time when the changed rates will go into effect.” KRS 278.190 permits the Commission to suspend the proposed rate change and to investigate and conduct a hearing on the reasonableness of the proposed rate or change. It also establishes the

¹² In its Order of September 30, 2019 in Case No. 2018-00429, the Commission limited the use of the expired surcharge proceeds to the proposals set forth in the District’s surcharge proposal. Order at 9 (expressly rejecting proposed surcharge tariff provisions that would permit the use of surcharge proceeds “for other purposes related to water loss detection and repair” and limiting the use of surcharge proceeds to the specific uses set forth in the District’s Supplemental Proposal).

¹³ When the Commission approved the expired surcharge in September 2019, the total amount that the District would collect from a customer over the life of the approved surcharge was limited to no more than \$360. If the proposed surcharge is considered a “continuation” of that surcharge, the total amount paid that customer would pay over the life of the surcharge would **increase at least \$300**.

conditions under which that investigation is conducted and establishes a time limit on the investigation.

The December 23, 2025 Order's denial of the District's proposed surcharge without any finding on the reasonableness of the surcharge improperly circumvents KRS 278.190(3), which requires a decision on the reasonableness of a new rate schedule or a proposed rate change be given "preference over other questions pending before it and decide[d] . . . as speedily as possible, and in any event not later than ten (10) months after the filing of such [rate] schedules."¹⁴ The Order effectively extends the time for a decision on the proposed surcharge well beyond that permitted by that statute.¹⁵ The Order is completely devoid of any finding on the proposed surcharge's reasonableness or the District's efforts to meet its burden of proof regarding the proposed surcharge's reasonableness. The Commission's December 23, 2025 Order relies solely on the need to avoid a delay in the issuance of a final order in this proceeding for the denial of the proposed surcharge,¹⁶ and its directive to the District to resubmit its request for the proposed surcharge in another docket. Directing the District to file its request for a surcharge in the docket of another proceeding evades the time constraints placed on the Commission by KRS 278.190(3).

The Order of December 23, 2025 places the District at a severe disadvantage. Because leak detection efforts were funded with expired surcharge revenues during the test period, they were not included in proforma test period operations or the approved rates. The District had proposed

¹⁴ It is generally recognized that the failure to issue a decision within ten months of the filing of a proposed rate renders the rate effective by operation of law. *See, e.g., City of Falmouth, Kentucky*, Case No. 2006-00403 (Ky. PSC June 27, 2007), Order at 1-2 ("KRS 278.190(3) requires that the Commission complete its investigation and render a final decision within 10 months of the filing of the proposed rate. The Commission's failure to render a decision within this period will result in the proposed rates becoming effective.") (footnote omitted).

¹⁵ By requiring the request for the proposed surcharge request to be resubmitted as a motion in a "surcharge monitoring docket," which has no statutory time period for addressing motions, the Order not only extends the time for the issuance of a final decision beyond ten months but extends it indefinitely.

¹⁶ Order of December 23, 2025 at 34 ("Proceeding in Case No. 2019-00347 avoids delaying the final Order in this case.) As the Commission accepted the District's application for filing as of March 19, 2025, the ten-month statutory period does not end until January 18, 2026. As of December 23, 2025, 26 days remained to issue a decision that also addressed the merits of the District's proposed surcharge.

to sustain those efforts with proceeds from the proposed surcharge. Had it been advised that no decision would be made on the merits of its proposed surcharge, it would have sought to recover the costs associated with its leak detection efforts through general service rates. When the expired surcharge's proceeds are depleted, the District either must discontinue or severely restrict its leak detection activities or shift funds from other activities whose expenses the Commission has found reasonable and necessary to provide adequate utility service. Discontinuing leak detection activities will lessen the benefits of the improvements and facilities financed with the proceeds of the expiring surcharge. The lack of surcharge funds will also impede the District's ability to replace problem water main segments and force the District to apply short-term solutions by frequently repairing defective or damaged water lines rather than a long-term and more cost-effective solution by replacement.

In light of the errors noted above and the potential consequences resulting from the failure to consider merits of the proposed surcharge, the District requests that Commission grant rehearing on the Order of December 23, 2025 to address the reasonableness of the proposed surcharge and establish a procedural schedule that will require a final decision on the proposed surcharge no later than 110 days from the filing of this Motion.

**807 KAR 5:011 Does Not Require Public Notice of the
Approved Meter Setting/Tap-On Fees**

Neither the record nor Commission precedent supports the December 23, 2025 Order's assertion that the District failed to provide the required public notice of proposed revisions to its Meter Set/Tap-On Fees and its directive that the District publish proper notice of those fees in compliance with 807 KAR 5:011.¹⁷ The District did not propose revising its Meter Set/Tap-On Fees. Its application is silent on these fees. During discovery, Commission Staff requested

¹⁷ Order at 31-32, 35.

information regarding the District's costs to make meter connections and then, based upon the reported cost, recommended in its report to the Commission that the District's meter connection fees be increased.¹⁸ The Order of December 23, 2025 accepted these recommendations, finding that the Commission Staff-recommended fees "reflect[ed] the current expenses incurred to install new taps" and were necessary "to prevent an under-recovery" of the costs to provide such services.¹⁹ Based upon Commission Staff's recommendation, the Order further directed increases to several non-recurring charges that the District had not requested.²⁰

As the District neither proposed nor requested these revisions but was ordered to charge the revised charges, 807 KAR 5:011 does not require it to provide public notice of the revisions. 807 KAR 5:011, Section 6(2) states:

A new tariff or revised sheet of an existing tariff shall be issued and placed into effect by:

(a) Order of the commission; or

(b) Issuing and filing with the commission a new tariff or revised sheet of an existing tariff and providing notice to the public in accordance with Section 8 of this administrative regulation and statutory notice to the commission.

Section 6(2)(a) refers to a rate or charge that the Commission has ordered. It does not require public notice of that action. In contrast, Section 6(2)(b) addresses the situation in which a utility proposes a new or revised rate. It requires the utility to provide public notice as specified in Section 8 of 807 KAR 5:011 and statutory notice to the Commission as KRS 278.180 requires. The content of this public notice, as prescribed in 807 KAR 5:011, Section 8(4), addresses a rate that a utility

¹⁸ Commission Staff Report at 9-10.

¹⁹ Order at 32.

²⁰ Unrequested increases to the District's Tampering Fee, Connection Fee, Reconnection Fee, and Service Charge were also approved. Order of December 23, 2025 at 29-31. The District requested no changes to its non-recurring charges but did object to Commission Staff's recommendations to reduce these charges. Response to Commission Staff Report at 9.

proposes to charge, not a rate that the Commission has already ordered. For example, Section 8(4) requires the public notice to state the “**proposed** effective date and the date the **proposed rates** are expected to be filed with the commission,” and the present and **proposed rates**. It further requires the notice to state that comments may be filed with the Commission, that a person may request intervention, and that the Commission may take final action on the filing within 30 days of the filing.

In numerous prior cases, the Commission has not required a utility to give notice of the approval of rates that Commission Staff recommended but the utility did not request, or that the Commission ordered on its own motion.²¹ In the present case, the requirement for public notice appears unevenly applied. The December 23, 2025 Order deems public notice of increases in Meter Set/Tap-On Fees is necessary but not of increases in numerous non-recurring charges. The Order of December 23, 2025 provides no explanation for why public notice is required for the Meter Set/Tap-On Fees.²²

²¹ See, e.g., *Electronic Application of Hyden-Leslie County Water District for An Alternative Rate Adjustment*, Case No. 2020-00141 (Ky. PSC Nov. 6, 2020) (water loss control surcharge); *Electronic Application of Dexter-Almo Heights Water District for A Rate Adjustment Pursuant to 807 KAR 5:076*, Case No. 2024-00273 (Ky. PSC Oct. 20, 2025) (tap-on fees); *Electronic Application of Western Fleming County Water Association for A Rate Adjustment Pursuant to 807 KAR 5:076*, Case No. 2024-00275 (Ky. PSC Mar. 28, 2025) (tap-on fees and non-recurring charges); *Electronic Application of Crittenden-Livingston Water District for An Alternative Rate Filing Pursuant to 807 KAR 5:076*, Case No. 2024-00278 (Ky. PSC Nov. 4, 2025) (tap-on fee and non-recurring charge); *Electronic Application of Western Rockcastle County Water Association, Inc. for A Rate Adjustment Pursuant to 807 KAR 5:076*, Case No. 2025-00001 (Ky. PSC Aug. 12, 2025) (tap fees); *Electronic Application of Allen County Water District for A Rate Adjustment Pursuant to 807 KAR 5:076*, Case No. 2025-00014 (Ky. PSC July 18, 2025) (tap-on fees and non-recurring charges); *Electronic Application of Bath County Water District for A Rate Adjustment Pursuant to 807 KAR 5:076*, Case No. 2025-00132 (Ky. PSC Nov. 3, 2025) (non-recurring charges); *Electronic Application of McKinney Water District for A Rate Adjustment Pursuant to 807 KAR 5:076*, Case No. 2025-00014 (Ky. PSC Dec. 4, 2025) (tap-on fees and non-recurring charges).

²² The District has already provided the public with adequate notice. At the time of filing its application, it published notice of the filing which advised the public of the requested rate adjustment but also stated:

The rates contained in this notice are the rates proposed by Graves County Water District. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates shown in this notice.

What purpose is served through publication of notice of the approved Meter Set/Tap-On Fees is unclear. Commission Staff has already thoroughly reviewed the utility's cost to set a meter. The Commission has made a similar review and approved the charge. The public gains no benefit from the publication of notice that accords with 807 KAR 5:011, Section 8(4).

The District has or will take several actions to advise the public of the recently approved rates. It has filed revised tariff sheets with the Commission that will be readily available to the public through the Commission's website. It will make these rates available to the public through the Mayfield Electric and Water System website. Finally, the District will ensure that each customer has access to receive a copy of the District's rate schedules at least once annually as 807 KAR 5:006, Section 7(1)(b) requires. Given these measures, the public will have adequate notice of **all the District's rates.**

The Commission should grant rehearing and strike Ordering Paragraph 5 from the Order of December 23, 2025, as well as all references to the District's alleged failure to provide proper notice and any requirement to publish notice of the approved meter set/tap-on fees. In the alternative, the Commission should provide guidance regarding the contents of the required public notice as the provisions of 807 KAR 5:011, Section 8(4) are not appropriate under the facts of this case and, if followed, will only create public confusion.

Summary

WHEREFORE, the District requests that the Commission enter an Order that:

1. Grants rehearing on those portions of the Order of December 23, 2025 pertaining to the denial of the District's proposed surcharge to fund water loss detection and repair efforts

This notice provided the public with notice of the proposed rate adjustment and the Commission proceeding and further advised the public of possibility of other adjustments to the District's rates, including its Meter Set/Tap-on fees and non-recurring charges.

and the requirement that the District “file proper notice in accordance with 807 KAR 5:011” for approved meter set/tap-on fees;

2. Establishes a procedural schedule in this matter that will require a final decision on the merits of the District’s proposed surcharge no later than 110 days from the filing of this Motion;

3. Strikes Ordering Paragraph 5 from the Order of December 23, 2025, as well as all references to the District’s alleged failure to provide proper notice and any requirement to publish notice of the approved meter set/tap-on fees or, in the alternative, provides additional guidance regarding the contents of the public notice of the approved meter set/tap-on fees that the District must publish; and,

4. Grants any and all other relief to which the District may be entitled.

Dated: January 15, 2026

Respectfully submitted,

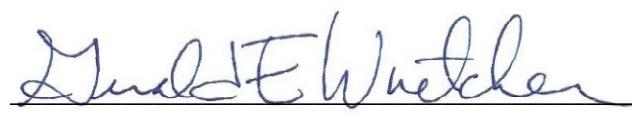


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CERTIFICATE OF SERVICE

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 15, 2026 and that there is currently no party that the Public Service Commission has excused from participation by electronic means in this proceeding.



Gerald E. Wuetcher