

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

**In the Matter of:**

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

**RESPONSE TO COMMISSION STAFF REPORT**

Pursuant to 807 KAR 5:076, Section 11, Graves County Water District (“Graves District” or “the District”) submits its response to the findings and recommendations contained in the Commission Staff Report on the District’s application for rate adjustment.

**Revenue Requirement and Proposed Rates for Water Service**

In its report, Commission Staff found that the District required Revenue From Water Rates of \$2,757,885 and an increase in rates for general water service to generate an additional revenue of \$880,912 and proposed rates that would produce such revenues. Commission Staff further proposed that the District’s rates for general water service be adjusted in two phases, with the second phase rates being implemented one year after the issuance of a final order in this proceeding.

While reserving its right to object in future proceedings to the appropriateness and reasonableness of specific adjustments proposed in the Commission Staff Report and to the application and use of specific methodologies, **the District accepts for purposes of this proceeding Commission Staff’s recommended revenue requirement and proposed rates for general water service but not for non-recurring services.**

### **Extension of Water Loss Detection and Repair Program Surcharge**

In its Application, the District requested a five-year extension of its Water Loss Detection and Repair Program Surcharge (“the Surcharge”) by listing on its proposed rate schedules a monthly “Water Loss Detection and Repair Program Surcharge” of five dollars and publishing notice of the filing of its application for rate adjustment listing those rate schedules. Based upon the District’s current number of customers, the requested extension will generate \$1,482,600 to fund the District’s water loss control efforts for the next five years.<sup>1</sup>

In its report on the District’s application, Commission Staff does not address the District’s request but simply notes that the District’s authority to assess the surcharge ends on September 30, 2025.<sup>2</sup> Commission Staff’s recommended rates for general waters service do not consider the District’s expenses for water loss detection and repairs incurred in the test period and financed through Surcharge revenue. Commission Staff provides no discussion nor makes any recommendations as to how the District will finance such expenses if the Surcharge is not extended and no provision is made for them in general rates.

As the District’s present water loss is 29.14 percent, the District acknowledges that significant work to detect, control, and reduce water loss remains. This work requires a funding source. Without that funding source, the District’s water loss is likely to increase and the District’s efforts for the past six years to lay the foundation for a successful water loss control program will be undermined. Such a result will occur just as the District is positioned to reap the benefits of those past efforts. To present such a result, the District requests that the Commission authorize the extension of the Surcharge for an additional sixty (60) months.

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<sup>1</sup> \$1,482,600 = \$5.00 per month per customer x 60 months x 4,942 customers.

<sup>2</sup> Staff Report at 10.

Background. On September 30, 2019, the Commission in Case No. 2018-00429<sup>3</sup> authorized the District” to collect a monthly surcharge of \$5.00 per customer for 72 months or until the total assessed amount of the Surcharge equals \$1,721,600, whichever occurs first. The surcharge proceeds were to be used solely to support of the Water Loss Detection and Control Program (“the Program”) that the District had presented to the Commission. In the six years that followed, the District has used the Surcharge proceeds to build a system of district metering areas (“DMAs”) throughout its water system, obtain the equipment necessary for leak detection and repair, fund a leak detection specialist, and repair and replace failing infrastructure.

Since 2020 the District has used Surcharge proceeds to establish forty-five (45) DMAs and expects to establish eight (8) more DMAs in the next two years with existing Surcharge funds. Water usage for each DMA is metered with a meter connected to the Automated Meter Infrastructure (“AMI”) of the Mayfield Electric and Water Systems (“MEWS”).<sup>4</sup> MEWS monitors water usage within each DMA and can quickly identify excessive water usage in a DMA. Once excessive water usage is identified, a leak detection specialist is sent to the DMA to pinpoint the exact leak location, and then a work crew is deployed to repair the leak.

As part of the District’s Program, MEWS established a position with the sole duty of leak detection was established. This employee is assigned to travel the District’s system searching for water leaks and broken water mains. Other MEWS employees support the leak detection specialist by reviewing and analyzing the data from the District’s DMA meters and MEWS’s AMI system and then planning the most cost-effective and efficient search routes and likely areas where leaks

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<sup>3</sup> *Application of Graves County Water District for An Alternative Rate Adjustment*, Case No. 2018-00429 (Ky. PSC Sep. 30, 2019).

<sup>4</sup> The District contracts with Mayfield Electric and Water Systems (“MEWS”) for all operation and maintenance services. MEWS performs these services in consultation with and at the direction of the District’s Board of Commissioners.

and line breaks exist. The leak detection specialist position is funded entirely with Surcharge funds. Surcharge funds are also used to compensate MEWS on an hourly basis for the analytical and predictive work its employees perform to assist the leak detection specialist.

The District has used surcharge proceeds to acquire a hydro-excavator truck to more efficiently repair or replace leaking and broken water mains, listening devices and portable flowmeters to better detect leaks.

During the Program's first four years, surcharge proceeds, supplemented by general revenue funds, were used to repair routine water main breaks and leaks. Beginning in the Program's fifth year, the District adopted a more aggressive approach to water main breaks and leaks. Instead of merely repairing leaks or main breaks as they were identified, the District identified large sections of water main subject to frequent breaks and began replacing those sections. Surcharge proceeds were used to cover the cost of materials and labor to make the replacements.

As of August 31, 2025, the District had collected approximately \$1,698,460 in surcharge revenue and expended \$1,522,928 of those proceeds and accrued interest. As of August 31, 2025, the Program's account fund had a balance of \$191,602.20.

Table 1 shows the District's water loss rate while the Program has been in effect. At the Program's start, the District's water loss represented 34.1277 percent of the District's total water produced and purchased.<sup>5</sup> The District's water loss for the Program's sixth year represents 29.14 percent of the District's total water produced and purchased – a 14.6 percent reduction in the District's water loss rate from the Program's start.

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<sup>5</sup> The District's water loss rate for calendar year 2019 was 34.1277 percent. *Annual Report of Graves County Water District to the Kentucky Public Service Commission for the Year Ending December 31, 2019*, Ref Page 30. The first water loss report that the District filed after the Program began was for the month of December 2019.

<b>Table 1<sup>6</sup></b>							
	<b>December 2019</b>	<b>Year 1 Dec.-Sep.</b>	<b>Year 2 Oct.-Sep.</b>	<b>Year 3 Oct.-Sep.</b>	<b>Year 4 Oct.-Sep.</b>	<b>Year 5 Oct.-Sep.</b>	<b>Year 6 Oct.-Aug.</b>
Consumers	29.75	22.50	18.57	19.00	27.32	24.96	23.13
Fancy Farm	8.89	12.83	18.15	15.95	24.25	32.32	5.65
Hardeman	26.77	14.89	5.74	20.28	26.35	11.82	7.98
Hickory	43.35	28.93	15.35	21.48	17.25	31.86	26.83
Sedalia	0.31	10.57	14.01	22.06	52.11	7.71	3.86
South Graves	44.19	45.87	45.00	60.17	66.15	62.47	63.61
<b>Total</b>	<b>34.66</b>	<b>26.71</b>	<b>20.75</b>	<b>27.67</b>	<b>35.51</b>	<b>33.82</b>	<b>29.14</b>

While the District has failed to reach its goal of reducing its water loss rate to fifteen percent, the District's results are still impressive if the challenges the District faced are considered. During the first two years of the program, the District suffered through the COVID-19 pandemic, which placed significant restrictions on its personnel and created market dislocations that led to shortages of necessary equipment and materials and significant price increases. In December 2021, a destructive tornado struck Graves County, Kentucky, causing significant damage to MEWS and District facilities. Water loss reduction efforts were partially suspended to allow MEWS and the District to focus on repairing and restoration efforts. During t

As of today, the District's water loss rate is nearly double the permissible level set forth in the 807 KAR 5:066, Section 6(3). The District recognizes that it must continue and strengthen its water loss control efforts to meet Commission's standards. There is still work to be done and there still exists a strong need for the Surcharge to fund that work.

Proposed Uses for Proceeds of Extended Surcharge. The requested extension of the surcharge will generate additional revenues of \$1,482,000 over a five-year period. The District proposes to limit the use of these proceeds to two purposes: the continued employment of leak detection personnel and specific replacement of water mains significantly contributing to water loss. The District will employ during the five-year period two persons working a combined total

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<sup>6</sup> Table 1 is a compilation of the water loss reports the District has filed with the Commission in compliance with the Commission's Order of September 30, 2019 in Case No. 2019-00347.

of 2,080 hours annually and traveling an average of 60 miles daily during an eight-hour workday. This employment will result in an estimated expenditure of \$580,320.<sup>7</sup> During the Program's first five years, only one person was performed leak detection responsibilities. During those years, the number of employee hours did not exceed 1,900 hours. (In the most recently completed program year, only 1,402 employee hours were spent on leak detection.) In the current program year, the District has increased the number of hours for leak detection by assigning another employee to perform leak detection work on a part-time basis. It has also increased training for its leak detection employees and purchased additional equipment. While leak detection efforts will continue to be system-wide, greater attention will be focused on the South Graves area, which has the highest water loss percentage.

This increased emphasis on leak detection will take advantage of the District's forty-five DMAs. In the early years of the Program, leak detection was in part hampered by the limited number of DMAs. While the District had initially expected to establish fifty-three DMAs by the Program's second year, its deployment schedule was overly optimistic and affected by unseen factors such as the COVID pandemic, a materials shortage, and the December 2021 tornado. Only in the last two years have enough DMAs been established to allow for more efficient and effective leak detection efforts. As a result, the District is on the verge of a significant reduction in water loss through more efficient leak detection.

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<sup>7</sup> The total cost for leak detection personnel is calculated as follows:

Wages = 5 years x 2,080 hours x \$50.55 per hour = \$525,720.

Mileage = 60 miles per 8 hour day x 260 8-hour days x \$0.70 per mile = \$54,600.

Total = \$525,720 + \$54,600 = \$580,320.

This estimate assumes that MEWS will be reimburse for each employee hour at an hourly rate of \$50.55 as required by the District's recently amended "Contract Agreement for Operations, Maintenance and Management Services" with MEWS. It further assumes that MEWS will be reimbursed for mileage at the current IRS standard mileage rate of \$0.70 per mile. *See* IRS Notice 2025-5.

Additionally, the District proposes to use approximately \$37,913<sup>8</sup> of Surcharge proceeds for data review and predictive analytic services from MEWS. As the number of the District's DMAs and the data from those DMAs increase, review and analysis of DMA data increases in importance and will allow the District to more efficiently and rapidly locate and repair specific locations of water loss.

The District proposes to use the remaining proceeds (\$863,696) from the extended surcharge for the replacement of specific portions of water main that have been identified as significant contributors to system water loss. Table 2 lists the water main segments, their location, estimated replacement cost,<sup>9</sup> and the proposed order of replacement. All water line segments are in the Fancy Farm and Hickory areas - areas with the largest number of water main breaks in the last two years. If Surcharge proceeds remain after the completion of these projects, the District will identify additional water main segments for replacement and request Commission authorization to use any remaining proceeds for those replacements. The District believes that this strategy is a more effective use of surcharge proceeds by replacing problem water main segments in high water loss areas rather than frequently repairing those segments.

<b>Table 2</b>				
<b>Rank</b>	<b>Water Main Segment</b>	<b>Description</b>	<b>Area</b>	<b>Estimated Cost</b>
1	Highway 1276/ Key Bottom Road Water Main Replacement	Replace 4,500 L.F. of 6-inch AC water main with 6-inch PVC Water Main.	Hickory	\$150,000
2	Old Plant Road Water Main Replacement	Replace 2,000 L.F. of 4-inch AC water main with 4-inch PVC Water Main	Hickory	\$ 90,000
3	Sanderson Road Water Main Replacement	Replace 4,300 L.F. of 4-inch AC water main with 4-inch PVC water main.	Hickory	\$193,500
4	Cash Road Water Main Replacement	Replace 1,800 L.F. of 4-inch AC water main with 4-inch PVC Water Main	Fancy Farm	\$ 81,000
5	Sullivan Road Water Main Replacement	Replace 3,400 L.F. of 4-inch AC water main with a 4-inch PVC water main	Fancy Farm	\$153,000
<b>Total:</b>				<b>\$667,500</b>

<sup>8</sup> The District assumes that 150 hours of MEWS employee time will be used annually to provide these services. Based upon a contract hourly rate of \$50.55, the annual cost of these services will be \$7,582.50.

<sup>9</sup> This estimated cost assumes that MEWS employees will perform the replacement of the water main segment and outside contractors will not be employed.

Consequences of Not Extending The Surcharge. If the Surcharge is not extended, the District faces some difficult choices. Because leak detection labor and mileage expense were funded with Surcharge revenues during the test period, they were not included in Commission Staff's proforma test period operations or recommended rates. If the Surcharge is not extended, the District either must discontinue or severely restrict its leak detection activities or shift funds from other activities whose expenses the Commission Staff has found reasonable and necessary to provide adequate utility service. Discontinuing leak detection activities would lessen the benefit of the expanded number of DMAs and squander the District's investment in DMAs.

The lack of surcharge funds will also impede the District's ability to replace problem water main segments. The lack of funding to replace these segments will 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.

#### **Proposed Adjustments to Non-Recurring Charges**

Although the District proposed no adjustment to its non-recurring charges, Commission Staff in its report recommended several adjustments to those charges. It proposed reducing the District's charges for non-recurring services provided during regular business hours to eliminate the labor expense associated with those services. It recommended the elimination of field labor costs and office/clerical labor costs from all non-recurring charges for services provided during "normal business hours." It further recommended the elimination of office/clerical labor costs from the District's After-Hours Reconnection Charge, as any office labor related to a reconnection is generally performed during normal business hours.



Commission Staff's action appears based upon the policy for the calculation of non-recurring charges first announced in the Commission's Order of November 6, 2020 in Case No. 2020-00141 in which the Commission stated:

The Commission finds that the calculation of nonrecurring charges should be revised and only the marginal costs related to the service should be recovered through a special nonrecurring charge for service provided during normal working hours. The Commission is concerned that ***charges be directly related to the actual cost incurred to provide the service***, thus preventing fees and charges from accumulating unjustly, and which do not reflect the actual costs incurred. It is unreasonable to allocate an expense already incurred as a cost of maintaining a system, such as the salary of a distribution operator, to a nonrecurring service such as the connection and reconnection of a meter during normal working hours.<sup>10</sup>

Commission Staff echoes this reasoning when stating that “because district personnel are currently paid during normal business hours, estimated normal business hour labor costs previously included in determining the amount of Nonrecurring Charges should be eliminated from the charges.”<sup>11</sup>

Graves District respectfully requests that **the Commission reject Commission Staff's recommendations and make no revisions to the following non-recurring charges: connection, reconnection, service, tampering fee and pressure reducing fee**. While the District does not agree with the policy announced in Case No. 2020-00141 and reserves its right to contest that policy in future Commission proceedings, the District believes that Commission Staff's recommendations are inconsistent with the Commission's treatment of labor expenses for non-recurring charges in which a third party contractor provides the non-recurring service.

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<sup>10</sup> *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment*, Case No. 2020-00141 (Ky. PSC Nov. 6, 2020) Order at 19-20 (bold italics added). In its report, Commission Staff does not directly refer to this Order but cites several cases that expressly refer to this Order in support of the elimination of field labor costs from charges for non-recurring services performed during regular business hours. See Staff Report at 7.

<sup>11</sup> Staff Report at 7.

The Commission has treated the cost of contractor-provided labor differently from the cost of utility employee-provided labor when a non-recurring service is performed during regular business hours by a contractor who bills the utility on an hourly basis to perform the non-recurring service. For example, in Cases No. 2020-00349<sup>12</sup> and No. 2020-00350,<sup>13</sup> the Commission elected **not to remove labor costs** from certain non-recurring charges in part because the non-recurring service was performed not by utility employees but by contractor employees. In Case No. 2022-00221,<sup>14</sup> the Commission permitted the inclusion of field labor costs associated with reconnections made during regular business hours by a contractor billing the utility for its labor, finding that “the marginal costs related to the service should be recovered through a special nonrecurring charge for service provided during normal working hours.” In Case No. 2023-0401, the Commission approved the inclusion of contractor labor costs in non-recurring charges, finding that “the cost of Field Labor is paid through contract and therefore should be included in the calculation of Nonrecurring Charges.”<sup>15</sup>

In making its recommendations regarding the District’s non-recurring charges Commission Staff did not consider the unique nature of the District’s operations. The District has no employees but instead contracts with MEWS for labor services. The Contract Agreement with MEWS

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<sup>12</sup> *Electronic Application of Kentucky Utilities Company for An Adjustment of Its Electric Rates, A Certificate of Public Convenience and Necessity To Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of A One-Year Surcredit*, Case No. 2020-00349 (Ky. PSC June 30, 2021), Order at 50.

<sup>13</sup> *Electronic Application of Louisville Gas and Electric Company for An Adjustment of Its Electric and Gas Rates, A Certificate of Public Convenience and Necessity To Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of A One-Year Surcredit*, Case No. 2020-00350 (Ky. PSC June 30, 2021), Order at 52.

<sup>14</sup> *Electronic Application of Northeast Woodford County Water District for A Rate Adjustment Pursuant To 807 KAR5:076*, Case No. 2022-00221 (Ky. PSC Jan. 20, 2023), Order at 7 (approving Commission Staff recommendation that contractor’s labor should be included in reconnection charge). For Commission Staff recommendation, see Case No. 2022-00221, Staff Report at 6 (filed Nov. 21, 2022).

<sup>15</sup> *Electronic Application of Peaks Mill Water District For A Rate Adjustment Pursuant 807 KAR 5:076*, Case No. 2023-00401 (Ky. PSC Sep. 4, 2024) Order at 28. *See also Electronic Application of South Woodford Water District For A Rate Adjustment Pursuant To 807 KAR 5:076*, Case No. 2022-00035 (Ky. PSC Jan. 17, 2023) (approving non-recurring charges that include contractor labor for services provided during regular business hours).

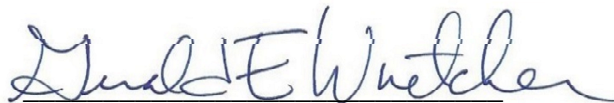
expressly provides that MEWS will bill the District on a per hour basis for the service performed. When a MEWS employee performs a non-recurring service requiring field labor, the MEWS employee assesses the District a charge based upon the field labor manhours required to perform that service. This charge is directly related to the non-recurring service. Under Commission precedent, the cost of the MEWS employee's labor that is billed to the District should be included in the charge for the non-recurring service.

### **Summary**

In summary, while reserving its right to object in future proceedings to the appropriateness and reasonableness of certain recommendations contained in the Commission Staff Report, the District for purposes of this proceeding (1) accepts Commission Staff's recommended revenue requirement and proposed rates for general water service; (2) requests that the Commission extend the present monthly Water Loss Detection and Repair Program Surcharge of five dollars for an additional sixty (60) months; and (3) rejected Commission Staff's recommendation to exclude contractor field labor expense from the calculation of the District's connection, reconnection, service, tampering fee and pressure reducing fees for those services when performed during regular business hours.

Dated: September 25, 2025

Respectfully submitted,

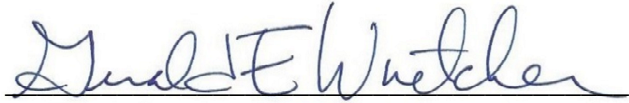
A handwritten signature in blue ink, reading "Gerald E. Wuetcher".

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*Counsel for Graves County Water District*

### **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 September 25, 2025 and that there is currently no party that the Public Service Commission has excused from participation by electronic means in this proceeding.

A handwritten signature in blue ink, reading "Gerald E. Wuetcher", written over a horizontal line.

Gerald E. Wuetcher