

**Witness: Christy Creech and Jack Scott Lawless**

1. Provide copies of each of the following, and when appropriate, provide Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected. Employee names should be redacted from all documents.
  - a. The general ledger in Excel spreadsheet format with all transactions for the year ended December 31, 2024, and year to date April 30, 2025.
  - b. The trial balance in Excel spreadsheet format for each of the year ended December 31, 2024, and year to date April 30, 2025.
  - c. Refer to Application, Schedule of Adjusted Operations (SAO). Provide a cross reference that matches each test year general ledger account to each revenue and expense line reported in the SAO and reconcile each amount that does not match.

**Response:**

- a. See attached file named "1 Response to KPSC DR1 Item 1.a. General Ledger."
- b. See attached file named "1 Response to KPSC DR1 Item 1.b. Trial Balance."
- c. See attached file named "3 Response to KPSC DR1 Item 3 ARF Workpapers Bath County Water District. Go to worksheet named "Reconcile GL to AR" to find the reconciliation of the Trial Balance/General Ledger accounts to the Annual Report accounts as listed in the Application on the Schedule of Adjusted Operations ("SAO").

**Witness: Christy Creech**

2. State whether Bath District uses an integrated software program for billing and its general ledger. If not, provide the following information related to each of the billing software and the general ledger software Bath District used during the test period:

- a. Brand or common name for each software.
- b. State whether each software is locally installed on a utility-owned computer or is a subscription service that is internet based.
- c. If locally installed, state the installation date for each software.
- d. State whether each system is still serviced by the manufacturer and whether the utility maintains a service contract.

**Response:**

- a. Ampston.
- b. Internet based software.
- c. N/A.
- d. Annual contract is in place.

**Witness: Christy Creech and Jack Scott Lawless**

3. Refer to the Application, SAO, Revenue Requirements Calculations, SAO Adjustments References. Provide all schedules used to support each proposed adjustment in Excel format. Component details of schedules should tie to the general ledger accounts that comprise the SAO line items, including any adjustments for unreconciled amounts.

**Response:**

See attached file named "3 Response to KPSC DR1 Item 3 ARF Workpapers Bath County Water District."

**Witness: Christy Creech and Jack Scott Lawless**

4. Refer to the Application, SAO, Adjustment M. Provide the following information regarding the proposed rate case amortization expense.
  - a. State whether the estimated cost for this case is a fixed amount or indicate whether the quoted amount may increase or decrease.
  - b. Provide a copy of the quote for the preparation of the rate case.
  - c. Confirm that the anticipated rate case expense will be paid by Bath District and not paid by a third party, i.e. grant funding. If not confirmed, provide the

**Response:**

- a. The contract with Kentucky Rural Water Association ("KRWA") to complete work on the Application includes an amount not to exceed \$9,350. It is expected that the amount charged by KRWA will be the full amount of the contract, \$9,350. Additional costs include publishing customer notice, \$945.
- b. A copy of the contract with KRWA is attached.
- c. Bath District will pay the entire cost of the Application. Grant funds have not been allocated to this Application.



## Proposed Rate Study

Bath County Water District

Prepared by: **Kentucky Rural Water Association**

**August 2024**

Kentucky Rural Water Association (KRWA) will perform a water rate study for Bath County Water District using methodologies acceptable to Kentucky Public Service Commission (KY PSC) upon approval of this proposal. This rate study will use 2024 as the test year and will be ready for submission by June 30, 2025 as ordered in KY PSC Case Number 2024-00177.

### Scope of Work

This work will include completing the following items:

- ✓ Preparation of Schedule of Adjusted Operations, Revenue Requirement Calculations, Proposed Rate Schedules, and Billing Analyses.
- ✓ Preparation of a written summary report.
- ✓ Attendance at one meeting with Board of Commissioners for presentation of report.
- ✓ Submission of Alternative Rate Filing Application to KY PSC.
- ✓ Coordination and submission of responses to KY PSC Staff Requests for Information.
- ✓ Preparation of response to KY PSC Staff Report.
- ✓ Preparation of updated Tariff sheets.

This proposal does not include attendance at public hearings and other meetings.

### Qualifications

The rate study will be performed by an experienced contractor selected by KRWA.

### Estimated Start and Completion Times

The rate study will begin promptly upon receipt of the 2024 Annual Report and approval of this proposal. Completion time is determined by KY PSC but is typically within 270 days of initiation of the project.

### Proposed Cost

**Total \$9,350**

Accepted by:

*Mike Dutton*

Date:

10-28-2024

**Witness: Christy Creech**

5. Provide certificates of insurance and most recent invoices for general liability, automobile, property, and casualty for 2024 and 2025.

**Response:** See attached file named "5 Response to KPSC DR1 Item 5 Certificates of Insurance."

**Witness: Christy Creech**

6. Refer to Application, Exhibit 3, Wage Table on page 6. Confirm the wages provided in the table are the amounts approved by the Board of Commissioner's in their April 28, 2025 minutes.

**Response:** Refer to Response to Item 9.

**Witness: Christy Creech**

7. Provide a complete description of each employee benefit, paid to or on behalf of each employee for the calendar year 2024. Supplemental coverage for which the employee pays 100 percent of the cost should also be included. Employee names should be redacted from all documents.

a. Provide a copy of an invoice for 2024 and 2025 for each employee benefit described above.

b. State whether there were significant changes to any benefit coverage described above subsequent to the test period.

**Response:** Employee benefits paid 100 percent by the District during 2024 are: employee health insurance, vision, flex spending, retirement, and a \$15,000 life insurance policy for each employee. Benefits paid 100 percent by the employees who chose to take the benefits are: Supplemental (Aflac), short and long term disability.

a. See attached file named "7 Response to KPSC DR1 Item 7 Employee Benefit Invoices."

b. The last significant change made to employee benefits was done by the district's board of commissioners as noted in the minutes dated May 30, 2023. The district will continue to pay 100% of employee plus health insurance plans for all employees that hired before this date. All employees hired after this date will receive 100 percent of the cost of a single health care plan that covers only the employee. If the new employee elects to have employee plus health insurance, the employee must pay the additional cost above the single plan.



**Witness: Christy Creech**

8. Refer to Application, Exhibit 3, Benefit Table on page 10. For each position listed in the table, provide the current employer contribution to health insurance premiums, by class of benefits.

**Response:** The employer contributes 100 percent of the monthly premium shown for each employee listed on page 10. The employees receiving more than single health insurance were hired prior to May 30, 2023, and continue to receive more than single coverage.

**Witness: Christy Creech**

9. Provide the minutes from the Bath District Board of Commissioners' meetings for the calendar years 2023, 2024, and year to date 2025. Consider this a continuing request through the date of issuance of Commission Staff's Report.

- a. Designate each action that authorizes hiring.
- b. Designate each action that authorizes adjustments to wage rates and any other compensation or fringe benefit actions.

**Response:** Minutes are attached in file named "9 Response to KPSC DR1 Item 9 Minutes."

- a. Hiring is authorized in minutes dated March 13,2023, May 22,2023, July 6, 2023, October 23,2023, March 12,2024, September 30,2024.
- b. Wage rates and other compensation are authorized in minutes dated February 27, 2023, March 13, 2023, April 24,2023, May 22,2023, May 30, 2023, July 6, 2023, August 28,2023, October 23,2023, November 27, 2023, June 24,2024. September 23,2024, November 25,2024, December 16, 2024, March 24, 2025, April 28, 2025

**Witness: Christy Creech**

10. Provide a document that lists the name of each commissioner for each of the calendar years 2023, 2024, and 2025 and state, individually, the total amount of each benefit paid to, or on the behalf of, each commissioner during each year (i.e., wages, health insurance premiums, life insurance premiums, FICA taxes, etc.) their term (beginning and ending), and current annual compensation.

a. Provide documentation from the Fiscal Court minutes that authorize each commissioner's appointment and compensation.

b. Provide training records for each commissioner for 2023, 2024, and 2025 or a statement that the individual has not attended training.

**Response:** See attached file named "10 Response to KPSC DR Item 10 Commissioner Wages."

a. See attached file named "10 Response to KPSC DR1 Item 10.a. Fiscal Court minutes."

b. See attached file named "10 Response to KPSC DR1 Item 10.b. Commissioner Training Records."

**Witness: Christy Creech and Jack Scott Lawless**

11. Refer to Application, Exhibit 3, Reference D at page 5 and Reference K at page 15. Reference D reported \$9,873 in capitalization for wages for field staff during the test year. Reference K reported \$17,962 in "Services" capitalized during the test year for tap fees.

- a. Confirm the two amounts are both attempting to capitalize the wage portion of tap fee expenses.
- b. If not confirmed, explain what each amount represents.
- c. If confirmed, provide an explanation for the difference between the two amounts.

**Response:**

- a. These two amounts are not "attempting to capitalize the wage portion of tap fees."
- b. Only \$9,873 is necessary to capitalizes wages. The \$17,962 is the amount capitalized to the balance sheet plant account 333-004, Services. It includes the cost of wages and materials and supplies necessary to construct the service from the transmission and distribution main to the newly constructed meter box or meter installation. A portion of the \$9,873 was distributed to all three plant accounts: 333-004, Services; 334-001, Meters; and 334-004, Meter Installations.
- c. N/A.

**Witness: Christy Creech and Jack Scott Lawless**

12. Refer to Application, Exhibit 3, Reference K at 15 and Bath District's audited financial statements for the year ended December 31, 2024, Statement of Revenues, Expenses and Changes in Net Position at 5. Reference K reported \$89,030 in tap fees during the test year. Bath District's 2024 audited financial statements reported \$805,924 in tap fee non-operating revenues. Provide an explanation of difference between the two amounts.

**Response:** The \$89,030 shown at Reference Item (K) does not represent the amount of tap-on fees collected during the test year. It represents the estimated cost of the 58 new meter taps constructed during the test year based on the amount of the cost based tap-on fee included in Bath District's tariff.

The amount of Tap-On fees collected by Bath District during the test year was \$93,783.50. It also received Kentucky Infrastructure Authority grant funds in the amount of \$805,923.71. It appears that the amounts were incorrectly labeled in the Audit Report.

**Witness: Christy Creech**

13. Refer to Bath District's Tariff, PSC Ky. No. 1, Original Sheets No. 12 and 13, Rules and Regulations, Billings, Meter Readings, and Related Information.

- a. Provide the date Bath District's billing cycle begins (meter read date).
- b. State whether the date that the billing cycle begins is the date that would be best stated as the effective date of any order the Commission issues concerning rates in this case.

**Response:**

- a. The billing cycle for Bath County Water District begins on the 15<sup>th</sup> of each month.
- b. The effective date of any order would be best stated as effective on the 15<sup>th</sup> of the month.

**Witness: Christy Creech and Jack Scott Lawless**

14. State the last time Bath District performed a cost-of-service study (COSS) to review the appropriateness of its current rates and rate design.

a. Explain whether Bath District considered filing a COSS with the current rate application and the reasoning for not filing one.

b. Explain whether any material changes to Bath District's system would cause a new COSS to be prepared since the last time it completed one.

c. If there have been no material changes to Bath District's system, explain when Bath District anticipates completing a new COSS.

d. Provide a copy of the most recent COSS that has been performed for the Bath District's system in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

**Response:** Based upon a review of the cases on the Public Service Commission website, it appears that the District has not performed a COSS in the last 20 or more years.

a. Bath District did not consider filing a COSS with the current rate application because there have been no material changes to the system.

b. Material changes in the Bath District system would cause a new COSS to be appropriate.

c. A new COSS would be appropriate if material changes in customer usage patterns were to occur.

d. Bath District was unable to locate a copy of the most recent COSS that has been performed.

**Witness: Christy Creech**

15. Refer to the Application, Exhibit 4, Billing Analysis. Provide a detailed list of the billing adjustments totaling \$11,415.

**Response:** Refer to Bath District's Response to Item 1.a. The debit entries to the Water Sales account shown on rows 10260 through 10486 of the Excel General Ledger/Trial Balance represent a detailed list of the billing adjustments shown on the Billing Analysis. Note that the debit entries total \$1,012,555.76. Removing the \$1,001,141.10 meter misread adjustment dated September 30, 2024, results in the amount shown on the billing analysis, \$11,415.



**Witness: Christy Creech**

16. Refer to the Application, SAO. Provide an itemization of Misc. Services Revenues of \$21,933 and state whether each component will recur.

**Response:** See attached file named "16 Response to KPSC DR1 Item 16 Misc Service Revenue." Each component is expected to recur.

**Witness: Christy Creech**

17. Provide the number of occurrences and dollar amounts for late fees recorded during the calendar year of 2024.

**Response:** See attached file named "17 Response to KPSC DR1 Item 17 late fees." The number and dollar amounts of late fees are 8,695 charges totaling \$36,055.51 for the calendar year 2024.

**Witness: Christy Creech**

18. Provide a schedule of listing the number of occurrences for each nonrecurring charge recorded during the test year and the total amount recorded for each nonrecurring charge. If the revenue for any nonrecurring charge was zero, include that charge and indicate that no revenue was recorded. Include the general ledger account numbers where each nonrecurring charge is recorded.

**Response:** All non recurring charges are either miscellaneous service charges as detailed in item 16 or late fees as detailed in item 17. The general ledger account for the service charges are recorded in account 471-000. Late fees are added to the customers water bill and are therefore recorded in the accounts receivable general ledger 141-000.

Connection charges: 133 occurrences totaling \$3657.50  
Connection charges after hours: 0 occurrences  
Field collection: 0 occurrences  
Late payment penalty: refer to item 17  
Meter Reread charge 17 occurrences totaling \$467.50  
Meter Reread charge after hours: 0 occurrences  
Meter Relocation: 0 occurrences  
Reconnection charge: 586 occurrences totaling \$16115.00  
Reconnection after hours: 0 occurrences  
Service call charge: 59 occurrences totaling \$1622.50  
Service call after hours: 0 occurrences  
Service line inspection: 0 occurrences  
Service line inspection after hours: 0 occurrences

**Witness: Christy Creech**

19. Provide updated cost justification sheets to support each nonrecurring charge listed in Bath District's tariff.

**Response:** See attached file named "19 20 Response to KPSC DR1 Items 19 and 20 Updated Non-Recurring Charge Cost Justification Sheets."

**Witness: Christy Creech**

20. Provide updated cost justification sheets to support each Meter Connections/Tap-on charge listed in Bath District's tariff.

**Response:** See attached file named "19 20 Response to KPSC DR1 Items 19 and 20 Updated Non-Recurring Charge Cost Justification Sheets."

**Witness: Chisty Creech and Jack Scott Lawless**

21. Refer to Application, Revenue Requirement Calculation at 32. Provide an explanation for the Interest on Customer Deposits in the amount \$5,188. Also include any calculations used to reach that amount, if applicable.

**Response:** Bath District collects customer deposits to secure customer accounts. Interest is paid on the deposits at the rate prescribed by the KPSC. Bath District reported interest expense paid on customer deposits in the amount of \$5,188 during the test year calculated by Ampston's billing and accounting software package.

See attached file named "21 Response to KPSC DR1 Item 21. Customer Deposit Interest" for a schedule of interest paid on customer deposits.

**Witness: Christy Creech**

22. Refer to Application, Revenue Requirement Calculation, at 32. Provide an explanation for the Revenue from Sewer Billing Service in the amount \$22,651. Also state whether the amount is expected to recur.

**Response:** Bath District provides sewer billing services to Morehead Utility Plant Board, Owingsville Water and Sewer, Bath County Sanitation District, and Means Sewer. Bath District recognized \$22,651 in test-year revenue from providing these services that are expected to continue to recur in future reporting periods.

**Witness: Christy Creech and Jack Scott Lawless**

23. Refer to Application, Exhibit 3 Reference P at 31.
- a. State the brand and model of the 786 water meters installed in 2024.
- b. Provide an explanation for the proposed ten-year service life for the water meters. Include in this explanation, any engineering reports, testing reports, or technical specifications that support the proposed ten-year service life for each water meter model and brand.

**Response:**

- a. The meter model no. is BL05, Sonata Ultrasonic, made by Master Meter.
- b. The Master Meters include a ten-year full replacement warranty that supports the 10-year depreciable life and they include a partial warranty for an additional ten years. Further, the cost of the Master Meters should be recorded as part of the Utility Plant subsidiary account Communication Equipment and depreciated over the 10-year life prescribed by the National Association of Regulatory Utility Commissioners' ("NARUC") 1979 publication titled Depreciation Practices for Small Water Utilities ("NARUC Study").

The register of the Master Meter includes a built-in radio read communication device that is inseparable from the meter's register. The radio read device is critical to Bath District's operation and use of the Master Meter. When this device fails, the register will be replaced. Therefore, it is appropriate and necessary to depreciate the cost of the meter over the anticipated life of the Communication Equipment. The NARUC Study prescribes a 10-year life for Communication Equipment.



**Witness: Christy Creech and Jack Scott Lawless**

24. Refer to Application, Exhibit 3, Reference J at 26, that discusses Audit Adjustment No. 11. Bath District stated that the \$85,282 audit adjustment incorrectly removed expenses, to account for the change in December 31, 2024 inventory, from materials and supplies when the adjustment should have been recorded against Construction Work in Progress. Commission Staff notes that the 2024 audited financial dates were signed by the auditor on April 30, 2025, and the application was filed on May 5, 2025.

a. Provide a statement from the auditor that concurs the amount was misclassified.

b. If the auditor concurs, provide a statement from the auditor that states if they will restate beginning retained earnings in the audited financial statements for the year ending December 31, 2025.

**Response:** See the attached e-mail correspondence from the auditor of Bath District's 2024 Financial Statements, Joel Lane.

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**Re: Rate Application of Bath County Water District filed with PSC**

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From Joel Lane <Joel@thelane CPA.com>

Date Mon 5/19/2025 11:53 AM

To Jack Lawless <jslawlessconsulting@gmail.com>; bathcowater@roadrunner.com  
<bathcowater@roadrunner.com>

Jack,

I understand what you've done and why.

1. I concur that materials and supplies was overstated by \$85,282 because the meters that were on the inventory list were actually capital assets waiting to be installed rather than materials and supplies inventory.
2. I will restate beginning retained earnings/equity/net position in the financial statements during the audit of fiscal year ending December 31, 2025.

Joel

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Joel Lane, CPA

Lane & Company LLC

[www.TheLaneCPA.com](http://www.TheLaneCPA.com)

859-498-9915 office

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**From:** Jack Lawless <jslawlessconsulting@gmail.com>

**Sent:** Saturday, May 17, 2025 1:37 PM

**To:** Joel Lane <Joel@thelane CPA.com>; bathcowater@roadrunner.com <bathcowater@roadrunner.com>

**Subject:** Rate Application of Bath County Water District filed with PSC

Joel, for ratemaking purposes, I adjusted materials and supplies expense in a manner that reversed your audit entry no. 11. Otherwise, Bath District would have recovered through rates only a very little amount for future materials and supplies expenses. You can see my adjustment beginning on page 13 at Reference Item (J) of the attached document.

The PSC issued its first request for information to Bath District. They direct to you the question below concerning my adjustment. Please call me Monday to discuss.

24. Refer to Application, Exhibit 3, Reference J at 26, that discusses Audit Adjustment No. 11. Bath District stated that the \$85,282 audit adjustment incorrectly removed expenses, to account for the change in December 31, 2024 inventory, from materials and supplies when the adjustment should have been recorded against Construction Work in Progress. Commission Staff notes that the 2024 audited financial dates were signed by the auditor on April 30, 2025, and the application was filed on May 5, 2025.

a. Provide a statement from the auditor that concurs the amount was misclassified.

b. If the auditor concurs, provide a statement from the auditor that states if they will restate beginning retained earnings in the audited financial statements for the year ending December 31, 2025.

Thank you,

Jack Scott Lawless, CPA  
(502) 418-8255