

Bath County Water District

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September 22, 2025

Ms. Linda Bridwell
Executive Director
Kentucky Public Service Commission
PO Box 615
Frankfort, Kentucky 40602

RE: Response to Staff Report filed in Case No. 2025-00132, Electronic Filing of Bath County Water District for a Rate adjustment Pursuant to 807 KAR 5:076

Dear Ms. Bridwell:

Bath County Water District ("Bath District") submits the following comments concerning the Commission Staff Report Dated September 15, 2025.

1. Removal of Employee Wages from Non-recurring Charges. 807 KAR 5:006, Section 9, and 807 KAR 5:011, Section 10(2), allows all utilities to charge a nonrecurring charge to recover all costs directly related to a non-recurring service. Nonrecurring services include, but are not limited to: service turn-on, reconnection of service, termination of service, special field visits, and meter testing. Prior to Case No. 2022-00404, Bath District's nonrecurring charges included recovery of all costs directly associated with providing nonrecurring services in accordance with the regulation.

In Case No. 2022-00404, the Commission removed employee wages for work performed during regular working hours from Bath District's nonrecurring charges. This

action decreased nonrecurring charges and increased general rates for water service charged to all customers for the cost of regular wages. To support its action, the Commission referenced its November 6, 2020 Order in Case No. 2020-00141 where it found that “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.”

The Commission’s action in Case No. 2022-00141 is not only in direct violation of the regulation, it also defeats the purpose of the regulation. The regulation states that nonrecurring charges are appropriate to avoid “increased rates to other customers to whom no benefits accrue from the service provided or action taken.” In Case No. 2022-00141, the Commission’s action increased the general service rates to be assessed to all customers and reduced the amount paid by the recipient of the nonrecurring service.

In this proceeding, Bath District requests that the Commission follow the regulation and recalculate Bath District’s nonrecurring charges to include all costs to provide the nonrecurring services so that the beneficiary of the nonrecurring service pays the entire costs of providing the service.

2. Employee Benefits – Health Insurance. Staff recommended that the Commission follow its general policy to limit rate recovery of Bath District’s cost of employee health and dental insurance to the national average. Application of the Commission’s policy is not reasonable considering utility personnel are required to be above average employees. Water is necessary to sustain life making it the most essential commodity of all. Delivering safe and reliable water is a tremendous responsibility that requires the most dedicated and

extraordinary employees. Bath District employees are subject to drug testing as part of the pre-employment screening process and are subject to random drug testing throughout their employment with Bath District. They rotate on-call duties to provide continued service to customers 24 hours every day including weekdays, weekends and holidays. Their work is performed outdoors in the elements of all weather conditions (hot sun, cold wind, rain, sleet, snow) on dangerous terrain that includes daytime and nighttime highway traffic as well as rugged rural areas often digging and working in deep trenches where high pressure water mains are located. For these reasons, employees of a water district cannot be compared to an average employee.

Clearly, a water utility must offer better than average employee benefits to attract and retain employees who possess the work ethic and dedication necessary to fulfill the district's responsibility to deliver safe and reliable water to its consumers. Therefore, Bath District's employee insurance costs cannot be avoided. Limitation of rate recovery of these costs will increase the frequency of rate case filings, resulting in more rate case expenses that unnecessarily increase rates for consumers.

Bath District notes that in at least two instances the Commission has deviated from its policy to limit rate recovery of employee insurance benefits.¹ Bath District requests that the Commission also deviate from its policy in this proceeding and allow full rate recovery of employee insurance costs as requested in its application.

¹ Case No. 2019-00053, In the Matter of Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment in Existing Rates, and 2023-00247, In the Matter of Electronic Application of Hardin County Water District No. 2 for a General Adjustment of Rates.

3. Nonrecurring Expense. Staff removed a nonrecurring expense that was a Spectrum line repair in the amount of \$4,572. Bath District agrees that this expense is nonrecurring for which annual rate recovery is not necessary. However, Bath District does not agree that the expense should be eliminated. Instead, Bath District requests that the Commission amortize the expense over the anticipated 3-year life of the water service rates that will be authorized by the Commission in this proceeding.

4. Depreciation of Storage Tank Renovation Project. In its application, Bath District used a 20-year life to amortize tank renovation costs resulting in annual rate recovery of \$20,484. Staff adjusted this life to 45 years based on the National Association of Regulatory Utility Commissioners (“NARUC”) publication “Depreciation for Small Utilities” (“NARUC Study”). Staff’s adjustment results in annual recovery of \$9,104, or \$11,360 less than the amount requested by Bath District

The 45-year life proposed by Staff represents the average estimated life of newly constructed water storage facilities. The tank renovation projects in this instance are not new construction. They are renovations of existing facilities generally consisting of cleaning and painting that recur every 15 to 20 years. Thus, the 20-year life used in the application is the appropriate period over which the renovation project should be recovered.

Use of the 45-year life proposed by Staff will not allow rate recovery over the estimated life of the tank cleaning and painting and will result in inter-generational inequities. Customers benefitting from the tank renovation project during its 20-year life will pay only a portion of the cost while customers will continue to pay for a portion of these costs for an additional 25 years after the renovations are no longer in service.

5. Calculation of Rates. On page 6 of the Staff Report, Staff states that the Staff recommended rates were determined by increasing all current rates evenly across-the-board by 6.20 percent. As shown on the table below, it does not appear that the Staff recommended rates were determined in this manner.

	Rates		Increase	
	Current	Staff Report	\$	%
<u>5/8 Inch Meters</u>				
First 2,000 Minimum Bill	\$ 20.86	\$ 22.16	\$ 1.30	6.23%
Next 3,000 Gallons	0.00851	0.00905	0.00054	6.35%
Next 5,000 Gallons	0.00703	0.00755	0.00052	7.40%
Next 10,000 Gallons	0.00634	0.00682	0.00048	7.57%
Next 30,000 Gallons	0.00612	0.00657	0.00045	7.35%
Over 50,000 Gallons	0.00599	0.00644	0.00045	7.51%
<u>1 Inch Meters</u>				
First 10,000 Minimum Bill	81.54	87.60	6.06	7.43%
Next 10,000 Gallons	0.00634	0.00682	0.00048	7.57%
Next 30,000 Gallons	0.00612	0.00657	0.00045	7.35%
Over 50,000 Gallons	0.00599	0.00644	0.00045	7.51%
<u>2 Inch Meters</u>				
First 50,000 Minimum Bill	328.50	353.87	25.37	7.72%
Over 50,0000	0.00599	0.00644	0.00045	7.51%
Wholesale:				
Sharpsburg	0.00570	0.00637	0.00067	11.75%
Frenchburg	0.00523	0.00556	0.00033	6.31%
Owingsville	4,906.70	4,906.70	-	0.00%
	0.00485	0.00551	0.00066	13.61%
Bulk Sales	0.01063	0.01129	0.00066	6.21%
Leak Adjustment	0.00507	0.00539	0.00032	6.31%

Bath District reserves its right to contest specific recommendations listed in the Staff Report that are not specifically addressed in this response that may again arise in future Commission proceedings. Accordingly, Bath District waives its right to request an informal conference or a hearing in this matter and requests that the case stand submitted to the Commission for decision based on the evidence of record.

Please contact our office for additional information if needed.

Very truly yours,

 9-22-25
Chairman of the Board
Bath County Water District