

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BATH COUNTY)	CASE NO.
WATER DISTRICT FOR A RATE ADJUSTMENT)	2025-00132
PURSUANT TO 807 KAR 5:076)	

ORDER

On May 5, 2025, Bath County Water District (Bath District) filed an application for an alternative rate adjustment (ARF) pursuant to 807 KAR 5:076. As part of the application, Bath District requested that the Commission place interim rates into effect for services rendered by Bath District on and after July 15, 2025.¹

BACKGROUND

Bath District purchases wholesale water from the Morehead Utility Plant Board (Morehead) and Mount Sterling Water and Sewer System.² In Case No. 2024-00193, Morehead filed a tariff with the Commission to increase its wholesale water rates for Bath District.³ On February 18, 2025, the Commission entered an Order approving a rate increase from \$2.284 per 1,000 gallons to \$3.61 per 1,000 gallons for service rendered on and after July 15, 2025.⁴

¹ Application, Exhibit 2.

² *Annual Report of Bath District to the Public Service Commission for the Year Ended December 31, 2024* at 54

³ Case No. 2024-00193, *Electronic Tariff Filing of Morehead Utility Plant Board to Revise its Wholesale Water Rates to and Enter into Revised Water Purchase Agreements with Bath County Water District and Rowan Water, Inc.* (filed June 20, 2024).

⁴ Case No. 2024-00193, Feb. 18, 2025 Order at 3 and 8.

LEGAL STANDARD

The Commission may implement interim rates pursuant to KRS 278.190(2) which states, in relevant part,

[P]rovided, however, if the commission, at any time, during the suspension period, finds that the company's credit or operations will be materially impaired or damaged by the failure to permit the rates to become effective during the period, the commission may, after any hearing or hearings, permit all or a portion of the rates to become effective under terms and conditions as the commission may, by order, prescribe.

In addition, a water utility may file an application for a purchased water adjustment pursuant to 807 KAR 5:068 and KRS 278.015. KRS 278.015 states

Within twenty (20) days after any such increase in rates, the district shall file its revised tariffs with the commission, together with a copy of the notice from its wholesale supplier showing the increase in the rate charged to the utility, and a statement of the volume of purchased water used or sewage treated to calculate the increase in rates. The commission shall approve the filing or establish revised rates by order no later than thirty (30) days after the above documents are filed with it. Prior to or at the time of the first billing of the new rates, the district shall give notice to its customers of the increase.

REQUEST

In its ARF application, Bath District stated that the pass-through rate from Morehead created an additional annual expense of \$639,611, and requested the Commission issue an order approving the rates requested in the application to become effective for services rendered on and after July 15, 2025, simultaneous with Morehead's wholesale rate increase.⁵ In the alternative, Bath District calculated and proposed interim rates and requested that the Commission place interim rates into effect for services

⁵ Application, Exhibit 2 at 2.

rendered by Bath District on and after July 15, 2025.⁶ Bath District also requested that the interim rates remain in effect until the Commission issued a final Order in this proceeding.⁷ Bath District argued that, by allowing it to implement increased interim rates, it would avoid preparation of another application to be filed for a purchase water adjustment as a result of Morehead's wholesale rate increase, which would save in administrative costs.⁸

FINDINGS

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that Bath District's request to place interim rates into effect should be denied. KRS 278.190 grants the Commission permission, during the suspension period, to allow all or a portion of the rates to become effective upon a finding that the company's credit or operations will be materially impaired or damaged by the failure to permit the rates to become effective. Bath District did not make any allegations that it is materially impaired or damaged by the failure of the rates to become effective. Instead, Bath District discussed how it would save administrative costs by not having to file an additional application to address the wholesale cost increase from Morehead. While Bath District argued that not filing an additional application would save costs, it provided no further information. Additionally, KRS 278.190(2) requires the Commission to conduct a hearing in order to grant an interim rate. Bath District did not address the potential costs of

⁶ Application, Exhibit 2 at 2.

⁷ Application, Exhibit 2 at 2.

⁸ Application, Exhibit 2 at 4.

attorneys and hearing. KRS 278.015⁹ provides Bath District with a method to pass through the wholesale rate increase from Morehead well within the timeline requested. Therefore, the Commission finds that Bath District should file a purchase water adjustment application, pursuant to KRS 278.015 and 807 KAR 5:068, when the time is appropriate.

IT IS THEREFORE ORDERED that:

1. Bath District's request for interim rates is denied.
2. To address the wholesale water rate increase that prompted this request for interim rates, Bath District shall file an application for a Purchase Water Adjustment, in accordance with KRS 278.015 and 807 KAR 5:068.

⁹ KRS 278.015(2) states, "When a wholesale supplier selling water ... increases its rates, the water district... shall have the authority to increase its rates commensurate with the wholesale supplier without prior approval by the commission."

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman


Commissioner

ATTEST:


Executive Director



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