

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF NORTH SHELBY)	2026-00139
WATER COMPANY)	

ORDER

On June 1, 2026, North Shelby Water Company (North Shelby Water) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068.

LEGAL STANDARD

In accordance with KRS 278.015, when a wholesale supplier selling water to a water district increases its rates, the water district has the authority to increase its rate commensurate with the wholesale supplier. The water district must file, within the statutory and regulatory deadlines, a copy of the notice from the wholesale supplier showing the increase in the wholesale rate, and a statement of the volume of purchased water used to calculate the rate adjustment. The Commission shall approve the filing by order after the above documents are filed.

DISCUSSION AND FINDINGS

North Shelby Water purchases water from Shelbyville Municipal Water & Sewer Commission (Shelbyville), Louisville Water Company (Louisville Water), Frankfort Plant Board (Frankfort), and West Shelby Water District (West Shelby District). Shelbyville notified North Shelby Water that its wholesale rate would increase by \$0.06 per 1,000

gallons or 2.37 percent, from \$2.53 per 1,000 gallons to \$2.59 per 1,000 gallons effective June 19, 2026.¹ Louisville Water notified North Shelby Water that its wholesale rate would increase by \$0.09 per 1,000 gallons or 3.23 percent, from \$2.79 per 1,000 gallons to \$2.88 per 1,000 gallons, and its monthly service charge would increase by \$28.00 or 4.25 percent, from \$658.68 to \$686.68 effective July 1, 2026.² North Shelby Water proposed to increase the water rates to its customers effective July 1, 2026, to reflect the increased cost of purchased water from Shelbyville and Louisville Water. Frankfort and West Shelby District did not have any rate changes pertaining to North Shelby Water.

Unaccounted for Water Loss

Commission regulation 807 KAR 5:066, Section 6(3), states that for ratemaking purposes a utility's unaccounted for water loss shall not exceed 15 percent of the total water produced and purchased, excluding water consumed by a utility in its own operations. In its 2023 Annual Report filed with the Commission, North Shelby Water reported unaccounted for water loss of 11.2939 percent.³ In its 2024 Annual Report filed with the Commission, North Shelby Water reported unaccounted for water loss of 11.2268 percent.⁴ In its 2025 Annual Report filed with the Commission, North Shelby

¹ TFS2026-00206 (Ky. PSC May 7, 2026); the tariff was accepted for filing by the Commission by letter dated June 12, 2026.

² TFS2026-00117 (Ky. PSC Mar. 24, 2026); the tariff was accepted for filing by the Commission by letter dated June 12, 2026.

³ *Annual Report of North Shelby Water to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁴ *Annual Report of North Shelby Water to the Public Service Commission for the Year Ended December 31, 2024* at 57.

Water reported unaccounted for water loss of 15.1418 percent.⁵ North Shelby Water's three-year water loss average is 12.5542%.⁶ The cost of North Shelby Water's total unaccounted for water loss, using a three-year average, is \$197,308.37.⁷ The Commission strongly encourages North Shelby Water to pursue reasonable actions to reduce its unaccounted for water loss.

Financial Condition and Rates

North Shelby Water's financial snapshot for 2021 through 2025 is presented below. Based on a review of Commission records, North Shelby Water's last alternative rate filing in Case No. 2022-00317 which became final on December 15, 2023, reflected an increase in revenue of \$74,956 or 2.18 percent.⁸ Rate based income (Adjusted net income minus principal payments) was negative from 2021 to 2022, positive for 2023 and 2024, and negative again in 2025. Cash basis income (rate-based income plus depreciation) was positive in all five years. Unaccounted for water loss percentage averaged 13.47 percent during the five years and was above 15 percent in 2021 and 2025.

⁵ *Annual Report of North Shelby Water to the Public Service Commission for the Year Ended December 31, 2025* at 57. The Commission notes that the 2025 Annual Report has been filed but not yet accepted by the Commission, and thus, it is not currently available to the public.

⁶ $11.2939\% + 11.2268\% + 15.1418\% = 37.6625\% / 3 \text{ years} = 12.5542\%$.

⁷ Total water cost at new wholesale rate of \$1,571,652.29 times 12.5542% unaccounted for water loss equals \$197,308.37.

⁸ Case No. 2022-00317, *Electronic Application of North Shelby Water Company for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 15, 2023), Order at 19-20.

Description / Year	2022-00317 Test Year		2022-00317 ARF FO 12/15/2023		
	Audited 2021	Audited 2022	Audited 2023	Annual Report 2024	Annual Report 2025
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ (24,064)	\$ (32,059)	\$ 298,822	\$ 503,035	\$ 297,667
Other Non-recurring Items ()	(35,445)	-	(23,373)	(34,133)	(25,000)
Non-Cash Pension and OPEB Expense / (Income)	129,045	78,042	(79,829)	(217,583)	(147,961)
Interest Expense	237,578	232,508	227,267	233,400	226,694
Adjusted Net Income / (Loss)	307,114	278,491	422,887	484,719	351,400
Interest Expense ()	(237,578)	(232,508)	(227,267)	(233,400)	(226,694)
Principal Payments ()	(161,754)	(166,761)	(171,936)	(177,288)	(182,822)
Subtract: Total Debt Service ()	(399,332)	(399,269)	(399,203)	(410,688)	(409,516)
Rate-Based Income (Excludes Working Capital of 20%)	(92,218)	(120,778)	23,684	74,031	(58,116)
Add: Depreciation Expense	747,182	763,204	754,312	754,312	730,555
Cash Basis Income	\$ 654,964	\$ 642,426	\$ 777,996	\$ 828,343	\$ 672,439
Cash Basis Income as Percent of Depreciation	88%	84%	103%	110%	92%
Capital Spending	\$ 786,975	\$ 578,363	\$ 1,914,643	\$ 98,566	\$ 646,607
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 2,978,948	\$ 3,170,759	\$ 1,722,920	\$ 1,782,924	\$ 2,550,664
Restricted Funds	1,264,851	1,313,338	1,369,859	1,447,065	1,508,905
Adjusted Cash Balances	4,243,799	4,484,097	3,092,779	3,229,989	4,059,569
Net Increase (Decrease) in Cash	\$ (26,889)	\$ 240,298	\$ (1,391,318)	\$ 137,210	\$ 829,580
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	5,398	5,454	5,485	5,512	5,548
Gallons Purchased	529,992	555,667	562,793	537,472	566,490
Gallons Sold	427,170	447,838	474,975	452,448	453,045
Gallons Used for Internal Use	14,397	27,533	24,257	24,683	27,668
Water Loss Gallons	88,425	80,296	63,561	60,341	85,777
System Use Percentage	2.7165%	4.9549%	4.3101%	4.5924%	4.8841%
Water Loss Percentage	16.6842%	14.4504%	11.2939%	11.2268%	15.1418%
Gallons Sold Per Customer Per Month	6,595	6,843	7,216	6,840	6,805
Revenues from the Sale of Water	\$ 3,411,881	\$ 3,544,355	\$ 3,714,583	\$ 3,761,649	\$ 3,830,596
Purchased Water Expense	1,262,161	1,386,724	1,481,230	1,447,580	1,570,875
Purchased Water Expense Over 15% Water Loss	21,257	0	0	0	2,228
Water Loss Expense Over 15% as Percentage of Water Revenue	0.62%	0.00%	0.00%	0.00%	0.06%

Given this information, the Commission finds that North Shelby Water should continue to monitor its operating performance annually to determine whether a rate adjustment application should be submitted. Future rate cases should be filed every three to five years depending on financial performance.

Purchased Water Adjustment Factor

In its application, North Shelby Water proposed a purchased water adjustment factor of \$0.09 per 1,000 gallons. During the 12 months ended April 30, 2026, North

Shelby Water purchased 336,936,000 gallons of water from Louisville Water, 85,348,710 gallons of water from Frankfort, and 135,384,600 gallons of water from Shelbyville and sold 461,047,100 gallons of water to its customers. North Shelby Water did not purchase any water from West Shelby District during the test period. The increase in the cost of purchased water from Louisville Water and Shelbyville is \$38,783.31, resulting in a purchased water adjustment factor of \$0.09 per 1,000 gallons. As noted above, no rate changes occurred from Frankfort and West Shelby District.

The purchased water adjustment factor of \$0.09 per 1,000 gallons, as calculated in Appendix A and the rates as set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by North Shelby Water on and after July 1, 2026, because the rates are supported by evidence of the increase in rates from North Shelby Water's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.09 per 1,000 gallons is approved.
2. The rates proposed by North Shelby Water are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by North Shelby Water on and after July 1, 2026.
4. Within 20 days of the date of service of this Order, North Shelby Water shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
5. This case is closed and removed from the Commission's docket.

Entered on this 30th day of June, 2026.

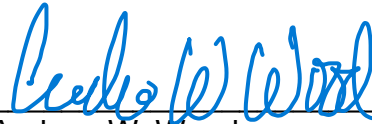
PUBLIC SERVICE COMMISSION



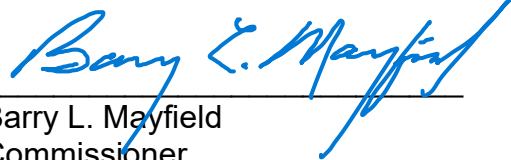
Angie Hatton
Chair



Mary Pat Regan
Vice Chair



Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

ATTEST:



Linda C. Bridwell, PE
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00139 DATED JUN 30 2026

	Base Rate	New Rate	Change
<u>Shelbyville</u>			
Purchases in Gallons	135,384,600	135,384,600	
Rate per 1,000 Gallons	<u>\$2.53/1,000</u>	<u>\$2.59/1,000</u>	
Subtotal	\$342,523.04	\$350,646.11	\$8,123.07
 <u>Louisville Water (LWC)</u>			
Purchases in Gallons	336,936,000	336,936,000	
Rate per 1,000 Gallons	<u>\$2.79/1,000</u>	<u>\$2.88/1,000</u>	
Subtotal	\$940,051.44	\$970,375.68	\$30,324.24
 <u>LWC Monthly Service Charge</u>			
Months	12	12	
4-inch meter charge	164.67	171.67	
4 meters	<u>\$658.68</u>	<u>\$686.68</u>	
Subtotal	\$7,904.16	\$8,240.16	\$336.00
 <u>Frankfort</u>			
Purchases in Gallons	85,348,710	85,348,710	
Rate per 1,000 Gallons	<u>\$2.84/1,000</u>	<u>\$2.84/1,000</u>	
Subtotal	\$242,390.34	\$242,390.34	\$0.00
 Total	 \$1,532,868.98	 \$1,571,652.29	
 Increased water cost			 \$38,783.31
 Increased water cost		 \$38,783.31	
Divided by Gallons sold/1,000		<u>461,047,100</u>	
Purchased water adjustment factor		\$0.0841	per 1,000 Gallons
		or \$ 0.00009	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00139 DATED JUN 30 2026

The following rates and charges are prescribed for the customers in the area served by North Shelby Water Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8 X 3/4-Inch Meter

First	2,000 Gallons	\$24.21	Minimum Bill
Next	3,000 Gallons	0.00832	Per Gallon
Next	5,000 Gallons	0.00690	Per Gallon
Next	40,000 Gallons	0.00621	Per Gallon
Over	50,000 Gallons	0.00551	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$49.17	Minimum Bill
Next	5,000 Gallons	0.00690	Per Gallon
Next	40,000 Gallons	0.00621	Per Gallon
Over	50,000 Gallons	0.00551	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$83.72	Minimum Bill
Next	40,000 Gallons	0.00621	Per Gallon
Over	50,000 Gallons	0.00551	Per Gallon

2-Inch Meter

First	15,000 Gallons	\$114.77	Minimum Bill
Next	35,000 Gallons	0.00621	Per Gallon
Over	50,000 Gallons	0.00551	Per Gallon

3-Inch Meter

First	35,000 Gallons	\$238.97	Minimum Bill
Next	15,000 Gallons	0.00621	Per Gallon
Over	50,000 Gallons	0.00551	Per Gallon

Service List for 2026-00139

* Lee Mudd, P.E.
Monarch Engineering, Inc.
556 Carlton Drive
Lawrenceburg, KY 40342

* North Shelby Water Company
4596 Bagdad Road
P. O. Box 97
Bagdad, KY 40003