

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF NORTH NELSON)	2026-00122
WATER DISTRICT)	

ORDER

On June 3, 2026, North Nelson Water District (North Nelson District) 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 Nelson District purchases water from the city of Bardstown (Bardstown) and Louisville Water Company (Louisville Water). Louisville Water notified North Nelson District 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 \$23.33, or 4.25 percent, from \$548.89 per month to \$572.22 per month,¹ effective July 1, 2026.² North Nelson District proposed to increase the water rates to its customers effective July 1, 2026, to reflect the increased cost of purchased water from Louisville Water. Bardstown proposed no changes to its rates.

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 Nelson District reported an unaccounted for water loss of 8.4565 percent.³ In its 2024 Annual Report filed with the Commission, North Nelson District reported an unaccounted for water loss of 7.9230 percent.⁴ In its 2025 Annual Report filed with the Commission, North Nelson District reported an unaccounted for water loss of 6.0343 percent.⁵ North Nelson District's three-year unaccounted for water loss average is 7.4713 percent.⁶ The cost of North

¹ Monthly Service Charge includes 4-Inch Meter increase from \$164.67 to \$171.67 and 6-Inch Meter increase from \$384.22 to \$400.55.

² TFS2026-00116 (Ky. PSC Mar. 24, 2026), the tariff was accepted for filing by the Commission by letter dated Jun. 12, 2026.

³ *Annual Report of North Nelson District to the Public Service Commission for the Year Ended December 31, 2023* at 58.

⁴ *Annual Report of North Nelson District to the Public Service Commission for the Year Ended December 31, 2024* at 58.

⁵ *Annual Report of North Nelson District to the Public Service Commission for the Year Ended December 31, 2025* at 58. 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 $8.4565\% + 7.9230\% + 6.0343\% = 22.4138\% / 3 \text{ years} = 7.4713\%$.

Nelson District's total water loss using a three-year water loss average is \$87,784.10.⁷ The Commission commends North Nelson District for keeping water loss below 15 percent and encourages it to continue to pursue actions to reduce its unaccounted for water loss.

Financial Condition and Rates

North Nelson District's financial snapshot for 2021 through 2025 is presented below. Based on a review of Commission records, North Nelson District last sought a base rate adjustment in Case No. 2024-00234, using 2023 as its test year, which became final on May 15, 2025, and reflected an increase of \$91,714 or 5.23 percent.⁸ Seven months of the increase is reflected in 2025. North Nelson District has also filed PWA applications in each of the last five years. Rate-based income (adjusted net income minus principal payments) was negative every year after 2021. Cash basis income (rate-based income plus depreciation) was positive in all years presented. The Commission notes that the degradation in rate-based income in 2022 is primarily due to a \$202,084 increase in Repairs and Maintenance Expense, which is about 2.59 times the 2021 amount.⁹ The decrease in rate-based income in 2025 was primarily due to an increase in Repairs and Maintenance Expense and Depreciation Expense.¹⁰

⁷ Total water cost at new wholesale rate of \$1,174,950.80 times 7.4713% three-year water loss average equals \$87,784.10.

⁸ Case No. 2024-00234, *Electronic Application of North Nelson Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 15, 2025), final Order.

⁹ *Audit Report of North Nelson District to the Public Service Commission for the Year Ended December 31, 2022* (Management's Discussion and Analysis) at 6.

¹⁰ *Audit Report of North Nelson District to the Public Service Commission for the Year Ended December 31, 2025* (Statement of Revenues, Expenses and Changes in Net Position) at 10. The Commission notes that the 2025 Audit Report has been filed but not yet accepted by the Commission, and thus, it is not currently available to the public.

Description / Year	2024-00234 Test Year				2024-00243 ARF FO 05/15/2025
	Audited 2021	Audited 2022	Audited 2023	Audited 2024	Audited 2025
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ 117,457	\$ (106,648)	\$ 1,399	\$ (119,461)	\$ (264,302)
Other Non-recurring Items ()	-	-	(21,172)	(2,500)	(3,000)
Adjusted Net Income / (Loss)	117,457	(106,648)	(19,773)	(121,961)	(267,302)
Subtract: Total Debt Service ()	-	-	-	-	-
Rate Based Income (Excludes Working Capital of 20%)	117,457	(106,648)	(19,773)	(121,961)	(267,302)
Add: Depreciation and Amortization Expense	317,783	321,444	344,282	418,298	518,828
Cash Basis Income	\$ 435,240	\$ 214,796	\$ 324,509	\$ 296,337	\$ 251,526
Cash Basis Income as Percent of Depreciation	137%	67%	94%	71%	48%
Capital Spending	\$ 261,669	\$ 472,798	\$ 3,233,971	\$ 4,068,337	\$ 8,787,533
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 2,832,264	\$ 2,933,765	\$ 3,216,467	\$ 3,138,522	\$ 3,540,069
Restricted Funds	23,738	29,821	31,111	27,924	26,046
Adjusted Cash Balances	2,856,002	2,963,586	3,247,578	3,166,446	3,566,115
Net Increase (Decrease) in Cash	\$ 225,196	\$ 107,584	\$ 283,992	\$ (81,132)	\$ 399,669
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	4,961	5,013	5,111	5,160	5,230
Gallons Purchased	283,404	302,365	311,336	327,086	374,868
Gallons Sold	260,187	273,847	273,230	289,329	338,700
Gallons Used for Internal Use	7,251	8,173	11,778	11,842	13,825
Water Loss Gallons	15,966	20,345	26,328	25,915	22,343
System Use Percentage	2.56%	2.70%	3.78%	3.62%	3.69%
Water Loss Percentage	5.6337%	6.7286%	8.4565%	7.9230%	5.9602%
Gallons Sold Per Customer Per Month	4,371	4,552	4,455	4,673	5,397
Revenues from the Sale of Water	\$ 1,622,728	\$ 1,707,764	\$ 1,735,859	\$ 1,824,616	\$ 2,047,823
Purchased Water Expense	726,325	770,093	830,468	878,124	1,063,442
Purchased Water Expense Over 15% Water Loss	0	0	0	0	0
Water Loss Expense Over 15% as Percentage of Water Revenue	0.00%	0.00%	0.00%	0.00%	0.00%

Given this information, the Commission recommends North Nelson District continue to monitor its operating performance annually and consider filing future rate cases no less than every three to five years, depending on operating performance, to ensure that its revenue is sufficient to support adequate and reliable service.

Purchased Water Adjustment Factor

In its application, North Nelson District proposed a purchased water adjustment factor of \$0.09 per 1,000 gallons. During the 12 months period ended April 30, 2026, North Nelson District purchased 38,368,000 gallons of water from Bardstown and 358,957,000 gallons of water from Louisville Water and sold 364,103,800 gallons of water

to its customers. The increase in the cost of purchased water from Louisville Water is \$32,586.09, resulting in a purchased water adjustment factor of \$0.09 per 1,000 gallons. No rate changes occurred from Bardstown.

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 Nelson District on and after July 1, 2026, because the rates are supported by evidence of the increase in rates from North Nelson District'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:

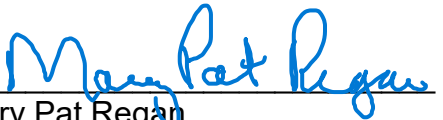
1. The purchased water adjustment factor of \$0.09 per 1,000 gallons is approved.
2. The rates proposed by North Nelson District are approved.
3. The rates set forth in Appendix B to this Order are approved for water service rendered by North Nelson District on and after July 1, 2026.
4. Within 20 days of the date of service of this Order, North Nelson District 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 1st day of July, 2026.

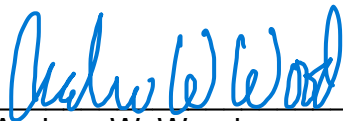
PUBLIC SERVICE COMMISSION



Angie Hatton
Chair



Mary Pat Regan
Vice Chair



Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

*by AH
w/ permission*

ATTEST:



Linda C. Bridwell, PE
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00122 DATED JUL 1 2026

	Base Rate	New Rate	Change
<u>Louisville Water Company</u>			
<u>(LWC)</u>			
Purchases in Gallons	358,957,000	358,957,000	
Rate per 1,000 Gallons	<u>\$2.79/1,000</u>	<u>\$2.88/1,000</u>	
Subtotal	\$1,001,490.03	\$1,033,796.16	\$32,306.13
 <u>LWC Monthly Service Charge</u>			
Months	12	12	
4-Inch Meter	\$164.67	\$171.67	
6-Inch Meter	<u>\$384.22</u>	<u>\$400.55</u>	
Subtotal	\$6,586.68	\$6,866.64	\$279.96
 <u>Bardstown</u>			
Purchases in Gallons	38,368,000	38,368,000	
Rate per 1,000 Gallons	<u>\$3.50/1,000</u>	<u>\$3.50/1,001</u>	
Subtotal	\$134,288.00	\$134,288.00	\$0.00
 Total Water Cost	 \$1,142,364.71	 \$1,174,950.80	
 Increased water cost			 \$32,586.09
 Increased water cost		\$32,586.09	
Divided by Gallons sold/1,000		<u>364,103,800</u>	
Purchased water adjustment factor		\$0.0895	per 1,000 Gallons
		or	
		\$0.00009	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00122 DATED JUL 1 2026

The following rates and charges are prescribed for the customers in the area served by North Nelson Water District. 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

All Meters

First	2,000 Gallons	\$17.58	Minimum Bill
Next	3,000 Gallons	0.00545	Per Gallon
Next	5,000 Gallons	0.00490	Per Gallon
Over	10,000 Gallons	0.00453	Per Gallon
Truck Loading Station		0.00840	Per Gallon
Wholesale		0.00315	Per Gallon

Service List for 2026-00122

* North Nelson Water District
5555 Louisville Road
P. O. Box 25
Cox's Creek, KY 40013

* Colin Cissell
General Manager
North Nelson Water District
5555 Louisville Road
P. O. Box 25
Cox's Creek, KY 40013