

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF WHITLEY COUNTY)	2026-00128
WATER DISTRICT # 1)	

ORDER

On May 14, 2026, Whitley County Water District #1 (Whitley District #1) 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. Specifically, KRS 278.015(2) states that:

When a wholesale supplier selling water or providing sewage treatment to a water district; combined water, gas, or sewer district; or water commission increases its rates, the water district or combined water, gas, or sewer district shall have the authority to increase its rates commensurate with the wholesale supplier without prior approval by the commission.

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

Whitley District #1 purchases water from McCreary County Water District (McCreary District), the city of Williamsburg (Williamsburg), and Corbin Utility Commission (Corbin Utility). McCreary District notified Whitley District #1 that its wholesale rate would increase from \$7.90 per 1,000 gallons to \$10.03 per 1,000 gallons effective January 12, 2026.¹ Williamsburg and Corbin Utility did not propose changes to their rates. Whitley District #1 proposes to increase the water rates to its customers effective June 1, 2026, to reflect the increased cost of purchased water from McCreary District.

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, Whitley District #1 reported an unaccounted for water loss of 32.9788 percent.² In its 2024 Annual Report filed with the Commission, Whitley District #1 reported an unaccounted for water loss of 39.0405 percent.³ In its 2025 Annual Report filed with the Commission, Whitley District #1 reported an unaccounted for water loss of 37.8858 percent.⁴ Whitley District #1's

¹ Case No. 2025-00136, *Electronic Application of McCreary County Water District for an Adjustment of Water Rates Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 12, 2026), final Order.

² *Annual Report of Whitley District #1 to the Public Service Commission for the Year Ended December 31, 2023* (2023 Annual Report) at 57.

³ *Annual Report of Whitley District #1 to the Public Service Commission for the Year Ended December 31, 2024* (2024 Annual Report) at 57.

⁴ *Annual Report of Whitley District #1 to the Public Service Commission for the Year Ended December 31, 2025* (2025 Annual Report) 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.

three-year water loss average is 36.6350 percent.⁵ The cost of Whitley District #1's total unaccounted for water loss, using a three-year average, is \$287,275.26.⁶

In Whitley District #1's recent case pursuant to 807 KAR 5:076,⁷ the Commission approved a monthly water loss reduction surcharge of \$2.76 per active meter for 48 months, or until \$570,282 has been assessed, whichever occurs first to help lower system unaccounted for water loss to more acceptable levels.⁸ On April 14, 2023, Case No. 2023-00083 was established in order for the Commission to monitor the progress of the water loss reduction surcharge plan established by Whitley District #1.⁹ Whitley District #1 has not utilized the surcharge funds at this time and the Commission continues to monitor the progress towards reducing unaccounted-for water loss.

Financial Condition and Rates

Whitley District #1's financial snapshot for 2021 through 2025 is presented below. It last sought a base rate adjustment in Case No. 2022-00321, which used a 2021 test year, which became final on March 30, 2023, and reflected a revenue increase of \$74,186, or 4.03 percent.¹⁰ This revenue increase is fully reflected in 2024 financial results. Rate Based Income (adjusted net income minus debt service) decreased from

⁵ $32.9788\% + 39.0405\% + 37.8858\% = 109.9051\% / 3 \text{ years} = 36.6350\%$.

⁶ Total water cost at new wholesale rate of \$784,155.20 times 36.6350% water loss equals \$287,275.26.

⁷ Case No. 2022-00321, *Electronic Application of Whitley County Water District #1 for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 30, 2023), final Order.

⁸ Case No. 2022-00321, March 30, 2023 final Order at 18.

⁹ Case No. 2023-00083, *Electronic Whitley County Water District #1 Unaccounted-for Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Apr. 14, 2023), opening Order.

¹⁰ Case No. 2022-00321, Mar. 30, 2023 final Order.

\$69,723 in income in 2023 to a loss of \$1,024,843 in 2024, primarily due to an increase in Contractual Services Expense and Taxes Other than Income and a decrease in Other Water Revenues.¹¹ The Commission notes that there are several factors that raise concern about Whitley District #1's financial reporting. First, Whitley District #1 has not regularly filed audited financial statements, with the last year filed being 2021. Second, the appropriateness of 2024's Contractual Services Expense noted above could not be concluded. Third, the 2022 and 2023 Annual Reports incorrectly omitted Interest and Dividend Income and Nonutility Income from the Net Income calculation.¹² These errors are corrected in the snapshot presented below.

¹¹ 2024 Annual Report for Whitley District #1 at 20, 49, 50.

¹² *Annual Report of Whitley District #1 to the Public Service Commission for the Year Ended December 31, 2022* (2022 Annual Report) at 20; 2023 Annual Report for Whitley District #1 at 20.

Description / Year	2022-00321 Test Year		2022-00321 ARF FO 3/30/2023		
	Audited 2021	Annual Report 2022	Annual Report 2023	Annual Report 2024	Annual Report 2025
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ (177,360)	\$ (158,648)	\$ 67,785	\$ (1,116,538)	\$ (97,963)
Water Loss Surcharge ()	-	-	(95,898)	(129,118)	(130,495)
Non-Cash Pension and OPEB Expense / (Income)	74,953	(83,248)	(14,538)	107,885	45,441
Interest Expense	138,093	118,219	112,374	112,928	54,995
Adjusted Net Income / (Loss)	35,686	(123,677)	69,723	(1,024,843)	(128,022)
Interest Expense ()	(138,093)	(118,219)	(112,374)	(112,928)	(54,995)
Principal Payments ()	(187,053)	(270,770)	(193,794)	(199,721)	(293,794)
Subtract: Total Debt Service ()	(325,146)	(388,989)	(306,168)	(312,649)	(348,789)
Rate Based Income (Excludes Working Capital of 20%)	(289,460)	(512,666)	(236,445)	(1,337,492)	(476,811)
Add: Depreciation and Amortization Expense	515,509	532,000	595,000	600,000	510,000
Cash Basis Income	\$ 226,049	\$ 19,334	\$ 358,555	\$ (737,492)	\$ 33,189
Cash Basis Income as Percent of Depreciation	44%	4%	60%	-123%	7%
Capital Spending	\$ 8,006	\$ 62,512	\$ 138,565	\$ 114,070	\$ -
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 283,069	\$ 216,744	\$ 203,632	\$ 179,677	\$ 173,327
Restricted Funds	1,105,640	1,107,630	1,217,153	1,520,874	1,402,295
Adjusted Cash Balances	1,388,709	1,324,374	1,420,785	1,700,551	1,575,622
Net Increase (Decrease) in Cash	\$ 80,969	\$ (64,335)	\$ 96,411	\$ 279,766	\$ (124,929)
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	3,673	3,794	3,850	3,898	3,947
Gallons Purchased	264,268	278,520	260,652	289,120	293,432
Gallons Sold	171,634	169,632	169,045	173,569	178,782
Gallons Used for Internal Use	2,271	5,514	5,647	2,677	3,481
Water Loss Gallons	90,363	101,374	85,960	112,874	111,169
System Use Percentage	0.86%	1.98%	2.17%	0.93%	1.19%
Water Loss Percentage	34.1937%	36.3974%	32.9788%	39.0405%	37.8858%
Gallons Sold Per Customer Per Month	3,894	3,726	3,659	3,711	3,775
Revenues from the Sale of Water	\$ 1,929,357	\$ 1,811,493	\$ 1,861,073	\$ 1,918,124	\$ 1,979,350
Purchased Water Expense	746,436	741,841	689,192	727,336	785,321
Purchased Water Expense Over 15% Water Loss	143,269	158,735	123,909	174,855	179,727
Water Loss Expense Over 15% as Percentage of Water Revenue	7.43%	8.76%	6.66%	9.12%	9.08%

Given this information, the Commission finds that Whitley District #1 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, Whitley District #1 proposed a purchased water adjustment factor of \$0.17 per 1,000 gallons. During the 12 months ended February 2026, Whitley District #1 purchased 13,956,232 gallons of water from McCreary District, 88,359,280 gallons of water from Williamsburg, and 192,398,178 gallons of water from Corbin Utility and sold 177,392,300 gallons of water to its customers. The increase in the cost of purchased water from McCreary District is \$29,726.78, resulting in a purchased water adjustment factor of \$0.17 per 1,000 gallons. No rate changes were made by Williamsburg and Corbin Utility.

The purchased water adjustment factor of \$0.17 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 Whitley District #1 on and after June 1, 2026, because the rates are supported by evidence of the increase in rates from Whitley District #1'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 \$0.17 per 1,000 gallons is approved.
2. The rates proposed by Whitley District #1 are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Whitley District #1 on and after June 1, 2026.

4. Within 20 days of the date of service of this Order, Whitley District #1 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.


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Entered on this 12th day of June, 2026.

PUBLIC SERVICE COMMISSION



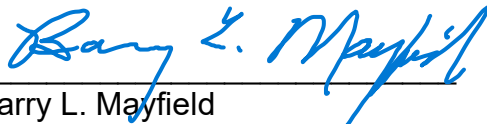
Angie Hatton
Chair



Mary Pat Regan
Commissioner



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. 2026-00128 DATED JUN 12 2026

	Base Rate	New Rate	Change
<u>McCreary County Water District</u>			
Purchases in Gallons	13,956,232	13,956,232	
Rate per 1,000 Gallons	<u>\$7.90/1,000</u>	<u>\$10.03/1,000</u>	
Subtotal	\$110,254.23	\$139,981.01	\$29,726.77
 <u>City of Williamsburg</u>			
Purchases in Gallons	88,359,280	88,359,280	
Rate per 1,000 Gallons	<u>\$2.50/1,000</u>	<u>\$2.50/1,000</u>	
Subtotal	\$220,898.20	\$220,898.20	\$0.00
 <u>Corbin Utility Commission</u>			
Purchases in Gallons	192,398,178	192,398,178	
Rate per 1,000 Gallons	<u>\$2.20/1,000</u>	<u>\$2.20/1,000</u>	
Subtotal	\$423,275.99	\$423,275.99	\$0.00
 Total Water Cost	 \$754,428.42	 \$784,155.20	
 Increased water cost			 \$29,726.77
 Increased water cost		\$29,726.77	
Divided by Gallons sold/1,000		<u>177,392,300</u>	
Purchased water adjustment factor		\$0.17	per 1,000 Gallons
		or	
		\$0.00017	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00128 DATED JUN 12 2026

The following rates and charges are prescribed for the customers in the area served by Whitley County Water District #1. 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	1,000 Gallons	\$20.66 Minimum Bill
Next	4,000 Gallons	0.00761 Per Gallon
Next	95,000 Gallons	0.00715 Per Gallon
Over	100,000 Gallons	0.00657 Per Gallon

Service List for 2026-00128

* Mr. Kenneth Taylor
Kenvirons, Inc.
452 Versailles Road
Frankfort, KY 40602

* Sandra Smith
Manager
Whitley County Water District #1
19 S Highway 25W
Williamsburg, KY 40769

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Williamsburg, KY 40769