

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED GAS ADJUSTMENT	)	CASE NO.
FILING OF WESTERN LEWIS-RECTORVILLE	)	2026-00137
WATER AND GAS DISTRICT	)	

ORDER

On June 1, 2026, Western Lewis-Rectorville Water and Gas District, (Western Lewis-Rectorville District) filed its proposed Gas Cost Recovery (GCR) rate report to be effective July 1, 2026. Western Lewis-Rectorville District's previous GCR rate was approved, on an interim basis, subject to refund, in Case No. 2026-00048.<sup>1</sup>

LEGAL STANDARD

The Commission's standard of review for GCR rates is well settled as stated in KRS 278.274(1):

In determining whether proposed natural gas utility rates are just and reasonable, the commission shall review the utility's gas purchasing practices. The commission may disallow any costs or rates which are deemed to result from imprudent purchasing practices on the part of the utility.

Further, the utility has the burden to prove the rates are fair, just and reasonable and the Commission may reduce the purchased gas component of the utility's rates, or the rates charged by an affiliated company to the extent the amount is deemed to be unjust or unreasonable.<sup>2</sup>

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<sup>1</sup> Case No. 2026-00048, *Electronic Purchased Gas Adjustment Filing of Western Lewis-Rectorville Water and Gas District* (Ky. PSC Mar. 31, 2026), Order at 6-7.

<sup>2</sup> KRS 278.274(2); KRS 278.274(3)(c); and KRS 278.274(3)(d).

## BACKGROUND

Western Lewis-Rectorville District's current Gas Cost Adjustment Clause Tariff<sup>3</sup> (GCA Tariff) sets forth the calculation for the GCR rate as: Expected Gas Cost (EGC); plus a supplier Refund Adjustment (RA) component; plus four quarters of Actual Adjustment (AA), equating to a total AA component; plus four quarters of Balance Adjustment (BA), equating to a total BA component.<sup>4</sup> The AA component of the GCR is designed to reconcile the difference between the actual cost of natural gas incurred by the utility and the gas cost recovered from customers through the GCR rate. The AA ensures that customers are charged only what the utility has paid for gas and is meant to be a pass-through cost from the utility to the customer. The BA component of the GCR is used to reconcile any remaining over- or -under recovery of gas costs after the AA has been in effect for its intended four quarters. Although Western Lewis-Rectorville District includes the BA in its tariff, it has not utilized it in the calculation of the GCR.

When calculating the AA for a specific quarter, the cost difference measures the over- or – under recovery for that period. The cost difference in the AA component calculation is determined by taking the total price paid for gas and dividing it by the volumes sold, which will result in the unit cost of gas. The unit cost of gas is then compared to the EGC that is in effect for the quarter, resulting in a negative or positive difference. This difference is then multiplied by the sales during the month to calculate

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<sup>3</sup> The term Gas Cost Recovery or "GCR" is interchangeable with both the term Gas Cost Adjustment "GCA" and Purchased Gas Adjustment "PGA". The term Actual Cost Adjustment "ACA" and Actual Adjustment "AA" are also interchangeable terms, and both refer to the true-up component of the GCR. For the sake of consistency, the Commission uses "GCR" in its final Orders unless otherwise stated. The Commission also universally reports the usage rate for natural gas using Mcf.

<sup>4</sup> Western Lewis-Rectorville District's Tariff, PSC No. 2, Sheet No. 12 (effective Nov. 1, 2013).

the monthly cost difference between what gas costs were expected to be and what they actually were. If the cost difference is positive, then the utility has spent more on gas than it collected from customers, and the AA becomes a charge to collect the unrecovered amount. If the cost difference is negative, then the utility has collected more than it spent on gas, and the AA becomes a refund. When there is a misalignment with the purchased gas volumes, gas costs, and customer usage, it causes the cost difference to be distorted and causes an over- or under -recovery. The misalignment between the natural gas volumes, costs, and customer usage has caused large discrepancies in the reported cost difference for Western Lewis-Rectorville District, most notably in Case No. 2025-00283,<sup>5</sup> when a current quarter AA of (\$3.0551) per Mcf was approved. Western Lewis-Rectorville District's last approved total AA was (\$3.2359).<sup>6</sup>

In Case No. 2026-00048, a notice for an informal conference was issued on March 26, 2026,<sup>7</sup> and held on March 27, 2026, between Commission Staff and Western Lewis-Rectorville District to discuss issues concerning the quantity of natural gas purchases, the quantity of natural gas sales, and issues associated with the methodology used to calculate the Gas Cost Recovery (GCR) and its components.<sup>8</sup> Western Lewis-Rectorville District stated during the informal conference that it reads its customers meters around the 15<sup>th</sup> of each month.<sup>9</sup> Western Lewis-Rectorville District's natural gas supplier,

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<sup>5</sup> Case No. 2025-00283, *Electronic Purchased Gas Adjustment Filing of Wester Lewis-Rectorville Water and Gas District* (Ky. PSC Sep. 30, 2025).

<sup>6</sup> Case No. 2025-00367, *Electronic Purchased Gas Adjustment Filing of Western Lewis-Rectorville Water and Gas District* (Ky. PSC Dec. 19, 2025).

<sup>7</sup> Case No. 2026-00048, Notice of Informal Conference (filed on Mar. 26, 2026).

<sup>8</sup> Case No. 2026-00048, Informal Conference Memo (filed on Mar. 30, 2026).

<sup>9</sup> Case No. 2026-00048, Informal Conference Memo (filed on Mar. 30, 2026).

Symmetry Energy Solutions (Symmetry), uses a month to month calendar period.<sup>10</sup> This creates a timing misalignment between customer usage volumes, which are determined based on the meter readings conducted on or about the 15<sup>th</sup> of each month, and natural gas purchase volumes and costs, which are invoiced on a monthly calendar basis. As a result, the AA component of the GCR mechanism does not accurately reflect the difference between the gas costs recovered from customers and the actual gas costs incurred by Western Lewis-Rectorville District. In Case No. 2026-00048, the Commission found that the proposed current quarter AA and previously approved AAs may be unreasonable and excluded them from the calculation of the GCR.<sup>11</sup> The Commission found the proposed Expected Gas Cost (EGC) of \$5.3286 per Mcf to be reasonable and approved it on an interim basis, subject to refund.<sup>12</sup> Because Western Lewis-Rectorville District did not propose either a RA or a BA, the Commission found the GCR rate of \$5.3286 to be reasonable.<sup>13</sup>

### DISCUSSION AND ANALYSIS

During review of Western Lewis-Rectorville District's prior GCR filings, the Commission found that a timing discrepancy existed between Western Lewis-Rectorville District's purchased gas costs and customer usage amounts. Specifically, natural gas purchases were invoiced on a calendar month basis, while customer usage was billed based on meter readings read on approximately the 15<sup>th</sup> of each month.<sup>14</sup> During the

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<sup>10</sup> Case No. 2026-00048, Informal Conference Memo (filed on Mar. 30, 2026).

<sup>11</sup> Case No. 2026-00048, Mar. 31, 2026 Order at 2.

<sup>12</sup> Case No. 2026-00048, Mar. 31, 2026 Order at 3.

<sup>13</sup> Case No. 2026-00048, Mar. 31, 2026 Order, ordering paragraph 2.

<sup>14</sup> Case No. 2026-00048, Mar. 30, 2026 Informal Conference Memo.

informal conference in Case No. 2026-00048, Western Lewis-Rectorville District gave an example of its typical billing process, stating the October 2026 filing would include meter readings from approximately August 15, 2026, to approximately September 15, 2026.<sup>15</sup> As a result, the periods associated with purchased gas costs did not correspond to the periods represented by customer usage, affecting the accuracy of the AA component of the GCR mechanism.

Western Lewis-Rectorville District included Symmetry's monthly invoices as supporting documentation with its GCR rate report.<sup>16</sup> The Symmetry invoices report the total volume purchased in MMBtu, along with the price per MMBtu, transmission charges, and management fees.<sup>17</sup> In addition, Western Lewis-Rectorville District includes invoices provided by Columbia Gas Transmission, LLC (Columbia) that show the daily flow amounts identifying the quantity of natural gas transported for Western Lewis-Rectorville District, expressed in both Mcf and Dth.<sup>18</sup>

In order to evaluate the impact of this timing difference, meter reading dates were provided by Western Lewis-Rectorville District that dated back to January 2024 and were used to determine the amount of gas purchases and costs.<sup>19</sup> Using these meter reading dates, the daily flow reports provided by Columbia, and the pricing information provided in the Symmetry invoices, gas purchases and associated costs were recalculated based on Western Lewis-Rectorville District's customer billing periods. Because one Dth is

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<sup>15</sup> Case No. 2026-00048, Informal Conference Memo (filed on Mar. 30, 2026).

<sup>16</sup> Gas Measurement and Invoices (filed June 1, 2026).

<sup>17</sup> Gas Measurement and Invoices (filed June 1, 2026).

<sup>18</sup> Gas Measurement and Invoices (filed June 1, 2026).

<sup>19</sup> Case No. 2026-00048, Apr. 13, 2026), Item 3.

equivalent to one MMBtu, the monthly cost per MMBtu from the Symmetry reports were applied to the corresponding daily Dth volumes reflected in the Columbia flow reports. In doing this, the daily cost of natural gas purchases was able to be determined. The total Dth volumes transported for each meter reading period were identified using the meter reading dates and applied the applicable cost per MMBtu, transmission charges, and management fees in the corresponding Symmetry invoices to determine the total gas cost attributable to each billing period.

Using this methodology, purchased gas volumes and cost were allocated to the same periods in which customer usage was measured and billed. The recalculated gas volumes and costs were then incorporated into the corresponding monthly AA calculations. By aligning purchased gas costs with customer sales volumes reflected in Western Lewis-Rectorville District's meter reading cycle, this methodology eliminated the timing differences created by the calendar month supplier invoices and developed a more accurate measure of gas cost over- or – under recoveries in the AA calculation.

The Commission, upon reviewing previous periods in which the AA components were calculated using misaligned billing periods and meter reading dates, finds that a recalculation of Western Lewis-Rectorville District's AA is warranted to determine the amount that has been over- or – under collected. Based upon the recalculation of the AA component, the Commission finds that Western Lewis-Rectorville District experienced an under-recovery of gas costs in the amount of \$83,388.90 for the twelve-month period ending December 31, 2025. The Commission further finds that immediate recovery of the full under-recovered amount through the GCR mechanism could result in rate shock to Western Lewis-Rectorville District's customers. Therefore, the Commission finds it

reasonable to implement a surcharge of \$1.1588 per Mcf<sup>20</sup> to recover the under collected amount of \$83,388.90, based on Western Lewis-Rectorville District's 24-months sales of 71,960 Mcf, to be applied over a 24-month period ending July 1, 2028, in order to gradually recover the under-recovered amount and mitigate rate shock. The surcharge should be separately identified, tracked, and accounted for in conjunction with the GCR rate approved as set forth in the Appendix. Western Lewis-Rectorville District shall file, with its GCR rate report, a separate report that details the customer usage and the amount recovered through the \$1.1588 per Mcf surcharge.

The Commission finds that the use of calendar month supplier invoices and customer billing periods based on middle of the month meter readings resulted in a misalignment between purchased gas costs and billed sales volumes. As discussed herein, the prior AA calculations were based upon purchased gas costs and sales volumes that were not aligned with the billing periods, resulting in inaccurate recovery calculations. Accordingly, the Commission finds it reasonable to eliminate the existing AA balances, and any under- or -over recoveries associated with those periods to be recovered through the \$1.1588 per Mcf surcharge. In order to compensate for the mismatch of gas costs and billed sales volumes going forward, the Commission will calculate Western Lewis-Rectorville District's current quarter AA for any subsequent reporting periods using the methodology discussed herein. When Western Lewis-Rectorville District files its next quarterly GCR rate report, the AA approved in this proceeding should be rolled into the previously approved AA balance, and the newly

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<sup>20</sup> The total cost difference for the previous twelve months, \$83,388.90, was divided by the sales for the previous 24 months, 71,960 Mcf, that resulted in a surcharge of \$1.1588 per Mcf.

calculated current quarter AA will be combined with the AA approved herein to determine the total AA for that reporting period. The Commission further finds that the methodology utilized to align Western Lewis-Rectorville District's gas costs and sales volumes is reasonable and matches purchased gas costs to the periods in which the gas was delivered and consumed and provides a more accurate calculation of the AA component and the amount of over- or under-recoveries.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that Western Lewis-Rectorville District's report includes revised rates designed to pass on to its customers an expected change in gas costs. Western Lewis Rectorville-District's report sets out an EGC of \$5.0922 per Mcf, which is a decrease of \$0.2364 per Mcf from its previous EGC of \$5.3286 per Mcf. Western Lewis-Rectorville District's report sets out no Refund Adjustment.

Western Lewis-Rectorville District's report sets out a current quarter AA of \$0.5433 per Mcf. In calculating its current quarter AA, Western Lewis-Rectorville District hard coded its unit cost of gas and its monthly cost difference. In addition, resulting from the timing discrepancy described herein, Western Lewis-Rectorville District reported gas purchases for the months of January, February, and March 2026 to be 9,320 Mcf, 6,893 Mcf, and 3,626 Mcf, respectively. In comparison, its reported sales were 3,522 Mcf, 6,103 Mcf, and 7,901 Mcf, respectively. Applying the methodology used to align Western Lewis-Rectorville District's previous quarters, discussed above, results in a total cost difference of (\$6,516.69) and a current quarter and total AA of (\$0.1663) per Mcf. The current quarter AA also results in a total AA of (\$0.1663), as the previous quarters have been set to zero.

Western Lewis-Rectorville set out no Balance Adjustment. The Commission finds that Western Lewis-Rectorville District's BA, as set forth in its tariff, should be implemented in future GCR rate reports. The BA will not be available for use for a period of 12 months. In the filing to be effective October 1, 2027, Western Lewis-Rectorville District should calculate the amount refunded to customers from the AA of (\$0.1663) by multiplying it by the sales volumes for the twelve months ending June 30, 2027. The resulting amount refunded through the AA component over the twelve month period should be subtracted from the cost difference of (\$6,516.69) used in calculating the AA herein. Any remaining balance will represent the difference between the amount intended to be refunded through the AA and the amount actually refunded to customers during the period. That difference will be divided by the sales for the twelve months ending June 30, 2027, and result in the BA rate that is needed to true-up any remaining over- or under-recoveries.

Based on the corrected calculations above, the Commission finds Western Lewis-Rectorville District's corrected GCR rate of \$4.9259 per Mcf, which is a decrease of \$0.4027 per Mcf from its previous GCR rate of \$5.3286 per Mcf, to be reasonable. The Commission finds that the inputs, resulting components and calculation of Western Lewis-Rectorville District's proposed GCR rate of \$4.9259 per Mcf to be reasonable. The Commission further finds that the rates set forth in the Appendix to this Order are fair, just and reasonable and should be approved for service rendered by Western Lewis-Rectorville District's on and after July 1, 2026.

In Case No. 2026-00048, the Commission approved a GCR rate of \$5.3286 per Mcf, on an interim basis, and subject to refund.<sup>21</sup> Because the misalignment between the billing period and meter reading dates distorted both the proposed AA calculation and the AA components that were in effect, the Commission approved the GCR rate consisting solely of the EGC.<sup>22</sup> The approved GCR allowed for the recovery of gas costs incurred during the applicable period. Having reviewed the application in this matter, the Commission finds the surcharge as discussed herein, and set forth in the Appendix to this Order, provides for recovery of the AA portion of the remaining difference. Accordingly, the Commission finds the issues presented in Case No. 2026-00048 have been resolved, and it should be closed. The Commission notes that a copy of this Order should be filed in the record of that matter.

The Commission finds that it has concluded its investigation of Western Lewis-Rectorville District's GCR rate set forth in Case No. 2026-00048.<sup>23</sup> The Commission finds that no monies are due to be refunded for the period the interim GCR rate of \$5.3286 per Mcf was in effect, April 1, 2026 through June 30, 2026. The Commission further finds that, during its review of Western Lewis-Rectorville District's previously approved AA components, it experienced an under recovery of \$83,388.90 that will be collected through the \$1.1588 per Mcf surcharge for a twenty-four month period ending July 1, 2028, or until the full amount is recovered and the Commission Orders Western Lewis-Rectorville District to cease collection of the surcharge.

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<sup>21</sup> Case No. 2026-00048, Mar. 31, 2026 Order at ordering paragraph 2.

<sup>22</sup> Case No. 2026-00048, Mar. 31, 2026 Order at 5.

<sup>23</sup> Case No. 2026-00048, Mar. 31, 2026 Order at ordering paragraph 7.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Western Lewis-Rectorville District are denied.
2. The rates set forth in the Appendix to this Order are approved for service rendered on and after July 1, 2026.
3. The surcharge of \$1.1588 per Mcf is approved for service rendered on and after July 1, 2026, subject to refund, until further Order of the Commission to cease collecting the residual surcharge in the event the under collected amount of \$83,388.90 is recovered prior to the full twenty-four-month period, or until July 1, 2028, whichever occurs sooner.
4. Western Lewis-Rectorville District shall maintain its records in such a manner as will enable it, the Commission, and any of Western Lewis-Rectorville District's customers, to determine the amounts to be refunded and to whom any refund is due in the event that a refund of any portion of the GCR or residual surcharge is ordered by the Commission.
5. Western Lewis-Rectorville District shall file with its GCR rate report a surcharge report that details: (1) The total amount recovered through the surcharge; (2) the remaining amount under recovered; (3) usage report for the month; (4) proof that the surcharge is being applied separate from the GCR on customers' bills.
6. A copy of this Order shall be entered into the record in Case No. 2026-00048 and that case shall be closed and removed from the Commission's docket.
7. In the event of natural gas costs rising meaningfully, before the total amount is recovered, the Commission reserves its right to initiate an investigation to determine whether a change to the surcharge rate is necessary.

8. The Commission can, at any time, order Western Lewis-Rectorville District to cease charging the residual surcharge approved herein or order a change to the residual surcharge amount.

9. Upon expiration of the AA approved herein, Western Lewis-Rectorville District shall include the BA component with its GCR rate report for rates effective October 1, 2027.

10. Western Lewis-Rectorville District shall submit all invoices it receives along with its monthly usage reports for each month of the reporting period when it files future GCR rate reports.

11. Should Western Lewis-Rectorville District purchase sustainable natural gas from a renewable source during the reporting period of any future GCR reports then the supplier, cost, and amount shall be documented in its cover letter to the Commission.

12. Within 20 days of the date of service of this Order, Western Lewis Rectorville District shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

13. This case is closed and removed from the Commission's docket.

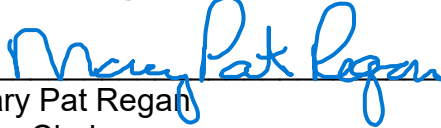
Entered on this 30th day of June, 2026.

PUBLIC SERVICE COMMISSION




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Angie Hatton  
Chair



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Mary Pat Regan  
Vice Chair



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Andrew W. Wood  
Commissioner



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Barry L. Mayfield  
Commissioner

ATTEST:



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Linda C. Bridwell, PE  
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2026-00137 DATED JUN 30 2026

The following rates and charges are prescribed for the customers in the area served by Western Lewis-Rectorville Water and Gas 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.

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
All Mcf	\$1.5642	\$4.9259	\$6.4901
Surcharge			\$1.1588 per Mcf

## Service List for 2026-00137

\* Western Lewis-Rectorville Water and Gas District  
8044 KY 3161  
Maysville, KY 41056-9344

\* Sharon Dennison  
Senior Office Clerk  
Western Lewis-Rectorville Water and Gas District  
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Maysville, KY 41056-9344