

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF EAST PENDLETON)	2026-00146
WATER DISTRICT)	

ORDER

On June 3, 2026,¹ East Pendleton Water District (East Pendleton 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

East Pendleton District purchases water from both the city of Falmouth (Falmouth) and Bracken County Water District (Bracken District). Falmouth notified East Pendleton

¹ East Pendleton District tendered its application on June 2, 2026. By letter dated June 2, 2026, the Commission notified the district of filing deficiencies. Those deficiencies were cured and the application deemed filed June 3, 2026.

District that its wholesale rate would increase by \$0.63, or 23.77 percent, from \$2.65 per 1,000 gallons to \$3.28 per 1,000 gallons, effective June 12, 2026.² Bracken District notified East Pendleton District that its wholesale rate would increase by \$0.78, or 16.18 percent, from \$4.82 per 1,000 gallons to \$5.60 per 1,000 gallons, effective October 10, 2025.³ East Pendleton District proposed to increase the water rates to its customers, effective July 13, 2026, to reflect the increased cost of purchased water from Falmouth and Bracken 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, East Pendleton District reported an unaccounted for water loss of 7.4154 percent.⁴ In its 2024 Annual Report filed with the Commission, East Pendleton District reported an accounted for water loss of 8.7324 percent.⁵ In its 2025 Annual Report filed with the Commission, East Pendleton District reported an unaccounted for water loss of 10.0131 percent.⁶ East Pendleton

² TFS2026-00216 (Ky. PSC May 12, 2026), the tariff was accepted for filing by the Commission by letter dated Jun. 11, 2026.

³ Bracken District's wholesale rate was approved by the Commission in Case No. 2025-00315, *Electronic Purchased Water Adjustment Filing of Bracken County Water District* (Ky. PSC Oct. 25, 2025), final Order.

⁴ *Annual Report of East Pendleton District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁵ *Annual Report of East Pendleton District to the Public Service Commission for the Year Ended December 31, 2024* at 57.

⁶ *Annual Report of East Pendleton District 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.

District's three-year unaccounted for water loss average is 8.7203 percent.⁷ The cost of East Pendleton District's total unaccounted for water loss using a three-year water loss average is \$30,982.09.⁸ The Commission commends East Pendleton 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

East Pendleton District's financial snapshot for 2021 through 2025 is presented below. Based on a review of Commission records, East Pendleton District last completed a base rate adjustment in Case No. 2013-00103, using 2011 test year, which became final on October 24, 2013, and reflected an increase of \$210,459 or 24.53 percent.⁹ Since 2013, East Pendleton District has had only one other rate increase, a purchased water adjustment increase.¹⁰ Rate based income (adjusted net income minus debt service) was positive from 2021 to 2024, becoming negative in 2025. Cash basis income (rate-based income plus depreciation) was positive in all years presented. The Commission notes that the rate-based loss reported in 2025 was primarily due to an increase in Materials and Supplies Expense and Contractual Services Expense¹¹.

⁷ $7.4154\% + 8.7324\% + 10.0131\% = 26.1609\% / 3 \text{ years} = 8.7203\%$.

⁸ Total unaccounted for water cost at new wholesale rate of \$355,286.93 times 8.7203 percent water loss equals \$30,982.09.

⁹ Case No. 2013-00103, *Application of East Pendleton County Water District for an Alternative Rate Adjustment* (Ky. PSC Oct. 24, 2013), final Order.

¹⁰ Case No. 2025-00157, *Electronic Purchased Water Adjustment Filing of East Pendleton Water District* (Ky. PSC June 24, 2025), final Order.

¹¹ 2025 Annual Report of East Pendleton District at 50.

Description / Year	Audited 2021	Audited 2022	Audited 2023	Audited 2024	Annual Report 2025
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ 106,379	\$ 150,044	\$ 302,950	\$ 249,345	\$ 168,471
Other Non-recurring Items ()	(4,407)	(22,252)	(4,843)	(4,505)	-
Non-Cash Pension and OPEB Expense / (Income)	65,162	(1,847)	(80,203)	(126,325)	(109,962)
Interest Expense	28,309	19,995	14,366	11,916	10,272
Adjusted Net Income / (Loss)	195,443	145,940	232,270	130,431	68,781
Interest Expense ()	(28,309)	(19,995)	(14,366)	(11,916)	(10,272)
Principal Payments ()	(88,680)	(88,584)	(82,794)	(83,010)	(83,230)
Subtract: Total Debt Service ()	(116,989)	(108,579)	(97,160)	(94,926)	(93,502)
Rate-Based Income (Excludes Working Capital of 20%)	78,454	37,361	135,110	35,505	(24,721)
Add: Depreciation Expense	138,773	155,649	150,835	148,171	165,867
Cash Basis Income	\$ 217,227	\$ 193,010	\$ 285,945	\$ 183,676	\$ 141,146
Cash Basis Income as Percent of Depreciation	157%	124%	190%	124%	85%
Capital Spending	\$ 128,494	\$ 355,425	\$ 75,342	\$ 959,725	\$ 1,147,949
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 889,454	\$ 755,595	\$ 823,959	\$ 958,926	\$ 881,251
Restricted Funds	751,105	539,224	619,172	595,072	604,378
Adjusted Cash Balances	1,640,559	1,294,819	1,443,131	1,553,998	1,485,629
Net Increase (Decrease) in Cash	\$ 109,576	\$ (345,740)	\$ 148,312	\$ 110,867	\$ (68,369)
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	2,083	2,181	2,414	2,497	2,210
Gallons Purchased	118,036	124,676	126,412	110,336	106,910
Gallons Sold	109,222	117,460	116,369	99,542	94,807
Gallons Used for Internal Use	758	222	669	1,159	1,398
Water Loss Gallons	8,056	6,994	9,374	9,635	10,705
System Use Percentage	0.64222%	0.1781%	0.5292%	1.0504%	1.3076%
Water Loss Percentage	6.8250%	5.6097%	7.4154%	8.7324%	10.0131%
Gallons Sold Per Customer Per Month	4,370	4,488	4,017	3,322	3,575
Revenues from the Sale of Water	\$ 1,237,946	\$ 1,277,419	\$ 1,377,953	\$ 1,187,774	\$ 1,200,445
Purchased Water Expense	235,514	249,906	249,929	220,526	256,221
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 East Pendleton 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, East Pendleton District proposed a purchased water adjustment factor of \$0.68 per 1,000 gallons. During the 12 months ended April 30, 2026, East

Pendleton District purchased 106,436,309 gallons of water from Falmouth and 1,102,829 gallons of water from Bracken District and sold 100,619,855 gallons of water to its customers. While the application listed the increase in the cost of purchased water as \$67,915.08,¹² the actual increase in the cost of purchased water from Falmouth and Bracken District is \$67,915.07, resulting in a purchased water adjustment factor of \$0.68 per 1,000 gallons. The Commission notes that East Pendleton District's application contained a minor error in its calculation; however, the overall factor did not change when corrected.

As part of its purchased water adjustment application, East Pendleton District submitted a schedule listing its current and proposed rates, which it also plans to use as its notification to its customers of the change in rates (Customer Notice).¹³ Upon review of the Customer Notice in comparison to East Pendleton District's current tariff, effective June 13, 2025,¹⁴ the Commission finds the Customer Notice contains an error in the "Current" rate listed for the 2-Inch Meter minimum charge that should be corrected to list the "Current" rate as "210.89." This error results in East Pendleton District's proposed rate for the 2-Inch Meter being incorrect. Consequently, the Commission finds that the rates proposed by East Pendleton District should be denied.

The purchased water adjustment factor of \$0.68 per 1,000 gallons, as calculated in Appendix A and the rates as set forth in Appendix B to this Order, which also correct

¹² Purchased Water Adjustment Form 1 (filed June 3, 2026) at 2.

¹³ Amended Application and Customer Notice, Customer_Notice_PWA_2026_Ad_Revised.pdf (filed June 3, 2026).

¹⁴ East Pendleton District Tariff (PSC KY No. 1, 1st Revised Sheet No. 2, effective June 13, 2025) at 4.

the proposed 2-Inch Meter rates, are fair, just and reasonable and should be approved for water service rendered by East Pendleton District on and after July 13, 2026, because the rates are supported by evidence of the increase in rates from East Pendleton 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 \$0.68 per 1,000 gallons is approved.
2. The rates proposed by East Pendleton District are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by East Pendleton District on and after July 13, 2026.
4. Within 20 days of the date of service of this Order, East Pendleton 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. 2026-00146 DATED JUL 1 2026

	Base Rate	New Rate	Change
<u>Falmouth</u>			
Purchases in Gallons	106,436,309	106,436,309	
Rate per 1,000 Gallons	<u>\$2.65/1,000</u>	<u>\$3.28/1,000</u>	
Subtotal	\$282,056.22	\$349,111.09	\$67,054.87
 <u>Bracken District</u>			
Purchases in Gallons	1,102,829	1,102,829	
Rate per 1,000 Gallons	<u>\$4.82/1,000</u>	<u>\$5.60/1,000</u>	
Subtotal	\$5,315.64	\$6,175.84	\$860.20
 Total	 \$287,371.86	 \$355,286.93	
 Increased water cost			 \$67,915.07
 Increased water cost		 \$67,915.07	
Divided by Gallons sold/1,000		<u>100,619,855</u>	
Purchased water adjustment factor		\$0.68	per 1,000 Gallons
		or \$ 0.00068	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00146 DATED JUL 1 2026

The following rates and charges are prescribed for the customers in the area served by East Pendleton 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.

<u>Monthly Water Rates</u>			
<u>5/8 X 3/4-Inch Meter</u>			
First	1,000 Gallons	\$19.86	Minimum Bill
Next	99,000 Gallons	0.01077	Per Gallon
Over	100,000 Gallons	0.00855	Per Gallon
<u>1 1/4-Inch Meter</u>			
First	10,000 Gallons	\$116.79	Minimum Bill
Next	90,000 Gallons	0.01077	Per Gallon
Over	100,000 Gallons	0.00855	Per Gallon
<u>2-Inch Meter</u>			
First	20,000 Gallons	\$224.49	Minimum Bill
Next	80,000 Gallons	0.01077	Per Gallon
Over	100,000 Gallons	0.00855	Per Gallon
<u>3-Inch Meter</u>			
First	30,000 Gallons	\$332.19	Minimum Bill
Next	70,000 Gallons	0.01077	Per Gallon
Over	100,000 Gallons	0.00855	Per Gallon

Service List for 2026-00146

* East Pendleton Water District
601 Woodson Road
Falmouth, KY 41040

* Jody Brewer
East Pendleton Water District
601 Woodson Road
Falmouth, KY 41040

* Mark Frost
110 Woodford Place
#1
Harrodsburg, KY 40330