

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC INVESTIGATION INTO	)	
MILBURN WATER DISTRICT TO DETERMINE	)	
THE FEASIBILITY OF MERGER WITH A	)	CASE NO.
PROXIMATE UTILITY PURSUANT TO KRS 74.361	)	2021-00341
OR ABANDONMENT PURSUANT TO KRS	)	
278.020(6), KRS 278.021	)	

ORDER

On January 27, 2025, Graves County Water District (Graves District) and Milburn Water District (Milburn District) (collectively, the Parties) filed a joint motion requesting to continue the existing stay of proceedings (Joint Motion) until November 30, 2025.

Pursuant to Commission Order issued August 15, 2024, the Parties were previously granted a stay of proceedings for 180 days to develop a comprehensive plan for serving Carlisle County’s schools and various areas within Carlisle County, as well as an extension for the Parties’ responses to the Commission Staff’s Feasibility Study until further Order by the Commission.<sup>1</sup>

In their Joint Motion, the Parties stated that Carlisle County Fiscal Court has developed a plan that currently consists of the following:

- a. Constructing a water line approximately one and one-half miles in length along Highway 1371 from Milburn District’s existing water line to serve the Carlisle County School District (School District) facilities.

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<sup>1</sup> Case No. 2021-00341, Order (Ky PSC Aug. 15, 2024).

- b. After completion of the proposed water line, construction of water wells within Carlisle County near the School District's campus that would be adequate to supply the needs of the School District's facilities, Milburn District, and other water suppliers within Carlisle County.
- c. Upon obtaining additional funds, the water distribution systems of Cunningham District and the city of Arlington would also be connected to the water wells. The Parties stated upon completion of these connections, these water providers would be interconnected; and
- d. Upon the interconnection of the three water providers, the consolidation of these systems would be explored.<sup>2</sup>

The Parties stated the appropriated funds from Senate Bill 91, enacted during the 2024 Regular Session of the Kentucky General Assembly, will be used to finance the construction of the initial water line and the water wells.<sup>3</sup> Milburn District is expected to own and operate the proposed water line and water wells and to request the enlargement of its existing territory to include the school district's campus and additional areas of Carlisle County not currently served.<sup>4</sup> The Parties stated construction of the proposed water line to the school district's facilities is not expected to begin until late 2025, and that the expected start date for construction reflects the time necessary to plan and design the proposed water line, assess the existing Milburn District water line, obtain regulatory

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<sup>2</sup> Joint Motion at 3–4.

<sup>3</sup> Joint Motion at 4.

<sup>4</sup> Joint Motion at 4.

review and approval of the proposed water line, and select a contractor to construct the proposed water line.<sup>5</sup>

The Parties argued that, in light of these new developments, the current stay of proceedings should be continued until November 30, 2025, to allow Carlisle County Fiscal Court, the School District, the Engineers, and Milburn District adequate time to further develop and execute its water supply plans.<sup>6</sup> The Parties further argued that, only after those plans are fully developed, can a complete and fully informed assessment of Milburn District's status and the feasibility of an involuntary merger of the districts be made.<sup>7</sup> The Parties also argued that continuing the current stay of proceedings will prevent the premature and unnecessary expenditure of the resources of the Commission and the districts on administrative proceedings whose results may be rendered impractical and unnecessary due to Carlisle County Fiscal Court's efforts.<sup>8</sup>

While the Commission acknowledges the efforts of the Parties to date in developing a comprehensive plan, and the merits of the Parties' request to allow further development of the Carlisle County Fiscal Court's plan, it also notes that, based upon the evidence of the record to date, Milburn District has not addressed its ongoing financial losses. It reported financial losses in each year from 2017 through 2022, and it was only marginally profitable in 2023.<sup>9</sup> It appears that the rate increase approved in 2019 in Case

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<sup>5</sup> Joint Motion at 4.

<sup>6</sup> Joint Motion at 5.

<sup>7</sup> Joint Motion at 5.

<sup>8</sup> Joint Motion at 5.

<sup>9</sup> *Annual Report of Milburn District to the Public Service Commission for Year Ended December 31 2017* (2017 Annual Report), *Annual Report of Milburn District to the Public Service Commission for Year Ended December 31 2018* (2018 Annual Report), *Annual Report of Milburn District to the Public Service*

No. 2018-00314, using a 2017 test year,<sup>10</sup> was offset by other operational factors that resulted in a continuation of losses. Further, Milburn District's average cost to purchase water, as calculated from information provided in its annual reports, increased from \$2.46 per thousand gallons in 2017 to \$3.10 in 2023.<sup>11</sup> However, Milburn District did not request any purchased water adjustments to adjust its rates. Milburn District's customer count and volume of water sold has also declined throughout the referenced periods.<sup>12</sup> A summary of key financial amounts and statistics is presented below.

Description / Year	2017	2018	2019	2020	2021	2022	2023
Metered Revenues	\$ 54,489	\$ 55,356	\$ 64,502	\$ 61,043	\$ 59,230	\$ 55,041	\$ 56,926
Net Income / (Loss) (Note 1)	\$ (8,058)	\$ (6,737)	\$ (2,376)	\$ (17,107)	\$ (8,859)	\$ (5,944)	\$ 436
Average Unit Cost of Purchased Water	\$ 2.46	\$ 2.69	\$ 2.81	\$ 3.00	\$ 3.24	\$ 3.20	\$ 3.10
Gallons Sold	5,590	5,977	6,098	5,770	5,820	4,982	4,842
Customers	136	128	128	129	127	125	125
Gallons Per Customer Per Month	3,425	3,891	3,970	3,727	3,819	3,321	3,228

(1) 2020 - Expenses were adjusted to include \$5,000 paid by Fiscal Court and not reflected in annual report.

The Commission, having considered the Parties' Joint Motion, finds good cause exists to grant an extension of the stay of this proceeding until November 31, 2025, and

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*Commission for Year Ended December 31 2019 (2019 Annual Report), Annual Report of Milburn District to the Public Service Commission for Year Ended December 31 2020 (2020 Annual Report), Annual Report of Milburn District to the Public Service Commission for Year Ended December 31 2021 (2021 Annual Report), Annual Report of Milburn District to the Public Service Commission for Year Ended December 31 2022 (2022 Annual Report), Annual Report of Milburn District to the Public Service Commission for Year Ended December 31 2023 (2023 Annual Report).*

<sup>10</sup> Case No. 2018-00314, *Application of Milburn Water District for an Alternative Rate Adjustment* (Ky. PSC Mar. 7, 2019).

<sup>11</sup> 2017 Annual Report of Milburn District at 18, 38, 39, and 40; 2018 Annual Report of Milburn District at 18, 39, 40, and 41; 2019 Annual Report of Milburn District at 18, 39, 40, and 41; 2020 Annual Report of Milburn District at 18, 39, 40, and 41; 2021 Annual Report of Milburn District at 18, 39, 40, and 41; 2022 Annual Report of Milburn District at 18, 39, 40, and 41; 2023 Annual Report of Milburn District at 18, 39, 40, and 41.

<sup>12</sup> 2017 Annual Report of Milburn District; 2018 Annual Report of Milburn District; 2019 Annual Report of Milburn District; 2020 Annual Report of Milburn District; 2021 Annual Report of Milburn District; 2022 Annual Report of Milburn District; 2023 Annual Report of Milburn District.

continue an extension for the Parties' responses to the Commission Staff's Feasibility Study until further Order by the Commission. Finally, the Commission finds that Milburn District should file an application for a general rate adjustment, alternative rate adjustment pursuant to 807 KAR 5:076, or file a detailed explanation of why neither rate adjustment is necessary on or before September 1, 2025.

IT IS THEREFORE ORDERED that:

1. The Parties' motion for an extension of the stay of this proceeding until November 31, 2025, is granted.

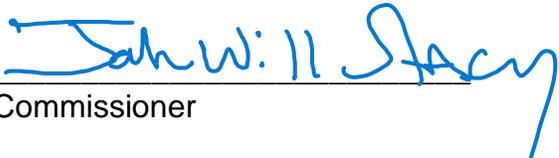
2. As determined in the Order entered August 15, 2024, the Parties obligation to respond to Commission Staff's Feasibility Study is stayed until further Order by the Commission.

3. Milburn District shall file an application for a general rate adjustment, alternative rate adjustment pursuant to 807 KAR 5:076, or file a detailed explanation of why neither rate adjustment is necessary on or before September 1, 2025.

PUBLIC SERVICE COMMISSION

  
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Chairman

  
\_\_\_\_\_  
Commissioner

  
\_\_\_\_\_  
Commissioner

ATTEST:

 AP  
\_\_\_\_\_  
Executive Director

ENTERED  
MAR 06 2025 AH  
KENTUCKY PUBLIC  
SERVICE COMMISSION

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