

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF BLACK MOUNTAIN)	2026-00025
UTILITY DISTRICT)	

ORDER

On February 4, 2026, Black Mountain Utility District (Black Mountain District) applied for approval to adjust its rates pursuant to the purchased water adjustment (PWA) procedure set forth in KRS 278.015 and 807 KAR 5:068.¹

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.

¹ KRS 278.015: 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. Within twenty (20) days after any such increase in rates, the district shall file its revised tariffs with the commission, together with a copy of the notice from its wholesale supplier showing the increase in the rate charged to the utility, and a statement of the volume of purchased water used or sewage treated to calculate the increase in rates. The commission shall approve the filing or establish revised rates by order no later than thirty (30) days after the above documents are filed with it. Prior to or at the time of the first billing of the new rates, the district shall give notice to its customers of the increase.

DISCUSSION AND FINDINGS

Black Mountain District purchases water from the cities of Harlan (Harlan), Evarts (Evarts), and Pineville (Pineville). Harlan notified Black Mountain District that its wholesale rate would increase by 15 percent, effective February 8, 2026.² Evarts notified Black Mountain District that its wholesale rate would increase by \$1.09, or 30.2 percent, from \$3.61 per 1,000 gallons to \$4.70 per 1,000 gallons, effective December 16, 2024.³ Pineville notified Black Mountain District that its wholesale rate would increase by \$0.03, or 1.0 percent, from \$3.08 per 1,000 gallons to \$3.11 per 1,000 gallons, effective January 1, 2025.⁴ Black Mountain District proposed to increase the water rates to its customers effective February 8, 2026, to reflect the increased cost of purchased water from Harlan, Evarts, and Pineville. Black Mountain District did not apply for a PWA after the December 2024 Evarts increase which resulted in Black Mountain not recovering in excess of \$50,000 of purchased water cost that it could have recovered.

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

² TFS2026-00013 (Ky. PSC Jan. 8, 2026); the city of Harlan submitted the tariff on January 8, 2026, and the tariff was accepted for filing by the Commission by letter dated February 10, 2026, with an effective date of February 8, 2026.

³ TFS2024-00520 (Ky. PSC Nov. 4, 2024); Evarts submitted the tariff on November 4, 2024, and the tariff was accepted for filing by the Commission by letter dated December 13, 2024, with an effective date of December 16, 2024.

⁴ TFS2022-00619 (Ky. PSC Dec. 29, 2022); Pineville submitted the tariff on December 29, 2022, and the tariff was accepted for filing by the Commission by letter dated January 31, 2023, with an effective date of February 1, 2023 implemented in 3 years. The first increase to \$2.96 per 1,000 gallons was effective February 1, 2023, the second increase to \$3.05 per 1,000 gallons was effective January 1, 2024, and the third increase to \$3.11 per 1,000 gallons was effective January 1, 2025

operations. In its 2022 Annual Report filed with the Commission, Black Mountain District reported a water loss of 41.9975 percent.⁵ In its 2023 Annual Report filed with the Commission, Black Mountain District reported a water loss of 38.0989 percent.⁶ In its 2024 Annual Report filed with the Commission, Black Mountain District reported a water loss of 33.8370 percent.⁷ Black Mountain District's three-year water loss average is 37.9778.⁸ The approximate annual cost of Black Mountain District's water loss, based on a 3-year average, is \$420,968.36.⁹

Water Loss Surcharge

In Black Mountain District's most recent rate case,¹⁰ the Commission approved a monthly water loss reduction surcharge of \$7.91 per customer, per month, over 48 months, or until \$319,316 has been assessed, whichever occurs first, to help lower system losses to more acceptable levels.¹¹ On October 9, 2023, Case No. 2023-00202 was established for the Commission to monitor the progress of the water loss reduction

⁵ *Annual Report of Black Mountain District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

⁶ *Annual Report of Black Mountain District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁷ *Annual Report of Black Mountain District to the Public Service Commission for the Year Ended December 31, 2024* at 57. This report is not yet available on the PSC website but has been submitted to PSC filings by Black Mountain District.

⁸ $41.9975 + 38.0989 + 33.8370 = 113.9334 / 3 \text{ years} = 37.9778 \text{ percent.}$

⁹ Total water cost at new wholesale rate of \$1,108,459.05 times 37.9778% water loss equals \$420,968.36.

¹⁰ Case No. 2022-00275, *Electronic Application of Black Mountain Utility District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 9, 2023), final Order.

¹¹ Case No. 2022-00275, *Electronic Application of Black Mountain Utility District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 9, 2023), final Order at 14.

surcharge plan established by Black Mountain District.¹² The Commission notes that Black Mountain District should review the terms of its surcharge to ensure its continued compliance with all Commission Orders.

Financial Condition and Rates

Black Mountain District's financial snapshot for 2020 through 2024 is presented below. Based on a review of Commission records, Black Mountain District last sought a general base rate adjustment in 2022,¹³ in Case No. 2022-00275 (2020 test year), which became final on October 9, 2023, and reflected an increase of \$67,503 or 4.14 percent. Black Mountain District had no other rate increases during the review period. On February 12, 2026, Black Mountain District filed a notice of intent in Case No. 2026-00036 to file an application for a rate adjustment no later than February 26, 2026.¹⁴ It was previously ordered in Case No. 2023-00235 to file an alternative rate filing by July 1, 2025, and subsequently, the utility received two extensions of time to file with the second extension due date being February 26, 2026.¹⁵ In Case No. 2022-00275, the Commission reduced expenses by approximately \$376,000 for ratemaking purposes. The disallowance of these items contributed to the Rate Based Loss in 2024.

¹² Case No. 2023-00202, *Electronic Filing of Black Mountain Water District Unaccounted for Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC October 9, 2023), opening Order.

¹³ Case No. 2022-00275, Oct. 9, 2023 final Order.

¹⁴ Case No. 2026-00036, *Electronic Application of Black Mountain Utility District for a Rate Adjustment Pursuant to 807 KAR 5:076* (filed Feb. 12, 2026), 20260212_Black Mountain Utility District Notice of Intent and Election.pdf.

¹⁵ Case No. 2023-00235, *Electronic Investigation into the Financial and Operating Capacity of Black Mountain Utility District as well as Possible Vacancies on the Board of Commissioners of Black Mountain Utility District* (Ky. PSC Aug. 20, 2024), Order at 16.

In Case No. 2019-00041, the Commission discussed the problems that can occur when utilities intentionally avoid a review of their financial records by relying solely on financing cases to increase rates.¹⁶ A key recommendation from that proceeding was that water districts should monitor the sufficiency of their base rates closely and, in general, apply for base rate adjustments on a more frequent basis.¹⁷

Description / Year	2022-00275 Test Year			2022-00275 ARF FO 10/09/23	
	Audited 2020	Audited 2021	Audited 2022	Annual Report 2023	Annual Report 2024
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ (306,828)	\$ (297,980)	\$ (530,583)	\$ 226,600	\$ (344,938)
Other Non-recurring Items ()	(100,000)	(150,000)	(50,000)	(502,137)	0
Water Loss Surcharge ()	0	0	0	(21,289)	(131,956)
Adjusted Net Income / (Loss)	\$ (406,828)	\$ (447,980)	\$ (580,583)	\$ (296,826)	\$ (476,894)
Subtract: Principal Payments ()	(151,110)	(84,866)	(102,702)	(88,650)	(114,141)
Rate Based Income	\$ (557,938)	\$ (532,846)	\$ (683,285)	\$ (385,476)	\$ (591,035)
Add: Depreciation Expense	510,577	505,736	502,137	502,137	503,217
Cash Basis Income	\$ (47,361)	\$ (27,110)	\$ (181,148)	\$ 116,661	\$ (87,818)
Cash Basis Income as Percent of Depreciation	-9%	-5%	-36%	23%	-17%
Capital Spending	\$ 13,298	\$ 15,000	\$ 10,956	\$ -	\$ 1,031,155
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 68,580	\$ 151,828	\$ 99,210	\$ 51,066	\$ 72,120
Restricted Funds	39,559	52,472	55,242	118,345	264,598
Adjusted Cash Balances	108,139	204,300	154,452	169,411	336,718
Net Increase (Decrease) in Cash	\$ 12,642	\$ 96,161	\$ (49,848)	\$ 14,959	\$ 167,307
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	3,363	3,331	3,352	3,399	3,399
Gallons Purchased	281,973	233,227	254,177	248,633	248,633
Gallons Sold	143,391	145,701	143,895	147,018	147,015
Gallons Used for Internal Use	3,490	2,366	3,534	6,892	6,892
Water Loss Gallons	135,092	85,160	106,748	94,727	94,727
System Use Percentage	1.24%	1.01%	1.39%	2.77%	2.77%
Water Loss Percentage	47.9095%	36.5138%	41.9975%	38.0989%	38.0989%
Gallons Sold Per Customer Per Month	3,553	3,645	3,577	3,604	3,604
Revenues from the Sale of Water	\$ 1,636,589	\$ 1,672,188	\$ 1,624,094	\$ 1,650,634	\$ 1,650,234
Purchased Water Expense	851,385	875,010	844,958	787,030	980,762
Purchased Water Expense Over 15% Water Loss	280,187	188,248	228,117	181,795	226,545
Water Loss Expense Over 15% as Percentage of Water Revenue	17.12%	11.26%	14.05%	11.01%	13.73%

¹⁶ Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

¹⁷ Case No. 2019-00041, Nov. 22, 2019 final Order.

Recognizing that Black Mountain District is ordered to file a rate case on or before February 26, 2026, the Commission finds that Black Mountain District 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, Black Mountain District proposed a purchased water adjustment factor of \$1.22 per 1,000 gallons. During the 12 months ended December 2025, Black Mountain District purchased 219,896,400 gallons of water from Harlan, 46,075,500 gallons of water from Evarts, and 26,207,000 gallons of water from Pineville, and sold 128,972,735 gallons of water to its customers. The increase in the cost of purchased water from Harlan, Evarts, and Pineville is \$157,009.01, resulting in a purchased water adjustment factor of \$1.22 per 1,000 gallons.

The purchased water adjustment factor of \$1.22 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 Black Mountain District on and after February 8, 2026, because the rates are supported by evidence of the increase in rates from Black Mountain 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 \$1.22 per 1,000 gallons is approved.
2. The rates proposed by Black Mountain District are approved.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Black Mountain District on and after February 8, 2026.

4. Within 20 days of the date of service of this Order, Black Mountain 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

ATTEST:

 

Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00025 DATED MAR 06 2026

	Base Rate	New Rate	Change
<u>City of Harlan</u>			
Purchases in Gallons	219,896,400	219,896,400	
Rate per 1,000 Gallons	See Below ¹	See Below ²	
Subtotal	<u>\$704,399.92</u>	<u>\$810,400.43</u>	\$106,000.51
<u>City of Evarts</u>			
Purchases in Gallons	46,075,500	46,075,500	
Rate per 1,000 Gallons	<u>\$3.61/1,000</u>	<u>\$4.70/1,000</u>	
Sub-total	\$166,332.56	\$216,554.85	\$50,222.29
<u>City of Pineville</u>			
Purchases in Gallons	26,207,000	26,207,000	

1

	BILLS	GALLONS	RATE	Water expense
FIRST	2,000	48	96,000 \$ 14.75	\$ 708.00
NEXT	8,000		384,000 \$ 4.45	\$ 1,708.80
NEXT	15,000		720,000 \$ 4.08	\$ 2,937.60
NEXT	75,000		3,600,000 \$ 3.58	\$ 12,888.00
OVER	100,000		215,096,400 \$ 3.19	\$ 686,157.52
TOTAL		48	219,896,400	\$ 704,399.92

2

	BILLS	GALLONS	RATE	Water expense
FIRST	2,000	48	96,000 \$ 16.97	\$ 814.56
NEXT	8,000		384,000 \$ 5.12	\$ 1,966.08
NEXT	15,000		720,000 \$ 4.70	\$ 3,384.00
NEXT	75,000		3,600,000 \$ 4.12	\$ 14,832.00
OVER	100,000		215,096,400 \$ 3.67	\$ 789,403.79
TOTAL		48	219,896,400	\$ 810,400.43

Rate per 1,000 Gallons	<u>See Below³</u>	<u>See Below⁴</u>	
Subtotal	80,717.56	81,503.77	786.21
Total	\$951,450.04	\$1,108,459.05	
Increased water cost			\$157,009.01
Increased water cost		\$157,009.01	
Divided by Gallons sold/1,000		<u>128,972,735</u>	
Purchased water adjustment factor		\$1.2174	per 1,000 Gallons
		or \$ 0.00122	per Gallon

3

	BILLS	GALLONS	RATE	Water expense
FIRST	1,000,000	12	12,000,000 \$ 3,080.00	\$ 36,960.00
NEXT	2,500,000		14,207,000 \$ 3.08	\$ 43,757.56
OVER	3,500,000		- \$ 4.05	\$ -
TOTAL		12	26,207,000	\$ 80,717.56

4

	BILLS	GALLONS	RATE	Water expense
FIRST	1,000,000	12	12,000,000 \$ 3,110.00	\$ 37,320.00
NEXT	2,500,000		14,207,000 \$ 3.11	\$ 44,183.77
OVER	3,500,000		- \$ 4.11	\$ -
TOTAL		12	26,207,000	\$ 81,503.77

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00025 DATED MAR 06 2026

The following rates and charges are prescribed for the customers in the area served by Black Mountain Utility 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

Division 1

First	2,000 Gallons	\$28.61	Minimum Bill
Over	2,000 Gallons	0.01001	Per Gallon

Division 2

First	2,000 Gallons	\$28.61	Minimum Bill
Over	2,000 Gallons	0.01001	Per Gallon

Other Rates

Wholesale & Leak Adjustment Rate	\$6.01	Per Gallon
----------------------------------	--------	------------

*Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806-8437

*Colby Wilson
General Manager
Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806-8437

*Ronnie Williams
Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806-8437

*Sam Reid
312 N. Jackson Street
Perryville, KY 40468