

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF CUMBERLAND	)	2026-00037
COUNTY WATER DISTRICT	)	

ORDER

On February 13, 2026, Cumberland County Water District (Cumberland District) tendered an application requesting approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068. On February 18, 2026, Cumberland District submitted further documentation to correct certain filing deficiencies, and the application was deemed filed as of February 18, 2026.<sup>1</sup> Cumberland District proposed an effective date of February 12, 2026 for its updated rates.<sup>2</sup>

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

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<sup>1</sup> Amended Application (filed Feb. 18, 2026).

<sup>2</sup> Amended Application (filed Feb. 18, 2026).

water used to calculate the rate adjustment. The Commission shall approve the filing by order after the above documents are filed.

### DISCUSSION AND FINDINGS

Cumberland District purchases water from the city of Albany (Albany), the city of Burkesville (Burkesville) and Columbia-Adair Water District (Columbia-Adair District). Albany notified Cumberland District that its wholesale rate would increase by \$0.82 per 1,000 gallons from \$2.10 per 1,000 gallons to \$2.92 per 1,000 gallons, effective February 12, 2026.<sup>3</sup> Cumberland District proposes to increase the water rates to its customers effective February 12, 2026, to reflect the increased cost of purchased water from Albany. Neither Burkesville nor Columbia-Adair District proposed a change in rates.

#### 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 2022 Annual Report filed with the Commission, Cumberland District reported a water loss of 39.0535 percent.<sup>4</sup> In its 2023 Annual Report filed with the Commission, Cumberland District reported a water loss of 38.1290 percent.<sup>5</sup> In its 2024 Annual Report filed with the Commission, Cumberland District reported a water loss of

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<sup>3</sup> TFS2026-00012 (Ky. PSC Jan. 8, 2026); Albany submitted the tariff on January 8, 2026, and the tariff was accepted for filing by the Commission by letter dated February 11, 2026, with an effective date of February 12, 2026.

<sup>4</sup> *Annual Report of Cumberland District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

<sup>5</sup> *Annual Report of Cumberland District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

34.0803 percent.<sup>6</sup> Cumberland District's three-year water loss average is 37.0876.<sup>7</sup> The approximate cost of Cumberland District's total water loss using a three-year average is \$211,694.40.<sup>8</sup>

In Case No. 2022-00291,<sup>9</sup> the Commission approved a monthly water loss reduction surcharge of \$2.85 per customer for 48 months, or until \$386,460 has been assessed, whichever occurs first, to help lower system losses to more acceptable levels<sup>10</sup> for Cumberland District. On October 5, 2023, Case No. 2023-00228 was established in order for the Commission to monitor the progress of the water loss reduction surcharge plan established by Cumberland District.<sup>11</sup> The Commission encourages Cumberland District to continue to work within Case No. 2023-00228 to develop an infrastructure plan, identify particular projects and, following approval by the Commission, undertake those projects to reduce its water loss.

### Financial Condition and Rates

Cumberland District's financial snapshot for 2020 through a 2024 pro forma year as used in the last rate case is presented below. Based on a review of Commission records, Cumberland District adjusted base rates twice during the review period, in Case

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<sup>6</sup> *Annual Report of Cumberland District to the Public Service Commission for the Year Ended December 31, 2024* at 58.

<sup>7</sup>  $39.0535\% + 38.1290\% + 34.0803\% = 109.2628 / 3 \text{ years} = 37.0876 \text{ percent.}$

<sup>8</sup> Total water cost at new wholesale rate of \$570,795.64 times 37.0876% water loss equals \$211,694.40.

<sup>9</sup> Case No. 2022-00291, *Electronic Application of Cumberland County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 5, 2023), final Order.

<sup>10</sup> Case No. 2022-00291, *Electronic Application of Cumberland County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 5, 2023), final Order at 25.

<sup>11</sup> Case No. 2023-00228, *Electronic Cumberland County Water District Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Oct. 5, 2023), opening Order.

No. 2022-00291<sup>12</sup> and in Case No. 2025-00226. Case No. 2025-00226 became final on December 23, 2025, and reflected an increase of \$292,740 or 14.95 percent.<sup>13</sup> Cumberland District's other rate increases during the review period were due to purchased water adjustment cases. In Case No. 2025-00226, the Commission reduced expenses by approximately \$275,000 based on various factors.<sup>14</sup> The disallowance of these items contributed to the Rate Based Loss shown in the Pro Forma year.

Description / Year	2022-00291; 2021 Test Year					2025-00226; 2024 Test Year
	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Audited 2024	Pro Forma
<i>Adjusted Net Income</i>						
Net Income / (Loss)	\$ (79,114)	\$ (13,989)	\$ (241,251)	\$ (11,783)	\$ (106,857)	\$ (106,857)
Other Non-recurring Items ( )	(211,029)	(28,971)	0	0	(184,289)	(184,289)
Water Loss Surcharge ( )	0	0	0	(7,940)	(89,515)	(92,073)
Revenue Increase 2025-2026	0	0	0	0	0	292,740
<b>Adjusted Net Income / (Loss)</b>	<b>\$ (290,143)</b>	<b>\$ (42,960)</b>	<b>\$ (241,251)</b>	<b>\$ (19,723)</b>	<b>\$ (380,661)</b>	<b>\$ (90,479)</b>
Subtract: Principal Payments ( )	(109,473)	(109,157)	(140,413)	(212,728)	(204,278)	(204,278)
<b>Rate Based Income</b>	<b>\$ (399,616)</b>	<b>\$ (152,117)</b>	<b>\$ (381,664)</b>	<b>\$ (232,451)</b>	<b>\$ (584,939)</b>	<b>\$ (294,757)</b>
Add: Depreciation Expense	329,605	325,017	312,656	308,351	312,498	312,498
<b>Cash Basis Income</b>	<b>\$ (70,011)</b>	<b>\$ 172,900</b>	<b>\$ (69,008)</b>	<b>\$ 75,900</b>	<b>\$ (272,441)</b>	<b>\$ 17,741</b>
Cash Basis Income as Percent of Depreciation	-21%	53%	-22%	25%	-87%	6%
Capital Spending	\$ 837,420	\$ 110,264	\$ 29,588	\$ -	\$ 48,252	
<i>Cash and Investments</i>						
Unrestricted Cash and Investments	\$ 97,077	\$ 266,192	\$ 130,356	\$ 197,409	\$ 204,648	
Restricted Funds	516,937	175,252	100,020	28,777	91,707	
Adjusted Cash Balances	614,014	441,444	230,376	226,186	296,355	
Net Increase (Decrease) in Cash	\$ (20,921)	\$ (172,570)	\$ (211,068)	\$ (4,190)	\$ 70,169	
<i>Selected Statistical Information (PSC Annual Reports)</i>						
Customer Count	2,801	2,910	2,723	2,919	2,896	
Gallons Purchased	201,777	197,902	228,461	226,675	217,645	
Gallons Sold	116,275	120,195	132,894	137,697	140,462	
Gallons Used for Internal Use	3,386	8,028	6,345	2,549	3,009	
Water Loss Gallons	82,116	69,679	89,222	86,429	74,174	
System Use Percentage	1.6781%	4.0566%	2.7773%	1.1245%	1.3825%	
Water Loss Percentage	40.6964%	35.2088%	39.0535%	38.1290%	34.0803%	
Gallons Sold Per Customer Per Month	3,459	3,442	4,067	3,931	4,042	
Revenues from the Sale of Water	\$ 1,373,185	\$ 1,393,165	\$ 1,498,158	\$ 1,607,246	\$ 1,805,877	
Purchased Water Expense	471,708	403,015	509,420	483,574	584,741	
Purchased Water Expense Over 15% Water Loss	121,212	81,445	122,533	111,846	111,570	
Water Loss Expense Over 15% as Percentage of Water Revenue	8.83%	5.85%	8.18%	6.96%	6.18%	

<sup>12</sup> Case No. 2022-00291, Oct. 5, 2023 final Order

<sup>13</sup> Case No. 2025-00226, *Electronic Application of Cumberland County Water District for an Adjustment of Rates Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 23, 2025), final Order.

<sup>14</sup> Case No. 2025-00226, Dec. 23, 2025 final Order at 10.

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.<sup>15</sup> 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.<sup>16</sup>

Given this information, the Commission finds that Cumberland 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, Cumberland District proposed a purchased water adjustment factor of \$0.25 per 1,000 gallons.<sup>17</sup> During the 12 months ended December 31, 2025, Cumberland District purchased 45,414,500 gallons of water from Albany, 176,482,600 gallons of water from Burkesville and 6,756,828 gallons of water from Columbia-Adair District. Cumberland District sold 133,179,000 gallons of water to its customers.<sup>18</sup> The increase in the cost of purchased water from Albany is \$33,231.89, resulting in a purchased water adjustment factor of \$0.25 per 1,000 gallons. No rate changes occurred from Burkesville or Columbia-Adair District.<sup>19</sup>

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<sup>15</sup> See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

<sup>16</sup> See Case No. 2019-00041, Nov. 22, 2019 final Order.

<sup>17</sup> Amended Application at 2.

<sup>18</sup> Amended Application at 2.

<sup>19</sup> Amended Application at 1.

The purchased water adjustment factor of \$0.25 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 Cumberland District on and after February 12, 2026, because the rates are supported by evidence of the increase in rates from Cumberland 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 \$0.25 per 1,000 gallons is approved.
2. The rates proposed by Cumberland District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Cumberland District on and after February 12, 2026.
4. Within 20 days of the date of service of this Order, Cumberland 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.

PUBLIC SERVICE COMMISSION

  
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Chairman

  
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Commissioner

  
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Commissioner

ATTEST:

  
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Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2026-00037 DATED MAR 19 2026

	Base Rate	New Rate	Change
<u>Albany</u>			
First 1.5 million			
gallons	\$2,125.00	\$3,021.00	
Months	12	12	
	<hr/> \$25,500.00	<hr/> \$36,252.00	\$10,752.00
Purchases in Gallons	27,414,500	27,414,500	
Rate per 1,000			
Gallons	<u>\$2.10/1,000</u>	<u>\$2.92/1,000</u>	
Subtotal	\$57,570.45	\$80,050.34	\$22,479.89
<u>Burkesville</u>			
Purchases in Gallons	176,482,600	176,482,600	
Rate per 1,000			
Gallons	<u>\$2.47/1,000</u>	<u>\$2.47/1,000</u>	
Subtotal	\$435,912.02	\$435,912.02	\$0.00
<u>Columbia-Adair District</u>			
Purchases in Gallons	6,756,828	6,756,828	
Rate per 1,000			
Gallons	<u>\$2.75/1,000</u>	<u>\$2.75/1,000</u>	
Subtotal	\$18,581.28	\$18,581.28	\$0.00
Increased water cost			\$33,231.89
Increased water cost		\$33,231.89	
Divided by Gallons sold/1,000		<hr/> 133,179,000	
Purchased water adjustment factor		\$0.2495	per 1,000 Gallons
		or \$ 0.00025	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2026-00037 DATED MAR 19 2026

The following rates and charges are prescribed for the customers in the area served by Cumberland County 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.

Monthly Water Rates

5/8 X 3/4-Inch Meter

First	2,000 Gallons	\$40.32	Minimum Bill
Next	3,000 Gallons	0.01129	Per Gallon
Next	5,000 Gallons	0.01001	Per Gallon
Over	10,000 Gallons	0.00870	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$74.57	Minimum Bill
Next	5,000 Gallons	0.01001	Per Gallon
Over	10,000 Gallons	0.00870	Per Gallon

1 1/2-Inch Meter

First	12,500 Gallons	\$145.92	Minimum Bill
Over	12,500 Gallons	0.00870	Per Gallon

2-Inch Meter

First	25,000 Gallons	\$254.71	Minimum Bill
Over	25,000 Gallons	0.00870	Per Gallon

Dale Hollow State Park

First	300,000 Gallons	\$2,648.22	Minimum Bill
Over	300,000 Gallons	0.00870	Per Gallon

\*Cumberland County Water District  
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