

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---------------------------------------|---|------------|
| ELECTRONIC APPLICATION OF THE GRAYSON |) | |
| COUNTY WATER DISTRICT FOR AN ORDER |) | CASE NO. |
| APPROVING AN INCREASE IN RATES |) | 2026-00038 |
| PURSUANT TO KRS 278.023 |) | |

ORDER

On February 25, 2026 Grayson County Water District (Grayson District) filed an application, pursuant to KRS 278.023, that requested an Order approving an increase in rates required by the United States Department of Agriculture (USDA), Rural Development (RD), and granting certain deviations from filing requirements set forth in 807 KAR 5:069, Section 2, subsections (3), (4), (5), and (6).¹

BACKGROUND

Grayson District is a water district organized under KRS Chapter 74 that provides retail water service to approximately 7,679 residential customers and 356 commercial customers² in Grayson County, Kentucky.³

In Case No. 2021-00387, Grayson District and the city of Caneyville (Caneyville) filed a joint application requesting permission for Grayson District to acquire and operate

¹ Application at 2-4.

² *Annual Report of Grayson District to the Public Service Commission for the Calendar Year Ended December 31, 2024* (2024 Annual Report) at 49.

³ 2024 Annual Report of Grayson District at 12.

Caneyville's water system.⁴ For this proposed acquisition, no cash consideration would be paid by Grayson District to Caneyville. Instead, as consideration for the transfer of Caneyville's water system assets, Grayson District would assume the outstanding debt obligations incurred by Caneyville for the purpose of constructing extensions and improvements to its water system, which were evidenced by two different series of revenue bonds issued by Caneyville and purchased by USDA RD, that had an outstanding total balance of \$224,500.⁵ Additionally, Grayson District sought permission to assume two additional USDA RD loans that together totaled \$1,198,000, which were related to a water system rehab project (FY20 Project) that Caneyville was in the process of completing, but Grayson District would only assume this debt if Caneyville completed construction of the FY20 Project.⁶ By final Order issued on June 6, 2022, the Commission approved the acquisition of Caneyville's water system and the transfer of indebtedness to Grayson District and required Grayson District to file a notice of completion of the FY20 Project.⁷

⁴ Case No. 2021-00387, *Electronic Joint Application of Grayson County Water District and the City of Caneyville for an Order Approving the Transfer of Ownership of the City of Caneyville's Water System and Approving Grayson County Water District's Assumption of Certain Debt Obligations of the City of Caneyville Pursuant to the Provisions of KRS 278.020, KRS 278.300, and 807 KAR 5:001* (filed Feb. 16, 2022).

⁵ Case No. 2021-00387, Feb. 16, 2022 Application at 11.

⁶ Case No. 2021-00387, Feb. 16, 2022 Application, Exhibit 9, Water Revenue Bonds at 104.

⁷ Case No. 2021-00387, *Electronic Joint Application of Grayson County Water District and the City of Caneyville for an Order Approving the Transfer of Ownership of the City of Caneyville's Water System and Approving Grayson County Water District's Assumption of Certain Debt Obligations of the City of Caneyville Pursuant to the Provisions of KRS 278.020, KRS 278.300, and 807 KAR 5:001* (Ky. PSC June 6, 2022), Order at 8-9.

On January 24, 2023, Grayson District submitted a letter notifying the Commission that the FY20 Project had been completed.⁸ Subsequently, on September 9, 2025, USDA RD issued a Letter of Conditions (LOC) to Grayson District which set forth the terms and conditions required by USDA RD to approve and complete the transfer of the Caneyville water system and its indebtedness to Grayson District.⁹ Section II (3) of the LOC set forth minimum rates and charges required by USDA RD for Grayson District to charge its customers in order for Grayson District to meet its principal and interest payments on the assumed indebtedness as well as the required deposits to debt service and depreciation of reserve funds.¹⁰ The required customer rate increase calculated by USDA RD is approximately a 21.23 percent increase across-the-board to all Grayson District customer classes.¹¹

Accordingly, Grayson District filed its application in the instant matter requesting Commission approval of the increase in customer rates required by USDA RD as well as a deviation from certain filing requirements found in 807 KAR 5:069, Section 2. As part of its application, Grayson District attached the USDA LOC¹² and a Customer Notice of Proposed Rate Change.¹³ Lastly, on March 9, 2026, Grayson District submitted an Affidavit of Publication evidencing that Grayson District published customer notice for its

⁸ Case No. 2021-00387, Post Case Files, Letter Regarding Completion of the FY2020 Water Rehab Project (filed Jan. 24, 2023).

⁹ Application at 2.

¹⁰ Application at 2.

¹¹ Application, Exhibit A, USDA Letter of Conditions at 8-10.

¹² Application, Exhibit A, USDA Letter of Conditions at 6-20.

¹³ Application, Exhibit B, Notice of Proposed Changes at 21-25

proposed rate change in a newspaper of general circulation in Grayson District's service area in compliance with 807 KAR 5:069, Section 3.¹⁴

There are no intervenors in this matter and it now stands submitted for decision by the Commission.

LEGAL STANDARD

Grayson District submitted its application pursuant to KRS 278.023. The Commission is required, pursuant to KRS 278.023, to accept agreements between water utilities and USDA RD regarding construction projects, and to issue the necessary orders to implement the terms of such agreements no later than 30 days after filing the application with the Commission. KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between USDA RD and Grayson District, nor the ability defer the issuance of all necessary orders to implement the terms of that agreement. As explained in KRS 278.023(1), the limits on the Commission's review are because federal financing of these projects entails prior review and oversight by a federal agency and obligates the utility to take certain actions; conflicting requirements between the federal agency and the Commission may jeopardize the project and place the utility in an untenable position.

The Commission, therefore, is not able to review this application using the same standards that are used for applications that are not filed pursuant to KRS 278.023. The legal standard established in KRS 278.023 requires that (1) the applicant be a water utility formed under KRS Chapter 74 or 273; and (2) the construction project must be funded in whole or in part under terms of an agreement between the water utility, United States

¹⁴ Affidavit and Tearsheet (filed Mar. 9, 2026).

Department of Agriculture or United States Department of Housing and Urban Development. The Commission is not, however, prohibited by KRS 278.023 from requiring a utility seeking approval of such an agreement to subsequently file reports or other information in order to monitor the utility's ability to repay the loan, meet other financial or regulatory obligations, or otherwise establish its financial condition.

Separately, 807 KAR 5:001, Section 22 grants the Commission the authority to permit deviations from certain administrative rules and requirements in special cases and for good cause shown. In its application, Grayson District requested Commission approval deviation from the filing requirements of 807 KAR 5:069, Section 2, subsections (3), (4), (5), and (6), due to the fact that no construction project is involved in this matter.¹⁵

Commission regulation 807 KAR 5:069 sets forth the filing requirements and procedures for a federally funded construction project of a water district. Specifically, 807 KAR 5:069, Section 2(1)-(8) contains various filing requirements for a water utility proposing a construction project financed, in whole, or, in part, under the terms of an agreement between the water utility and a federal lending agency, which include:

- (1) All documents and information required by 807 KAR 5:001, Sections 7, 8, and 14;
- (2) A copy of the documents from the federal lending agency stating approval of the project and including all terms and conditions of the agreement, including all amendments;
- (3) A copy of the letter of concurrence in contract award;
- (4) A copy of the preliminary and final engineering reports and bid tabulations;
- (5) One (1) copy of each set of plans and specifications on electronic storage medium in portable document format;
- (6) A certified statement from an authorized water utility official confirming:
 - (a) That the proposed plans and specifications for the construction project have been designed to meet the

¹⁵ Application at 4.

minimum construction and operating requirements established in:

1. If the construction project involves facilities to treat or distribute water, 807 KAR 5:066, Section 4(3) and (4), Section 5(1), Sections 6 and 7, Section 8(1) through (3), Section 9(1) and Section 10; or
 2. If the construction project involves facilities to collect or treat sewage, 807 KAR 5:071, Section 5 and Sections 7(1) through (3);
- (b) That all other state approvals or permits have been obtained;
- (c) That the proposed rates, if any, shall produce the total revenue requirements recommended in the engineering reports; and (d) The dates upon which construction will begin and end;
- (7) If applicable, a statement that notice meeting the requirements of Section 3 of this administrative regulation has been given, together with a copy of the notice; and
- (8) If applicable, a motion requesting approval to deviate from a minimum construction standard or operating condition required by subsection (6)(a) of this section, together with supporting evidence to identify and explain the reasons that the minimum requirements cannot be met.

DISCUSSION AND FINDINGS

Having considered the application and all evidence of record, the Commission finds that Grayson District's application should be approved pursuant to KRS 278.023. Grayson District is a water district organized under KRS Chapter 74 and the approvals sought are authorized or required by the USDA RD agreement and LOC.

Additionally, the Commission finds that Grayson District has demonstrated good cause to grant its request for deviation from 807 KAR 5:069, Section 2, subsections (3), (4), (5), and (6). Each of the provisions which Grayson District seeks a deviation from are individually related to filings regarding proposed construction projects. As there is no request for a construction project in the instant matter, the Commission finds good cause

to grant deviation from these filing requirements. The Commission notes that the construction has been completed, and this approval is required to carry out provisions of the final Order in Case No. 2021-00387 and for Grayson District to comply with the USDA RD transfer of loan terms.

IT IS THEREFORE ORDERED that:

1. Grayson District's proposed plan of financing is approved.
2. Grayson District is authorized to execute the USDA RD loan as provided.
3. For service on or after April 1, 2026, Grayson District shall charge rates, set forth in the Appendix attached to this Order, not to exceed the minimum rates required by the USDA RD agreement but not less than its current rates.
4. Within 20 days of the date of service of this Order, Grayson District shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.
5. The proceeds of the loans shall be used only for the purposes specified in Grayson District's application.
6. Within 14 days of completion of this transfer of indebtedness to Grayson District, Grayson District shall file notice in this matter in post-case correspondence referencing this case number.
7. This case is closed and removed from the Commission's docket.

Nothing contained in this Order shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing, herein approved.

PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

ATTEST:



Executive Director

ENTERED
MAR 25 2026
AB
KENTUCKY PUBLIC
SERVICE COMMISSION

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00038 DATED MAR 25 2026

The following rates and charges are prescribed for the customers in the area service by Grayson 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-Inch Meter

| | | |
|-------|-----------------|----------------------|
| First | 1,500 Gallons | \$25.48 Minimum Bill |
| Next | 8,500 Gallons | 0.01210 Per Gallon |
| Next | 40,000 Gallons | 0.01092 Per Gallon |
| Next | 100,000 Gallons | 0.00975 Per Gallon |
| Over | 150,000 Gallons | 0.00861 Per Gallon |

3/4-Inch Meter

| | | |
|-------|-----------------|----------------------|
| First | 3,000 Gallons | \$43.61 Minimum Bill |
| Next | 7,000 Gallons | 0.01210 Per Gallon |
| Next | 40,000 Gallons | 0.01092 Per Gallon |
| Next | 100,000 Gallons | 0.00975 Per Gallon |
| Over | 150,000 Gallons | 0.00861 Per Gallon |

1-Inch Meter

| | | |
|-------|-----------------|----------------------|
| First | 5,000 Gallons | \$67.80 Minimum Bill |
| Next | 5,000 Gallons | 0.01210 Per Gallon |
| Next | 40,000 Gallons | 0.01092 Per Gallon |
| Next | 100,000 Gallons | 0.00975 Per Gallon |
| Over | 150,000 Gallons | 0.00861 Per Gallon |

1 1/2-Inch Meter

| | | |
|-------|-----------------|-----------------------|
| First | 10,000 Gallons | \$128.27 Minimum Bill |
| Next | 40,000 Gallons | 0.01092 Per Gallon |
| Next | 100,000 Gallons | 0.00975 Per Gallon |
| Over | 150,000 Gallons | 0.00861 Per Gallon |

2-Inch Meter

| | | |
|-------|-----------------|-----------------------|
| First | 16,000 Gallons | \$193.80 Minimum Bill |
| Next | 34,000 Gallons | 0.01092 Per Gallon |
| Next | 100,000 Gallons | 0.00975 Per Gallon |
| Over | 150,000 Gallons | 0.00861 Per Gallon |

3-Inch Meter

| | | |
|-------|-----------------|-----------------------|
| First | 30,000 Gallons | \$346.68 Minimum Bill |
| Next | 20,000 Gallons | 0.01092 Per Gallon |
| Next | 100,000 Gallons | 0.00975 Per Gallon |
| Over | 150,000 Gallons | 0.00861 Per Gallon |

4-Inch Meter

| | | |
|-------|-----------------|-----------------------|
| First | 50,000 Gallons | \$565.09 Minimum Bill |
| Next | 100,000 Gallons | 0.00975 Per Gallon |
| Over | 150,000 Gallons | 0.00861 Per Gallon |

6-Inch Meter

| | | |
|-------|-----------------|-------------------------|
| First | 100,000 Gallons | \$1,052.41 Minimum Bill |
| Next | 50,000 Gallons | 0.00975 Per Gallon |
| Over | 150,000 Gallons | 0.00861 Per Gallon |

8-Inch Meter

| | | |
|-------|-----------------|-------------------------|
| First | 150,000 Gallons | \$1,539.73 Minimum Bill |
| Over | 150,000 Gallons | 0.00861 Per Gallon |

10-Inch Meter

| | | |
|-------|-----------------|-------------------------|
| First | 250,000 Gallons | \$2,400.80 Minimum Bill |
| Over | 250,000 Gallons | 0.00861 Per Gallon |

Wholesale - Edmonson County Water District

\$0.00384 Per Gallon

*Jeremy Woosley
Grayson County Water District
21 Shull White Road
P. O. Box 217
Leitchfield, KY 42754

*Grayson County Water District
21 Shull White Road
P. O. Box 217
Leitchfield, KY 42754

*Kyle Cannon
Grayson County Water District
21 Shull White Road
P. O. Box 217
Leitchfield, KY 42754

*Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KY 40202