

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|-------------------------------------|---|------------|
| ELECTRONIC PURCHASED WATER |) | CASE NO. |
| ADJUSTMENT FILING OF DAVIESS COUNTY |) | 2026-00132 |
| WATER DISTRICT |) | |

ORDER

On May 20, 2026, Daviess County Water District (Daviess District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068.¹

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.

DISCUSSION AND FINDINGS

Daviess District purchases water from East Daviess County Water Association (East Daviess Water) and Owensboro Municipal Utilities (Owensboro). Owensboro sells water to Daviess District pursuant to two separate contracts, a West contract and a

¹ Application (tendered May 20, 2026).

Southeast contract. Owensboro notified Daviess District that its wholesale rate would increase by \$0.28 per 1,000 gallons, from \$2.77 per 1,000 gallons to \$3.05 per 1,000 gallons pursuant to the Southeast contract, effective June 1, 2026.² The Owensboro wholesale rate for Daviess District's West contract will remain unchanged. Daviess District proposed to increase water rates to its customers effective June 1, 2026, to reflect the increased cost of purchased water from the Owensboro wholesale rate increase to Daviess District's Southeast contract. East Daviess Water proposed no changes to its 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, Daviess District reported unaccounted for water loss of 10.4246 percent.³ In its 2023 Annual Report filed with the Commission, Daviess District reported unaccounted for water loss of 12.5576 percent.⁴ In its 2024 Annual Report filed with the Commission, Daviess District reported unaccounted for water loss of 13.5859 percent.⁵ Daviess District's three-year

² TFS2026-00132 (Ky. PSC Mar. 30, 2026). The tariff was accepted for filing by the Commission by letter dated May 27, 2026.

³ *Annual Report of Daviess District to the Public Service Commission for the Year Ended December 31, 2022* at 58.

⁴ *Annual Report of Daviess District to the Public Service Commission for the Year Ended December 31, 2023* at 58.

⁵ *Annual Report of Daviess District to the Public Service Commission for the Year Ended December 31, 2024* at 58.

unaccounted for water loss average is 12.1894 percent.⁶ The cost of Daviess District's total unaccounted-for water loss, using a three-year average, is \$460,538.15.⁷ The Commission commends Daviess 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

Daviess District's financial snapshot for 2020 through 2024 is presented below. Based on a review of Commission records, Daviess District last sought a base rate adjustment in Case No. 2022-00142 (2021 test year), which became effective February 10, 2023, and reflected an increase of \$533,702, or 8.85 percent.⁸ Ten months of the rate increase are reflected in 2023 results, and the full impact is reflected in 2024. The increase in rate-based income from 2022 to 2024 is due to the rate increase in Case No. 2022-00142 and significant increases in interest income. Cash basis income was positive in all years presented. The change in financial performance from 2020 to 2021 appears to be due to Case No. 2020-00287, effective December 15, 2020, which merged Southeast Daviess County Water District and West Daviess County Water District into a single Daviess County Water District.⁹

⁶ $10.4246 \text{ percent} + 12.5576 \text{ percent} + 13.5859 \text{ percent} = 36.5681 \text{ percent} / 3 \text{ years} = 12.1894 \text{ percent}.$

⁷ Total water cost at new wholesale rate of \$3,778,185.56 times 12.1894 percent water loss equals \$460,538.15.

⁸ Case No. 2022-00142, *Electronic Application of Daviess County Water District for An Adjustment of Rates* (Ky. PSC Feb. 10, 2023) final Order.

⁹ Case No. 2020-00287, *Electronic Joint Application of Southeast Daviess County Water District and West Daviess County Water District for An Order Approving Their Merger Agreement* (Ky. PSC Dec. 12, 2020), final Order.

| Description / Year | 2022-00142 Test Year | | 2022-00142 GRC FO 02/10/2023 | | |
|--|-------------------------|---------------------|---------------------------------|---------------------|---------------------|
| | Audited 2020 | Audited 2021 | Audited 2022 | Audited 2023 | Audited 2024 |
| <i>Adjusted Net Income</i> | | | | | |
| Net Income / (Loss) | \$ (78,247) | \$ 530,443 | \$ 338,224 | \$ 900,375 | \$ 1,221,648 |
| Other Non-recurring Items () | 1,617 | (1,231) | 51,683 | 20,736 | (78,690) |
| Interest Expense | 3,015 | 395 | 400 | 14,964 | 19,020 |
| Adjusted Net Income / (Loss) | (73,615) | 529,607 | 390,307 | 936,075 | 1,161,978 |
| Interest Expense () | (3,015) | (395) | (400) | (14,964) | (19,020) |
| Principal Payments () | - | - | - | - | - |
| Subtract: Total Debt Service () | (3,015) | (395) | (400) | (14,964) | (19,020) |
| Rate Based Income (Excludes Working Capital of 20%) | (76,630) | 529,212 | 389,907 | 921,111 | 1,142,958 |
| Add: Depreciation Expense | 391,945 | 755,001 | 799,345 | 846,371 | 864,195 |
| Cash Basis Income | \$ 315,315 | \$ 1,284,213 | \$ 1,189,252 | \$ 1,767,482 | \$ 2,007,153 |
| Cash Basis Income as Percent of Depreciation | 80% | 170% | 149% | 209% | 232% |
| Capital Spending | \$ 336,053 | \$ 610,614 | \$ 739,310 | \$ 908,753 | \$ 1,282,691 |
| <i>Cash and Investments</i> | | | | | |
| Unrestricted Cash and Investments | \$ 2,887,027 | \$ 6,009,084 | \$ 6,443,979 | \$ 7,717,027 | \$ 9,214,944 |
| Restricted Funds | 547,839 | 1,064,871 | 850,633 | 927,902 | 1,026,444 |
| Adjusted Cash Balances | 3,434,866 | 7,073,955 | 7,294,612 | 8,644,929 | 10,241,388 |
| Net Increase (Decrease) in Cash | \$ (29,792) | \$ 3,639,089 | \$ 220,657 | \$ 1,350,317 | \$ 1,596,459 |
| <i>Selected Statistical Information (PSC Annual Reports)</i> | | | | | |
| Customer Count | 7,779 | 13,416 | 13,633 | 13,741 | 13,857 |
| Gallons Purchased | 689,957 | 1,142,746 | 1,164,030 | 1,169,960 | 1,220,301 |
| Gallons Sold | 617,480 | 975,028 | 1,014,281 | 1,005,421 | 1,031,024 |
| Gallons Used for Internal Use | 4,956 | 14,629 | 28,403 | 17,620 | 23,488 |
| Water Loss Gallons | 67,521 | 153,089 | 121,346 | 146,919 | 165,789 |
| System Use Percentage | 0.7183% | 1.2802% | 2.4401% | 1.5060% | 1.9248% |
| Water Loss Percentage | 9.7863% | 13.3966% | 10.4246% | 12.5576% | 13.5859% |
| Gallons Sold Per Customer Per Month | 6,615 | 6,056 | 6,200 | 6,097 | 6,200 |
| Revenues from the Sale of Water | \$ 2,611,211 | \$ 5,767,800 | \$ 6,253,346 | \$ 6,695,463 | \$ 6,923,249 |
| Purchased Water Expense | 1,501,289 | 3,149,551 | 3,394,437 | 3,420,447 | 3,576,916 |
| 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 finds that Daviess 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, Daviess District proposed a purchased water adjustment factor of \$0.20 per 1,000 gallons. During the 12 months ended April 30, 2026, Daviess District purchased 7,870,218 gallons of water from East Daviess Water, 728,021,400 gallons of

water from Owensboro pursuant to the Southeast contract, and 481,866,400 gallons of water from Owensboro pursuant to the West contract and sold 1,035,902,080 gallons of water to its customers. The Commission notes that Daviess District incorrectly reported the total gallons sold of 1,032,902,080 for the 12 month period in the PWA Form 1. However, Daviess District utilized the correct number of gallons sold of 1,035,902,080 gallons in their calculations for the purchased water adjustment factor, as a result no changes to rates occurred.¹⁰ The increase in the cost of purchased water from the Owensboro wholesale rate increase to Daviess District's Southeast contract is \$203,845.99, resulting in a purchased water adjustment factor of \$0.20 per 1,000 gallons. No rate changes occurred from East Daviess Water and from Owensboro pursuant to the West contract.

The purchased water adjustment factor of \$0.20 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 Daviess District on and after June 1, 2026, because the rates are supported by evidence of the increase in rates from Daviess 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 \$0.20 per 1,000 gallons is approved.
2. The rates proposed by Daviess District are approved.

¹⁰ Application, Exhibit B, total gallons sold add up to 1,035,902,080 gallons.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Daviess District on and after June 1, 2026.

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

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Entered on this 18th day of June, 2026.


PUBLIC SERVICE COMMISSION



Angie Hattori
Chair



Mary Pat Regan
Vice Chair



Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

ATTEST:



Linda C. Bridwell, PE
Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00132 DATED JUN 18 2026

| | Base Rate | New Rate | Change |
|--|---------------------|---------------------|---------------------------------|
| <u>Owensboro Municipal Utilities (Southeast)</u> | | | |
| Purchases in Gallons | 728,021,400 | 728,021,400 | |
| Rate per 1,000 Gallons | <u>\$2.77/1,000</u> | <u>\$3.05/1,000</u> | |
| Subtotal | \$2,016,619.28 | \$2,220,465.27 | \$203,845.99 |
| <u>Owensboro Municipal Utilities (West)</u> | | | |
| Purchases in Gallons | 481,866,400 | 481,866,400 | |
| Rate per 1,000 Gallons | <u>\$3.16/1,000</u> | <u>\$3.16/1,000</u> | |
| Subtotal | \$1,522,697.82 | \$1,522,697.82 | no change |
| <u>East Daviess County Water Association</u> | | | |
| Purchases in Gallons | 7,870,218 | 7,870,218 | |
| Rate per 1,000 Gallons | <u>\$4.45/1,000</u> | <u>\$4.45/1,000</u> | |
| Subtotal | \$35,022.47 | \$35,022.47 | no change |
| Increased water cost | | | \$203,845.99 |
| Increased water cost | | | \$203,845.99 |
| Divided by Gallons sold/1,000 | | | <u>1,035,902,080</u> |
| Purchased water adjustment factor | | | 0.1968 per 1,000 Gallons |
| | | | or approx. \$ 0.0002 per Gallon |

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00132 DATED JUN 18 2026

The following rates and charges are prescribed for the customers in the area served by Daviess 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

Residential, Apartments, Commercial, & Farmstead

Usage Charge

| | | |
|-------|----------------|----------------------|
| First | 20,000 Gallons | \$0.00658 Per Gallon |
| Over | 20,000 Gallons | \$0.00549 Per Gallon |

Wholesale

Usage Charge

| | |
|-------------------|----------------------|
| Per 1,000 gallons | \$0.00437 Per Gallon |
|-------------------|----------------------|

Service List for 2026-00132

* Daviess County Water District
3400 Bittel Road
Owensboro, KY 42301

* Brent Wigginton
General Manager
Daviess County Water District
3400 Bittel Road
Owensboro, KY 42301

* Keith Krampe
Daviess County Water District
3400 Bittel Road
Owensboro, KY 42301