

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF JUDY WATER	)	2026-00219
ASSOCIATION, INC.	)	

ORDER

On August 11, 2026, Judy Water Association, Inc. (Judy Water) tendered an application requesting approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.012 and 807 KAR 5:068. On August 18, 2026, the Commission notified Judy Water that its application was rejected for certain filing deficiencies. On August 19, 2026, Judy Water submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of August 19, 2026.

LEGAL STANDARD

In accordance with KRS 278.012, when a wholesale supplier selling water to a water association increases its rates, the water association has the authority to increase its rate commensurate with the wholesale supplier. The water association 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

Judy Water purchases water from Kentucky-American Water Company (Kentucky-American) and Mt. Sterling Water and Sewer (Mt. Sterling). Pursuant to Case No. 2023-00191, Kentucky-American notified Judy Water that its wholesale rate would increase by \$0.2615 per 1,000 gallons from \$4.6912 per 1,000 gallons to \$4.9527 per 1,000 gallons, effective November 6, 2024.¹ Judy Water did not immediately seek a purchased water adjustment following this notice. Pursuant to Case No. 2025-00122, Kentucky-American notified Judy Water that its wholesale rate would increase by \$3.3564 per 1,000 gallons from \$4.9527 per 1,000 gallons to \$8.3091 per 1,000 gallons, effective December 16, 2025.² In this case, Judy Water proposes to increase the water rates to its customers effective July 19, 2026, to reflect the increased cost of purchased water from both Kentucky-American notices.

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 2023 Annual Report filed with the Commission, Judy Water reported an unaccounted-for water loss of 13.1729 percent.³ In its 2024 Annual Report filed with the

¹ Case No. 2023-00191, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, A Certificate of Public Convenience and Necessity for Installation of Advanced Metering Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions* (Ky. PSC Nov. 6, 2024), final Order, Appendix B.

² Case No. 2025-00122, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (Ky. PSC Dec. 16, 2025), final Order, Appendix B.

³ *Annual Report of Judy Water to the Public Service Commission for the Year Ended December 31, 2023* at 57.

Commission, Judy Water reported an unaccounted-for water loss of 13.1250 percent.⁴ In its 2025 Annual Report filed with the Commission, Judy Water reported an unaccounted-for water loss of 15.6869 percent.⁵ Judy Water's three-year unaccounted-for water loss average is 13.9949 percent.⁶ The approximate cost of Judy Water's total unaccounted-for water loss using a three-year average was \$185,593.55.⁷

Financial Condition and Rates

Judy Water's financial snapshot for 2021 through 2025 is presented below. Based on a review of Commission records, Judy Water last sought a base adjustment in Case No. 2022-00436 (2021 test year), which became final on August 4, 2023, and reflected an increase of \$247,351, or 20.31 percent.⁸ Judy Water's other rate increases during the review period were due to purchased water adjustment cases.⁹ Rate-based income (adjusted net income minus debt service) was positive from 2023 to 2025. Cash basis income (rate-based income plus depreciation) was positive in all years. The Commission notes that the large increase in rate-based income in 2023 was only partially due to the

⁴ *Annual Report of Judy Water to the Public Service Commission for the Year Ended December 31, 2024* at 57.

⁵ *Annual Report of Judy Water to the Public Service Commission for the Year Ended December 31, 2025* at 57.

⁶ $13.1729\% + 13.1250\% + 15.6869\% = 41.9848 / 3 \text{ years} = 13.9949 \text{ percent.}$

⁷ Total water cost at new wholesale rate of \$1,326,149.86 times 13.9949% water loss equals \$185,593.35.

⁸ Case No. 2022-00436, *Electronic Application of Judy Water Association, Inc. For a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Aug. 4, 2023), final Order at 13-14, 16.

⁹ See Case No. 2023-00273, *Electronic Purchased Water Adjustment Filing of Judy Water Association, Inc.* (Ky. PSC Sep. 8, 2023); Case No. 2024-258, *Electronic Purchased Water Adjustment Filing of Judy Water Association, Inc.* (Ky. PSC Sep. 10, 2024); Case No. 2024-00296, *Electronic Purchased Water Adjustment Filing of Judy Water Association, Inc.* (Ky. PSC Oct. 10, 2024); and Case No. 2026-00165, *Electronic Purchased Water Adjustment Filing of Judy Water Association, Inc.* (Ky. PSC July 23, 2026).

rate increase in Case No. 2022-00346, as only five months of this increase were reflected in income. The other contributor was an irregularly large Miscellaneous Income amount of \$132,491.¹⁰ The fiscal year of 2024 fully reflected the rate increase from Case No. 2022-00436. The decrease in rate-based income in 2025 was primarily caused by a decrease in Water Sales and a general increase in Operating Expenses.¹¹

¹⁰ *Audit Report of Judy Water to the Public Service Commission for the Year Ended December 31, 2023* (Statement of Activities) at 6.

¹¹ *Audit Report of Judy Water to the Public Service Commission for the Year Ended December 31, 2025* (Statement of Activities) at 6.

Description / Year	2022-00436 Test Year		2022-00436 ARF FO 08/04/2023		
	Audited 2021	Audited 2022	Audited 2023	Audited 2024	Audited 2025
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ (129,839)	\$ (32,271)	\$ 252,159	\$ 168,092	\$ 150,993
Other Non-recurring Items ()	(6,000)	-	-	96,061	-
Interest Expense	67,895	65,869	63,746	61,522	59,191
Adjusted Net Income / (Loss)	(67,944)	33,598	315,905	325,675	210,184
Interest Expense ()	(67,895)	(65,869)	(63,746)	(61,522)	(59,191)
Principal Payments ()	(41,433)	(43,402)	(45,465)	(47,626)	(49,891)
Subtract: Total Debt Service ()	(109,328)	(109,271)	(109,211)	(109,148)	(109,082)
Rate-Based Income (Excludes Working Capital of 20%)	(177,272)	(75,673)	206,694	216,527	101,102
Add: Depreciation Expense	262,481	172,695	184,600	192,343	215,743
Cash Basis Income	\$ 85,209	\$ 97,022	\$ 391,294	\$ 408,870	\$ 316,845
Rate Based Income as Percent of Water Sales	-13%	-5%	12%	11%	5%
Cash Basis Income as Percent of Depreciation	32%	56%	212%	213%	147%
Capital Spending	\$ 44,170	\$ 12,016	\$ 286,008	\$ 232,498	\$ 303,804
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 1,114,706	\$ 1,146,512	\$ 1,284,634	\$ 1,388,274	\$ 1,438,723
Restricted Funds	231,740	231,740	231,740	231,740	231,740
Adjusted Cash Balances	\$ 1,346,446	\$ 1,378,252	\$ 1,516,374	\$ 1,620,014	\$ 1,670,463
Net Increase (Decrease) in Cash	\$ 60,091	\$ 31,806	\$ 138,122	\$ 103,640	\$ 50,449
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	2,040	2,076	2,109	2,134	2,165
Gallons Purchased	157,586	167,993	178,252	184,076	180,871
Gallons Sold	129,973	142,227	154,771	159,916	152,498
Gallons Used for Internal Use	0	0	0	0	0
Water Loss Gallons	27,613	25,766	23,481	24,160	28,373
System Use Percentage	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Water Loss Percentage	17.5225%	15.3375%	13.1729%	13.1250%	15.6869%
Gallons Sold Per Customer Per Month	5,309	5,709	6,115	6,245	5,870
Revenues from the Sale of Water	\$ 1,334,276	\$ 1,436,274	\$ 1,663,563	\$ 1,931,031	\$ 1,889,794
Purchased Water Expense	568,098	623,414	703,148	767,601	804,199
Purchased Water Expense Over 15% Water Loss	14,330	2,104	0	0	5,524
Water Loss Expense Over 15% as Percentage of Water Revenue	1.07%	0.15%	0.00%	0.00%	0.29%

Judy Water should continue to monitor its operating performance to determine whether a rate adjustment application should be submitted. Future rate cases should be filed at least every three to five years depending on financial performance.

Purchased Water Adjustment Factor

In its application, Judy Water proposed a purchased water adjustment factor of \$1.29 per 1,000 gallons. During the 12 months ended July 31, 2026, Judy Water purchased 57,700,800 gallons of water from Kentucky-American and 135,491,157

gallons of water from Mt. Sterling and sold 162,082,400 gallons of water to its customers. The increase in the cost of purchased water from Kentucky-American is \$208,755.73, resulting in a purchased water adjustment factor of \$1.29 per 1,000 gallons. No rate changes occurred from Mt. Sterling.

The purchased water adjustment factor of \$1.29 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. Judy Water proposed an effective date of July 19, 2026. The Commission denies that effective date based on the application in this matter not being accepted until August 19, 2026. Pursuant to KRS 278.012, the soonest the rates may be effective is July 30, 2026. The Commission finds the rates set forth in Appendix B are approved for services rendered by Judy Water on and after July 30, 2026, because the rates are supported by evidence of the increase in rates from Judy Water's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.012.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$1.29 per 1,000 gallons is approved.
2. The rates proposed by Judy Water are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Judy Water on and after July 30, 2026.
4. Within 20 days of the date of service of this Order, Judy Water 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.

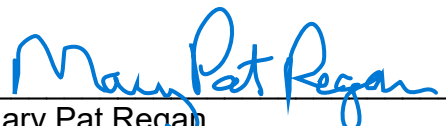
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Entered on this 17th day of September, 2026.

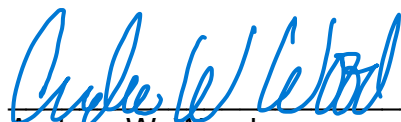
PUBLIC SERVICE COMMISSION



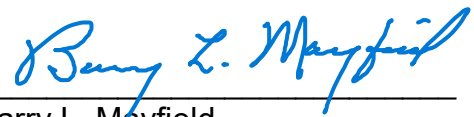
Angie Hatton
Chair



Mary Pat Regan
Vice Chair



Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

ATTEST:



Justin McNeil
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00219 DATED SEP 17 2026

	Base Rate	New Rate	Change
<u>Kentucky-American</u>			
Purchases in Gallons	57,700,800	57,700,800	
Rate per 1,000 Gallons	<u>\$4.6912/1,000</u>	<u>\$4.9527/1,000</u>	
Sub-total	\$270,685.99	\$285,774.75	\$15,088.76
<u>Kentucky-American</u>			
Purchases in Gallons	57,700,800	57,700,800	
Rate per 1,000 Gallons	<u>\$4.9527/1,000</u>	<u>\$8.3091/1,000</u>	
Sub-total	\$285,774.75	\$479,441.72	\$193,666.97
<u>Mt. Sterling</u>			
Purchases in Gallons	135,491,157	135,491,157	
Rate per 1,000 Gallons	<u>\$4.14/1,000</u>	<u>\$4.14/1,000</u>	
Sub-total	\$560,933.39	\$560,933.39	\$0.00
Total	\$1,117,394.13	\$1,326,149.86	
Increased water cost			\$208,755.73
Increased water cost		\$208,755.73	
Divided by Gallons sold/1,000		162,082,400	
Purchased water adjustment factor		\$1.29	per 1,000 Gallons
		or \$ 0.00129	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00219 DATED SEP 17 2026

The following rates and charges are prescribed for the customers in the area served by Judy Water Association, Inc.. 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

All Meters

First	1,000 Gallons	\$18.20	Minimum Bill
Next	4,000 Gallons	0.01294	Per Gallon
Next	5,000 Gallons	0.01188	Per Gallon
Over	10,000 Gallons	0.01080	Per Gallon

In addition to the minimum bill, a \$16.77 surcharge is included in the bills of customers on the Bourbon County Line Extension.

Service List for Case 2026-00219

* Judy Water Association, Inc.
2010 Maysville Road
P. O. Box 781
Mt. Sterling, KY 40353-0781

* Billy Ray Fawns
Judy Water Association, Inc.
P. O. Box 781
Mt. Sterling, KY 40353-0781

* Sara Collier
Judy Water Association, Inc.
P. O. Box 781
Mt. Sterling, KY 40353-0781