COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BREATHITT COUNTY WATER DISTRICT FOR A RATE ADJUSTMENT PURSUANT TO 807 KAR 5:076	)))	CASE NO. 2026-00227

O R D E R

On November 2, 2026, Breathitt County Water District (Breathitt District), filed a letter requesting to maintain its existing rates and withdraw the application for a rate adjustment pursuant to 807 KAR 5:076 in this proceeding.[1]

BACKGROUND

Breathitt District filed this proceeding in compliance with the final Order in Case No. 2025-00234.[2] On September 23, 2026,[3] Breathitt District filed its application with the Commission requesting an adjustment to its water rates pursuant to 807 KAR 5:076. A procedural order was issued on October 15, 2026, to ensure the orderly review of Breathitt District's application.

[1] Breathitt District's Request Letter (filed Nov. 2, 2026)(Request to Withdraw).

[2] See Case No. 2025-00234, *Electronic Purchased Water Adjustment Filing of Breathitt County Water District* (Ky. PSC Sept. 12, 2025), ordering paragraph 8.

[3] Breathitt District tendered its application on August 31, 2026. By letter dated September 2, 2026, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured, and the application is deemed filed on September 23, 2026.

DISCUSSION AND FINDINGS

Breathitt District stated its Request to Withdraw was based primarily on concerns regarding the affordability of water service for its customers.[4] Breathitt District further stated its customers have experienced annual water rate increases over the past three years as a result of Case No. 2022-00136,[5] in which the Commission determined that Breathitt District required a 54.07 percent increase in its water rates, and implemented a three-year phase-in.[6] Breathitt District averred that under its current rates it is fulfilling its responsibility to provide safe, reliable water service and to maintain the financial stability necessary to operate and maintain its system.[7]

In Case No. 2024-00215, Breathitt District was ordered to file a rate sufficiency study by May 31, 2025.[8] In Breathitt District's purchased water adjustment proceeding, Case No. 2025-00234, the Commission noted that Breathitt District did not file a rate sufficiency study and ordered Breathitt District to file an application for a general rate adjustment; an application for an alternative rate adjustment; or a detailed report explaining why such a filing is unnecessary, on or before August 31, 2026.[9] Further, in Case No. 2025-00234, the Commission noted that, despite Breathitt District's last rate

[4] Breathitt District's Request to Withdraw at 1.

[5] Case No. 2022-00136, *Electronic Application of Breathitt County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 31, 2024), Order.

[6] Case No. 2022-00136, Jan. 31, 2024, Order.

[7] Breathitt District's Request to Withdraw.at 1.

[8] Case No. 2024-00215, *Electronic Purchased Water Adjustment Filing of Breathitt County Water District* (Ky. PSC July 31, 2024), Order, ordering paragraph 6.

[9] Case No. 2025-00234, Sept. 12, 2025 Order, ordering paragraph 8.

increase, "Breathitt District still has a negative rate basis income and cash basis income with small fluctuations in 2023 and 2024."[10]

In its application, Breathitt District stated that it required a revenue increase of $256,770 or approximately 13.19 percent.[11] According to the filed customer notice, the requested rate increase would increase the monthly water bill for a typical residential customer using approximately 2,758 gallons per month from $65.14 to $73.74 for an increase of $8.59 or approximately 13.19 percent.[12]

While the Commission acknowledges Breathitt District's concerns about affordability, these concerns must be balanced with a utility's ability to provide adequate, efficient and reasonable service. A condensed historical snapshot is shown below.[13] The balance of the third phase of the rate increase from Case No. 2022-00136 will be realized during 2026 and is reflected in the pro forma column. The projected rate-based loss of $861,603 reflects approximately $440,000 in ratemaking adjustments, which reduced the revenue requirement, in Case No. 2022-00136.

[10] Case No. 2024-00215, *Electronic Purchased Water Adjustment Filing of Breathitt County Water District* (Ky. PSC July 31, 2024), Order, ordering paragraph 6.

[10] Case No. 2024-00215, Revenue Sufficiency Report (filed Oct. 15, 2025).

[10] Case No. 2025-00234, Sept. 12, 2025 Order, at 5.

[10] Case No. 2025-00234, Sept. 12, 2025 Order at 4-5.

[11] Application (filed Sept. 23, 2026).

[12] Application, Attachment 1.

[13] Breathitt District's 2021 Audited Financial Statements at 11; Breathitt District's 2022 Audited Financial Statements at 11; Breathitt District's 2023 Audited Financial Statements at 11; Breathitt District's 2024 Audited Financial Statements at 11; Breathitt District's 2025 Audited Financial Statements at 11.

Description / Year	2022-00136 Test Year Audited 2021	Audited 2022	Audited 2023	2022-00136 ARF FO 01/31/2024 Audited 2024	Audited 2025	Pro Forma
Adjusted Net Income						
Net Income / (Loss)	$ (961,005)	$ (1,093,158)	$ (119,886)	$ (1,208,679)	$ (930,159)	$ (709,146)
Other Non-recurring Items ( )	(49,300)	(75,008)	(1,319,873)	(139,235)	-	-
Non-Cash Pension and OPEB Expense / (Income)	28,263	28,878	20,069	(30,616)	(56,123)	(56,123)
Interest Expense	23,284	25,646	20,680	20,973	32,485	32,485
Adjusted Net Income / (Loss)	**(958,758)**	**(1,113,642)**	**(1,399,010)**	**(1,357,557)**	**(953,797)**	**(732,784)**
Interest Expense ( )	(23,284)	(25,646)	(20,680)	(20,973)	(32,485)	(32,485)
Principal Payments ( )	(91,879)	(100,231)	(94,090)	(87,458)	(96,334)	(96,334)
Subtract: Total Debt Service ( )	(115,163)	(125,877)	(114,770)	(108,431)	(128,819)	(128,819)
Rate-Based Income (Excludes Working Capital of 20%)	**(1,073,921)**	**(1,239,519)**	**(1,513,780)**	**(1,465,988)**	**(1,082,616)**	**(861,603)**
Add: Depreciation Expense	1,118,390	1,134,847	1,141,356	1,146,018	1,180,360	1,180,360
Cash Basis Income	**$ 44,469**	**$ (104,672)**	**$ (372,424)**	**$ (319,970)**	**$ 97,744**	**$ 318,757**

The Commission finds that a review of Breathitt District's financial condition and proposed rates under this application are still necessary and, therefore, Breathitt District's request to withdraw its application in this proceeding for a rate adjustment should be denied. The Commission will ensure that any required rate increase provides fair, just and reasonable rates as required by statute.[14] The Commission further finds that Breathitt District should comply with the procedural Order issued on October 15, 2026, to continue the orderly review of its application.

IT IS THEREFORE ORDERED that:

1. Breathitt District's Request to Withdraw is denied.

2. Breathitt District shall continue to comply with the procedural Order issued October 15, 2026.

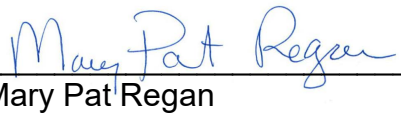
[14] KRS 278.190(3)

Entered on this 20th day of November, 2026.

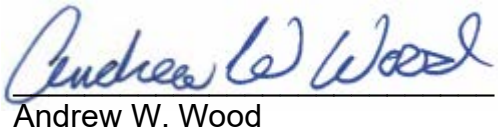
PUBLIC SERVICE COMMISSION



Angie Hatton
Chair



Mary Pat Regan
Vice Chair



Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

ATTEST:



Justin McNeil
Executive Director

Service List for Case 2026-00227

* Breathitt County Water District
1137 Main Street, Suite 305
Jackson, KY 41339

* Estill McIntosh
Superintendent
Breathitt County Water District
1137 Main Street, Suite 305
Jackson, KY 41339

* David P. Foster
Rural Community Assistance Partnership
101 Burch Court
Frankfort, KY 40601

* Denotes served by Email