

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF LYON COUNTY	)	2026-00264
WATER DISTRICT	)	

ORDER

On September 14, 2026, Lyon County Water District (Lyon 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.

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

Lyon District purchases water from the city of Kuttawa (Kuttawa), Princeton Water and Wastewater Commission (Princeton), the city of Eddyville (Eddyville), and Barkley Lake Water District (Barkley Lake District). Princeton notified Lyon District that its wholesale rate would increase by \$0.321 per 1,000 gallons, or 8.22 percent, from \$3.904

per 1,000 gallons to \$4.225 per 1,000 gallons effective January 1, 2026.¹ Lyon District proposes to increase the water rates to its customers effective October 1, 2026, to reflect the increased cost of purchased water from Princeton. Kuttawa, Eddyville, and Barkley Lake District did not propose any rate changes.

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 2024 Annual Report filed with the Commission, Lyon District reported a water loss of 19.3081 percent.² In its 2023 Annual Report filed with the Commission, Lyon District reported a water loss of 16.2155 percent.³ In its 2022 Annual Report filed with the Commission, Lyon District reported a water loss of 14.7491 percent.⁴ Lyon District's three-year water loss average is 16.7576 percent.⁵ The approximate annual cost of Lyon District's total water loss using a three-year average is \$92,306.63.⁶

¹ TFS2023-00375 (Ky. PSC Aug. 16, 2023); Princeton submitted the tariff on August 16, 2023, and the tariff was accepted for filing by the Commission by letter dated December 11, 2023, with an effective date of January 1, 2024.

² *Annual Report of Lyon District to the Public Service Commission for the Year Ended December 31, 2024* at 58.

³ *Annual Report of Lyon District to the Public Service Commission for the Year Ended December 31, 2023* at 58.

⁴ *Annual Report of Lyon District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

⁵ $19.3081\% + 16.2155\% + 14.7491\% = 50.2727 / 3 \text{ years} = 16.7576\%$.

⁶ Total water cost at new wholesale rate of \$550,834.44 times 16.7576% water loss equals \$92,306.63.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission encourages Lyon District to continue to pursue reasonable actions to reduce its unaccounted-for water loss.

Financial Condition and Rates

Lyon District's financial snapshot for 2021 through 2025 is presented below. Its last rate adjustment, filed pursuant to the alternative rate filing (ARF) procedure in Case No. 2023-00352, which became final on September 9, 2024, and reflected an increase in revenue of \$192,953 or 13.48 percent.⁷ The revenue increase from Case No. 2023-00352 is fully reflected in 2025 results and was more than offset by increases in Materials and Supplies Expense, Contractual Services Expense, and Miscellaneous Expenses. Lyon District's other rate increases during the review period were due to a purchased water adjustment⁸ and an ARF in Case No. 2021-00391, which became final May 13, 2022, and increased revenues by \$91,345 or 6.73 percent.⁹ Rate-based income (adjusted net income minus principal payments) was negative in each year. Cash basis income (rate-based income plus depreciation expense) was positive from 2021 to 2024 but experienced a significant decline in 2025. Water loss percentage averaged 19.61 percent over the five-year period and was over 15 percent each year except for 2022. The Commission notes that Lyon District has yet to file its 2025 audit report.

⁷ See Case No. 2023-00352, *Electronic Application of Lyon County Water District for an Alternative Rate Filing Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 9, 2024), final Order.

⁸ Case No. 2025-00250, *Electronic Purchased Water Adjustment Filing of Lyon County Water District* (Ky. PSC Aug. 14, 2025), final Order.

⁹ See Case No. 2021-00391, *Electronic Application of Lyon County Water District for an Alternative Rate Filing Pursuant to 807 KAR 5:076* (Ky. PSC May 13, 2022), final Order.

	2023-00352 Test Year		2023-00352 ARF FO 09/09/2024		
Description / Year	Audited 2021	Audited 2022	Audited 2023	Audited 2024	Annual Report 2025
Adjusted Net Income					
Net Income / (Loss)	\$ (50,022)	\$ 39,214	\$ (14,758)	\$ (41,281)	\$ (168,781)
Other Non-recurring Items ()	-	(55,882)	-	(39,334)	(100,000)
Non-Cash Pension and OPEB Expense / (Income)	(39,663)	(48,432)	(43,814)	(24,115)	2
Interest Expense	101,226	97,687	94,314	91,986	101,466
Adjusted Net Income / (Loss)	11,541	32,587	35,742	(12,744)	(167,313)
Interest Expense ()	(101,226)	(97,687)	(94,314)	(91,986)	(101,466)
Principal Payments ()	(226,927)	(160,814)	(212,681)	(208,703)	(222,761)
Subtract: Total Debt Service ()	(328,153)	(258,501)	(306,995)	(300,689)	(324,227)
Rate-Based Income (Excludes Working Capital of 20%)	(316,612)	(225,914)	(271,253)	(313,433)	(491,540)
Add: Depreciation Expense	334,418	335,979	325,103	340,229	341,687
Cash Basis Income	\$ 17,806	\$ 110,065	\$ 53,850	\$ 26,796	\$ (149,853)
Rate Based Income as Percent of Water Sales	-24%	-16%	-18%	-20%	-29%
Cash Basis Income as Percent of Depreciation	5%	33%	17%	8%	-44%
Capital Spending	\$ 101,295	\$ 31,024	\$ 62,331	\$ 189,176	\$ 108,940
Cash and Investments					
Unrestricted Cash and Investments	\$ 194,956	\$ 229,058	\$ 267,237	\$ 195,911	\$ 484,167
Restricted Funds	292,042	255,659	321,043	362,323	-
Adjusted Cash Balances	\$ 486,998	\$ 484,717	\$ 588,280	\$ 558,234	\$ 484,167
Net Increase (Decrease) in Cash	\$ (40,006)	\$ (2,281)	\$ 103,563	\$ (30,046)	\$ (74,067)
Selected Statistical Information (PSC Annual Reports)					
Customer Count	2,751	2,905	2,842	2,837	2,846
Gallons Purchased	124,400	130,598	132,139	146,467	168,001
Gallons Sold	86,549	101,901	102,022	98,527	101,879
Gallons Used for Internal Use	10,198	9,435	8,690	19,660	21,440
Water Loss Gallons	27,653	19,262	21,427	28,280	42,956
System Use Percentage	8.20%	7.22%	6.58%	13.42%	12.76%
Water Loss Percentage	22.2291%	14.7491%	16.2155%	19.3081%	25.5688%
Gallons Sold Per Customer Per Month	2,622	2,923	2,991	2,894	2,983
Revenues from the Sale of Water	\$ 1,313,827	\$ 1,423,089	\$ 1,472,325	\$ 1,555,292	\$ 1,678,621
Purchased Water Expense	421,655	431,242	433,744	532,625	599,626
Purchased Water Expense Over 15% Water Loss	30,482	0	5,272	22,946	63,374
Water Loss Expense Over 15% as Percentage of Water Revenue	2.32%	0.00%	0.36%	1.48%	3.78%

In Case No. 2025-00250, the Commission recommended that Lyon District file rate cases at least every three to five years to ensure sufficient revenue in order to provide adequate and reliable service.¹⁰ In view of the extensive rate based losses, the Commission concludes that Lyon District should file an application for a general base rate adjustment or an alternative rate adjustment by August 31, 2027, in order to ensure that

¹⁰ Case No. 2025-00250, Aug. 14, 2025 final Order.

its revenue is sufficient to support adequate and reliable service, or in the alternative, file a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modification is necessary.

Purchased Water Adjustment Factor

In its application, Lyon District proposed a purchased water adjustment factor of \$0.15 per 1,000 gallons. During the 12 months ended August 31, 2026, Lyon District purchased 49,480,300 gallons of water from Kuttawa; 50,270,352 gallons of water from Princeton; 24,304,000 gallons of water from Eddyville; and 27,877,900 gallons of water from Barkley Lake District. Lyon District also sold 108,788,900 gallons of water to its customers. The increase in the cost of purchased water from Princeton is \$16,136.79, resulting in a purchased water adjustment factor of \$0.15 per 1,000 gallons. No rate changes occurred from Kuttawa, Eddyville, or Barkley Lake District.

The purchased water adjustment factor of \$0.15 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 Lyon District on and after October 1, 2026, because the rates are supported by evidence of the increase in rates from Lyon 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 \$0.15 per 1,000 gallons is approved.
2. The rates proposed by Lyon District are approved.

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

4. Within 20 days of the date of service of this Order, Lyon District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

5. On or before August 31, 2027, Lyon District shall file for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, an application for an alternative rate adjustment pursuant to 807 KAR 5:076, or in the alternative, file a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Lyon District from this requirement.

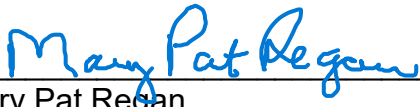
6. This case is closed and removed from the Commission's docket.

Entered on this 14th day of October, 2026.

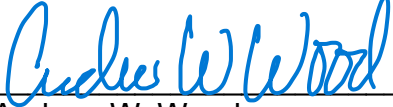
PUBLIC SERVICE COMMISSION



Angie Hatton
Chair



Mary Pat Regan
Vice Chair



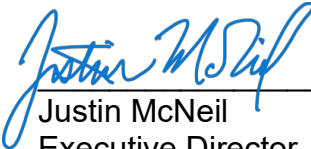
Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

*w/ my ATT.
permission*

ATTEST:



Justin McNeil
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00264 DATED OCT 14 2026

	Base Rate	New Rate	Change
<u>Kuttawa</u>			
Purchases in Gallons	49,480,300	49,480,300	
Rate per 1,000 Gallons	<u>\$3.125/1,000</u>	<u>\$3.125/1,000</u>	
Subtotal	\$154,625.94	\$154,625.94	\$0.00
 <u>Princeton</u>			
Purchases in Gallons	50,270,352	50,270,352	
Rate per 1,000 Gallons	<u>3.904/1,000</u>	<u>\$4.225/1,000</u>	
Sub-total	\$196,255.45	\$212,392.24	\$16,136.79
 <u>Eddyville</u>			
Purchases in Gallons	24,304,000	24,304,000	
Rate per 1,000 Gallons	<u>\$4.34/1,000</u>	<u>\$4.34/1,000</u>	
Sub-total	\$105,479.36	\$105,479.36	\$0.00
 <u>Barkley Lake District</u>			
Purchases in Gallons	27,877,900	27,877,900	
Rate per 1,000 Gallons	<u>\$2.81/1,000</u>	<u>\$2.81/1,000</u>	
Sub-total	\$78,336.90	\$78,336.90	\$0.00
 Total	\$534,697.65	\$550,834.44	
 Increased water cost			\$16,136.79
 Increased water cost		\$16,136.79	
Divided by Gallons sold/1,000		<u>108,788,900</u>	
Purchased water adjustment factor		\$0.1483	per 1,000 Gallons
		or \$ 0.00015	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00264 DATED OCT 14 2026

The following rates and charges are prescribed for the customers in the area served by Lyon 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	\$31.77	Minimum Bill
Next	3,000 Gallons	0.01362	Per Gallon
Next	5,000 Gallons	0.00987	Per Gallon
Next	10,000 Gallons	0.00837	Per Gallon
Over	20,000 Gallons	0.00747	Per Gallon

1-Inch Meter

First	15,000 Gallons	\$152.50	Minimum Bill
Next	5,000 Gallons	0.00837	Per Gallon
Over	20,000 Gallons	0.00747	Per Gallon

1 1/2-Inch Meter

First	25,000 Gallons	\$209.08	Minimum Bill
Over	25,000 Gallons	0.00747	Per Gallon

2-Inch Meter

First	45,000 Gallons	\$376.32	Minimum Bill
Over	45,000 Gallons	0.00747	Per Gallon

Service List for Case 2026-00264

* Lyon County Water District
5464 U. S. Highway 62 West
P. O. Box 489
Kuttawa, KY 42055

* Mathew Blane
Superintendent
Lyon County Water District
5464 U. S. Highway 62 West
P. O. Box 489
Kuttawa, KY 42055

* Jason Pennell
Kentucky Rural Water Association
Post Office Box 1424
1151 Old Porter Pike
Bowling Green, KY 42102-1424