

THE PUBLIC SERVICE COMMISSION  
COMMONWEALTH OF KENTUCKY  
BEFORE IN THE MATTER OF: ELECTRONIC INVESTIGATION  
INTO THE CITY OF ALBANY FOR ALLEGED  
ASSESSMENT OF AN UNAPPROVED RATE FOR  
CUMBERLAND COUNTY WATER DISTRICT  
CASE NO.: 2025-00390

**RESPONSE BY THE CITY OF ALBANY  
TO CUMBERLAND COUNTY WATER  
DISTRICT'S REQUEST FOR  
INFORMATION**

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Comes the City of Albany, by and through counsel, and, in response to the first request for information, states and declares as follows:

1. **Question:** Refer to *City of Albany - Invoices 12-15-17 - 12-24-21 pdf* and *City of Albany Invoices 1-31-22 - 12-25-25 pdf* filed by Albany on January 12, 2026. Confirm that the line entitled "LT Local Tax" on these invoices represents amounts charged to Cumberland District for Utility Gross Receipts License Tax. If not confirmed, explain what "LT Local Tax" is and why it was charged to Cumberland District.

**Answer:** Yes, that is correct.

2. **Question:** Refer to *Albany's Supplemental Response and Affidavit of James Bray, Mayor of the City of Albany*, filed February 12, 2026, at paragraph 13.

a. State whether it is Albany's understanding that KRS 160.613(1)(b) provides that the Utility Gross Receipts License Tax ("UGRL tax") shall not be assessed on utility services which are to be resold.

**Answer:** Yes, it is now known.

b. Confirm that Albany is aware that the water it sells to Cumberland District is resold to Cumberland District's customers.

**Answer:** Yes.

3. **Question:** Refer to *Albany's Supplemental Response and Affidavit of James Bray, Mayor of the City of Albany*, filed February 12, 2026, at paragraph 13 and the letter dated January 9, 2026, from Abner & Cox, PLLC, Certified Public Accountants, filed into the record of this proceeding by Albany on February 12, 2026.

a. State whether Albany has independently examined its records and calculated the amount of UGRL tax it has assessed on wholesale water sales to Cumberland District.

**Answer:** No it has not at this time.

b. If so, please provide the total and the time period in which it was assessed.

**Answer:** N/A.

c. Provide Albany's plan to refund Cumberland District the amount of UGRL tax it has collected from Cumberland District.

**Answer:** The City of Albany will file amended returns to seek recoupment of taxes paid. Said amount will be refunded to Cumberland Water District.

4. **Question:** Refer to *Albany's Supplemental Response and Affidavit of James Bray, Mayor of the City of Albany*, filed February 12, 2026, at paragraph six (6). State what court of general jurisdiction has determined that the water purchase contract between Albany and Cumberland District is void. Provide a copy of the court's order setting forth this finding.

**Answer:** The contract in question has not be litigated. However, as discussed in the response by the City of Albany previously filed, the contract is void under Kentucky Law. The contract under discussion was dated November 5, 2003 between the City of Albany

and the Cumberland County Water District which was received by the P.S.C. on August 13, 2009.

The contract states that it is effective for the term of 40 years. Said contract is in violation of Section 164 of the Kentucky Constitution which prohibits any franchise from exceeding 20 years.

**See OAG 81-365.** (Cities may contract with one another for water services; however, such contract is a franchise subject to KY Const Section 164 limiting the duration to 20 years.)

**KY Const. Section 164.** (No county, city, town, taxing district or any other municipality shall be authorized or permitted to grant any franchise or privilege, or make any contract in reference thereto, for a term exceeding 20 years.)

**5. Question:** Should the Commission find that Albany owes Cumberland District a refund for charges made to Cumberland District in excess of the tariff rate on file with the Commission at the time the purchase(s) were made, please provide Albany's plan for making such a refund.

**Answer:** The question is premature at this time. However, if such a determination is made, credit can be given for future water purchases by Cumberland Water District from City of Albany or by cash payment.

**6. Question:** Refer to *Attachment to Response* pdf filed with *Affidavit of Billing Manager Sydney Hunter* by Albany of February 12, 2026. Confirm that the document attached to the response is Albany's invoice to Cumberland District issued December 22, 2025, for water sold to Cumberland District from November 13, 2025 through December

10, 2025.

**Answer:** Yes.

**7. Question:** Refer to *Notice of Filing January 24, 2026 Invoice from Albany* filed by Cumberland District on February 16, 2026.

a. Confirm that this is an invoice from Albany Municipal Water & Sewer billed to Cumberland District on January 24, 2026 for water sold to Cumberland District between December 10, 2025 and January 9, 2026.

**Answer:** Yes.

b. Confirm that the rate charged Cumberland District on January 24, 2026 was \$3,021.00 for the first 1,500,000 gallons and \$2.92 per 1,000 gallons for amounts in excess of 1,500,000 gallons.

**Answer:** Yes.

c. Confirm that the effective date of the tariff setting forth the rate of \$3,021.00 for the first 1,500,000 gallons and \$2.92 per 1,000 gallons for amounts in excess of 1,500,000 gallons is February 12, 2026.

**Answer:** Yes.

**8. Question:** Refer to *Albany's Supplemental Response and Affidavit of James Bray, Mayor of the City of Albany*, filed February 12, 2026, at paragraph 14. Please provide the Case No. and specific filing in which Cumberland District referred to charges made by Albany to Cumberland District in excess of Albany's published tariff rate, prior to Cumberland District's *Amended Response to Commission Staff's Second Request for Information, Item 2b* in case No. 2025-00226.

**Answer:** Other than Item 2b filed on October 2, 2025 referred to above, the following items were found:

A. Case No. 2022-00291 being Commission Staff's report filed February 14, 2023, on page 19 the following language was found: "Commission Staff discovered in its review of the general ledger and purchase quantities provided by Cumberland District that total purchased water expense for the test period was understated by \$20,887."

It is noted that the only sources of water purchased were Burkesville, Kentucky and City of Albany.

B. Case No. 2025-00226, in the response of Cumberland County Water District to Commission Staff's second request for information dated September 9, 2025, filed September 23, 2025, question number 2a was as follows: "For both Burkesville Water Works (Burkesville) and City of Albany Water Department (Albany), explain why the cost per 1,000 gallons varies month to month for each entity."

In question 2b the following was asked: "Explain why the cost does not match the wholesale rates listed in the tariff on file with the Kentucky Public Service Commission for Burkesville, Albany, and Columbia - Adair Utilities District."

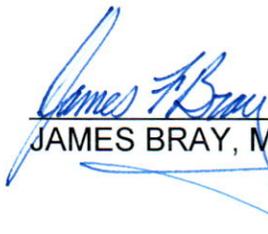
Part of the answer given was as follows: "When reviewing the file 8b\_water\_purchased\_reconciliation tab 2024\_invoices, it appears that the imputed rates charged for each invoice were at or very close to the tariff rate."

Thus, the tariff rate was exceeded at that time and Cumberland Water District was aware of same.

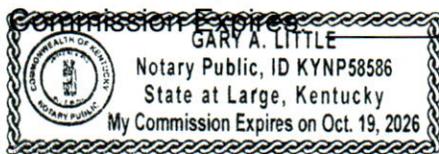
On item 8b filed by Cumberland Water District on September 23, 2025 titled "**Water Purchased Reconciliation**", the imputed rate listed for City of Albany Water Department

varied from \$2.15 to \$2.48.

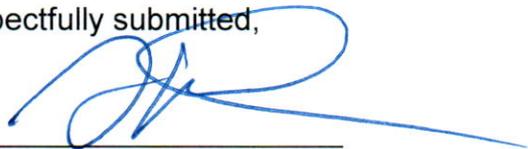
I have read the foregoing and it is true and correct to the best of my knowledge, belief, and investigation.

  
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JAMES BRAY, MAYOR OF CITY OF ALBANY

Subscribed, sworn, and acknowledged to before me by JAMES BRAY, MAYOR OF CITY OF ALBANY, on this the 4<sup>th</sup> day of March, 2026.

  
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NOTARY PUBLIC, STATE AT LARGE  
My Commission Expires  


Respectfully submitted,

  
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