

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF BREATHITT COUNTY	)	2025-00234
WATER DISTRICT	)	

ORDER

On July 14, 2025, Breathitt County Water District (Breathitt 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.<sup>1</sup> On July 21, 2025, the Commission notified Breathitt District that its application was rejected for certain filing deficiencies. On August 18, 2025, Breathitt District submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of August 18, 2025.

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

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<sup>1</sup> KRS 278.015. When a wholesale supplier selling water to a water district; increases its rates, the water district shall have the authority to increase its rates. Within twenty (20) days after any such increase in rates, the district shall file its revised tariffs with the commission, together with a copy of the notice from its wholesale supplier showing the increase in the rate charged to the utility, and a statement of the volume of purchased water used to calculate the increase in rates. The commission shall approve the filing or establish revised rates by order no later than thirty (30) days after the above documents are filed with it. Prior to or at the time of the first billing of the new rates, the district shall give notice to its customers of the increase.

water used to calculate the rate adjustment. The Commission shall approve the filing by order after the above documents are filed.

### DISCUSSION AND FINDINGS

Breathitt District purchases water from the city of Jackson (Jackson) and the city of Campton (Campton). Jackson notified Breathitt District that its wholesale rate would increase by \$0.13, or 3.03 percent, from \$4.28 per 1,000 gallons to \$4.41 per 1,000 gallons, effective July 1, 2025.<sup>2</sup> Breathitt District proposes to increase the water rates to its customers effective July 1, 2025, to reflect the increased cost of purchased water from Jackson. The water rates charged by Campton did not change.

According to the Board of Commissioner meeting minutes,<sup>3</sup> Breathitt District began passing through the increase from the Jackson on July 1, 2025. According to the KRS 278.015, Breathitt District was entitled to pass the increase thru so long as the application was filed within 20 days of the increase. As mentioned above, the application was not deemed filed until August 18, 2025, because the Breathitt District did not file the current and proposed rates. The Commission finds that, in order to comply with KRS 278.015, the Commission directs that the rates be effective 20 days prior to the application being accepted for filing, July 30, 2025. As such, Breathitt District should be required to refund customers for any amount collected from the period beginning July 1, 2025, up to, and including, July 29, 2025. For efficiency and ease, the Commission notes

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<sup>2</sup> TFS2025-00243 (Ky. PSC May 29, 2025); The City of Jackson submitted the tariff on May 29, 2025, and the tariff was accepted for filing by the Commission by letter dated July 1, 2025, with an effective date of July 1, 2025.

<sup>3</sup> Application at 3.

that Breathitt District may refund customers using a bill credit. Breathitt District shall have 90 days to provide proof of refund as well as the amount of the refund/ credit.

### 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, Breathitt District reported a water loss of 14.1625 percent.<sup>4</sup> In its 2023 Annual Report filed with the Commission, Breathitt District reported a water loss of 13.3513 percent.<sup>5</sup> In its 2024 Annual Report filed with the Commission, Breathitt District reported a water loss of 13.2330 percent.<sup>6</sup> Breathitt District's three-year water loss average is 13.5823 percent.<sup>7</sup> The approximate annual cost of Breathitt District's average water loss, based on a three-year average, is \$50,178.77.<sup>8</sup> The Commission commends Breathitt District for keeping water loss to a minimum and encourages it to continue to pursue actions to reduce its unaccounted-for water loss.

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<sup>4</sup> *Annual Report of Breathitt District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

<sup>5</sup> *Annual Report of Breathitt District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

<sup>6</sup> *Annual Report of Breathitt District to the Public Service Commission for the Year Ended December 31, 2024* at 57.

<sup>7</sup>  $14.1625 + 13.3513 + 13.2330 = 40.7468 / 3 \text{ years} = 13.5823 \text{ percent.}$

<sup>8</sup> Total water cost at new wholesale rate of \$369,442.34 times 13.5823% water loss equals \$50,178.77.

### Financial Condition and Rates

Breathitt District's financial snapshot for 2020 through 2024 is presented below. Breathitt District filed applications for purchased water adjustments in each of the years. Breathitt District's last base rate adjustment filing was Case No. 2022-00136,<sup>9</sup> which became final on January 31, 2024 (2021 test year), and approved an increase of \$663,039 or 54.07 percent. The 54.07 percent increase was ordered to be implemented in three annual phases of equal amounts of approximately \$221,013, with the first beginning July 1, 2024, the second beginning on January 30, 2025, and the last to be implemented on January 31, 2026. Approximately \$110,600 of the increase is reflected in 2024 information provided below. Rate based income (adjusted net income minus principal payments) was negative in each of the years. Cash basis income (rate-based income plus depreciation expense) was slightly positive in 2020 and 2021 and was negative in 2022 through 2024. The Commission notes that Breathitt District's reported repairs and maintenance expenses were higher by approximately \$321,280 and \$429,826, respectively, in 2023 and 2024 compared to 2022.<sup>10</sup> Additionally, rate-based loss increased by \$439,859 from the test year (2021) of the last rate case to 2023, which precedes the effect of the first phase of the rate increase from Case No. 2022-00136.

In the final Order for Case No. 2022-00136,<sup>11</sup> the Commission ordered Breathitt District to

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<sup>9</sup> 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), final Order.

<sup>10</sup> 2022 Audit Report, 2023 Audit Report, and 2024 Audit Report (2024 Audit Report has been tendered but not accepted for posting on the PSC website).

<sup>11</sup> 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), final Order, ordering paragraph 12.

use the midpoint of the depreciable lives of the National Association of Regulatory Utility Commissioners ranges, as proposed in the application and agreed upon by Staff, to depreciate water plant assets for accounting purposes (sic) in all future reporting periods. No adjustment to accumulated depreciation or retained earnings should be made to account for this change in the accounting estimate.

Breathitt District's snapshot does not indicate that depreciation lives were changed for accounting purposes even though the final order was issued in January 2024.

Breathitt District still has a negative rate basis income and cash basis income with small fluctuations in 2023 and 2024. Also, Breathitt District has not filed the revenue sufficiency report that was ordered on May 31, 2025, in Case No. 2024-00215.<sup>12</sup> Failing to file the revenue sufficiency report within 30 days may result in an investigation and penalties as set forth in KRS 289.990. As such, the Commission finds that on or before August 31, 2026, Breathitt District shall file an application 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 a detailed report with supporting justification explaining why such a filing is unnecessary. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Breathitt District from this requirement.

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<sup>12</sup> See Case No. 2024-00215, *Electronic Purchased Water Adjustment Filing of Breathitt County Water District* (Ky. PSC July 31, 2024).

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Audited 2024
<b>Adjusted Net Income</b>					
Net Income / (Loss) before Contributions	\$ (1,052,079)	\$ (961,005)	\$ (1,093,158)	\$ (119,886)	\$ (1,208,679)
Other Non-recurring Items	0	(49,300)	(75,008)	(1,319,873)	(139,235)
Non-Cash Pension and OPEB Expense / (Income)	72,009	28,263	28,878	20,069	(30,616)
<b>Adjusted Net Income / (Loss) before Contributions</b>	<b>\$ (980,070)</b>	<b>\$ (982,042)</b>	<b>\$ (1,139,288)</b>	<b>\$ (1,419,690)</b>	<b>\$ (1,378,530)</b>
Subtract: Principal Payments ( )	(91,037)	(91,879)	(100,231)	(94,090)	(87,458)
<b>Rate Based Income</b>	<b>\$ (1,071,107)</b>	<b>\$ (1,073,921)</b>	<b>\$ (1,239,519)</b>	<b>\$ (1,513,780)</b>	<b>\$ (1,465,988)</b>
Add: Depreciation Expense	1,115,021	1,118,390	1,134,847	1,141,356	1,146,018
<b>Cash Basis Income</b>	<b>\$ 43,914</b>	<b>\$ 44,469</b>	<b>\$ (104,672)</b>	<b>\$ (372,424)</b>	<b>\$ (319,970)</b>
Cash Basis Income as Percent of Depreciation	4%	4%	-9%	-33%	-28%
Capital Spending	\$ 210,924	\$ 551,790	\$ -	\$ 898,586	\$ 2,978,489
<b>Cash and Investments</b>					
Unrestricted Cash and Investments	\$ 73,616	\$ 92,335	\$ 93,339	\$ 1,402,266	\$ 471,549
Restricted Funds	206,598	231,521	194,810	435,110	852,013
Adjusted Cash Balances	280,214	323,856	288,149	1,837,376	1,323,562
Net Increase (Decrease) in Cash	\$ 31,387	\$ 43,642	\$ (35,707)	\$ 1,549,227	\$ (513,814)

#### Notes

(1) 2023 - FEMA, EKSAFE, and insurance reimbursements related to flood damage. Capital Expenditures in 2023 was funded from grants and other capital contributions.

#### Selected Statistical Information (PSC Annual Reports)

Customer Count	1,897	2,001	2,003	2,050	2,040
Gallons Purchased	85,532	84,655	84,032	82,149	83,337
Gallons Sold	67,447	70,233	68,373	68,696	68,916
Gallons Used for Internal Use	7,755	4,243	3,758	2,485	3,393
Water Loss Gallons	10,330	10,179	11,901	10,968	11,028
System Use Percentage	9.07%	5.01%	4.47%	3.02%	4.07%
Water Loss Percentage	12.0774%	12.0241%	14.1625%	13.3513%	13.2330%
Gallons Sold Per Customer Per Month	2,963	2,925	2,845	2,793	2,815
Revenues from Sale of Water	\$ 1,107,245	\$ 1,211,343	\$ 1,203,000	\$ 1,170,857	\$ 1,450,836
Purchased Water Expense	339,425	334,036	354,606	364,440	376,112
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%

### Purchased Water Adjustment Factor

In its application, Breathitt District proposed a purchased water adjustment factor of \$0.16 per 1,000 gallons. During the 12 months ended May 31, 2025, Breathitt District purchased 83,728,0000 gallons of water from Jackson and 60,800 gallons of water from Campton and sold 70,656,000 gallons of water to its customers. The increase in the cost of purchased water from Jackson and Campton is \$10,884.64, resulting in a purchased water adjustment factor of \$0.16 per 1,000 gallons.

The purchased water adjustment factor of \$0.16 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 Breathitt District on and after July 30, 2025, because the rates are supported by evidence of the increase in rates from Breathitt 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 \$0.16 per 1,000 gallons is approved.
2. The rates proposed by Breathitt District are approved.
3. Breathitt District shall refund/credit customers for any amount collected for the period beginning July 1, 2025, up to and including, July 29, 2025.
4. Breathitt District shall file proof of refund/ credit as well as the amount of the refund/credit in post case correspondence referencing this case number no later than 90 days.
5. The rates as set forth in Appendix B to this Order are approved for water service rendered by Breathitt District on and after July 1, 2025.
6. Within 30 days Breathitt District shall file the revenue sufficiency report as ordered in Case No. 2024-00215.
7. Within 20 days of the date of service of this Order, Breathitt District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.


8. On or before August 31, 2026, Breathitt District shall file an application 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 a detailed report with supporting justification explaining why such a filing is unnecessary. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Breathitt District from this requirement.

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


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PUBLIC SERVICE COMMISSION

  
Chairman

  
Commissioner

  
Commissioner

ATTEST:

  
Executive Director



# APPENDIX A

## APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00234 DATED SEP 12 2025

	Base Rate	New Rate	Change
<u>City of Jackson</u>			
Purchases in Gallons	83,728,000	83,728,000	
Rate per 1,000 Gallons	<u>\$4.28/1,000</u>	<u>\$4.41/1,000</u>	
Subtotal	\$358,355.84	\$369,240.48	\$10,884.64
<u>City of Campton</u>			
Purchases in Gallons	60,800	60,800	
Rate per 1,000 Gallons	<u>\$3.32/1,000</u>	<u>\$3.32/1,000</u>	
Subtotal	\$201.86	\$201.86	\$0.00
Total	\$358,557.70	\$369,442.34	
Increased water cost			\$10,884.64
Increased water cost		\$10,884.64	
Divided by Gallons sold/1,000		<u>70,656,000</u>	
Purchased water adjustment factor		\$0.1541	per 1,000 Gallons
		or \$ 0.00016	per Gallon

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00234 DATED SEP 12 2025

The following rates and charges are prescribed for the customers in the area served by Breathitt 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 Phase 2 (Effective for service before January 30, 2026)

First	2,000 Gallons	\$41.79	Minimum Bill
Over	2,000 Gallons	0.02090	Per Gallon

##### 5/8- X 3/4-Inch Meter Phase 3 (Effective for service on and after January 31, 2026)

First	2,000 Gallons	\$47.23	Minimum Bill
Over	2,000 Gallons	0.02363	Per Gallon

\*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