

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF)	CASE NO.
JESSAMINE COUNTY WATER DISTRICT NO. 1)	2025-00255

ORDER

On August 7, 2025, Jessamine County Water District No. 1 (Jessamine District No. 1) tendered an application requesting approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068.¹ On August 15, 2025, the Commission notified Jessamine District No. 1 that its application was rejected for certain filing deficiencies. On August 15, 2025, Jessamine District No. 1 submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of August 15, 2025.²

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

¹ 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.

² On August 18, 2025, Jessamine District No. 1 submitted a revised tariff sheet with 4" and 6" meters, revised calculation of the PWA Factor, revised Purchased Water Adjustment Form 1, and a revised public notice and cured the filing deficiency.

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

Jessamine District No.1 purchases water from the city of Nicholasville (Nicholasville) and Kentucky-American Water Company (Kentucky-American).³ Nicholasville notified Jessamine District No.1 that its wholesale rate would increase by \$0.46, or 14.9 percent, from \$3.09 per 1,000 gallons to \$3.55 per 1,000 gallons, effective September 1, 2025.⁴ Jessamine District No. 1 proposes to increase the water rates to its customers effective September 20, 2025, to reflect the increased cost of purchased water from Nicholasville. The water rates charged by Kentucky-American did not change.

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, Jessamine District No. 1 reported a water loss of 10.4839 percent.⁵ In its 2023 Annual Report filed with the

³ Application, 2025_Purchase_Water_adjustment_form_revised.pdf.

⁴ TFS2025-00327 (Ky. PSC July 23, 2025); Jessamine District No. 1 submitted the tariff on July 23, 2025, and the tariff was accepted for filing by the Commission by letter dated August 27, 2025, with an effective date of September 1, 2025.

⁵ *Annual Report of Jessamine District No. 1 to the Public Service Commission for the Year Ended December 31, 2022* at 57.

Commission, Jessamine District No. 1 reported a water loss of 4.2951 percent.⁶ In its 2024 Annual Report filed with the Commission, Jessamine District No. 1 reported a water loss of 10.8160 percent.⁷ Jessamine District No. 1's three-year water loss average is 8.5317 percent.⁸ The approximate total water loss using a three-year average is \$122,375.13.⁹ The Commission commends Jessamine District No. 1 for keeping water loss below 15 percent and encourages it to continue to pursue actions to reduce its unaccounted-for water loss.

Financial Condition and Rates

Based on a review of Commission records, Jessamine District No. 1 has never sought a base rate adjustment. Jessamine District No. 1's only rate increases have occurred as a condition for federal financing of a construction project in accordance with KRS 278.023. In accordance with the provisions of KRS 278.023, the Commission's review of such applications is limited to a utility's total financial stability and operational viability.

In Case No. 2019-00041, the Commission discussed the problems that can occur when utilities intentionally avoid a review of their financial records by relying solely on financing cases to increase rates.¹⁰ A key recommendation from that proceeding was

⁶ *Annual Report of Jessamine District #1 to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁷ *Annual Report of Jessamine District #1 to the Public Service Commission for the Year Ended December 31, 2024* at 57.

⁸ $10.4839\% (2022) + 4.2951\% (2023) + 10.8160\% (2024) = 25.5950 / 3 \text{ years} = 8.5317 \text{ percent.}$

⁹ Water cost at new wholesale rate of \$1,434,358.12 times 8.5317% water loss equals \$122,375.13.

¹⁰ See Case No. 2019-00041, Nov. 22, 2019 final Order.

that water districts should monitor the sufficiency of their base rates closely and, in general, apply for base rate adjustments on a more frequent basis.¹¹

Jessamine District No. 1 received approval for a 2.91 percent rate increase through a Certificate of Public Convenience and Necessity (CPCN) in Case No. 2022-00134.¹² Based upon a review of the annual and audit reports filed with the Commission, Jessamine District No. 1's rate-based income (adjusted net income minus principal payments) was negative in 2020, 2021, and 2023 but was positive in 2022 and 2024. Cash basis income (rate-based income plus depreciation) was positive from 2020 through 2024. A chart summarizing cash basis and rate-based income is presented below.

¹¹ See Case No. 2019-00041, Nov. 22, 2019 final Order.

¹² See Case No. 2022-00134, June 20, 2022 final Order.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Annual Report 2024
Net Income / (Loss) before Contributions	\$ (37,365)	\$ (76,733)	\$ 209,904	\$ (54,984)	\$ 128,835
Adjusted Net Income / (Loss) before Contributions	\$ (37,365)	\$ (76,733)	\$ 209,904	\$ (54,984)	\$ 128,835
Subtract: Principal Payments ()	(74,000)	(88,000)	(90,800)	(93,700)	(93,100)
Rate Based Income	\$ (111,365)	\$ (164,733)	\$ 119,104	\$ (148,684)	\$ 35,735
Add: Depreciation Expense	303,773	349,552	329,836	467,021	516,223
Cash Basis Income	\$ 192,408	\$ 184,819	\$ 448,940	\$ 318,337	\$ 551,958
Cash Basis as Percent of Depreciation	63%	53%	136%	68%	107%
Capital Spending	\$ 333,766	\$ 154,913	\$ 648,412	\$ 1,309,614	\$ 714,197
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 80,275	\$ 188,849	\$ 366,272	\$ 437,222	\$ 548,102
Restricted Funds (exclude construction funds from bond)	1,382,313	1,592,000	1,474,661	1,830,795	2,248,941
Other Funds (Long Term Asset)	375,051	375,622	377,508	383,394	0
Adjusted Cash Balances	1,837,639	2,156,471	2,218,441	2,651,411	2,797,043
Net Increase (Decrease) in Cash	\$ 159,879	\$ 318,832	\$ 61,970	\$ 432,970	\$ 145,632
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	2,452	2,621	2,691	2,705	2,765
Gallons Purchased	251,139	269,613	299,030	296,362	347,607
Gallons Sold	210,942	225,371	258,037	264,795	273,466
Gallons Used for Internal Use	7,752	22,954	9,643	18,838	36,544
Water Loss Gallons	32,445	21,288	31,350	31,350	31,350
System Use Percentage	3.0867%	8.5137%	3.2248%	6.3564%	10.5130%
Water Loss Percentage	12.9191%	7.8958%	10.4839%	10.5783%	9.0188%
Average Gallons Per Customer Per Month	7,169	7,166	7,991	8,158	8,242
Revenue	\$ 2,048,719	\$ 2,198,758	\$ 2,494,542	\$ 2,560,138	\$ 2,818,057
Purchased Water Expense	866,784	943,165	1,075,232	1,146,723	1,311,515
Purchased Water Expense Over 15% Water Loss	0	0	0	0	0
Water Loss Expense Over 15% as Percentage of Total Revenue	0.00%	0.00%	0.00%	0.00%	0.00%

The Commission finds that Jessamine District No. 1 should monitor its operating performance annually and file future rate cases no less than every three to five years, depending on operating performance, to ensure that its revenue is sufficient to support adequate and reliable service.

Purchased Water Adjustment Factor

In its application, Jessamine District No. 1 proposed a purchased water adjustment factor of \$0.40 per 1,000 gallons. During the 12 months ended June 30, 2025, Jessamine

District No. 1 purchased 234,604,330 gallons of water from Nicholasville and 119,379,400 gallons of water from Kentucky-American and sold 278,208,101 gallons of water to its customers. The increase in the cost of purchased water from Nicholasville is \$109,256.59 resulting in a purchased water adjustment factor of \$0.40 per 1,000 gallons.

The purchased water adjustment factor of \$0.40 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 Jessamine District No. 1 on and after September 20, 2025, because the rates are supported by evidence of the increase in rates from Jessamine District No. 1'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 \$0.40 per 1,000 gallons is approved.
2. The rates proposed by Jessamine District No. 1 are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Jessamine District No. 1 on and after September 20, 2025.
4. Within 20 days of the date of service of this Order, Jessamine District No. 1 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.

PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:


Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00255 DATED SEP 10 2025

	Base Rate	New Rate	Change
<u>Nicholasville</u>			
Purchases in Gallons	234,604,330	234,604,330	
Rate per 1,000 Gallons	<u>\$3.09/1,000</u>	<u>\$3.55/1,000</u>	
Subtotal	\$724,927.38	\$832,845.37	\$107,917.99
6-inch Meter Charge	\$148.73	\$171.04	
Number of Meters	<u>5</u>	<u>5</u>	
Monthly Service Charge	\$743.65	\$855.20	
Months	<u>12</u>	<u>12</u>	
Subtotal	\$8,923.80	\$10,262.40	<u>\$1,338.60</u>
Increased water cost			\$109,256.59
Increased water cost		\$109,256.59	
Divided by Gallons sold/1,000		<u>278,208,101</u>	
Purchased water adjustment factor		\$0.3927	per 1,000 Gallons
		or \$ 0.00040	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00255 DATED SEP 10 2025

The following rates and charges are prescribed for the customers in the area served by Jessamine County Water District No. 1. 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	3,000 Gallons	\$31.73	Minimum Bill
Next	7,000 Gallons	0.00746	Per Gallon
Over	10,000 Gallons	0.00724	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$46.65	Minimum Bill
Next	5,000 Gallons	0.00746	Per Gallon
Over	10,000 Gallons	0.00724	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$83.95	Minimum Bill
Over	10,000 Gallons	0.00724	Per Gallon

2-Inch Meter

First	20,000 Gallons	\$156.35	Minimum Bill
Over	20,000 Gallons	0.00724	Per Gallon

4-Inch Meter

First	50,000 Gallons	\$373.55	Minimum Bill
Over	50,000 Gallons	0.00724	Per Gallon

6-Inch Meter

First	100,000 Gallons	\$735.55	Minimum Bill
Over	100,000 Gallons	0.00724	Per Gallon

*Carl Waits
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