

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|                                     |   |            |
|-------------------------------------|---|------------|
| ELECTRONIC PURCHASED WATER          | ) | CASE NO.   |
| ADJUSTMENT FILING OF BRACKEN COUNTY | ) | 2025-00315 |
| WATER DISTRICT                      | ) |            |

ORDER

On September 24, 2025, Bracken County Water District (Bracken 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

Bracken District purchases water from city of Augusta (Augusta) and Western Mason County Water District (Western Mason District). Augusta notified Bracken District that its wholesale rate would increase by \$0.74 per 1,000 gallons from \$2.36 per 1,000

gallons to \$3.10 per 1,000 gallons, effective September 18, 2025.<sup>1</sup> In Case No. 2024-00349, on September 25, 2024, Augusta originally proposed to increase its wholesale rate to \$2.967 per 1,000 gallons with an effective date of December 1, 2024.<sup>2</sup> On November 19, 2024, the Commission suspended Augusta's proposed tariff for five months from December 1, 2024, up to and including April 30, 2025.<sup>3</sup>

Bracken District proposes to increase the water rates to its customers effective October 10, 2025, to reflect the increased cost of purchased water from Augusta. No rate changes occurred from Western Mason District.

#### 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, Bracken District reported a water loss of 14.7649 percent.<sup>4</sup> In its 2023 Annual Report filed with the Commission, Bracken District reported a water loss of 14.4627 percent.<sup>5</sup> In its 2022 Annual Report filed with the Commission, Bracken District reported a water loss of

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<sup>1</sup> See Case No. 2024-00349, *Electronic Tariff Filing of the City of Augusta to Increase the Wholesale Water Rate Charged to Bracken County Water District* (Ky. PSC Sept. 18, 2025), final Order.

<sup>2</sup> See Case No. 2024-00349, (Ky. PSC Sept. 18, 2025), final Order.

<sup>3</sup> Case No. 2024-00349, *Electronic Tariff Filing of the City of Augusta to Increase the Wholesale Water Rate Charged to Bracken County Water District* (Ky. PSC Nov. 19, 2024), Order at 4.

<sup>4</sup> *Annual Report of Bracken District to the Public Service Commission for the Year Ended December 31, 2024* at 57.

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

18.8319 percent.<sup>6</sup> Bracken District's three-year water loss average is 16.0198 percent.<sup>7</sup> The cost of Bracken District's total water loss using a three-year average is approximately \$82,455.07.<sup>8</sup>

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

### Financial Condition and Rates

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.<sup>9</sup> A key recommendation from that proceeding was 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.<sup>10</sup> Based on a review of Commission records, Bracken District last sought a general base rate adjustment in 2021,<sup>11</sup> in Case No. 2021-00415, which became final on September 27, 2022, and

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<sup>6</sup> *Annual Report of Bracken District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

<sup>7</sup>  $14.7649\% + 14.4627\% + 18.8319\% = 48.0595 / 3 \text{ years} = 16.0198\%$ .

<sup>8</sup> Total water cost at new wholesale rate of \$514,707.21 times 16.0198% water loss equals \$82,455.07.

<sup>9</sup> Case No. 2019-00041, *Investigation Into Excessive Water Loss by Kentucky Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

<sup>10</sup> See Case No. 2019-00041, (Ky. PSC Nov. 22, 2019), final Order.

<sup>11</sup> See Case No. 2021-00415, *Electronic Application of Bracken County Water District for Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 27, 2022).

reflected a required revenue increase of \$314,154 or 18.80 percent.<sup>12</sup> The increase was phased in over a two-year period, with half implemented following the final Order and the remaining half a year later.<sup>13</sup>

Based upon a review of the annual and audit reports filed with the Commission, Bracken District's rate-based income, or adjusted net income minus principal payments, was positive in 2024 and negative all other years, but improved in 2023 and 2024 as a result of the increase. Cash basis income, or rate-based income plus depreciation, was positive in all years. A chart summarizing cash basis and rate-based income is presented below.

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<sup>12</sup> See Case No. 2021-00415, (Ky. PSC Sept. 27, 2022), final Order.

<sup>13</sup> Case No. 2021-00415, (Ky. PSC Sept. 27, 2022), final Order, Appendix B at 1.

| Description / Year                                               | Audited<br>2020   | Audited<br>2021     | Audited<br>2022     | Audited<br>2023    | Annual<br>2024    |
|------------------------------------------------------------------|-------------------|---------------------|---------------------|--------------------|-------------------|
| <i>Adjusted Net Income</i>                                       |                   |                     |                     |                    |                   |
| Net Income / (Loss) before Contributions                         | \$ 338,377        | \$ 41,996           | \$ 205,159          | \$ 449,079         | \$ 549,883        |
| Less Tap Fees ( )                                                | (37,572)          | (27,497)            | (51,777)            | (41,400)           | 0                 |
| <b>Adjusted Net Income / (Loss) before Contributions</b>         | <b>\$ 300,805</b> | <b>\$ 14,499</b>    | <b>\$ 153,382</b>   | <b>\$ 407,679</b>  | <b>\$ 549,883</b> |
| Subtract: Principal Payments ( )                                 | (300,857)         | (322,738)           | (468,204)           | (418,401)          | (484,540)         |
| <b>Rate Based Income</b>                                         | <b>\$ (52)</b>    | <b>\$ (308,239)</b> | <b>\$ (314,822)</b> | <b>\$ (10,722)</b> | <b>\$ 65,343</b>  |
| Add: Depreciation Expense                                        | 309,868           | 375,203             | 390,029             | 405,774            | 416,166           |
| <b>Cash Basis Income</b>                                         | <b>\$ 309,816</b> | <b>\$ 66,964</b>    | <b>\$ 75,207</b>    | <b>\$ 395,052</b>  | <b>\$ 481,509</b> |
| Cash Basis Income as Percent of Depreciation                     | 100%              | 18%                 | 19%                 | 97%                | 116%              |
| Capital Spending                                                 | \$ 1,607,452      | \$ 374,037          | \$ 458,511          | \$ 303,610         | \$ 479,011        |
| <i>Cash and Investments</i>                                      |                   |                     |                     |                    |                   |
| Unrestricted Cash and Investments                                | \$ 1,375,170      | \$ 1,156,184        | \$ 858,472          | \$ 561,994         | \$ 1,758,575      |
| Restricted Funds (exclude construction funds from bond proceeds) | 1,482,236         | 610,544             | 546,744             | 674,875            | 684,351           |
| Adjusted Cash Balances                                           | 2,857,406         | 1,766,728           | 1,405,216           | 1,236,869          | 2,442,926         |
| Net Increase (Decrease) in Cash                                  | \$ 779,301        | \$ (1,090,678)      | \$ (361,512)        | \$ (168,347)       | \$ 1,206,057      |
| <i>Selected Statistical Information (PSC Annual Reports)</i>     |                   |                     |                     |                    |                   |
| Customer Count                                                   | 2,647             | 2,705               | 2,744               | 2,822              | 2,827             |
| Gallons Purchased                                                | 164,621           | 181,102             | 174,003             | 168,495            | 167,323           |
| Gallons Sold                                                     | 135,354           | 135,988             | 139,302             | 143,776            | 141,154           |
| Gallons Used for Internal Use                                    | 2,951             | 815                 | 1,933               | 350                | 1,464             |
| Water Loss Gallons                                               | 26,316            | 44,299              | 32,768              | 24,369             | 24,705            |
| System Use Percentage                                            | 1.79%             | 0.45%               | 1.11%               | 0.21%              | 0.87%             |
| Water Loss Percentage                                            | 15.9858%          | 24.4608%            | 18.8319%            | 14.4627%           | 14.7649%          |
| Gallons Sold Per Customer Per Month                              | 4,261             | 4,189               | 4,231               | 4,246              | 4,161             |
| Revenues from Sale of Water Sales                                | \$ 1,693,099      | \$ 1,683,494        | \$ 1,761,367        | \$ 1,937,551       | \$ 2,077,367      |
| Purchased Water Expense                                          | 419,931           | 426,336             | 353,415             | 383,517            | 370,185           |
| Purchased Water Expense Over 15% Water Loss                      | 4,140             | 40,335              | 13,542              | 0                  | 0                 |
| Water Loss Expense Over 15% as Percentage of Total Revenue       | 0.2445%           | 2.3959%             | 0.7688%             | 0.00%              | 0.00%             |

Given this information, the Commission recommends that Bracken District monitor its operating performance annually and consider filing 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, Bracken District proposed a purchased water adjustment factor of \$0.773899 per 1,000 gallons.<sup>14</sup> During the 12 months ended July 31, 2025, Bracken District purchased 148,707,376 gallons of water from Augusta and 29,352,100 gallons of

<sup>14</sup> Application (filed Sept. 24, 2025), Exhibit D, PWA Factor Excel, (6)\_Exhibit\_D-PWAFACOR\_(1).xlsx.

water from Western Mason District and sold 142,193,400 gallons of water to its customers.<sup>15</sup> The increase in the cost of purchased water from Augusta and Western Mason District is \$110,043.46, resulting in a purchased water adjustment factor of \$0.78 per 1,000 gallons.<sup>16</sup>

The purchased water adjustment factor of \$0.78 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 Bracken District on and after October 10, 2025, because the rates are supported by evidence of the increase in rates from Bracken 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 rates proposed by Bracken District are denied.
2. The purchased water adjustment factor of \$0.78 per 1,000 gallons is approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Bracken District on and after October 10, 2025.
4. Within 20 days of the date of service of this Order, Bracken District 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.

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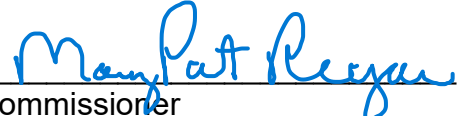
<sup>15</sup> Application at 2.

<sup>16</sup> In order to properly meet the increased cost of purchased water, the PWA factor must be rounded up. Bracken District's proposed rates were not rounded up which affected the approved final rates.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Commissioner

  
Commissioner

ATTEST:

  
Executive Director



# APPENDIX A

## APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00315 DATED OCT 24 2025

|                                   | Base Rate           | New Rate            | Change            |
|-----------------------------------|---------------------|---------------------|-------------------|
| <u>Augusta</u>                    |                     |                     |                   |
| Purchases in Gallons              | 148,707,376         | 148,707,376         |                   |
| Rate per 1,000 Gallons            | <u>\$2.36/1,000</u> | <u>\$3.10/1,000</u> |                   |
| Subtotal                          | \$350,949.41        | \$460,992.87        | \$110,043.46      |
| <u>Western Mason District</u>     |                     |                     |                   |
| Purchases in Gallons              | 29,352,100          | 29,352,100          |                   |
| Rate per 1,000 Gallons            | <u>\$2.20/1,000</u> | <u>\$2.20/1,000</u> |                   |
| Sub-total                         | \$763,787.20        | \$763,787.20        | no change         |
| Total                             | \$1,114,736.61      | \$1,224,780.07      |                   |
| Increased water cost              |                     |                     | \$110,043.46      |
| Increased water cost              |                     | \$110,043.46        |                   |
| Divided by Gallons sold/1,000     |                     | <u>142,193,400</u>  |                   |
| Purchased water adjustment factor |                     | \$0.7739            | per 1,000 Gallons |
|                                   |                     | or \$ 0.00078       | per Gallon        |

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00315 DATED OCT 24 2025

The following rates and charges are prescribed for the customers in the area served by Bracken 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

##### All Meters

|                               |                |         |              |
|-------------------------------|----------------|---------|--------------|
| First                         | 2,000 Gallons  | 34.69   | Minimum Bill |
| Next                          | 38,000 Gallons | 0.01343 | Per Gallon   |
| Over                          | 40,000 Gallons | 0.01082 | Per Gallon   |
| Wholesale Rate                |                | 0.00560 | Per Gallon   |
| Bulk Sales Loading<br>Station |                | 0.01228 | Per Gallon   |

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