

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|                                  |   |            |
|----------------------------------|---|------------|
| ELECTRONIC PURCHASED WATER       | ) | CASE NO.   |
| ADJUSTMENT FILING OF CANNONSBURG | ) | 2025-00383 |
| WATER DISTRICT                   | ) |            |

ORDER

On December 1, 2025, Cannonsburg Water District (Cannonsburg 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>

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.

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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.

## DISCUSSION AND FINDINGS

Cannonsburg District purchases water from the city of Ashland (Ashland). Ashland notified Cannonsburg District that its wholesale rate would increase by \$0.60, or 16.48 percent, from \$3.64 per 1,000 gallons to \$4.24 per 1,000 gallons, effective January 1, 2026.<sup>2</sup> Cannonsburg District proposes to increase the water rates to its customers effective January 1, 2026, to reflect the increased cost of purchased water from Ashland.

### 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, Cannonsburg District reported a water loss of 17.5224 percent.<sup>3</sup> In its 2023 Annual Report filed with the Commission, Cannonsburg District reported a water loss of 20.3365 percent.<sup>4</sup> In its 2024 Annual Report filed with the Commission, Cannonsburg District reported a water loss of 11.4442 percent.<sup>5</sup> Cannonsburg District's three-year water loss average is 16.4344%.<sup>6</sup> The

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<sup>2</sup> TFS2024-00584 (Ky. PSC December 27, 2024); Cannonsburg District submitted the tariff on December 27, 2024, and the tariff was accepted for filing by the Commission by letter dated January 24, 2025, with an effective date of February 1, 2025.

<sup>3</sup> *Annual Report of Cannonsburg District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

<sup>4</sup> *Annual Report of Cannonsburg District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

<sup>5</sup> *Annual Report of Cannonsburg District to the Public Service Commission for the Year Ended December 31, 2024* at 57.

<sup>6</sup>  $17.5224\% + 20.3365\% + 11.4442\% = 49.3031 / 3 \text{ years} = 16.4344\%$ .

approximate annual cost of Cannonsburg District's water loss, based on a three-year average, is \$241,173.78.<sup>7</sup>

In Case No. 2011-00217, Cannonsburg District, was approved to start collecting a water loss surcharge and create a plan to reduce its unaccounted-for water loss. On August 07, 2014, the Commission opened Case No. 2014-00267, to monitor Cannonsburg District administration of the water loss surcharge and water loss reduction efforts. Case No. 2014-00267 remains open.

### Financial Condition and Rates

Cannonsburg District's financial snapshot for 2020 through 2024 is presented in the table below. Cannonsburg District's last alternative rate filing (ARF) in Case No. 2024-00155 (2022 test year) resulted in an increase of \$488,538 or 17.78 percent.<sup>8</sup> Rate based income (adjusted net income minus principal payments) was -\$423,533 in 2024. On a pro forma basis with inclusion of the rate increase that was approved, rate based income would have been \$65,005. The Commission recommends Cannonsburg District file an alternative rate adjustment application at least every three to five years depending on financial performance.

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<sup>7</sup> Total water cost at new wholesale rate of \$1,467,493.68 times 16.4344% water loss equals \$241,173.78.

<sup>8</sup> See Case No. 2024-00155, *Electronic Application of Cannonsburg Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC April 8, 2024), final Order.

| Description / Year   | Audited<br>2020   | Audited<br>2021   | Audited<br>2022   | Audited<br>2023   | Audited<br>2024     | Pro Forma<br>2024 |
|--|-------------------|-------------------|-------------------|-------------------|---------------------|-------------------|
| <b>Adjusted Net Income</b>                                       |                   |                   |                   |                   |                     |                   |
| Net Income / (Loss) before Contributions                         | \$ 683,492        | \$ 22,322         | \$ 235,178        | \$ 327,101        | \$ (36,715)         | \$ (187,771)      |
| Other Non-recurring Items ( )                                    | (16,675)          | (16,500)          | (21,075)          | (25,336)          | (32,050)            | 488,538           |
| Non-Cash Pension and OPEB Expense / (Income)                     | 115,785           | 41,544            | 55,402            | (54,850)          | (119,006)           |                   |
| <b>Adjusted Net Income / (Loss) before Contributions</b>         | <b>\$ 782,602</b> | <b>\$ 47,366</b>  | <b>\$ 269,505</b> | <b>\$ 246,915</b> | <b>\$ (187,771)</b> | <b>\$ 300,767</b> |
| Subtract: Principal Payments ( )                                 | (43,000)          | (48,000)          | (222,423)         | (228,560)         | (235,762)           | (235,762)         |
| <b>Rate Based Income</b>   | <b>\$ 739,602</b> | <b>\$ (634)</b>   | <b>\$ 47,082</b>  | <b>\$ 18,355</b>  | <b>\$ (423,533)</b> | <b>\$ 65,005</b>  |
| Add: Depreciation Expense  | 198,163           | 261,479           | 271,042           | 266,497           | 262,064             | 262,064           |
| <b>Cash Basis Income</b>   | <b>\$ 937,765</b> | <b>\$ 260,845</b> | <b>\$ 318,124</b> | <b>\$ 284,852</b> | <b>\$ (161,469)</b> | <b>\$ 327,069</b> |
| <b>Cash and Investments</b>                                      |                   |                   |                   |                   |                     |                   |
| Unrestricted Cash and Investments                                | \$ 577,896        | \$ 721,383        | \$ 985,501        | \$ 1,339,254      | \$ 1,318,998        |                   |
| Restricted Funds (exclude construction funds from bond proceeds) | 1,137,550         | 1,108,062         | 1,149,417         | 1,101,147         | 933,246             |                   |
| Adjusted Cash Balances   | 1,715,446         | 1,829,445         | 2,134,918         | 2,440,401         | 2,252,244           |                   |
| Net Increase (Decrease) in Cash                                  | \$ (248,672)      | \$ 113,999        | \$ 305,473        | \$ 305,483        | \$ (188,157)        |                   |
| <b>Selected Statistical Information (PSC Annual Reports)</b>     |                   |                   |                   |                   |                     |                   |
| Customer Count   | 3,627             | 3,772             | 3,750             | 3,735             | 3,800               |                   |
| Gallons Purchased  | 383,636           | 319,950           | 329,001           | 358,581           | 354,992             |                   |
| Gallons Sold   | 243,015           | 249,927           | 268,790           | 281,513           | 311,670             |                   |
| Gallons Used for Internal Use                                    | 3,208             | 2,306             | 2,562             | 4,145             | 2,696               |                   |
| Water Loss Gallons   | 137,413           | 67,717            | 57,649            | 72,923            | 40,626              |                   |
| System Use Percentage  | 0.84%             | 0.72%             | 0.78%             | 1.16%             | 0.76%               |                   |
| Water Loss Percentage  | 35.8186%          | 21.1649%          | 17.5224%          | 20.3365%          | 11.4442%            |                   |
| Per Cust Per Month Gallons                                       | 5,583             | 5,522             | 5,973             | 6,281             | 6,835               |                   |
| Metered Water Revenue  | \$ 3,344,525      | \$ 2,827,688      | \$ 3,015,525      | \$ 3,150,529      | \$ 2,925,914        |                   |
| Purchased Water Expense  | 1,089,595         | 928,752           | 950,237           | 1,065,516         | 1,076,157           |                   |
| Purchased Water Expense Over 15% Water Loss                      | 226,838           | 57,256            | 23,969            | 56,862            | 0                   |                   |
| Water Loss Expense Over 15% as Percentage of Total Revenue       | 6.78%             | 2.02%             | 0.79%             | 1.80%             | 0.00%               |                   |

## Purchased Water Adjustment Factor

In its application, Cannonsburg District proposed a purchased water adjustment factor of \$0.69 per 1,000 gallons. During the 12 months ended October 31, 2025, Cannonsburg District purchased 346,107,000 gallons of water from Ashland and sold 301,545,000 gallons of water to its customers. The increase in the cost of purchased water from Ashland is \$207,664.20, resulting in a purchased water adjustment factor of \$0.69 per 1,000 gallons.

The Commission finds the purchased water adjustment factor of \$0.69 per 1,000 gallons, as calculated in Appendix A, and the rates set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by Cannonsburg District on and after January 1, 2026, because the rates are supported by

evidence of the increase in rates from Cannonsburg District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

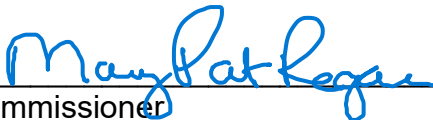
IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.69 per 1,000 gallons is approved.
2. The rates proposed by Cannonsburg District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Cannonsburg District on and after January 1, 2026.
4. Within 20 days of the date of service of this Order, Cannonsburg 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.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Commissioner

  
Commissioner

ATTEST:

  
Executive Director



# APPENDIX A

## APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00383 DATED DEC 23 2025

|                                   | Base Rate           | New Rate            | Change            |
|-----------------------------------|---------------------|---------------------|-------------------|
| <u>City of Ashland</u>            |                     |                     |                   |
| Purchases in Gallons              | 346,107,000         | 346,107,000         |                   |
| Rate per 1,000 Gallons            | <u>\$3.64/1,000</u> | <u>\$4.24/1,000</u> |                   |
| Subtotal                          | \$1,259,829.48      | \$1,467,493.68      | \$207,664.20      |
| Total                             | \$1,259,829.48      | \$1,467,493.68      |                   |
| Increased water cost              |                     |                     | \$207,664.20      |
| Increased water cost              |                     | \$207,664.20        |                   |
| Divided by Gallons sold/1,000     |                     | <u>301,545,000</u>  |                   |
| Purchased water adjustment factor |                     | \$0.6887            | per 1,000 Gallons |
|                                   |                     | or \$ 0.00069       | per Gallon        |

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00383 DATED DEC 23 2025

The following rates and charges are prescribed for the customers in the area served by Cannonsburg 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-Inch x 3/4-Inch Meter

|       |                 |         |              |
|-------|-----------------|---------|--------------|
| First | 2,000 Gallons   | \$33.36 | Minimum Bill |
| Next  | 3,000 Gallons   | 0.01301 | Per Gallon   |
| Next  | 15,000 Gallons  | 0.01210 | Per Gallon   |
| Next  | 30,000 Gallons  | 0.01130 | Per Gallon   |
| Next  | 50,000 Gallons  | 0.01087 | Per Gallon   |
| Over  | 100,000 Gallons | 0.00975 | Per Gallon   |

##### 1-Inch Meter

|       |                 |         |              |
|-------|-----------------|---------|--------------|
| First | 5,000 Gallons   | \$72.41 | Minimum Bill |
| Next  | 15,000 Gallons  | 0.01210 | Per Gallon   |
| Next  | 30,000 Gallons  | 0.01130 | Per Gallon   |
| Next  | 50,000 Gallons  | 0.01087 | Per Gallon   |
| Over  | 100,000 Gallons | 0.00975 | Per Gallon   |

##### 2-Inch & 3-Inch Meters

|       |                 |          |              |
|-------|-----------------|----------|--------------|
| First | 20,000 Gallons  | \$253.79 | Minimum Bill |
| Next  | 30,000 Gallons  | 0.01130  | Per Gallon   |
| Next  | 50,000 Gallons  | 0.01087  | Per Gallon   |
| Over  | 100,000 Gallons | 0.00975  | Per Gallon   |

##### 6-Inch Meter

|       |                 |          |              |
|-------|-----------------|----------|--------------|
| First | 50,000 Gallons  | \$592.64 | Minimum Bill |
| Next  | 50,000 Gallons  | 0.01087  | Per Gallon   |
| Over  | 100,000 Gallons | 0.00975  | Per Gallon   |



12-Inch Meter

|       |                 |            |              |
|-------|-----------------|------------|--------------|
| First | 100,000 Gallons | \$1,135.94 | Minimum Bill |
| Over  | 100,000 Gallons | 0.00975    | Per Gallon   |

Wholesale

|      |         |              |
|------|---------|--------------|
| Rate | 0.00718 | Minimum Bill |
|------|---------|--------------|

Leak Adjustment

|      |         |              |
|------|---------|--------------|
| Rate | 0.00713 | Minimum Bill |
|------|---------|--------------|

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