

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF LYON COUNTY)	2025-00250
WATER DISTRICT)	

ORDER

On July 17, 2025, Lyon County Water District (Lyon 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

Lyon District purchases water from the city of Kuttawa (Kuttawa), Princeton Water and Wastewater (Princeton), the city of Eddyville (Eddyville), and Barkley Lake Water District (Barkley Lake District). Princeton notified Lyon District that its wholesale rate would increase by \$0.321 per 1,000 gallons or 8.96 percent, from \$3.583 to \$3.904,

effective January 1, 2025.¹ This is phase 2 of a 3 phase increase. Eddyville notified Lyon District that its wholesale rate would increase by \$0.13 per 1,000 gallons, or 3.09 percent, from \$4.21 to \$4.34 effective June 15, 2024.² Lyon District proposes to increase the water rates to its customers effective August 1, 2025, to reflect the increased cost of purchased water from Princeton and Eddyville. Barkley Lake and Kuttawa did not propose any rate changes to Lyon 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, Lyon District reported a water loss of 19.3081 percent.³ In its 2023 Annual Report filed with the Commission, Lyon District reported a water loss of 16.2155 percent.⁴ In its 2022 Annual Report filed with the Commission, Lyon District reported a water loss of 14.7491 percent.⁵ Lyon

¹ TFS2023-00375 (Ky. PSC August 16, 2023); Princeton Water and Wastewater submitted the tariff on August 16, 2023, and the tariff was accepted for filing by the Commission by letter dated December 11, 2023, with an effective date of January 1, 2024.

² TFS2024-00210 (Ky. PSC May 8, 2024); the City of Eddyville submitted the tariff on May 8, 2024, and the tariff was accepted for filing by the Commission by letter dated June 11, 2024, with an effective date of June 15, 2024.

³ *Annual Report of Lyon District to the Public Service Commission for the Year Ended December 31, 2024* at 58. The 2024 Annual report has not yet been uploaded to the PSC website.

⁴ *Annual Report of Lyon District to the Public Service Commission for the Year Ended December 31, 2023* at 58.

⁵ *Annual Report of Lyon District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

District's three-year water loss average is 16.7576 percent.⁶ The approximate annual cost of Lyon District's average water loss, based on a three-year average, is \$89,680.65.⁷

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

Financial Condition and Rates

Based on a review of Commission records, Lyon District last sought a rate adjustment, filed pursuant to the alternative rate adjustment procedures, in Case No. 2023-00352 (2022 test year),⁸ which resulted in an increase to Lyon District's rates of \$192,953 or 13.48 percent. Approximately 25 percent, or \$48,238 of the \$192,953 increase in Lyon District's rates was realized in 2024 while the remaining \$144,715 will be realized in 2025. Based upon a review of the annual reports and audited financial statements filed with the Commission, Lyon District's rate-based income (adjusted net income minus principal payments) was negative in each of the years. Rate-based income was negative due to significant debt payments. Cash basis income (rate-based income plus depreciation expense) was negative in 2020 and 2024 but was positive in 2021 through 2023. A chart summarizing rate based and cash-based income is presented below.

⁶ $19.3081 + 16.2155 + 14.7491 = 50.2727 / 3 \text{ years} = 16.7576\%$.

⁷ Total water cost at new wholesale rate of \$535,164.04 times 16.7576% water loss equals \$89,680.65.

⁸ Case No. 2023-00352, *Electronic Application of Lyon County Water District for an Alternative Rate Filing Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 9, 2024), final Order.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Annual Report 2024
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ (214,321)	\$ (50,022)	\$ 39,214	\$ (14,758)	\$ (131,425)
Other Non-recurring Items ()	0	0	(55,882)	0	(14,576)
Non-Cash Pension and OPEB Expense / (Income)	39,886	(39,663)	(48,432)	(43,814)	1
Adjusted Net Income / (Loss)	\$ (174,435)	\$ (89,685)	\$ (65,100)	\$ (58,572)	\$ (146,000)
Subtract: Principal Payments ()	(184,083)	(226,927)	(160,814)	(212,681)	(210,427)
Rate Based Income	\$ (358,518)	\$ (316,612)	\$ (225,914)	\$ (271,253)	\$ (356,427)
Add: Depreciation Expense	338,856	334,418	335,979	325,103	317,076
Cash Basis Income	\$ (19,662)	\$ 17,806	\$ 110,065	\$ 53,850	\$ (39,351)
Cash Basis Income as Percent of Depreciation	-6%	5%	33%	17%	-12%
Capital Spending	\$ 53,099	\$ 101,295	\$ 31,024	\$ 62,331	\$ -
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 241,100	\$ 194,956	\$ 229,058	\$ 267,237	\$ 485,856
Restricted Funds	285,904	292,042	255,659	321,043	0
Adjusted Cash Balances	527,004	486,998	484,717	588,280	485,856
Net Increase (Decrease) in Cash	\$ (90,777)	\$ (40,006)	\$ (2,281)	\$ 103,563	\$ (102,424)
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	2,705	2,751	2,905	2,842	2,837
Gallons Purchased	136,372	124,400	130,598	132,139	146,467
Gallons Sold	92,365	86,549	101,901	102,022	98,527
Gallons Used for Internal Use	16,973	10,198	9,435	8,690	19,660
Water Loss Gallons	27,034	27,653	19,262	21,427	28,280
System Use Percentage	12.45%	8.20%	7.22%	6.58%	13.42%
Water Loss Percentage	19.8237%	22.2291%	14.7491%	16.2155%	19.3081%
Gallons Sold Per Customer Per Month	2,846	2,622	2,923	2,991	2,894
Revenues from the Sale of Water	\$ 1,264,850	\$ 1,313,827	\$ 1,423,089	\$ 1,472,325	\$ 1,524,216
Purchased Water Expense	410,230	421,655	431,242	433,744	512,670
Purchased Water Expense Over 15% Water Loss	19,788	30,482	0	5,272	22,086
Water Loss Expense Over 15% as Percentage of Water Revenue	1.56%	2.32%	0.00%	0.36%	1.45%

The Commission recommends Lyon District continue to monitor its operating performance annually and consider filing future rate cases at least 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, Lyon District proposed a purchased water adjustment factor of \$0.24 per 1,000 gallons. During the 12 months ended June 30, 2025, Lyon District purchased 38,021,100 gallons of water from Kuttawa, 53,260,066 gallons of water from

Princeton, 29,831,000 gallons of water from Eddyville, and 28,097,600 gallons of water from Barkley Lake District. During the same 12 months, Lyon District sold 89,254,100 gallons of water to its customers. The increase in the cost of purchased water from Princeton and Eddyville is \$20,974.51, resulting in a purchased water adjustment factor of \$0.24 per 1,000 gallons.

The purchased water adjustment factor of \$0.24 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 Lyon District on and after August 1, 2025. The rates set forth in Appendix B are fair, just and reasonable because they are supported by evidence of the increase in rates from Lyon 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 \$0.24 per 1,000 gallons is approved.
2. The rates proposed by Lyon District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Lyon District on and after August 1, 2025.
4. Within 20 days of the date of service of this Order, Lyon 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:

 RP
Executive Director



Case No. 2025-00250

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00250 DATED AUG 14 2025

	Base Rate	New Rate	Change
<u>Kuttawa</u>			
Purchases in Gallons	38,021,100	38,021,100	
Rate per 1,000 Gallons	<u>\$3.125/1,000</u>	<u>\$3.125/1,000</u>	
Subtotal	\$118,815.94	\$118,815.94	\$0.00
<u>Princeton</u>			
Purchases in Gallons	53,260,066	53,260,066	
Rate per 1,000 Gallons	<u>\$3.583/1,000</u>	<u>\$3.904/1,000</u>	
Sub-total	\$190,830.82	\$207,927.30	\$17,096.48
<u>Eddyville</u>			
Purchases in Gallons	29,831,000	29,831,000	
Rate per 1,000 Gallons	<u>\$4.21/1,000</u>	<u>\$4.34/1,000</u>	
Sub-total	\$125,588.51	\$129,466.54	\$3,878.03
<u>Barkley Lake District</u>			
Purchases in Gallons	28,097,600	28,097,600	
Rate per 1,000 Gallons	<u>\$2.81/1,000</u>	<u>\$2.81/1,000</u>	
Sub-total	\$78,954.26	\$78,954.26	\$0.00
Total	\$514,189.53	\$535,164.04	
Increased water cost			\$20,974.51
Increased water cost		\$20,974.51	
Divided by Gallons sold/1,000		<u>89,254,100</u>	
Purchased water adjustment factor		\$0.2350	per 1,000 Gallons
		or \$ 0.00024	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00250 DATED AUG 14 2025

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

First	2,000 Gallons	\$31.47	Minimum Bill
Next	3,000 Gallons	0.01347	Per Gallon
Next	5,000 Gallons	0.00972	Per Gallon
Next	10,000 Gallons	0.00822	Per Gallon
Over	20,000 Gallons	0.00732	Per Gallon

1-Inch Meter

First	15,000 Gallons	\$150.25	Minimum Bill
Next	5,000 Gallons	0.00822	Per Gallon
Over	20,000 Gallons	0.00732	Per Gallon

1 1/2-Inch Meter

First	25,000 Gallons	\$205.33	Minimum Bill
Over	25,000 Gallons	0.00732	Per Gallon

2-Inch Meter

First	45,000 Gallons	\$369.57	Minimum Bill
Over	45,000 Gallons	0.00732	Per Gallon

*Lyon County Water District
5464 U. S. Highway 62 West
P. O. Box 489
Kuttawa, KY 42055

*Mathew Blane
Superintendent
Lyon County Water District
5464 U. S. Highway 62 West
P. O. Box 489
Kuttawa, KY 42055

*Jason Pennell
Kentucky Rural Water Association
Post Office Box 1424
1151 Old Porter Pike
Bowling Green, KY 42102-1424