

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTH)	
EASTERN WATER ASSOCIATION, INC. FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	CASE NO.
NECESSITY AND FINANCING OF THE U.S. 27)	2025-00375
WATER LINE REPLACEMENT PROJECT)	
PURSUANT TO THE PROVISIONS OF)	
KRS 278.020, KRS 278.300, AND 807 KAR 5:001)	

ORDER

On April 2, 2026, South Eastern Water Association, Inc. (South Eastern Water) filed a motion pursuant to 807 KAR 5:001, Section 19, requesting a deviation from the requirements of 807 KAR 5:076, Section 2(1), to permit it to use the alternative rate filing procedures set forth in 807 KAR 5:076 to apply for an adjustment of its rates or in the alternative, an extension of time to file its application pursuant to 807 KAR 5:001.¹ No objections to the requested deviation have been filed.

BACKGROUND

South Eastern Water is a water association organized pursuant to KRS Chapter 273 and provides retail water service to customers in Pulaski County, Kentucky.² South Eastern Water's most recent annual report reflects that its gross annual revenues exceed the \$5,000,000 threshold established in 807 KAR 5:076, Section 2(1).³ Accordingly,

¹ South Eastern Water Association's Motion for Deviation (Motion) (filed Apr. 2, 2026).

² *Annual Report of South Eastern Water to the Public Service Commission for the Year Ending December 31, 2024* (2024 Annual Report), at 12 and 49.

³ Motion at 3 and Exhibit 1.

absent a deviation, South Eastern Water would be required to seek a rate adjustment pursuant to 807 KAR 5:001, Section 16.

LEGAL STANDARD

Commission regulation 807 KAR 5:076, Section 2 sets the guidelines for when a utility can file an alternative rate adjustment. The regulation states:

A utility may apply for an adjustment of rates using the procedure established in this administrative regulation if it: (1) Had a gross annual revenue in the immediate past calendar year of \$5,000,000 or less; (2) Maintained financial records fully separated from a commonly-owned enterprise; and (3) Filed with the commission fully completed annual reports for the immediate past year and for the two (2) prior years if the utility has been in existence that long.⁴

Commission regulation 807 KAR 5:076, Section 17, provides the Commission with the authority to permit deviations from this regulation for good cause shown. The Commission granted deviations of this nature on previous occasions.⁵

⁴ 807 KAR 5:076, Section 2.

⁵ Case No. 1992-00407, *In the Matter of the Notice of Gas Cost Adjustment Filing of Valley Gas, Inc.* (Ky. PSC Apr. 22, 1997); Case No. 1995-00231, *In the Matter of the Application of Valley Gas, Inc. for an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Dec. 4, 1995); Case No. 1996-00617, *In the Matter of the Application of East Knox County Water District for a Rate Adjustment Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Nov. 24, 1997); Case No. 2001-00009, *The Application of Valley Gas, Inc. for an Alternative Rate Filing* (Ky. PSC Mar. 14, 2001); Case No. 2003-00237, *Application of Ledbetter Water District for an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Sept. 16, 2003); Case No. 2004-00038, *Application of Black Mountain Utility District for an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Apr. 7, 2004); Case No. 2004-00376, *Application of Hendron Water District for a Declaratory Ruling Authorizing Applicant to Collect Payment of Sewer Service Bills on Behalf of the Paducah-McCracken County Joint Sewer Authority and to Discontinue Water Service for Non-Payment* (Ky. PSC Dec. 17, 2004); Case No. 2006-00012, *Application of Valley Gas, Inc. for an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Mar. 29, 2006); Case No. 2007-00476, *Application of Garrison-Quincy-Ky-O-Heights Water District for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Feb. 4, 2008); Case No. 2009-00367, *Application of Kentucky American Water Company for an Adjustment of Sewer Rates Pursuant to the Alternative Rate Filing Procedure* (Ky. PSC Dec. 8, 2009); Case No. 2011-00364, *Alternative Rate Filing Adjustment of Bluegrass Gas Sales, Inc.* (Ky. PSC July 17, 2012); Case No. 2022-00410, *Electronic Application of Hardin County Water District No. 1 for a Declaratory Order Regarding the use of the Procedures set forth in 807 KAR 5:076 to Apply for an Adjustment of the Rates of its Radcliff*

DISCUSSION AND FINDINGS

The record reflects that South Eastern Water provides retail water service to approximately 8,319 residential and 16 commercial customers in Pulaski County, Kentucky, as well as providing wholesale water service to the city of Burnside, Kentucky.⁶ South Eastern Water last adjusted its rates pursuant to the alternative rate filing procedure in Case No. 2021-00126, which resulted in an increase of approximately 6.39 percent.⁷ Since that time, South Eastern Water's financial condition was reviewed by the Commission in Case No. 2025-00375.⁸ In that proceeding, the Commission noted that South Eastern Water's rate-based income has reflected a net loss over multiple years, even after implementation of its most recent rate adjustment, and that additional revenues may be necessary to support ongoing operations and infrastructure needs. As a result, the Commission required South Eastern Water to file a rate adjustment application or otherwise justify its existing rates by August 31, 2026.⁹

South Eastern Water argues that, aside from exceeding the revenue threshold, it substantially meets the requirements for the alternative rate filing procedure.¹⁰ The record supports that South Eastern Water has consistently filed annual reports with the

Wastewater Sewer System for Sewer Service, or in the alternative, a Deviation from 807 KAR 5:076, Section 2(1) (Ky. PSC Feb. 10, 2023).

⁶ *Annual Report of South Eastern Water Association to the Kentucky Public Service Commission for the Year-Ended December 31, 2025* (2025 Annual Report) at 12 and 49.

⁷ Case No. 2021-00126, *Electronic Application of South Eastern Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076*, (Ky. PSC Sept. 17, 2021).

⁸ Final Order (Ky. PSC Jan. 29, 2026).

⁹ Final Order (Ky. PSC Jan. 29, 2026) at 14.

¹⁰ Motion at 5-6.

Commission and maintains financial records sufficient for Commission review.¹¹ In the alternative, should the Commission not grant a deviation, South Eastern Water requested an extension of time to file its application for a general rate adjustment.¹²

The Commission notes that South Eastern Water's revenues exceed the \$5,000,000 threshold; however, the Commission finds that the evidence indicates that its revenues remain within a range that is reasonably close to that threshold and that its financial and operational characteristics are consistent with utilities that typically utilize the alternative rate filing process.¹³

The Commission further finds that allowing South Eastern Water to proceed under 807 KAR 5:076 will not impede the Commission's ability to perform its statutory duties. The alternative rate filing procedure provides sufficient information and regulatory oversight to evaluate the reasonableness of the utility's rates, particularly given the Commission's recent review of South Eastern Water's financial condition.

Based on the foregoing, the Commission finds that South Eastern Water meets the requirements for the alternative rate filing procedure in all material respects except for the revenue threshold and that the exceedance of that threshold, standing alone, does not warrant requiring a full rate case under 807 KAR 5:001, Section 16. Accordingly, the Commission finds that good cause exists to grant South Eastern Water's request for a deviation pursuant to 807 KAR 5:076, Section 17, and that South Eastern Water should

¹¹ Motion at 3.

¹² Motion at 8.

¹³ Motion at 5-7.

be permitted to use the alternative rate filing procedure set forth in 807 KAR 5:076, Section 2 to apply for a rate adjustment.

Based on the granting of a deviation, the Commission finds the request for an extension of time moot.

IT IS THEREFORE ORDERED that:

1. South Eastern Water's request for a deviation from 807 KAR 5:076, Section 2(1), is granted.
2. South Eastern Water is authorized to use the alternative rate filing procedures set forth in 807 KAR 5:076, Section 2 to apply for an adjustment of its rates.
3. South Eastern Water's request for an extension of time is denied as moot.
4. All provisions of the Commission's January 29, 2026 Order that are not inconsistent with this Order, including the deadline and use of the 2025 test year requirements, shall remain in full force and effect.

Entered on this 11th day of May, 2026.


PUBLIC SERVICE COMMISSION



Angie Halton
Chair



Mary Pat Regan
Commissioner



Andrew W. Wood
Commissioner

ATTEST:



Linda C. Bridwell, PE
Executive Director

Case No. 2025-00375

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