

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF JESSAMINE COUNTY)	2026-00011
WATER DISTRICT NO. 1)	

O R D E R

On January 13, 2026, Jessamine County Water District #1 (Jessamine District #1) filed for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068.¹

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.

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.

DISCUSSION AND FINDINGS

Jessamine District #1 purchases water from Kentucky American Water Company (Kentucky-American) and the city of Nicholasville (Nicholasville).² Kentucky-American notified Jessamine District #1 that its 6" Master Meter Minimum Bill would increase by \$116.40, or 13.3 percent, from \$873.00 to \$989.40 and its Sale for Resale rate would increase by \$3.3564, or 67.77 percent, from \$4.9527 per 1,000 gallons to \$8.3091 per 1,000 gallons effective December 16, 2025.³ Nicholasville did not propose any rate changes. Jessamine District #1 proposes to increase water rates to its customers effective February 15, 2026, to reflect the increased cost of purchased water from Kentucky-American.

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 #1 reported a water loss of 10.4839 percent.⁴ In its 2023 Annual Report filed with the Commission, Jessamine District #1 reported a water loss of 4.2951 percent.⁵ In its 2024 Annual Report filed with the Commission, Jessamine District #1 reported a water loss of

² Application, 2026_pwa_KYAM_rate_increase_application.pdf.

³ Case No. 2025-00122, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (Ky. PSC Dec. 16, 2025), Order, Appendix B.

⁴ *Annual Report of Jessamine District #1 to the Public Service Commission for the Year Ended December 31, 2022* at 57.

⁵ *Annual Report of Jessamine District #1 to the Public Service Commission for the Year Ended December 31, 2023* at 57.

10.8160 percent.⁶ Jessamine District #1's three-year water loss average is 8.5317 percent.⁷ The cost of Jessamine District #1's total water loss using a three-year average is \$156,967.11.⁸ The Commission commends Jessamine District #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 #1 has never sought a general base rate adjustment. Jessamine District #1's only rate increases have occurred through purchased water adjustment (PWA) filings or 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 a limited review of 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.⁹ While Jessamine District #1 was not a party to proceeding, the recommendations are appropriate for all water utilities to follow. A key recommendation from that proceeding was that water districts should monitor the

⁶ Annual Report of Jessamine District #1 to the Public Service Commission for the Year Ended December 31, 2024 at 57.

⁷ $10.4839\% \text{ (2022)} + 4.2951\% \text{ (2023)} + 10.8160\% \text{ (2024)} = 25.5950 / 3 \text{ years} = 8.5317\%.$

⁸ Total water cost at new wholesale rate of \$1,839,810.52 times 8.5317% water loss equals \$156,967.11.

⁹ Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities*, (Ky. PSC Nov. 22, 2019), Order.

sufficiency of their base rates closely and, in general, apply for base rate adjustments on a more frequent basis.¹⁰

Jessamine District #1 received approval for a 2.91 percent rate increase pursuant to KRS 278.023 in Case No. 2022-00134.¹¹ Based upon a review of the annual and audit reports filed with the Commission, Jessamine District #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.

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

¹¹ Case No. 2022-00134, *Electronic Application of Jessamine County Water District No. 1 for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC June 20, 2022), Order.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Audited 2024
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	\$ 440,773
<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	1,757,364	1,967,622	1,852,169	1,830,795	2,248,942
Adjusted Cash Balances	1,837,639	2,156,471	2,218,441	2,268,017	2,797,044
Net Increase (Decrease) in Cash	\$ 159,879	\$ 318,832	\$ 61,970	\$ 49,576	\$ 529,027
<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	12,729	31,350
System Use Percentage	3.0867%	8.5137%	3.2248%	6.3564%	10.5130%
Water Loss Percentage	12.9191%	7.8958%	10.4839%	4.2951%	9.0188%
Average Gallons Per Customer Per Month	7,169	7,166	7,991	8,158	8,242
Revenue	\$ 1,996,840	\$ 2,136,680	\$ 2,407,311	\$ 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 #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 #1 proposed a PWA factor of \$1.49 per 1,000 gallons. During the 12 months ended November 2025, Jessamine District #1 purchased 120,420,000 gallons of water from Kentucky-American and 233,058,000 gallons of water from Nicholasville and sold 272,858,000 gallons of water to its customers. The increase

in the cost of purchased water from Kentucky-American is \$405,574.49, resulting in a purchased water adjustment factor of \$1.49 per 1,000 gallons. No rate changes occurred from Nicholasville.

The PWA factor of \$1.49 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 #1 on and after February 15, 2026, because the rates are supported by evidence of the increase in rates from Jessamine District #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 \$1.49 per 1,000 gallons is approved.
2. The rates proposed by Jessamine District #1 are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Jessamine District #1 on and after February 15, 2026.
4. Within 20 days of the date of service of this Order, Jessamine District #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:

Linda Bridwell *RP*
Executive Director

ENTERED
FEB 12 2026
AB
KENTUCKY PUBLIC SERVICE COMMISSION

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00011 DATED FEB 12 2026

	Base Rate	New Rate	Change
<u>Nicholasville</u>			
Purchases in Gallons	233,058,000	233,058,000	
Rate per 1,000 Gallons	<u>\$3.55/1,000</u>	<u>\$3.55/1,000</u>	
Subtotal	\$827,355.90	\$827,355.90	\$0.00
<u>KAWC</u>			
Purchases in Gallons	120,420,000	120,420,000	
Rate per 1,000 Gallons	<u>\$4.9527/1,000</u>	<u>\$8.3091/1,000</u>	
Subtotal	\$596,404.13	\$1,000,581.82	\$404,177.69
6-inch Meter Charge	\$174.60	\$197.88	
Number of Meters	5	5	
Monthly Service Charge	\$873.00	\$989.40	
Months	12	12	
Subtotal	\$10,476.00	\$11,872.80	<u>\$1,396.80</u>

Increased water cost	\$405,574.49
Divided by Gallons sold/1,000	<u>272,858,000</u>
Purchased water adjustment factor	\$1.4863 per 1,000 Gallons

or Aprox. \$ 0.00149 per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00011 DATED FEB 12 2026

The following rates and charges are prescribed for the customers in the area served by Jessamine County Water District #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	36.20	Minimum Bill
Next	7,000 Gallons	0.00895	Per Gallon
Over	10,000 Gallons	0.00873	Per Gallon

1-Inch Meter

First	5,000 Gallons	54.10	Minimum Bill
Next	5,000 Gallons	0.00895	Per Gallon
Over	10,000 Gallons	0.00873	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	98.85	Minimum Bill
Over	10,000 Gallons	0.00873	Per Gallon

2-Inch Meter

First	20,000 Gallons	186.15	Minimum Bill
Over	20,000 Gallons	0.00873	Per Gallon

4-Inch Meter

First	50,000 Gallons	448.05	Minimum Bill
Over	50,000 Gallons	0.00873	Per Gallon

6-Inch Meter

First	100,000 Gallons	884.55	Minimum Bill
Over	100,000 Gallons	0.00873	Per Gallon

*Carl Waits
Chairman
Jessamine County Water District #1
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Nicholasville, KY 40356-9702

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