

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF PARKSVILLE)	
WATER DISTRICT FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY TO)	
CONSTRUCT A SYSTEM IMPROVEMENTS)	CASE NO.
PROJECT AND AN ORDER APPROVING A)	2026-00081
CHANGE IN RATES AND AUTHORIZING THE)	
ISSUANCE OF SECURITIES PURSUANT TO)	
KRS 278.023)	

ORDER

On April 17, 2026 Parksville Water District (Parksville District) filed an application, pursuant to KRS 278.023, requesting a Certificate of Public Convenience and Necessity (CPCN) to replace multiple water lines, extend a line to allow for an additional interconnection with the city of Danville (Danville), update the existing Supervisory Control and Data Acquisition (SCADA) system, and to assess four, and rehabilitate three, of its water storage tanks.¹ Parksville District also sought approval of its plan to finance the proposed project via a loan agreement with the Rural Utilities Service (RUS) of the United States Department of Agriculture (USDA) Rural Development (RD).² This matter stands submitted for decision.

¹ Application, Exhibit A.

² Application, Exhibit B.

LEGAL STANDARD

Notwithstanding the Commission's general responsibilities and discretion regarding CPCNs as laid out in KRS 278.020(1), KRS 278.190, and KRS 278.300; KRS 278.023(1) requires the Commission to accept agreements between water districts and the USDA RD, and to issue the necessary orders to implement the terms of such agreements no later than 30 days after the application is filed with the Commission. Additionally, the Commission has no discretionary authority to modify or reject any portion of the agreement between RD and the water district, nor to defer the issuance of all necessary orders to implement the terms of that agreement. As explained in KRS 278.023(1), the Commission's review is truncated because federal financing of these projects entails prior review and oversight by a federal agency and obligates the utility to take certain actions; conflicting requirements between the federal agency and the Commission may jeopardize the project and place the utility in an untenable position.

Therefore, the Commission is unable to review this application utilizing the standards applicable in cases not filed pursuant to KRS 278.023. The legal standard established in KRS 278.023 requires that (1) the applicant be a water utility formed under KRS Chapter 74 or 273; and (2) the construction project must be funded in whole or in part under terms of an agreement between the water utility, RD or the United States Department of Housing and Urban Development. The Commission is not, however, prohibited by KRS 278.023 from requiring a utility seeking approval of such an agreement to subsequently file reports or other information in order to monitor the utility's ability to repay the loan, meet other financial or regulatory obligations, or otherwise establish its financial condition.

PROJECT DESCRIPTION

Parksville District is a water utility organized under KRS Chapter 74 that provides retail water service to approximately 1,672 residential customers and ten commercial customers³ located in Boyle, Casey, and Lincoln counties, Kentucky.⁴

Parksville District sought approval to replace water lines, extend a line for additional interconnections, update the existing SCADA system, and to assess four, and rehabilitate three, of its water storage tanks.⁵ The contract specifically described the scope of work as follows:

Funds will be used to replace multiple problematic lines/vulnerable areas, such as White Oak Rd and Cash Rd, extend the line for an additional interconnection with the City of Danville on Parksville Cross Pike, relocate the water main along Worthington Rd, assess four water storage tanks and rehabilitate three tanks, and update the existing SCADA system.⁶

Parksville District plans to finance the proposed projects via (1) the issuance of \$957,000 of its Waterworks Revenue Bonds, Series 2026, and (2) an American Rescue Plan Act grant in the amount of \$393,000.⁷ USDA RD committed to purchase the \$957,000 in bonds which will mature over a 40-year period, at an interest rate not to exceed 3.25 percent per annum.⁸

³ *Annual Report of Parksville District to the Public Service Commission for the Calendar Year Ended December 31, 2024* (2024 Annual Report) at 49.

⁴ 2024 Annual Report at 12.

⁵ Application, Exhibit A.

⁶ Application, Exhibit B at 2.

⁷ Application at 2.

⁸ Application, Exhibit B at 4.

The loan agreement sets forth rates intended to meet the cost of maintenance, repair, and operation of the system and to meet debt service obligations.⁹ For residential and commercial customers, RD requires an increase in rates of \$9.25 or 31.1 percent, from \$29.75 to \$39.00 for the first 1,000 gallons sold, along with a variable increase depending on gallons sold, ranging from 29.9 percent to 30.0 percent.¹⁰ Based on the average monthly usage per customer of 3,708 gallons, the average customer bill will increase \$14.37, or 30.7 percent, from \$46.81 to \$61.18.¹¹

DISCUSSION AND FINDINGS

Having considered the application and all evidence of record, the Commission finds that Parksville District's application should be approved pursuant to KRS 278.023. Parksville District is a water district organized under KRS Chapter 74 and the financing for the proposed project is subject to an agreement between Parksville District and RD. Therefore, the Commission finds that the CPCN is granted, and the plan of financing is approved.

Financial Conditions and Rates

Based on a review of Commission records, Parksville District's last rate increase occurred in Case No. 2015-00153,¹² a Purchased Water Adjustment (PWA), which

⁹ Application, Exhibit B at 4.

¹⁰ Application, Exhibit E.

¹¹ Application, Exhibit E.

¹² Case No. 2015-00153, *Purchased Water Adjustment Filing of Parksville Water District* (Ky. PSC June 3, 2015).

increased the average customer bill by 17.5 percent.¹³ Parksville District has not sought a general rate increase since Case No. 1990-00251 and has only increased its rates through federally-funded cases, pursuant to KRS 278.023, or PWAs, pursuant KRS 278.015.¹⁴

During the processing of this application the Commission performed a limited review of Parksville District's financial records that are on file for the immediately preceding five years. Parksville District's rate-based income, or adjusted net income minus principal payments, was negative all five years. Cash basis income, or rate-based income plus depreciation, was positive from 2021 through 2024 but negative in 2025. The Pro Forma, based on 2025 Annual Report amounts, shows that even with the required rate increase, rate-based income will continue to be negative. A chart summarizing cash basis and rate-based income is presented below. In 2025, Parksville District's system usage increased by 11.28 percent from 19.53 percent to 30.81 percent and has remained high across all five years.¹⁵

¹³ 72,748,010 Gallons Sold / 1,569 Customers / 12 Months = 3,684 Average Gallons Per Customer Per Month. Using this average gallons per customer per month, the average monthly customer bill would increase from \$40.68 to \$47.79, or 17.5%. Customer bill impact was not calculated in Case No. 2015-00153.

¹⁴ Case No. 1990-00251, *In the Matter of the Application of Parksville Water District for a Rate Adjustment Pursuant to the Alternative Rate Filing procedure for Small Utilities has been Received* (Ky. PSC Mar. 6, 1991).

¹⁵ 2024 Annual Report at 57; *Annual Report of Parksville Water District to the Public Service Commission for the Year Ended December 31, 2025* at 57.

Description / Year	Audited 2021	Audited 2022	Audited 2023	Audited 2024	*Annual Report 2025	Impact	Pro Forma
Adjusted Net Income							
Net Income / (Loss)	\$ (75,841)	\$ 59,882	\$ 564,453	\$ 401,265	\$ 169,889	\$ (24,063)	\$ 145,826
Interest Expense	56,551	54,368	52,074	49,741	47,251	-	47,251
Other Non-recurring Items (Asset Sales, Grant Proceeds)	5,061	(104,414)	(641,183)	(377,482)	(478,602)	-	(478,602)
<i>Additional Revenues Case # 2026-00081</i>	0	0	0	0	0	294,275	294,275
Adjusted Net Income / (Loss)	(14,229)	9,836	(24,656)	73,524	(261,462)	270,212	8,750
Interest Expense ()	(56,551)	(54,368)	(52,074)	(49,741)	(47,251)	n/a	(47,251)
Principal Payments ()	(47,800)	(50,900)	(50,900)	(51,500)	(55,700)	(43,094)	(98,794)
Subtract: Total Debt Service ()	(104,351)	(105,268)	(102,974)	(101,241)	(102,951)	(43,094)	(146,045)
Rate Based Income (Excludes Working Capital of 20%)	(118,580)	(95,432)	(127,630)	(27,717)	(364,413)	227,118	(137,295)
Add: Depreciation Expense	134,125	136,100	140,258	178,002	206,193	24,063	230,256
Cash Basis Income	\$ 15,545	\$ 40,668	\$ 12,628	\$ 150,285	\$ (158,220)	\$ 251,181	\$ 92,961
Cash Basis Income as Percent of Depreciation	12%	30%	9%	84%	-77%		
Capital Spending	\$ 78,978	\$ 28,000	\$ 655,707	\$ 169,178	\$ 532,775		
Cash and Investments							
Unrestricted Cash and Investments	\$ 147,255	\$ 205,024	\$ 195,489	\$ 509,259	\$ 368,754		
Restricted Funds	167,264	106,430	110,582	141,503	138,489		
Adjusted Cash Balances	314,519	311,454	306,071	650,762	507,243		
Net Increase (Decrease) in Cash	\$ (47,770)	\$ (3,065)	\$ (5,383)	\$ 344,691	\$ (143,519)		
Selected Statistical Information (PSC Annual Reports)							
Customer Count	1,639	1,654	1,667	1,682	1,680		
Gallons Purchased	124,230	117,183	120,220	131,426	156,911		
Gallons Sold	70,733	74,127	74,596	84,093	81,012		
Gallons Used for Internal Use	34,195	26,133	25,580	25,672	48,345		
Water Loss Gallons	18,582	16,923	20,044	21,661	27,554		
System Use Percentage	27.53%	22.30%	21.28%	19.53%	30.81%		
Water Loss Percentage	14.9577%	14.4415%	16.6728%	16.4815%	17.5603%		
Gallons Sold Per Customer Per Month	3,596	3,735	3,729	4,166	4,018		
Revenues from the Sale of Water	\$ 940,940	\$ 972,889	\$ 980,804	\$ 1,016,316	\$ 1,031,764		
Purchased Water Expense	337,344	330,536	324,988	354,718	421,132		
Purchased Water Expense Over 15% Water Loss	0	0	5,436	5,255	10,782		
Water Loss Expense Over 15% as Percentage of Water Revenue	0.00%	0.00%	0.55%	0.52%	1.05%		

*The 2025 Annual Report was submitted to the PSC on March 31, 2026, but has yet to be accepted by the Commission.

Based on the foregoing, the Commission finds that to ensure that its revenue is sufficient to support adequate and reliable service Parksville District should file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16; an application for an alternative rate adjustment pursuant to 807 KAR 5:076; or, in the alternative, file a formal motion with a detailed analysis of its rates and revenues and a statement of the reasons why a rate case is not necessary, no later than August 31, 2028, utilizing a 2027 test year. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Parksville District from finding.

IT IS THEREFORE ORDERED that:

1. Parksville District is granted a CPCN for the proposed project as submitted.
2. Parksville District's proposed plan of financing is approved.

3. Parksville District is authorized to execute the RD loan as provided.
4. For service rendered on or after the date of this Order, Parksville District shall charge rates, set forth in the Appendix attached to this Order, not to exceed the minimum rates required by the RD agreement but not less than its current rates.
5. Within 20 days of the date of service of this Order, Parksville District shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.
6. The proceeds of the loans shall be used only for the purposes specified in Parksville District's application.
7. Parksville District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
8. Parksville District shall file with the Commission documentation of the total costs of this project, including the cost of construction and all other capitalized costs (e.g., engineering, legal, and administrative), within 60 days of the date that construction is substantially completed. Construction costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.
9. Parksville District shall notify the Commission in writing one week prior to the actual start of construction.
10. Parksville District shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with

the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

11. Any documents filed in the future pursuant to ordering paragraphs 8 or 9 of this Order shall reference this case number and shall be retained in Parksville District's post-case correspondence file.

12. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Parksville District's showing of good cause for such extension.

13. On or before August 31, 2028, utilizing a 2027 test year, Parksville District shall file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16; an application for an alternative rate adjustment pursuant to 807 KAR 5:076; or, in the alternative, a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Parksville District from this requirement.

14. This case is closed and removed from the Commission's docket.

Nothing contained in this Order shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing, herein approved.

Entered on this 14th day of May, 2026.


PUBLIC SERVICE COMMISSION



Angie Hatton
Chair



Mary Pat Regan
Commissioner



Andrew W. Wood
Commissioner

ATTEST:

 RP

Linda C. Bridwell, PE
Executive Director

Case No. 2026-00081

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00081 DATED MAY 14 2026

The following rates and charges are prescribed for the customers in the area service by Parksville 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 Meter Sizes

First	1,000 Gallons	\$39.00 Minimum Bill
Next	4,000 Gallons	0.00819 Per Gallon
Next	5,000 Gallons	0.00855 Per Gallon
Over	10,000 Gallons	0.01019 Per Gallon

Service List for 2026-00081

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P.E.

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3 HMB Circle

Frankfort, KY 40601

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