

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF PENDLETON	)	2026-00147
COUNTY WATER DISTRICT	)	

ORDER

On June 11, 2026, Pendleton County Water District (Pendleton 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

Pendleton District purchases water from city of Falmouth (Falmouth) and Northern Kentucky Water District (Northern Kentucky District). Falmouth notified Pendleton District that its wholesale rate would increase by \$0.63 or 23.77 percent, from \$2.65 per 1,000

gallons to \$3.28 per 1,000 gallons effective June 12, 2026.¹ Northern Kentucky District did not propose changes to its rates. Pendleton District proposed to increase the water rates to its customers effective July 13, 2026, to reflect the increased cost of purchased water from Falmouth.

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 2023 Annual Report filed with the Commission, Pendleton District reported a water loss of 11.0516 percent.² In its 2024 Annual Report filed with the Commission, Pendleton District reported a water loss of 10.6728 percent.³ In its 2025 Annual Report filed with the Commission, Pendleton District reported a water loss of 7.8725 percent.⁴ Pendleton District's three-year water loss average is 9.8656%.⁵ The cost of Pendleton District's total water loss using a three-year water loss average is \$21,765.14.⁶ The Commission commends Pendleton District for keeping water loss

¹ TFS2026-00216 (Ky. PSC May 12, 2026). The tariff was accepted for filing by the Commission by letter dated June 12, 2026.

² *Annual Report of Pendleton District to the Public Service Commission for the Year Ended December 31, 2023* at 59.

³ *Annual Report of Pendleton District to the Public Service Commission for the Year Ended December 31, 2024* at 59.

⁴ *Annual Report of Pendleton District to the Public Service Commission for the Year Ended December 31, 2025* at 59. The Commission notes that the 2025 Annual Report has been filed but not yet accepted by the Commission, and thus, it is not currently available to the public.

⁵ $11.0516\% + 10.6728\% + 7.8725\% = 29.5969\% / 3 \text{ years} = 9.8656\%$.

⁶ Total water cost at new wholesale rate of \$220,616.47 times 9.8656% water loss equals \$21,765.14.

below 15 percent and encourages it to continue to pursue actions to reduce its unaccounted-for water loss.

Financial Condition and Rates

Pendleton District's financial snapshot for 2021 through 2025 is presented below. Based on a review of Commission records, Pendleton District last sought a base rate adjustment in Case No. 2019-00310, using 2018 as its test year, which became final on March 10, 2020, and reflected an increase of \$185,944, or 13.95 percent.⁷ Since 2020, Pendleton District has had only one other rate increase, which was due to a purchased water adjustment increase.⁸ Rate based income (adjusted net income minus principal payments) and cash basis income (rate based income plus depreciation) were positive in all years presented.

⁷ Case No. 2019-00310, *Application of Pendleton County Water District for an Alternative Rate Adjustment* (Ky. PSC Mar. 10, 2020), final Order.

⁸ Case No. 2025-00165, *Electronic Purchased Water Adjustment Filing of Pendleton County Water District* (Ky. PSC June 24, 2025), final Order.

Description / Year	Audited 2021	Audited 2022	Audited 2023	Audited 2024	Annual Report 2025
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ 1,151	\$ 232,270	\$ 382,101	\$ 344,715	\$ 185,617
Other Non-recurring Items ()	10,864	10,663	(9,130)	(25,079)	(223)
Non-Cash Pension and OPEB Expense / (Income)	68,295	(54,766)	(184,736)	(184,700)	(92,414)
Interest Expense	41,295	39,217	36,924	34,596	34,616
Adjusted Net Income / (Loss)	121,605	227,384	225,159	169,532	127,596
Interest Expense ()	(41,295)	(39,217)	(36,924)	(34,596)	(34,616)
Principal Payments ()	(69,000)	(59,000)	(64,000)	(64,500)	(49,500)
Subtract: Total Debt Service ()	(110,295)	(98,217)	(100,924)	(99,096)	(84,116)
Rate-Based Income (Excludes Working Capital of 20%)	11,310	129,167	124,235	70,436	43,480
Add: Depreciation Expense	238,247	238,948	266,732	291,541	299,374
Cash Basis Income	\$ 249,557	\$ 368,115	\$ 390,967	\$ 361,977	\$ 342,854
Rate Based Income as Percent of Water Revenues	1%	8%	7%	4%	3%
Cash Basis Income as Percent of Depreciation	105%	154%	147%	124%	115%
Capital Spending	\$ 194,102	\$ 356,826	\$ 798,290	\$ 288,514	\$ 212,880
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 229,260	\$ 435,634	\$ 445,188	\$ 509,423	\$ 212,276
Restricted Funds	1,625,623	1,365,836	1,472,117	1,568,538	2,057,818
Adjusted Cash Balances	1,854,883	1,801,470	1,917,305	2,077,961	2,270,094
Net Increase (Decrease) in Cash	\$ 154,310	\$ (53,413)	\$ 115,835	\$ 160,656	\$ 192,133
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	2,582	2,613	2,648	2,678	2,690
Gallons Purchased	162,506	165,372	159,733	158,009	150,142
Gallons Sold	138,331	137,711	138,672	137,741	135,494
Gallons Used for Internal Use	5,253	6,825	3,408	3,404	2,828
Water Loss Gallons	18,922	20,836	17,653	16,864	11,820
System Use Percentage	3.2325%	4.1271%	2.1336%	2.1543%	1.8836%
Water Loss Percentage	11.6439%	12.5995%	11.0516%	10.6728%	7.8725%
Gallons Sold Per Customer Per Month	4,465	4,392	4,364	4,286	4,197
Revenues from the Sale of Water	\$ 1,607,788	\$ 1,682,533	\$ 1,674,127	\$ 1,686,743	\$ 1,701,510
Purchased Water Expense	506,803	520,040	517,570	536,429	543,919
Purchased Water Expense Over 15% Water Loss	0	0	0	0	0
Water Loss Expense Over 15% as Percentage of Water Revenue	0.00%	0.00%	0.00%	0.00%	0.00%

Given this information, the Commission finds that Pendleton District should continue to monitor its operating performance annually to determine whether a rate adjustment application should be submitted. Future rate cases should be filed every three to five years depending on financial performance.

Purchased Water Adjustment Factor

In its application, Pendleton District proposed a purchased water adjustment factor of \$0.66 per 1,000 gallons. During the 12 months ended April 30, 2026, Pendleton District purchased 67,261,120 gallons of water from Falmouth and sold 64,256,090 gallons of water to its customers.⁹ While the application listed the increase in the cost of purchased water as \$42,374.51,¹⁰ the actual increase in the cost of purchased water from Falmouth is \$42,374.50, resulting in a purchased water adjustment factor of \$0.66 per 1,000 gallons. The Commission notes that Pendleton District's application contained a minor error in its calculation; however, the overall factor did not change when corrected. No rate changes occurred from Northern Kentucky District.

The purchased water adjustment factor of \$0.66 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 Pendleton District on and after July 13, 2026, because the rates are supported by evidence of the increase in rates from Pendleton 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 \$0.66 per 1,000 gallons is approved.
2. The rates proposed by Pendleton District are approved.

⁹ Purchased Water Adjustment Form 1 (filed June 2, 2026) at 2. Pendleton District did not include the number of gallons purchased from Northern Kentucky District nor was it listed as one of the suppliers. The Commission notes however, that the contract between Northern Kentucky District and Pendleton District is currently active and effective until January 31, 2042.

¹⁰ Purchased Water Adjustment Form 1 at 2.

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Pendleton District on and after July 13, 2026.

4. Within 20 days of the date of service of this Order, Pendleton 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.

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Entered on this 10th day of July, 2026.

PUBLIC SERVICE COMMISSION



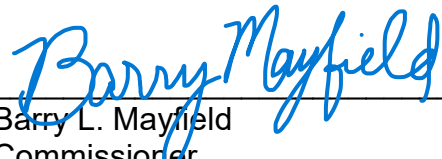
Angie Hatton
Chair



Mary Pat Regan
Vice Chair



Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

*by AH
w/permission*

ATTEST:



Linda C. Bridwell, PE
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00147 DATED JUL 10 2026

	Base Rate	New Rate	Change
<u>Falmouth</u>			
Purchases in Gallons	67,261,120	67,261,120	
Rate per 1,000 Gallons	<u>\$2.65/1,000</u>	<u>\$3.28/1,000</u>	
Subtotal	\$178,241.97	\$220,616.47	\$42,374.50
Total	\$178,241.97	\$220,616.47	
Increased water cost			\$42,374.50
Increased water cost		\$42,374.50	
Divided by Gallons sold/1,000		<u>64,256,090</u>	
Purchased water adjustment factor		\$0.66	per 1,000 Gallons
		or \$ 0.00066	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00147 DATED JUL 10 2026

The following rates and charges are prescribed for the customers in the area served by Pendleton 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	\$28.48	Minimum Bill
Next	3,000 Gallons	0.01251	Per Gallon
Next	10,000 Gallons	0.01189	Per Gallon
Over	15,000 Gallons	0.01051	Per Gallon

Pendleton County High School

First	125,000 Gallons	\$1,341.01	Minimum Bill
Over	125,000 Gallons	0.01051	Per Gallon

Griffin Industries

First	400,000 Gallons	\$4,231.26	Minimum Bill
Over	400,000 Gallons	0.01051	Per Gallon

City of Butler

First	1,372,500 Gallons	\$8,523.23	Minimum Bill
Over	1,372,500 Gallons	0.00621	Per Gallon

Service List for 2026-00147

* Pendleton County Water District
331 Highway 330 W
P. O. Box 232
Falmouth, KY 41040

* Austin Monroe
Manager
Pendleton County Water District
331 Highway 330 W
P. O. Box 232
Falmouth, KY 41040

* Mark Frost
110 Woodford Place
#1
Harrodsburg, KY 40330