

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF NORTH MCLEAN	)	2026-00172
COUNTY WATER DISTRICT	)	

ORDER

On June 26, 2026, North McLean County Water District (North McLean District) tendered its application for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068. On June 30, 2026, North McLean District amended the filing by submitting a corrected application and the application was deemed filed.

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

North McLean District purchases water from McLean County Regional Water Commission (McLean Regional Commission), Daviess County Water District (Daviess

District) and Ohio County Water District (Ohio District).¹ Daviess District notified North McLean District that its wholesale rate would increase by \$0.20 per 1,000 gallons from \$4.17 per 1,000 gallons to \$4.37 per 1,000 gallons, effective June 1, 2026.² North McLean District proposed to increase the water rates to its customers effective July 15, 2026, to reflect the increased cost of purchased water from Daviess District.³ McLean Regional Commission and Ohio District did not propose any rate changes.

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, North McLean District reported an unaccounted for water loss of 22.9134 percent.⁴ In its 2024 Annual Report filed with the Commission, North McLean District reported an unaccounted for water loss of 24.1139 percent.⁵ In its 2025 Annual Report filed with the Commission, North McLean District reported an unaccounted for water loss of 12.0289 percent.⁶ North McLean District's three-year unaccounted for water loss average is 19.6854 percent.⁷ The

¹ Application (filed June 26, 2026) at 1.

² Application, Exhibit A.

³ Application at 2.

⁴ *Annual Report of North McLean District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁵ *Annual Report of North McLean District to the Public Service Commission for the Year Ended December 31, 2024* at 58.

⁶ *Annual Report of North McLean District to the Public Service Commission for the Year Ended December 31, 2025* at 57. The 2025 Annual Report has been submitted but has not yet been accepted.

⁷ $22.9134\% + 24.1139\% + 12.0289\% = 59.0562 / 3 \text{ years} = 19.6854\%$.

approximate cost of North McLean District's total unaccounted for water loss using a three-year average is \$96,423.16.⁸

Financial Condition and Rates

North McLean District's financial snapshot for 2021 through 2025 is presented below. Based on a review of Commission records, North McLean District's last base rate adjustment was Case No. 2025-00009 (2024 test year), which became final January 14, 2026, and reflected no revenue increase from its present rates.⁹ Since then, North McLean District increased its rates once due to a purchased water adjustment in Case No. 2025-00376.¹⁰ Rate-based income (adjusted net income minus debt service) was positive from 2021 through 2023 and slightly negative in 2024 and 2025. Cash basis income (rate-based income plus depreciation) was positive in all five years.

⁸ Total water cost at new wholesale rate of \$489,820.67 times 19.6854% water loss equals \$96,423.16.

⁹ Case No. 2025-00009, *Electronic Application of North McLean County Water District for an Alternative Rate Filing Adjustment* (Ky. PSC Jan. 14, 2026), final Order at 27-28.

¹⁰ Case No. 2025-00376, *Electronic Purchased Water Adjustment Filing of North McLean County Water District* (Ky. PSC Jan. 14, 2026), Order.

Description / Year	Audited 2021	Audited 2022	Audited 2023	Audited 2024	Audited 2025
Adjusted Net Income					
Net Income / (Loss)	\$ 74,729	\$ 43,636	\$ 30,675	\$ (11,452)	\$ (19,661)
Other Non-recurring Items ()	4,474	(6,000)	-	-	-
Interest Expense	899	799	2,592	2,779	2,251
Adjusted Net Income / (Loss)	\$ 80,102	\$ 38,435	\$ 33,267	\$ (8,673)	\$ (17,410)
Interest Expense ()	(899)	(799)	(2,592)	(2,779)	(2,251)
Principal Payments ()	(7,126)	(9,679)	(10,419)	(5,321)	-
Subtract: Total Debt Service ()	(8,025)	(10,478)	(13,011)	(8,100)	(2,251)
Rate Based Income	\$ 72,077	\$ 27,957	\$ 20,256	\$ (16,773)	\$ (19,661)
Add: Depreciation Expense	75,192	76,289	83,845	85,836	87,684
Cash Basis Income	\$ 147,269	\$ 104,246	\$ 104,101	\$ 69,063	\$ 68,023
Rate Based Income as Percent of Water Sales	8%	3%	2%	-2%	-2%
Cash Basis Income as Percent of Depreciation	196%	137%	124%	80%	78%
Capital Spending	\$ 16,235	\$ 57,362	\$ 72,651	\$ 51,173	\$ 64,239
Cash and Investments					
Unrestricted Cash and Investments	\$ 488,191	\$ 595,085	\$ 634,739	\$ 654,850	\$ 670,456
Restricted Funds	53,152	54,917	57,102	58,157	61,247
Adjusted Cash Balances	\$ 541,343	\$ 650,002	\$ 691,841	\$ 713,007	\$ 731,703
Net Increase (Decrease) in Cash	\$ 133,984	\$ 108,659	\$ 41,839	\$ 21,166	\$ 18,696
Selected Statistical Information (PSC Annual Reports)					
Customer Count	1,312	1,311	1,327	1,311	1,315
Gallons Purchased	119,760	128,685	126,690	135,009	121,034
Gallons Sold	99,696	102,328	97,570	102,395	101,225
Gallons Used for Internal Use	258	137	91	58	5,250
Water Loss Gallons	19,806	26,220	29,029	32,556	14,559
System Use Percentage	0.22%	0.11%	0.07%	0.04%	4.34%
Water Loss Percentage	16.5381%	20.3753%	22.9134%	24.1139%	12.0289%
Gallons Sold Per Customer Per Month	6,332	6,504	6,127	6,509	6,415
Revenues from the Sale of Water	\$ 958,119	\$ 1,039,503	\$ 1,000,720	\$ 1,047,597	\$ 1,051,479
Purchased Water Expense	425,163	496,418	481,258	510,460	477,744
Purchased Water Expense Over 15% Water Loss	6,539	26,684	38,084	46,523	0
Water Loss Expense Over 15% as Percentage of Water Revenue	0.68%	2.57%	3.81%	4.44%	0.00%

North McLean District should continue to monitor its operating performance to determine whether a rate adjustment application should be submitted. Future rate cases should be filed at least every three to five years depending on financial performance.

Purchased Water Adjustment Factor

In its amended application, North McLean District proposed a purchased water adjustment factor of \$0.02 per 1,000 gallons.¹¹ During the 12 months ended May 31,

¹¹ Amended Application (filed June 30, 2026) at 2.

2025, North McLean District purchased 120,791,000 gallons of water from McLean Regional Commission, 5,400,000 gallons of water from Daviess District, and zero gallons from Ohio District.¹² North McLean District sold 102,508,806 gallons of water to its customers during that same period.¹³ The increase in the cost of purchased water from Daviess District is \$1,080.00, resulting in a purchased water adjustment factor of \$0.02 per 1,000 gallons. No rate changes occurred from McLean Regional Commission or Ohio District.

The Commission notes that the amended application contained errors in Exhibit C, Current and Proposed Rates.¹⁴ Specifically, the first 2,000 gallons for the proposed rates erroneously lists the rate as “per gallon” rather than the correct “minimum bill.” Additionally, the next 8,000 gallons, next 30,000 gallons, and Over 40,000 gallons rate tiers were incorrectly calculated as an increase of \$0.00012 per gallon, rather than the correct increase of \$0.00002 per gallon, or \$0.02 per 1,000 gallons.¹⁵ Given these errors, the Commission finds that North McLean District’s proposed rates should be denied.

The Commission finds that the purchased water adjustment factor of \$0.02 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 North McLean District on and after July 15, 2026, because the rates are supported by evidence of the increase in rates from North McLean District’s wholesale water supplier

¹² Amended Application at 2.

¹³ Amended Application at 2.

¹⁴ Amended Application, Exhibit C.

¹⁵ Amended Application, Exhibit C.

and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

IT IS THEREFORE ORDERED that:

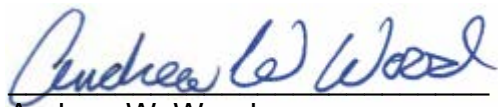
1. The purchased water adjustment factor of \$0.02 per 1,000 gallons is approved.
2. The rates proposed by North McLean District are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by North McLean District on and after July 15, 2026.
4. Within 20 days of the date of service of this Order, North McLean 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.

Entered on this 30th day of July, 2026.

PUBLIC SERVICE COMMISSION



Angie Hatton
Chair

Mary Pat Regan
Vice Chair

Andrew W. Wood
Commissioner

Barry L. Mayfield
Commissioner

ATTEST:



Linda C. Bridwell, PE
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00172 DATED JUL 30 2026

	Base Rate	New Rate	Change
<u>McLean Regional Commission</u>			
Purchases in Gallons	120,791,000	120,791,000	
Rate per 1,000 Gallons	<u>\$4.07/1,000</u>	<u>\$4.07/1,000</u>	
Subtotal	\$491,619.37	\$491,619.37	\$0.00
<u>Daviess District</u>			
Purchases in Gallons	5,400,000	5,400,000	
Rate per 1,000 Gallons	<u>\$4.17/1,000</u>	<u>\$4.37/1,000</u>	
Sub-total	\$22,518.00	\$23,598.00	\$1,080.00
<u>Ohio District</u>			
Purchases in Gallons	0	0	
Rate per 1,000 Gallons	<u>\$3.29/1,000</u>	<u>\$3.29/1,000</u>	
Sub-total	\$0.00	\$0.00	\$0.00
Total	\$514,137.37	\$515,217.37	
Increased water cost			\$1,080.00
Increased water cost		\$1,080.00	
Divided by Gallons sold/1,000		<u>102,944,455</u>	
Purchased water adjustment factor		\$0.0105	per 1,000 Gallons
		or \$ 0.00002	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00172 DATED JUL 30 2026

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

First	2,000 Gallons	\$25.07	Minimum Bill
Next	8,000 Gallons	0.00959	Per Gallon
Next	30,000 Gallons	0.00887	Per Gallon
Over	40,000 Gallons	0.00818	Per Gallon

Service List for Case 2026-00172

* North McLean County Water District
217 Hill Street
P. O. Box 68
Livermore, KY 42352

* Tiffany Sallee
North McLean County Water District
217 Hill Street
P. O. Box 68
Livermore, KY 42352