

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF REID VILLAGE	)	2026-00176
WATER DISTRICT	)	

ORDER

On July 15, 2026, Reid Village Water District (Reid Village 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 guidelines, 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

Reid Village District purchases water from Mount Sterling Water & Sewer (Mount Sterling). Mount Sterling notified Reid Village District that its wholesale rate would

increase from \$3.82 per 1,000 gallons to \$4.14 per 1,000 gallons, effective July 1, 2026.¹ Reid Village District proposed to increase the water rates to its customers to reflect the increased cost of purchased water from Mount Sterling, for service on and after August 1, 2026.

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, Reid Village District reported an unaccounted-for water loss of 13.8904 percent.² In its 2024 Annual Report filed with the Commission, Reid Village District reported an unaccounted-for water loss of 14.9468 percent.³ In its 2025 Annual Report filed with the Commission, Reid Village District reported an unaccounted-for water loss of 16.0232 percent.⁴ Reid Village District's three-year unaccounted-for water loss average is 14.9535 percent.⁵ The

¹ TFS2026-00263 (Ky. PSC June 1, 2026); Mount Sterling Water & Sewer submitted the tariff on May 29, 2026, and the tariff was accepted for filing by the Commission by letter dated June 29, 2026, with an effective date of June 1, 2026.

² *Annual Report of Reid Village District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

³ *Annual Report of Reid Village District to the Public Service Commission for the Year Ended December 31, 2024* at 57.

⁴ *Annual Report of Reid Village District to the Public Service Commission for the Year Ended December 31, 2025* at 57.

⁵ 13.8904% (2023) + 14.9468% (2024) + 16.0232% (2025) = 44.8604% / 3 years = 14.9535%.

approximate cost of Reid Village District's total unaccounted-for water loss using a 3-year average is \$46,847.21.⁶

Financial Condition and Rates

Reid Village District's financial snapshot for 2021 through 2025 is presented below. Reid Village District's last base rate adjustment was Case No. 2023-00140 (2021 test year), which became final February 23, 2024, and reflected a revenue increase of \$99,266 or 15.94 percent.⁷ Reid Village District's other rate increases during the review period were due to purchased water adjustments.⁸ The increases in rate based income (adjusted net income minus debt service) and cash basis income (rate based income plus depreciation) in 2024 and 2025 were primarily due to the revenue increase in Case No. 2023-00140.

⁶ Total water cost at new wholesale rate of \$313,285.93 times 14.9535% water loss equals \$46,847.21.

⁷ Case No. 2023-00140, *Electronic Application of Reid Village Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Feb. 23, 2024), final Order.

⁸ Case No. 2023-00241, *Electronic Purchased Water Adjustment of Reid Village Water District* (Ky. PSC Sept. 20, 2023), final Order; Case No. 2024-00265 *Electronic Purchased Water Adjustment Filing of Reid Village Water District* (Ky. PSC Oct. 4, 2024), final Order.

Description / Year	2023-00140 Test Year		2023-00140 ARF FO 02/23/2024		
	Audited 2021	Audited 2022	Audited 2023	Audited 2024	Audited 2025
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ 8,998	\$ (16,897)	\$ (16,577)	\$ (99,859)	\$ (101,737)
Other Non-recurring Items ()	-	-	-	-	(35,814)
Non-Cash Pension and OPEB Expense / (Income)	-	-	(7,047)	109,933	157,440
Interest Expense	33,126	31,293	30,192	28,618	28,359
Adjusted Net Income / (Loss)	42,124	14,396	6,568	38,692	48,248
Interest Expense ()	(33,126)	(31,293)	(30,192)	(28,618)	(28,359)
Principal Payments ()	(27,591)	(28,561)	(30,134)	(30,611)	(32,190)
Subtract: Total Debt Service ()	(60,717)	(59,854)	(60,326)	(59,229)	(60,549)
Rate-Based Income (Excludes Working Capital of 20%)	(18,593)	(45,458)	(53,758)	(20,537)	(12,301)
Add: Depreciation Expense	46,069	45,170	44,440	52,869	53,594
Cash Basis Income	\$ 27,476	\$ (288)	\$ (9,318)	\$ 32,332	\$ 41,293
Rate Based Income as Percent of Water Sales	-3%	-8%	-8%	-3%	-2%
Cash Basis Income as Percent of Depreciation	60%	-1%	-21%	61%	77%
Capital Spending	\$ 4,655	-	\$ 50,990	\$ 3,899	\$ 10,984
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 265,012	\$ 262,726	\$ 187,834	\$ 194,105	\$ 209,488
Restricted Funds	181,551	188,210	197,327	213,216	206,231
Adjusted Cash Balances	\$ 446,563	\$ 450,936	\$ 385,161	\$ 407,321	\$ 415,719
Net Increase (Decrease) in Cash	\$ 21,190	\$ 4,373	\$ (65,775)	\$ 22,160	\$ 8,398
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	1,147	1,147	1,147	1,147	1,190
Gallons Purchased	66,792	65,256	70,250	76,003	73,275
Gallons Sold	55,194	52,443	55,307	57,120	54,995
Gallons Used for Internal Use	3,469	3,751	5,185	7,523	6,539
Water Loss Gallons	8,129	9,062	9,758	11,360	11,741
System Use Percentage	5.1937%	5.7481%	7.3808%	9.8983%	8.9239%
Water Loss Percentage	12.1706%	13.8868%	13.8904%	14.9468%	16.0232%
Gallons Sold Per Customer Per Month	4,010	3,810	4,018	4,150	3,851
Revenues from the Sale of Water	\$ 596,214	\$ 587,888	\$ 636,308	\$ 736,989	\$ 774,751
Purchased Water Expense	208,483	209,853	246,090	276,389	276,157
Purchased Water Expense Over 15% Water Loss	0	0	0	0	2,826
Water Loss Expense Over 15% as Percentage of Water Revenue	0.00%	0.00%	0.00%	0.00%	0.36%

Given this information, the Commission finds that Reid Village 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, to ensure that its revenue is sufficient to support adequate and reliable service.

Purchased Water Adjustment Factor

In its application, Reid Village District proposed a purchased water adjustment factor of \$0.43 per 1,000 gallons. During the twelve months ended in May 2026, Reid Village District purchased 75,672,938 gallons of water from Mount Sterling and sold 56,682,083 gallons of water to its customers. The increase in the cost of purchased water from Mount Sterling is \$24,215.34, resulting in a purchased water adjustment factor of approximately \$0.43 per 1,000 gallons.

The purchased water adjustment factor of \$0.43 per 1,000 gallons, as calculated in Appendix A, and the rates set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by Reid Village District on and after August 1, 2026, because the rates are supported by evidence of the increase in rates from Reid Village 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 \$0.43 per 1,000 gallons is approved.
2. The rates proposed by Reid Village District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Reid Village District on and after August 1, 2026.
4. Within 20 days of the date of service of this Order, Reid Village 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.

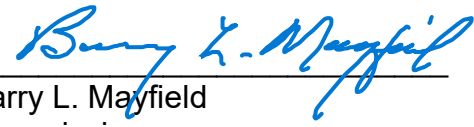
Entered on this 14th day of August, 2026.

PUBLIC SERVICE COMMISSION



Angie Hatton
Chair

Mary Pat Regan
Vice Chair

Andrew W. Wood
Commissioner

Barry L. Mayfield
Commissioner

ATTEST:



Justin McNeil
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00176 DATED AUG 14 2026

* Denotes Rounding

	Base Rate	New Rate	Change
<u>Mount Sterling Water & Sewer</u>			
Purchases in Gallons	75,672,938	75,672,938	
Rate per 1,000 Gallons	<u>\$3.82/1,000</u>	<u>\$4.14/1,000</u>	
Subtotal	\$289,070.59	\$313,285.93	\$24,215.34
Increased water cost			\$24,215.34
Increased water cost		\$24,215.34	
Divided by Gallons sold/1,000		<u>56,682,083</u>	
Purchased water adjustment factor *		\$0.43	per 1,000 Gallons
		or \$ 0.00043	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00176 DATED AUG 14 2026

The following rates and charges are prescribed for the customers in the area served by Reid Village 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 Retail Rates

All Meters

First	2,000 Gallons	32.81	Minimum Bill
Next	1,000 Gallons	0.01154	Per Gallon
Next	2,000 Gallons	0.01086	Per Gallon
Next	5,000 Gallons	0.01015	Per Gallon
Over	10,000 Gallons	0.00943	Per Gallon

Service List for Case 2026-00176

* Reid Village Water District
950 Winchester Road
P. O. Box 610
Mt. Sterling, KY 40353

* Sarah Covey
Office Manager
Reid Village Water District
950 Winchester Road
Mt. Sterling, KY 40353