

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TREATED SEWAGE	)	CASE NO.
ADJUSTMENT FILING OF JESSAMINE-SOUTH	)	2026-00186
ELKHORN WATER DISTRICT	)	

ORDER

On July 17, 2026, Jessamine-South Elkhorn Water District (Jessamine-South Elkhorn District) tendered an application requesting approval to adjust its rates pursuant to the treated sewage adjustment procedure set forth in KRS 278.015 and 807 KAR 5:075. On July 21, 2026, the Commission notified Jessamine-South Elkhorn District that its application was rejected for certain filing deficiencies. On July 28, 2026, Jessamine-South Elkhorn District submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of July 28, 2026.

LEGAL STANDARD

In accordance with KRS 278.015 and 807 KAR 5:075, which govern treated sewage adjustment filings, a jurisdictional utility may increase its rates to pass through a wholesale provider's rate increase. Commission regulation 807 KAR 5:075 authorizes a water district to file a treated sewage adjustment no earlier than 30 days prior to the proposed effective date of a wholesale provider's changed rate or no later than 20 days after the wholesale provider changes its rate. KRS 278.015 requires the Commission to approve a treated sewage adjustment no later than 30 days after a district files notice of

a rate increase from its wholesale provider and the volume of sewage treated used to calculate the increase in rates.

DISCUSSION AND FINDINGS

Jessamine-South Elkhorn District purchases wastewater treatment services from Lexington-Fayette Urban County Government (LFUCG). LFUCG notified Jessamine-South Elkhorn District that its wholesale sewage treatment rate would increase by \$0.32 per 100 cubic feet from \$8.45 per 100 cubic feet to \$8.77 per 100 cubic feet, effective July 1, 2026.¹ Jessamine-South Elkhorn District proposes to increase the sewer rates to its customers effective July 17, 2026, to reflect the increased cost of wastewater treatment from LFUCG.

Financial Condition and Rates

Jessamine-South Elkhorn District's financial snapshot for 2021 through 2025 is presented below. Based on a review of Commission records, Jessamine-South Elkhorn District last sought a base rate adjustment in Case No. 2022-00053 (2020 test year), which became final August 25, 2022, and reflected a revenue increase of \$270,193 or 26.93 percent.² Jessamine-South Elkhorn District's other rate increases during the review period were due to treated sewage adjustment cases.³ Rate-based income (adjusted net income minus debt service) increased during 2023 as a result of the rate

¹ TFS2026-00264 (Ky. PSC June 1, 2026); LFUCG submitted the tariff on June 1, 2026, and the tariff was accepted for filing by the Commission by letter dated June 29, 2026, with an effective date of July 1, 2026.

² Case No. 2022-00053, *Electronic Application of Jessamine-South Elkhorn Water District for a Sewer Rate Adjustment* Pursuant to 807 KAR 5:076, (Ky. PSC Aug 25, 2022), final Order at 11.

³ Case No. 2024-00206, *Electronic Treated Sewage Adjustment Filing of Jessamine-South Elkhorn Water District* (Ky. PSC July 31, 2024) final Order; Case No. 2025-00247, *Electronic Treated Sewage Adjustment Filing of Jessamine-South Elkhorn Water District* (Ky. PSC Oct. 14, 2025) final Order.

increase and was positive in 2025. Cash basis income (rate-based income plus depreciation) was positive all five years.

2022-00053 ARF FO 08/25/2022					
Description / Year	Phase 1		Phase 2		Audited 2025
	Audited 2021	Audited 2022	Audited 2023	Audited 2024	
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ (263,043)	\$ (313,581)	\$ (56,537)	\$ 11,277	\$ 20,249
Other Non-recurring Items ()	-	-	-	(13,000)	-
Interest Expense	18,008	2,344	4,630	4,927	4,326
Adjusted Net Income / (Loss)	(245,035)	(311,237)	(51,907)	3,204	24,575
Interest Expense ()	(18,008)	(2,344)	(4,630)	(4,927)	(4,326)
Principal Payments ()	(23,000)	-	(4,900)	(5,000)	(5,100)
Subtract: Total Debt Service ()	(41,008)	(2,344)	(9,530)	(9,927)	(9,426)
Rate Based Income	\$ (286,043)	\$ (313,581)	\$ (61,437)	\$ (6,723)	\$ 15,149
Add: Depreciation Expense	286,534	325,844	328,270	342,369	371,818
Cash Basis Income	\$ 491	\$ 12,263	\$ 266,833	\$ 335,646	\$ 386,967
Rate Based Income as Percent of Sewer Revenue	-26%	-26%	-4%	0%	1%
Cash Basis Income as Percent of Depreciation	0%	4%	81%	98%	104%
Capital Spending	\$ 97,575	\$ 98,468	\$ 77,945	\$ 1,268,718	\$ 276,436
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 176,742	\$ 224,081	\$ 493,652	\$ 816,727	\$ 1,021,570
Restricted Funds	98,160	157,600	132,104	194,220	421,206
Adjusted Cash Balances	\$ 274,902	\$ 381,681	\$ 625,756	\$ 1,010,947	\$ 1,442,776
Net Increase (Decrease) in Cash	\$ (191,027)	\$ 106,779	\$ 244,075	\$ 385,191	\$ 431,829
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Sewer Revenue	\$ 1,117,701	\$ 1,188,509	\$ 1,527,107	\$ 1,820,710	\$ 1,938,404
Customer Count	859	1,116	1,180	1,316	1,405
Per Customer Revenue	\$ 1,301	\$ 1,065	\$ 1,294	\$ 1,384	\$ 1,380

Given this information, the Commission finds that Jessamine-South Elkhorn 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.

Treated Sewage Adjustment Factor

In its application, Jessamine-South Elkhorn District proposed a treated sewage adjustment factor of \$0.43 per 1,000 gallons.⁴ During the 12 months ended May 31, 2026, Jessamine-South Elkhorn District's sewer customers receiving service from LFUCG used 13,720,461.28 cubic feet⁵ of water (102,636,185⁶ gallons of water). The increase in the cost of treated sewage from LFUCG is \$43,905.47, resulting in a treated sewage adjustment factor of \$0.43 per 1,000 gallons.

In its application, Jessamine-South Elkhorn District erroneously listed its current rate for "Over 2,000 Gallons" as \$18.07 per 1,000 gallons⁷ instead of the correct tariff rate of \$17.94 per 1,000 gallons,⁸ leading to an incorrect proposed rate for that tier. The Commission finds that Jessamine-South Elkhorn District's proposed rates should be denied because of the error in Exhibit C of the application.

The Commission finds that the treated sewage 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 sewer service rendered by Jessamine-South Elkhorn District on and after July 17, 2026, because the rates are supported by evidence of the increase in rates from Jessamine-South Elkhorn District's wholesale sewage treatment provider and the volume of wastewater treatment used to calculate the rates in accordance with KRS 278.015.

⁴ Application at 2.

⁵ Application, Exhibit B, calculations.

⁶ 13,720,461.28 cubic feet multiplied by a conversion factor of 7.48052 = 102,636,185 gallons.

⁷ Application, Exhibit C.

⁸ Jessamine-South Elkhorn District Sewer Tariff (Ky. PSC July 1, 2025), Monthly Sewer Rates.

IT IS THEREFORE ORDERED that:

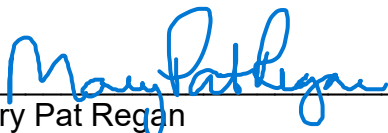
1. The treated sewage adjustment factor of \$0.43 per 1,000 gallons is approved.
2. The rates proposed by Jessamine-South Elkhorn District are denied.
3. The rates as set forth in Appendix B to this Order are approved for sewer service rendered by Jessamine-South Elkhorn District on and after July 17, 2026.
4. Within 20 days of the date of service of this Order, Jessamine-South Elkhorn 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 26th day of August, 2026.

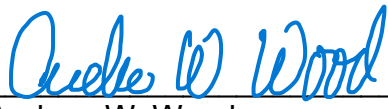
PUBLIC SERVICE COMMISSION



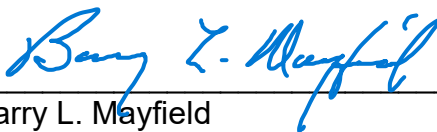
Angie Hatton
Chair



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. 2026-00186 DATED AUG 26 2026

	Base Rate	New Rate	Change
<u>LFUCG</u>			
Purchases in Cubic Feet	13,720,461.4	13,720,461.4	
Volumetric Rate	<u>\$8.45/100</u>	<u>\$8.77/100</u>	
Total	\$1,159,378.99	\$1,203,284.47	\$43,905.48
Increased water cost			\$43,905.48
Increased water cost		\$43,905.48	
Divided by Gallons sold/1,000		<u>102,636,185</u>	
Treated Sewage adjustment factor		\$0.4278	per 1,000 Gallons
		or \$ 0.00043	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00186 DATED AUG 26 2026

The following rates and charges are prescribed for the customers in the area served by Jessamine-South Elkhorn Water District-Sewer Division. 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 Sewer Rates

First	2,000 Gallons	\$36.99	Minimum Bill
Over	2,000 Gallons	\$0.01837	Per Gallon

Service List for Case 2026-00186

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