COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TREATED SEWAGE ADJUSTMENT FILING OF MOUNTAIN WATER DISTRICT	)))	CASE NO. 2026-00286

O R D E R

On September 29, 2026, Mountain Water District (Mountain District) applied for approval to adjust its rates pursuant to the treated sewage adjustment procedure set forth in KRS 278.015 and 807 KAR 5:075.[1]

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.

[1] Application (filed Sept. 29, 2026), Treated Sewage Adjustment Form 1.

DISCUSSION AND FINDINGS

Mountain District purchases wastewater treatment services from the city of Williamson, West Virginia (Williamson). On February 18, 2026, Williamson notified Mountain District that its wholesale sewage treatment rate would increase by 129 percent to be phased in over four years.[2] On April 9, 2026, Mountain District filed a formal protest with the Public Service Commission of West Virginia alleging that Williamson had failed to conduct a class cost of service study to accurately allocate costs between classes of customers including Mountain District.[3] A Recommended Decision entered on August 4, 2026, in Case No. 26-0414-WS-WI adopted the parties' Joint Stipulation and Agreement for Settlement with a final decision dated August 24, 2026.[4] Under the settlement, Williamson's wholesale sewage treatment rate increased $1.05 per 1,000 gallons or 39.2 percent, from $2.68 per 1,000 gallons to $3.73 per 1,000 gallons, effective July 31, 2026.[5] Mountain District proposed to increase the wastewater treatment rates to its customers effective September 2, 2026, to reflect the increased cost of wastewater treatment from Williamson.[6]

Financial Condition and Rates

Mountain District's financial snapshot for 2021 through 2025 is presented below. Based on a review of Commission records, Mountain District last sought a general base

[2] Application, Exhibit A at unnumbered PDF page 2.

[3] Application, Exhibit A, *Public Service Commission of West Virginia, Charleston; Case No. 26-0414-WS-WI; Mountain Water District v. City of Williamson; Joint Stipulation and Agreement for Settlement,* at Paragraph 4.

[4] Application, Exhibit A at unnumbered PDF page 26-27.

[5] Application, Exhibit A at unnumbered PDF page 30.

[6] Application, Treated Sewage Adjustment Form 1 at 3.

rate adjustment of its sewer rates in Case No. 2022-00367 using a 2022 test year, which became final October 31, 2023, and reflected a revenue increase of $1,175,904, or 52.39 percent.[7] The revenue increase from Case No. 2022-00367 was implemented in three phases, with the third-phase becoming effective after October 30, 2025.[8] Two months of the third-phase revenue increase are reflected in 2025 results; the remaining ten months of this revenue increase were realized in 2026 and are reflected in the Pro Forma column. The decrease in rate-based income in 2025 was primarily due to an increase in debt service.[9] Rate-based income (adjusted net income minus debt service) was negative for all five historic years but positive for the Pro Forma calculation. Cash basis income (rate-based income plus depreciation) was positive in all years.

[7] Case No. 2022-00367, *Electronic Application of Mountain Water District for a General Adjustment of Sewer Rates* (Ky. PSC Oct. 31, 2023), final Order at 19.

[8] Case No. 2022-00367, Oct. 31, 2023 final Order at 22.

[9] *Annual Report of Mountain Water District Sewage Division to the Public Service Commission for the Calendar Year Ended December 31, 2025* at 2 and 26.

Description / Year	Compliation 2021	2022-00367 Test Year Compliation 2022	2022-000367 GRC FO 10/31/2023 Compliation 2023	Compliation 2024	Compliation 2025	Pro Forma
Adjusted Net Income						
Net Income / (Loss)	$ 159,640	$ 92,368	$ (19,133)	$ 146,330	$ 377,403	$ 725,415
Interest Expense	80,384	88,091	85,225	92,801	148,335	148,335
Adjusted Net Income / (Loss)	**240,024**	**180,459**	**66,092**	**239,131**	**525,738**	**873,750**
Interest Expense ( )	(80,384)	(88,091)	(85,225)	(92,801)	(148,335)	(148,335)
Principal Payments ( )	(253,680)	(223,885)	(260,740)	(252,103)	(568,383)	(568,383)
Subtract: Total Debt Service ( )	(334,064)	(311,976)	(345,965)	(344,904)	(716,718)	(716,718)
Rate-Based Income (Excludes Working Capital of 20%)	**(94,040)**	**(131,517)**	**(279,873)**	**(105,773)**	**(190,980)**	**157,032**
Add: Depreciation Expense	996,804	1,196,169	1,249,801	1,263,407	1,297,257	1,297,257
Cash Basis Income	**$ 902,764**	**$ 1,064,652**	**$ 969,928**	**$ 1,157,634**	**$ 1,106,277**	**$ 1,454,289**
Rate Based Income as Percent of Sewer Sales	-5%	-6%	-14%	-4%	-7%	6%
Cash Basis Income as Percent of Depreciation	91%	89%	78%	92%	85%	112%
Capital Spending	$ 8,917,336	$ 1,565,573	$ 575,757	$ 34,065	$ 562,902	
Cash and Investments						
Unrestricted Cash and Investments	$ 41,878	$ 61,595	$ 35,893	$ 45,401	$ 66,527	
Restricted Funds	954,930	923,013	943,400	980,968	931,623	
Adjusted Cash Balances	$ 996,808	$ 984,608	$ 979,293	$ 1,026,369	$ 998,150	
Net Increase (Decrease) in Cash	$ 43,805	$ (12,200)	$ (5,315)	$ 47,076	$ (28,219)	
Selected Statistical Information *(PSC Annual Reports)*						
Customer Count	2,314	2,314	2,298	2,296	2,271	
Sewer Revenues	2,056,229	2,053,891	2,036,550	2,362,512	2,694,720	
Per Customer Revenue	889	888	886	1,029	1,187	

Given this information, the Commission finds that Mountain 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, Mountain District proposed a treated sewage adjustment factor of $0.22 per 1,000 gallons for customers with metered water service, and $0.84 per monthly bill for customers without metered water service. During the 12 months ended August 31, 2026, Mountain District sold 104,647,994 gallons of water to its 2,229 customers.[10] Mountain District's customers receiving sewage treatment service from

[10] Application, Treated Sewage Adjustment Form 1 at 2.

Williamson used 21,234,600 gallons of water.[11] The increase in the cost of wastewater treatment from Williamson is $22,296.33, resulting in a treated sewage adjustment factor of $0.22 per 1,000 gallons, or $0.84 per month for customers paying a flat monthly rate.[12]

The treated sewage adjustment factor of $0.22 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 Mountain District on and after September 9, 2026,[13] because the rates are supported by evidence of the increase in rates from Mountain District's wholesale water supplier and the volume of treated wastewater used to calculate the rates in accordance with KRS 278.015.

IT IS THEREFORE ORDERED that:

1. The treated sewage adjustment factor of $0.22 per 1,000 gallons is approved for customers with metered water service.

2. The treated sewage adjustment factor of $0.84 per monthly bill is approved for customers with a flat monthly rate.

3. The rates proposed by Mountain District are approved; however, the proposed September 2, 2026, effective date is denied.

[11] Application, Treated Sewage Adjustment Form 1 at 2.

[12] Application, Treated Sewage Adjustment Form 1 at 2-3.

[13] 807 KAR 5:075, Section 4(2) states "[t]he application shall be submitted. . . (b)No earlier than thirty (30) days prior to the proposed effective date of the provider's changed rate and no later than twenty (20) days after the utility, without prior commission approval, adjusts its rates to reflect the change in its treated sewage costs due to the provider's changed rate." Since Mountain District filed its application on September 29, 2026, more than 20 days after the rate adjustment, Mountain Water may not place the rate into effect more than 20 days prior to the filing date.

4. The rates as set forth in Appendix B to this Order are approved for wastewater treatment service rendered by Mountain District on and after September 9, 2026.

5. Within 20 days of the date of service of this Order, Mountain District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

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

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Entered on this 29th day of October, 2026.

PUBLIC SERVICE COMMISSION

Angie Hatton
Chair

Mary Pat Regan
Vice Chair

Andrew W. Wood
Commissioner

Barry L. Mayfield
Commissioner

ATTEST:

Justin McNeil RP

Justin McNeil
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00286 DATED OCT 29 2026

	Base Rate	New Rate	Change
Williamson			
Purchases in Gallons	21,234,600	21,234,600	
Rate per 1,000 Gallons	$2.55/1,000	$2.63/1,000	
Total	$56,908.73	$79,205.06	$22,296.33
Increased wastewater cost			$22,296.33
Increased wastewater cost		$22,296.33	
Divided by Gallons sold/1,000		104,647,994	
Treated wastewater adjustment factor for Sewer Customers with Metered Water Service		$0.2131	per 1,000 Gallons
		or $ 0.00022	per Gallon
Increased wastewater cost		$22,296.33	
Divided by wastewater customers		2,229	
Subtotal divided by 12 months		10.00	
Treated wastewater adjustment factor for Sewer Customers without Metered Water Service		$0.84	per month

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00286 DATED OCT 29 2026

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

Sewer Customers with Metered Water Service			
First	2,000 Gallons	$58.14	Minimum Bill
Over	2,000 Gallons	0.02516	Per Gallon
Sewer Customers without Metered Water Service			
Flat Rate		$108.42	Minimum Bill

Service List for Case 2026-00286

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