COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER ADJUSTMENT FILING OF MOUNTAIN WATER DISTRICT	)))	CASE NO. 2026-00287

O R D E R

On September 29, 2026, Mountain Water District (Mountain 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.[1]

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

Mountain District purchases water from the city of Pikeville (Pikeville) and the city of Williamson, West Virginia (Williamson). On February 18, 2026, Williamson notified Mountain District that its wholesale water rate would increase by 12.035 percent and the

[1] Application (filed Sept.29, 2026), Purchased Water Adjustment Form 1.

following year by 11.621 percent as a two-step process.[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.[4] The decision became final on August 24, 2026.[5] Under the settlement, Williamson's wholesale water rate to Mountain District increased from $1.83 to $2.05 per 1,000 gallons, an increase of $0.22 per 1,000 gallons, or approximately 12.02 percent, effective July 31, 2026.[6] Mountain District proposed to increase the water rates to its customers effective September 2, 2026, to reflect the increased cost of purchased water from Williamson. Pikeville proposed no changes to rates.

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, Mountain District

[2] Application, Appendix A at unnumbered PDF page 1.

[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 26-27.

[6] Application, Appendix A at unnumbered PDF page 30.

reported a water loss of 26.6982 percent.[7] In its 2024 Annual Report filed with the Commission, Mountain District reported a water loss of 28.5898 percent.[8] In its 2025 Annual Report filed with the Commission, Mountain District reported a water loss of 39.8047 percent.[9] Mountain District's three-year water loss average is 31.6976 percent.[10] The approximate cost of Mountain District's total water loss using a three-year average is $463,464.47.[11]

In Mountain District's rate case, 2022-00366,[12] the Commission approved a monthly water loss reduction surcharge of $1.72 per meter for 48 months to help lower system losses to more acceptable levels.[13] On October 31, 2023, Case No. 2023-00351 was established in order for the Commission to monitor the progress of the water loss reduction surcharge plan established by Mountain District.[14]

Financial Condition and Rates

Mountain District's financial snapshot for the years of 2021 through 2025 is presented below. Mountain District last sought a general base rate adjustment of its water

[7] *Annual Report of Mountain District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

[8] *Annual Report of Mountain District to the Public Service Commission for the Year Ended December 31, 2024* at 57.

[9] *Annual Report of Mountain District to the Public Service Commission for the Year Ended December 31, 2025* at 57.

[10] 26.6982% + 28.5898% + 39.8047% = 95.0927 / 3 years = 31.6976%.

[11] Total water cost at new wholesale rate of $1,462,143.74 times 31.6976% water loss equals $463,464.47.

[12] Case No. 2022-00366, *Electronic Application of Mountain Water District for a General Adjustment of Water Rates* (Ky. PSC Oct. 31, 2023), final Order.

[13] Case No. 2022-00366, Oct. 31, 2023 final Order at 34.

[14] Case No. 2023-00351, *Electronic Mountain Water District Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Oct. 31, 2023), opening Order.

rates in Case No. 2025-00327, using a 2024 test year, which became final on September 2, 2026, and reflected a revenue increase of $1,721,929, or 17.59 percent, which was to be phased in over two years.[15] The effect of both phases of this rate increase on financial performance is shown in the Pro Forma column. Mountain District's other general base rate adjustment during the review period occurred in Case No. 2022-00366, which became final October 31, 2023, as amended, and reflected a revenue increase of $2,238,882, or 27.06 percent,[16] with no phase-in.[17] The Commission notes that in Case No. 2022-00366 and Case No. 2025-00327, approximately $495,000 and $805,000 of expenses were disallowed for recovery for ratemaking purposes, respectively.[18] Rate-based income (adjusted net income minus debt service) was negative for all five years. Mountain District's rate-based loss increased from the year of 2024 to the year of 2025 by almost $1.1 million which is not funded by the rate increase in Case No. 2025-00327. Cash basis income (rate-based income plus depreciation) was positive only in the year of 2024.

[15] Case No. 2025-00327, *Electronic Application of Mountain Water District for an Adjustment of Water Rates* (Ky. PSC Sept. 2, 2026), final Order at 35-36.

[16] Case No. 2022-00366, Oct. 31, 2023 final Order at 26.

[17] Case No. 2022-00366, Nov. 29, 2023 Order at 3.

[18] Case No. 2022-00366, Oct. 31, 2023 final Order, Appendix C; Case No. 2025-00327, Sept. 2, 2026 final Order, Appendix C.

Description / Year	Compilation 2021	Compilation 2022	2022-00366 GRC FO 10/31/2023 Compilation 2023	2025-00327 Test Year Compilation 2024	Annual Report 2025	2025-00327 GRC Impact	2025-00327 GRC FO 09/02/2026 Pro Forma
Adjusted Net Income							
Net Income / (Loss)	$ (2,412,531)	$ (3,447,730)	$ (3,195,285)	$ (1,818,776)	$ (2,614,697)	$ 1,721,929	$ (892,768)
Other Non-recurring Items ( )	-	(4,000)	(26,450)	(2,053)	(13,802)	-	(13,802)
Water Loss Surcharge ( )	-	-	-	(334,649)	(344,126)	-	(344,126)
Interest Expense	357,799	387,640	369,547	279,341	196,796	-	196,796
Adjusted Net Income / (Loss)	**(2,054,732)**	**(3,064,090)**	**(2,852,188)**	**(1,876,137)**	**(2,775,829)**	**1,721,929**	**(1,053,900)**
Interest Expense ( )	(357,799)	(387,640)	(369,547)	(279,341)	(196,796)	-	(196,796)
Principal Payments ( )	(932,426)	(1,084,726)	(1,013,462)	(738,942)	(1,010,321)	496,752	(513,569)
Subtract: Total Debt Service ( )	(1,290,225)	(1,472,366)	(1,383,009)	(1,018,283)	(1,207,117)	496,752	(710,365)
Rate-Based Income (Excludes Working Cap	**(3,344,957)**	**(4,536,456)**	**(4,235,197)**	**(2,894,420)**	**(3,982,946)**	**2,218,681**	**(1,764,265)**
Add: Depreciation and Amortization Expense	3,022,786	3,110,276	3,084,259	3,054,929	3,086,820	-	3,086,820
Cash Basis Income	**$ (322,171)**	**$ (1,426,180)**	**$ (1,150,938)**	**$ 160,509**	**$ (896,126)**	**$ 2,218,681**	**$ 1,322,555**
Rate Based Income as Percent of Water Sales	-40%	-54%	-51%	-29%	-41%		
Cash Basis Income as Percent of Depreciation	-11%	-46%	-37%	5%	-29%		
Capital Spending	$ 2,190,403	$ 623,562	$ 95,603	$ 1,448,035	$ 3,882,928		
Cash and Investments							
Unrestricted Cash and Investments	$ 369,752	$ 111,127	$ 107,399	$ 299,811	$ 135,581		
Restricted Funds	2,172,551	2,229,997	2,443,958	2,737,731	2,328,839		
Adjusted Cash Balances	$ 2,542,303	$ 2,341,124	$ 2,551,357	$ 3,037,542	$ 2,464,420		
Net Increase (Decrease) in Cash	$ (1,335,732)	$ (201,179)	$ 210,233	$ 486,185	$ (573,122)		
Selected Statistical Information *(PSC Annual Reports)*							
Customer Count	16,576	16,495	16,396	16,708	16,682		
Gallons Produced	793,456	763,756	780,154	780,171	854,771		
Gallons Purchased	584,286	608,098	539,570	539,570	689,780		
Total Gallons Produced and Purchased	1,377,742	1,371,854	1,319,724	1,319,741	1,544,551		
Gallons Sold	763,035	784,200	759,791	751,516	758,975		
Gallons Used for Internal Use	230,294	206,143	207,591	190,914	170,772		
Water Loss Gallons	384,413	381,511	352,342	377,311	614,804		
System Use Percentage	16.72%	15.03%	15.73%	14.47%	11.06%		
Water Loss Percentage	27.9017%	27.8099%	26.6982%	28.5898%	39.8047%		
Gallons Sold Per Customer Per Month	3,836	3,962	3,862	3,748	3,791		
Revenues from the Sale of Water	$ 8,344,798	$ 8,396,059	$ 8,326,545	$ 9,838,485	$ 9,745,971		
Purchased Water Expense	1,170,994	1,206,560	1,106,938	1,080,266	1,406,036		
Purchased Water Expense Over 15% Water L	151,078	154,559	129,491	146,806	348,763		
Water Loss Expense Over 15% as Percentage of Water Revenue	1.81%	1.84%	1.56%	1.49%	3.58%		

Mountain 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 application, Mountain District proposed a purchased water adjustment factor of $0.09 per 1,000 gallons. During the 12 months ended August 31, 2026, Mountain District purchased 379,187,000 gallons of water from Pikeville and 295,210,300 gallons

of water from Williamson and sold 753,342,892 gallons of water to its customers.[19] The increase in the cost of purchased water from Williamson is $64,946.27, resulting in a purchased water adjustment factor of $0.09 per 1,000 gallons. No rate changes occurred from Pikeville.

The purchased water adjustment factor of $0.09 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. Mountain District proposed an effective date of September 2, 2026; however, Mountain District did not file its application in this matter until September 29, 2026. Pursuant to KRS 278.015, Mountain District was required to file its application within 20 days after any such increase was passed on to its customers. Having failed to do so, the Commission finds the soonest the rates should have been effective is September 9, 2026. The Phase 1 rates in Appendix B to this Order should be approved for water service rendered by Mountain District on and after September 9, 2026,[20] because the rates are supported by evidence of the increase in rates from Mountain District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015. The Phase 2 rates reflected in Appendix B, which simply apply the purchased water factor to the Phase 2 rates approved in Case No. 2025-00327, should be approved for water service rendered by Mountain District on or after September 2,

[19] Application, Purchased Water Adjustment Form 1, at 2.

[20] 807 KAR 5:068, 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 purchased water 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.

2027, which is the date on which the Phase 2 rates approved in Case No. 2025-00327 become effective pursuant to the final Order in that case.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of $0.09 per 1,000 gallons is approved.

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

3. The Phase 1 rates as set forth in Appendix B to this Order are approved for water service rendered by Mountain District on and after September 9, 2026.

4. The Phase 2 rates as set forth in Appendix B to this Order are approved for water service rendered by Mountain District on and after September 2, 2027.

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.

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
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00287 DATED OCT 29 2026

	Base Rate	New Rate	Change
Pikeville			
Purchases in Gallons	379,187,000	379,187,000	
Rate per 1,000 Gallons	$2.26/1,000	$2.26/1,000	
Subtotal	$856,962.62	$856,962.62	$0.00
Williamson			
Purchases in Gallons	295,210,300	295,210,300	
Rate per 1,000 Gallons	$1.83/1,000	$2.05/1,000	
Sub-total	$540,234.85	$605,181.12	$64,946.27
Total	$1,397,197.47	$1,462,143.74	
Increased water cost			$64,946.27
Increased water cost		$64,946.27	
Divided by Gallons sold/1,000		753,342,892	
			per 1,000
Purchased water adjustment factor		$0.0862	Gallons
		or $ 0.00009	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00287 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

PHASE 1

5/8-Inch X 3/4-Inch Meter		
Customer Charge	$8.90	Minimum Bill
Volumetric Rate	0.01292	Per Gallon
5/8-Inch X 3/4-Inch Meter, Multiple Users		
Customer Charge	$8.90	Minimum Bill
Volumetric Rate	0.01292	Per Gallon
1-Inch Meter		
Customer Charge	$14.75	Minimum Bill
Volumetric Rate	0.01292	Per Gallon
2-Inch Meter		
Customer Charge	$36.04	Minimum Bill
Volumetric Rate	0.01292	Per Gallon
3-Inch Meter		
Customer Charge	$95.02	Minimum Bill
Volumetric Rate	0.01292	Per Gallon
4-Inch Meter		
Customer Charge	$133.26	Minimum Bill
Volumetric Rate	0.01292	Per Gallon
6-Inch Meter		

Customer Charge	$229.40	Minimum Bill
Volumetric Rate	0.01292	Per Gallon
Wholesale Rate	0.00484	Per Gallon

PHASE 2
Effective on September 2, 2027

5/8-Inch X 3/4-Inch Meter		
Customer Charge	$8.80	Minimum Bill
Volumetric Rate	0.01427	Per Gallon
5/8-Inch X 3/4-Inch Meter, Multiple Users		
Customer Charge	$8.80	Minimum Bill
Volumetric Rate	0.01427	Per Gallon
1-Inch Meter		
Customer Charge	$16.90	Minimum Bill
Volumetric Rate	0.01427	Per Gallon
2-Inch Meter		
Customer Charge	$46.00	Minimum Bill
Volumetric Rate	0.01427	Per Gallon
3-Inch Meter		
Customer Charge	$91.15	Minimum Bill
Volumetric Rate	0.01427	Per Gallon
4-Inch Meter		
Customer Charge	$140.65	Minimum Bill
Volumetric Rate	0.01427	Per Gallon
6-Inch Meter		
Customer Charge	$270.00	Minimum Bill
Volumetric Rate	0.01427	Per Gallon
Wholesale Rate	0.00507	Per Gallon

Service List for Case 2026-00287

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