

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF UNION COUNTY	)	2026-00005
WATER DISTRICT	)	

ORDER

On January 21, 2026, Union County Water District (Union 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.<sup>1</sup>

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.

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<sup>1</sup> KRS 278.015: When a wholesale supplier selling water to a water district increases its rates, the water district shall have the authority to increase its rates. Within twenty (20) days after any such increase in rates, the district shall file its revised tariffs with the commission, together with a copy of the notice from its wholesale supplier showing the increase in the rate charged to the utility, and a statement of the volume of purchased water used to calculate the increase in rates. The commission shall approve the filing or establish revised rates by order no later than thirty (30) days after the above documents are filed with it. Prior to or at the time of the first billing of the new rates, the district shall give notice to its customers of the increase.

## DISCUSSION AND FINDINGS

Union District purchases water from the city of Morganfield (Morganfield). Morganfield notified Union District that its wholesale rate would increase by \$0.32, or 9.8 percent, from \$3.27 per 1,000 gallons to \$3.59 per 1,000 gallons, effective January 1, 2026.<sup>2</sup> Union District proposes to increase the water rates to its customers effective January 1, 2026, to reflect the increased cost of purchased water from Morganfield.

### 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 2022 Annual Report filed with the Commission, Union District reported a water loss of 20.1372 percent.<sup>3</sup> In its 2023 Annual Report filed with the Commission, Union District reported a water loss of 15.2982 percent.<sup>4</sup> In its 2024 Annual Report filed with the Commission, Union District reported a water loss of 12.4053 percent.<sup>5</sup> Union

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<sup>2</sup> TFS2026-00005 (Ky. PSC Jan. 7, 2026); The city of Morganfield submitted the tariff on January 7, 2026, and the tariff was accepted for filing by the Commission by letter dated January 28, 2026, with an effective date of January 1, 2026.

<sup>3</sup> *Annual Report of Union District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

<sup>4</sup> *Annual Report of Union District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

<sup>5</sup> *Annual Report of Union District to the Public Service Commission for the Year Ended December 31, 2024* at 57.

District's three-year water loss average is 15.9469 percent.<sup>6</sup> The approximate annual cost of Union District's water loss, based on a three-year average, is \$238,522.05.<sup>7</sup>

### Water Loss Surcharge

In Union District's recent rate case,<sup>8</sup> the Commission approved a monthly water loss reduction surcharge of \$1.72 per customer for 48 months, or until \$181,852 has been assessed, whichever occurs first to help lower unaccounted for water loss to more acceptable levels.<sup>9</sup> On May 5, 2023, Case No. 2023-00119 was established in order for the Commission to monitor the progress of the water loss reduction surcharge plan established by Union District.<sup>10</sup> During the December 2025 water loss report Union District reported a water loss of 14.60 percent.<sup>11</sup>

### Financial Condition and Rates

Union District's financial snapshot for 2020 through 2024 is presented below. Based on a review of Commission records, Union District last sought a general base rate adjustment in 2022,<sup>12</sup> in Case No. 2022-00160 (2021 test year), which became final on May 5, 2023, and reflected an increase of \$174,035 or 10.78 percent. Seven months of

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<sup>6</sup>  $20.1372 + 15.2982 + 12.4053 = 47.8407 / 3 \text{ years} = 15.9469\%$ .

<sup>7</sup> Total water cost at new wholesale rate of \$1,495,726.76 times 15.9469% water loss equals \$238,522.05.

<sup>8</sup> Case No. 2022-00160, *Electronic Application of Union County Water District for an Alternative Rate Adjustment* (Ky. PSC May 5, 2023), final Order.

<sup>9</sup> Case No. 2022-00160, May 5, 2023 final Order at 18–20.

<sup>10</sup> Case No. 2023-00119, *Electronic Union County Water District Unaccounted-for Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC May 5, 2023), opening Order.

<sup>11</sup> Case No. 2023-00119, December 2025 Monthly Water Loss Reduction Surcharge Reporting, *December\_2025\_Activity\_Report.pdf*.

<sup>12</sup> Case No. 2022-00160, May 5, 2023 final Order.

the revenues from the increase are included in 2023, and the full impact is reflected in 2024. Union District’s other rate increases during the review period were due to purchase water adjustment cases. Rate-based income increased from 2022 through 2024 due to the rate adjustment in Case No. 2022-00160 and an increase in gallons sold.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Audited 2024
<i>Adjusted Net Income</i>					
Net Income / (Loss) before Contributions	\$ (437,499)	\$ (333,869)	\$ (336,455)	\$ (56,538)	\$ 380,163
Non-Cash Pension and OPEB Expense / (Income)	87,027	35,985	(14,072)	(44,452)	(112,121)
<b>Adjusted Net Income / (Loss) before Contributions</b>	<b>\$ (350,472)</b>	<b>\$ (297,884)</b>	<b>\$ (350,527)</b>	<b>\$ (100,990)</b>	<b>\$ 268,042</b>
Subtract: Principal Payments ( )	0	(1,767)	(7,223)	(7,471)	(7,471)
<b>Rate Based Income</b>	<b>\$ (350,472)</b>	<b>\$ (299,651)</b>	<b>\$ (357,750)</b>	<b>\$ (108,461)</b>	<b>\$ 260,571</b>
Add: Depreciation Expense	302,482	300,719	291,722	285,549	281,669
<b>Cash Basis Income</b>	<b>\$ (47,990)</b>	<b>\$ 1,068</b>	<b>\$ (66,028)</b>	<b>\$ 177,088</b>	<b>\$ 542,240</b>
Cash Basis Income as Percent of Depreciation	-16%	0%	-23%	62%	193%
Capital Spending	\$ 59,291	\$ 96,958	\$ 62,560	\$ 64,416	\$ 46,880
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 245,461	\$ 180,899	\$ 62,699	\$ 114,913	\$ 627,912
Restricted Funds	46,484	146,325	156,341	180,918	275,820
Adjusted Cash Balances	\$ 291,945	\$ 327,224	\$ 219,040	\$ 295,831	\$ 903,732
Net Increase (Decrease) in Cash	\$ (91,512)	\$ 35,279	\$ (108,184)	\$ 76,791	\$ 607,901
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	2,307	2,300	2,292	2,301	2,321
Gallons Purchased	352,367	353,792	366,288	358,492	402,279
Gallons Sold	285,728	261,981	269,420	284,309	331,365
Gallons Used for Internal Use	20,113	23,244	23,108	19,340	21,010
Water Loss Gallons	46,526	68,567	73,760	54,843	49,904
System Use Percentage	5.71%	6.57%	6.31%	5.39%	5.22%
Water Loss Percentage	13.2038%	19.3806%	20.1372%	15.2982%	12.4053%
Gallons Sold Per Customer Per Month	10,321	9,492	9,796	10,297	11,897
Revenues from the Sale of Water	\$ 1,578,726	\$ 1,488,299	\$ 1,576,744	\$ 2,001,571	\$ 2,610,253
Purchased Water Expense	898,966	902,893	992,523	1,138,914	1,380,778
Purchased Water Expense Over 15% Water Loss	0	39,552	50,987	3,397	0
Water Loss Expense Over 15% as Percentage of Water Revenue	0.00%	2.66%	3.23%	0.17%	0.00%

Given this information, the Commission recommends Union District should file a rate case at least every three to five years, depending on operating performance, to ensure that its revenue is sufficient to provide adequate and reliable service.

### Purchased Water Adjustment Factor

In its application, Union District proposed a purchased water adjustment factor of \$0.40 per 1,000 gallons.<sup>13</sup> During the 12 months ended November 30, 2025, Union District purchased 416,405,000 gallons of water from Morganfield and sold 336,232,765 gallons of water to its customers.<sup>14</sup> The increase in the cost of purchased water from Morganfield is \$133,541.08, resulting in a purchased water adjustment factor of \$0.40 per 1,000 gallons.<sup>15</sup>

The purchased water adjustment factor of \$0.40 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 Union District on and after January 1, 2026, because the rates are supported by evidence of the increase in rates from Union 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 \$0.40 per 1,000 gallons is approved.
2. The rates proposed by Union District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Union District on and after January 1, 2026.

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<sup>13</sup> Application for Purchased Water Adjustment (Application) (filed Jan. 21, 2026) at 2.

<sup>14</sup> Application, Exhibit B.

<sup>15</sup> Application, Exhibit B.

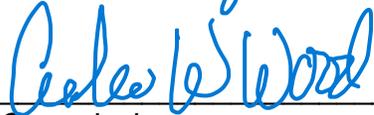
4. Within 20 days of the date of service of this Order, Union District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

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

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PUBLIC SERVICE COMMISSION

  
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Chairman

  
\_\_\_\_\_  
Commissioner

  
\_\_\_\_\_  
Commissioner

ATTEST:

  
\_\_\_\_\_  
Executive Director

ENTERED  
FEB 20 2026 <sup>AB</sup>  
KENTUCKY PUBLIC  
SERVICE COMMISSION

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2026-00005 DATED FEB 20 2026

	<u>Base Rate</u>	<u>New Rate</u>	<u>Change</u>
<u>City of Morganfield</u>			
Purchases in Gallons	416,405,000	416,405,000	
Rate per 1,000 Gallons	<u>\$3.2713</u>	<u>\$3.5920</u>	
Subtotal	\$1,362,185.68	\$1,495,726.76	\$133,541.08
 Total	 \$1,362,185.68	 \$1,495,726.76	
 Increased water cost			 \$133,541.08
 Increased water cost		 \$133,541.08	
Divided by Gallons sold/1,000		<u>336,232,765</u>	
Purchased water adjustment		\$0.3972	per 1,000
factor			Gallons
		or \$ 0.0004	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2026-00005 DATED FEB 20 2026

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

5/8 Inch Meter

First	2,000 Gallons	\$17.52	Minimum Bill
Next	3,000 Gallons	0.00880	Per Gallon
Next	5,000 Gallons	0.00836	Per Gallon
Next	15,000 Gallons	0.00797	Per Gallon
Next	25,000 Gallons	0.00764	Per Gallon
Next	50,000 Gallons	0.00720	Per Gallon
Next	100,000 Gallons	0.00675	Per Gallon
Next	100,000 Gallons	0.00631	Per Gallon
Over	300,000 Gallons	0.00587	Per Gallon

3/4 Inch Meter

First	5,000 Gallons	\$43.91	Minimum Bill
Next	5,000 Gallons	0.00836	Per Gallon
Next	15,000 Gallons	0.00797	Per Gallon
Next	25,000 Gallons	0.00764	Per Gallon
Next	50,000 Gallons	0.00720	Per Gallon
Next	100,000 Gallons	0.00675	Per Gallon
Next	100,000 Gallons	0.00631	Per Gallon
Over	300,000 Gallons	0.00587	Per Gallon

1 Inch Meter

First	10,000 Gallons	\$85.71	Minimum Bill
Next	15,000 Gallons	0.00797	Per Gallon
Next	25,000 Gallons	0.00764	Per Gallon
Next	50,000 Gallons	0.00720	Per Gallon

Next	100,000 Gallons	0.00675	Per Gallon
Next	100,000 Gallons	0.00631	Per Gallon
Over	300,000 Gallons	0.00587	Per Gallon

1 1/2 Inch Meter

First	25,000 Gallons	\$205.29	Minimum Bill
Next	25,000 Gallons	0.00797	Per Gallon
Next	50,000 Gallons	0.00764	Per Gallon
Next	100,000 Gallons	0.00720	Per Gallon
Next	100,000 Gallons	0.00631	Per Gallon
Over	300,000 Gallons	0.00587	Per Gallon

2 Inch Meter

First	50,000 Gallons	\$396.28	Minimum Bill
Next	50,000 Gallons	0.00764	Per Gallon
Next	100,000 Gallons	0.00720	Per Gallon
Next	100,000 Gallons	0.00631	Per Gallon
Over	300,000 Gallons	0.00587	Per Gallon

2 1/2 Inch Meter

First	75,000 Gallons	\$576.18	Minimum Bill
Next	25,000 Gallons	0.00764	Per Gallon
Next	100,000 Gallons	0.00720	Per Gallon
Next	100,000 Gallons	0.00631	Per Gallon
Over	300,000 Gallons	0.00587	Per Gallon

3 Inch Meter

First	100,000 Gallons	\$756.09	Minimum Bill
Next	100,000 Gallons	0.00720	Per Gallon
Next	100,000 Gallons	0.00631	Per Gallon
Over	300,000 Gallons	0.00587	Per Gallon

4 Inch Meter

First	200,000 Gallons	\$1,431.41	Minimum Bill
Next	100,000 Gallons	0.00631	Per Gallon
Over	300,000 Gallons	0.00587	Per Gallon

6 Inch Meter

First	300,000 Gallons	\$2,062.42	Minimum Bill
Over	300,000 Gallons	0.00587	Per Gallon

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