

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF BREATHITT COUNTY	)	2026-00214
WATER DISTRICT	)	

ORDER

On August 25, 2026, Breathitt County Water District (Breathitt 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 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

Breathitt District purchases water from the city of Jackson (Jackson) and the city of Campton (Campton). Jackson notified Breathitt District that its wholesale rate would increase by \$0.13 per 1,000 gallons, or 2.95 percent, from \$4.41 per 1,000 gallons to

\$4.54 per 1,000 gallons, effective July 1, 2026.¹ Breathitt District proposes to increase the water rates to its customers effective July 1, 2026, to reflect the increased cost of purchased water from Jackson. Campton did not propose any rate changes.

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, Breathitt District reported a water loss of 13.3513 percent.² In its 2024 Annual Report filed with the Commission, Breathitt District reported a water loss of 13.2330 percent.³ In its 2025 Annual Report filed with the Commission, Breathitt District reported a water loss of 11.3778 percent.⁴ Breathitt District's three-year water loss average is 12.6540 percent.⁵ The approximate cost of Breathitt District's total water loss using a three-year average is \$48,807.23.⁶

¹ TFS2026-00248 (Ky. PSC May 29, 2026); Breathitt District 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 July 1, 2026.

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

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

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

⁵ $13.3513\% + 13.2330\% + 11.3778\% = 37.9621\% / 3 \text{ years} = 12.6540\%$.

⁶ Total water cost at new wholesale rate of \$385,705.91 times 12.6540% water loss equals \$48,807.23.

Financial Condition and Rates

Breathitt District's financial snapshot for 2021 through 2025 is presented below. Based on a review of Commission records, Breathitt District last sought a general base rate adjustment in Case No. 2022-00136 which became final on January 31, 2024 (2021 test year) and reflected a revenue increase of \$663,036 or 54.07 percent.⁷ In Case No. 2022-00136, approximately \$430,000 of expenses (benefits, Commissioner Salaries, and depreciation) were disallowed for recovery in ratemaking purposes.⁸ The increase was implemented in three annual phases beginning January 31, 2024, with subsequent equal amount increases each year of approximately \$221,013 on January 31, 2025, and January 31, 2026. Approximately 66 percent of the total increase is reflected in the results below. Breathitt District's other rate increases during the review period were due to multiple purchased water adjustments. Rate-based income (adjusted net income minus principal payments) was negative for all five years. Cash basis income (rate-based income plus depreciation expense) was positive in 2021 and 2025 and was negative in 2022 through 2024. The Commission notes that Breathitt District's reported repairs and maintenance expense was \$367,744 and \$476,290 in 2023 and 2024, respectively, compared to 2022 and 2025, \$46,464 and \$62,137 respectively.

⁷ See Case No. 2022-00136, *Electronic Application of Breathitt County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 31, 2024), final Order.

⁸ Case No. 2022-00136, Jan. 31, 2024 Order at 7.

Description / Year	2022-00136 Test Year		2022-00136 ARF FO 01/31/2024		
	Audited 2021	Audited 2022	Audited 2023	Audited 2024	Audited 2025
Adjusted Net Income					
Net Income / (Loss)	\$ (961,005)	\$ (1,093,158)	\$ (119,886)	\$ (1,208,679)	\$ (930,159)
Other Non-recurring Items ()	(49,300)	(75,008)	(1,319,873)	(139,235)	-
Non-Cash Pension and OPEB Expense / (Income)	28,263	28,878	20,069	(30,616)	(56,123)
Interest Expense	23,284	25,646	20,680	20,973	32,485
Adjusted Net Income / (Loss)	(958,758)	(1,113,642)	(1,399,010)	(1,357,557)	(953,797)
Interest Expense ()	(23,284)	(25,646)	(20,680)	(20,973)	(32,485)
Principal Payments ()	(91,879)	(100,231)	(94,090)	(87,458)	(96,334)
Subtract: Total Debt Service ()	(115,163)	(125,877)	(114,770)	(108,431)	(128,819)
Rate-Based Income (Excludes Working Capital of 20%)	(1,073,921)	(1,239,519)	(1,513,780)	(1,465,988)	(1,082,616)
Add: Depreciation Expense	1,118,390	1,134,847	1,141,356	1,146,018	1,180,360
Cash Basis Income	\$ 44,469	\$ (104,672)	\$ (372,424)	\$ (319,970)	\$ 97,744
Rate Based Income as Percent of Water Sales	-89%	-103%	-129%	-101%	-67%
Cash Basis Income as Percent of Depreciation	4%	-9%	-33%	-28%	8%
Capital Spending	\$ 551,790	\$ -	\$ 898,586	\$ 2,978,489	\$ 461,553
Cash and Investments					
Unrestricted Cash and Investments	\$ 92,335	\$ 93,339	\$ 1,402,266	\$ 471,549	\$ 602,990
Restricted Funds	231,521	194,810	435,110	852,013	640,930
Adjusted Cash Balances	\$ 323,856	\$ 288,149	\$ 1,837,376	\$ 1,323,562	\$ 1,243,920
Net Increase (Decrease) in Cash	\$ 43,642	\$ (35,707)	\$ 1,549,227	\$ (513,814)	\$ (79,642)
Selected Statistical Information (PSC Annual Reports)					
Customer Count	2,001	2,003	2,050	2,040	2,041
Gallons Purchased	84,655	84,032	82,149	83,337	85,983
Gallons Sold	70,233	68,373	68,696	68,916	70,788
Gallons Used for Internal Use	4,243	3,758	2,485	3,393	5,412
Water Loss Gallons	10,179	11,901	10,968	11,028	9,783
System Use Percentage	5.01%	4.47%	3.02%	4.07%	6.29%
Water Loss Percentage	12.0241%	14.1625%	13.3513%	13.2330%	11.3778%
Gallons Sold Per Customer Per Month	2,925	2,845	2,793	2,815	2,890
Revenues from the Sale of Water	\$ 1,211,343	\$ 1,203,000	\$ 1,170,857	\$ 1,450,836	\$ 1,619,056
Purchased Water Expense	349,242	361,503	373,583	384,178	382,302
Purchased Water Expense Over 15% Water Loss	0	0	0	0	0
Water Loss Expense Over 15% as Percentage of Water Revenue	0.00%	0.00%	0.00%	0.00%	0.00%

Breathitt District was ordered to file a rate adjustment by August 31, 2026, in Case No. 2025-00234.⁹ On August 31, 2026, Breathitt District tendered an application for a

⁹ Case No. 2025-00234, *Electronic Purchased Water Adjustment Filing of Breathitt County Water District* (Ky. PSC Sept. 12, 2025), Order at 8.

rate adjustment pursuant to 807 KAR 5:076.¹⁰ The application was marked deficient on September 2, 2026,¹¹ and the deficiencies have not been corrected.¹²

Purchased Water Adjustment Factor

In its application, Breathitt District proposed a purchased water adjustment factor of \$0.17 per 1,000 gallons, with an effective date of July 1, 2026. During the 12 months ended May 31, 2026, Breathitt District purchased 84,882,000 gallons of water from Jackson and 102,900 gallons of water from Campton and sold 68,241,000 gallons of water to its customers. The increase in the cost of purchased water from Jackson is \$11,034.66, resulting in a purchased water adjustment factor of \$0.17 per 1,000 gallons. No rate changes occurred from Campton.

The purchased water adjustment factor of \$0.17 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. Breathitt District proposed an effective date of July 1, 2026; however, Breathitt District did not file its application in this matter until August 25, 2026. Pursuant to KRS 278.015, Breathitt 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 August 5, 2026. The rates in Appendix B to this Order should be approved for water service rendered by Breathitt District on and after August 5, 2026, because the rates are supported by

¹⁰ Case No. 2026-00227, *Electronic Application of Breathitt County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (tendered Aug. 31, 2026).

¹¹ Case No. 2026-00227, *Electronic Application of Breathitt County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (KY. PSC Sept. 2, 2026).

¹² Last checked on September 21, 2026.

evidence of the increase in rates from Breathitt 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 \$0.17 per 1,000 gallons is approved.
2. The rates proposed by Breathitt District are approved.
3. The effective date proposed by Breathitt District is denied.
4. The rates as set forth in Appendix B to this Order are approved for water service rendered by Breathitt District on and after August 5, 2026.
5. Within 20 days of the date of service of this Order, Breathitt 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 24th day of September, 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. 2026-00214 DATED SEP 24 2026

	Base Rate	New Rate	Change
<u>Jackson</u>			
Purchases in Gallons	84,882,000	84,882,000	
Rate per 1,000 Gallons	<u>\$4.41/1,000</u>	<u>\$4.54/1,000</u>	
Subtotal	\$374,329.62	\$385,364.28	\$11,034.66
<u>Campton</u>			
Purchases in Gallons	102,900	102,900	
Rate per 1,000 Gallons	<u>\$3.32/1,000</u>	<u>\$3.32/1,000</u>	
Sub-total	\$341.63	\$341.63	\$0.00
Total	\$374,671.25	\$385,705.91	
Increased water cost			\$11,034.66
Increased water cost		\$11,034.66	
Divided by Gallons sold/1,000		<u>68,241,000</u>	
Purchased water adjustment factor		\$0.1617	per 1,000 Gallons
		or \$ 0.00017	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00214 DATED SEP 24 2026

The following rates and charges are prescribed for the customers in the area served by Breathitt 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 X 3/4-Inch Meter

First	2,000 Gallons	\$47.57	Minimum Bill
Over	2,000 Gallons	0.02380	Per Gallon

Leak Adjustment Rate

0.00985 Per Gallon

Wholesale Rate

Village of Buckhorn	0.00695	Per Gallon
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Kentucky Mountain Bible College

First	10,000	\$236.26	Minimum Bill
Next	190,000	0.01441	Per Gallon
Over	200,000	0.01223	Per Gallon

Service List for Case 2026-00214

* Breathitt County Water District
1137 Main Street, Suite 305
Jackson, KY 41339

* Bobby Thorpe, Jr.
Chairperson
Breathitt County Water District
1137 Main Street, Suite 305
Jackson, KY 41339

* Estill McIntosh
Superintendent
Breathitt County Water District
1137 Main Street, Suite 305
Jackson, KY 41339

* David P. Foster
Rural Community Assistance Partnership
101 Burch Court
Frankfort, KY 40601