

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF CALDWELL COUNTY)	2026-00035
WATER DISTRICT)	

ORDER

On February 13, 2026, Caldwell County Water District (Caldwell District) tendered its application for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015¹ and 807 KAR 5:068. On February 16, 2026, the Commission notified Caldwell District that its application had been rejected due to certain filing deficiencies. On February 19, 2026, Caldwell District submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of that date. Caldwell District’s application proposed to place its new rates into effect as of January 1, 2026.²

¹ When a wholesale supplier selling water or providing sewage treatment to a water district; combined water, gas, or sewer district; or water commission increases its rates, the water district or combined water, gas, or sewer district shall have the authority to increase its rates commensurate with the wholesale supplier without prior approval by the commission. 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 or sewage treated 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.

² Caldwell_County_PWA_Application_Amended (Ky. PSC Feb. 19, 2026) at 2.

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

Caldwell District purchases water from city of Princeton (Princeton) and South Hopkins Water District (South Hopkins District). Princeton notified Caldwell District that its wholesale rate would increase by \$0.321, or 8.22 percent, from \$3.904 per 1,000 gallons to \$4.225 per 1,000 gallons, effective January 1, 2026.³ South Hopkins District notified Caldwell District that its wholesale rate would increase by \$0.90, or 25.3 percent, from \$3.56 per 1,000 gallons to \$4.46 per 1,000 gallons, effective August 15, 2025.⁴ Caldwell District proposed to increase the water rates to its customers effective January 1, 2026, to reflect the increased cost of purchased water from Princeton and South Hopkins District.

³ TFS2023-00375 (Ky. PSC Aug. 16, 2023); Princeton submitted the tariff on August 16, 2023, and the tariff was accepted for filing by the Commission by letter dated December 11, 2023, with an effective date of January 1, 2024. The increase was implemented in 3 phases and phase 3 of the increase is effective January 1, 2026.

⁴ TFS2025-00398 (Ky. PSC Sept. 16, 2025); South Hopkins District submitted the tariff on September 16, 2025, and the tariff was accepted for filing by the Commission by letter dated September 29, 2025, with an effective date of August 15, 2025. See also Case No. 2025-00251, *Electronic Purchased Water Adjustment Filing of South Hopkins Water District* (Ky. PSC Aug. 28, 2025), in which the Commission approved the South Hopkins District rate increase.

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, Caldwell District reported a water loss of 29.3435 percent.⁵ In its 2023 Annual Report filed with the Commission, Caldwell District reported a water loss of 23.5129 percent.⁶ In its 2024 Annual Report filed with the Commission, Caldwell District reported a water loss of 27.5057 percent.⁷ Caldwell District's three-year water loss average is 26.7874%.⁸ The approximate annual cost of Caldwell District's water loss, based on a three-year average, is \$144,661.79.⁹ The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages Caldwell District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Caldwell District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

⁵ *Annual Report of Caldwell District to the Public Service Commission for the Year Ended December 31, 2022*, at 57.

⁶ *Annual Report of Caldwell District to the Public Service Commission for the Year Ended December 31, 2023*, at 57.

⁷ *Annual Report of Caldwell District to the Public Service Commission for the Year Ended December 31, 2024*, at 57.

⁸ $29.3435 + 23.5129 + 27.5057 = 80.3621 / 3 \text{ years} = 26.7874 \text{ percent}$.

⁹ Total water cost at new wholesale rate of \$540,036.69 times 26.7874% water loss equals \$144,661.79.

Financial Condition and Rates

Caldwell District's financial snapshot for 2020-2024 is presented below. Caldwell District last sought a base rate adjustment in Case No. 2021-00423 (2020 test year), which became effective on September 12, 2022, and reflected an increase of \$214,758 or 16.24 percent.¹⁰ Three months of the rate increase are reflected in 2022 results, and the full impact is reflected in 2023. Caldwell District's other rate increases during the review period were due to purchased water adjustment cases. Rate-based income increased from 2022 to 2023 due to the rate adjustment in Case No. 2021-00423. Rate-based income then decreased from 2023 to 2024 mainly due to an increase in Materials and Supplies Expense and Employee Salaries and Wages.¹¹

¹⁰ Case No. 2021-00423, *Electronic Application of Caldwell County Water District for an Alternative Rate Adjustment* (Ky. PSC Sept. 12, 2022), final Order at 13.

¹¹ *Annual Report of Caldwell District to the Public Service Commission for the Year Ended December 31, 2023* at 50; *Annual Report of Caldwell District to the Public Service Commission for the Year Ended December 31, 2024*, at 50.

Description / Year	2021-00423 Test Year		2021-00423 Rates 9/12/2022		Annual report 2024
	Audited 2020	Audited 2021	Audited 2022	Audited 2023	
<i>Adjusted Net Income</i>					
Net Income / (Loss) before Contributions	\$ 199,280	\$ 58,927	\$ (36,226)	\$ 331,182	\$ 534,071
Other Non-recurring Items ()	(87,962)	0	(25,805)	(44,968)	(383,113)
Non-Cash Pension and OPEB Expense / (Income)	(49,237)	(45,066)	30,838	(29,313)	(14,577)
Adjusted Net Income / (Loss) before Contributions	\$ 62,081	\$ 13,861	\$ (31,193)	\$ 256,901	\$ 136,381
Subtract: Principal Payments ()	(99,500)	(133,000)	(75,000)	(114,000)	(120,000)
Rate Based Income	\$ (37,419)	\$ (119,139)	\$ (106,193)	\$ 142,901	\$ 16,381
Add: Depreciation Expense	234,537	236,158	237,318	237,998	258,286
Cash Basis Income	\$ 197,118	\$ 117,019	\$ 131,125	\$ 380,899	\$ 274,667
Cash Basis Income as Percent of Depreciation	84%	50%	55%	160%	106%
Capital Spending	\$ 194,324	\$ 8,296	\$ 35,978	\$ 72,837	\$ 337,191
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 832,955	\$ 812,289	\$ 871,612	\$ 1,170,354	\$ 1,510,044
Restricted Funds	683,665	772,277	811,636	1,095,006	807,844
Adjusted Cash Balances	1,516,620	1,584,566	1,683,248	2,265,360	2,317,888
Net Increase (Decrease) in Cash	\$ 102,386	\$ 67,946	\$ 98,682	\$ 582,112	\$ 52,528
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	2,085	2,104	2,133	2,193	2,220
Gallons Purchased	105,729	105,041	125,459	115,898	126,450
Gallons Sold	81,000	83,186	87,723	85,886	87,669
Gallons Used for Internal Use	9,000	1,274	922	2,761	4,000
Water Loss Gallons	15,729	20,581	36,814	27,251	34,781
System Use Percentage	8.51%	1.21%	0.73%	2.38%	3.16%
Water Loss Percentage	14.8767%	19.5933%	29.3435%	23.5129%	27.5057%
Gallons Sold Per Customer Per Month	3,237	3,295	3,427	3,264	3,291
Revenues from the Sale of Water	\$ 1,331,398	\$ 1,359,484	\$ 1,457,618	\$ 1,622,479	\$ 1,705,489
Purchased Water Expense	335,148	342,809	409,378	377,972	453,799
Purchased Water Expense Over 15% Water Loss	0	15,746	58,719	32,176	56,751
Water Loss Expense Over 15% as Percentage of Water Revenue	0.00%	1.16%	4.03%	1.98%	3.33%

Given this information, the Commission finds that Caldwell 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.

Purchased Water Adjustment Factor

In its application, Caldwell District proposed a purchased water adjustment factor of \$0.44 per 1,000 gallons. During the 12 months ending in December 2025, Caldwell District purchased 126,851,448 gallons of water from Princeton and 916,888 gallons of water from South Hopkins District and sold 94,685,720 gallons of water to its customers.

The increase in the cost of purchased water from Princeton and South Hopkins District is \$41,544.52, resulting in a purchased water adjustment factor of \$0.44 per 1,000 gallons.

The purchased water adjustment factor of \$0.44 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 and should be approved because the rates are supported by evidence of the increase in rates from Caldwell District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015. As Caldwell District did not file the PWA application within 20 days of the proposed effective date of January 1, 2026, the Commission cannot grant an effective date of January 1, 2026, as requested by Caldwell District. Caldwell District's board of commissioners (Board) passed a resolution on February 10, 2026 to pass through the increased purchased water costs.¹² As this application was deemed filed on February 19, 2026, and with that date being within 20 days of the date Caldwell District's Board approved the rate increase, the Commission finds that the rates set forth in Appendix B to this Order should be effective for water service rendered by Caldwell District on and after February 10, 2026.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.44 per 1,000 gallons is approved.
2. The rates proposed by Caldwell District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Caldwell District on and after February 10, 2026.

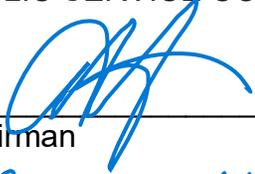
¹² Application, Exhibit D.

4. Within 20 days of the date of service of this Order, Caldwell 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



Chairman



Commissioner



Commissioner

ATTEST:

Executive Director

ENTERED
MAR 19 2026
AB
KENTUCKY PUBLIC
SERVICE COMMISSION

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00035 DATED MAR 19 2026

	Base Rate	New Rate	Change
<u>City of Princeton</u>			
Purchases in Gallons	126,851,448	126,851,448	
Rate per 1,000 Gallons	<u>\$3.904/1,000</u>	<u>\$4.225/1,000</u>	
Subtotal	\$495,228.05	\$535,947.37	\$40,719.32
 <u>South Hopkins</u>			
Purchases in Gallons	916,888	916,888	
Rate per 1,000 Gallons	<u>\$3.56/1,000</u>	<u>\$4.46/1,000</u>	
Sub-total	\$3,264.12	\$4,089.32	\$825.20
 Total	 \$498,492.17	 \$540,036.69	
 Increased water cost			 \$41,544.52
 Increased water cost		 \$41,544.52	
Divided by Gallons sold/1,000		<u>94,685,720</u>	
Purchased water adjustment factor		\$0.4388	per 1,000 Gallons
		or \$ 0.00044	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00035 DATED MAR 19 2026

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

All Meter Sizes

First	1,000 Gallons	\$30.91	Minimum Bill
Next	3,000 Gallons	0.01681	Per Gallon
Next	6,000 Gallons	0.01398	Per Gallon
Next	20,000 Gallons	0.01116	Per Gallon
Over	30,000 Gallons	0.00997	Per Gallon

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