

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LEDBETTER	)	
WATER DISTRICT FOR A PURCHASED WATER	)	CASE NO.
ADJUSTMENT AND DEVIATION FROM 807 KAR	)	2026-00045
5:068, SECTION 3(3)	)	

ORDER

On February 27, 2026, Ledbetter Water District (Ledbetter District) applied for approval to adjust its rates pursuant to the purchased water adjustment (PWA) procedure set forth in KRS 278.015 and 807 KAR 5:068. Ledbetter District also asked for a deviation from 807 KAR 5:068, Sections 3(3) and 3(5) to permit the PWA factor for this adjustment to be determined using the average of Ledbetter District’s annual water purchases for 2022 through 2024.<sup>1</sup> Ledbetter District’s application is deemed filed as of February 27, 2026.

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

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<sup>1</sup> Application (filed Feb. 27, 2026) at 4-7.

water used to calculate the rate adjustment. The Commission shall approve the filing by order after the above documents are filed.

### DISCUSSION AND FINDINGS

Ledbetter District purchases water from Crittenden-Livingston Water District (Crittenden-Livingston District). Ledbetter District also produces some of its own water supply. Crittenden-Livingston District notified Ledbetter District that its wholesale rate would increase from \$3.34 per 1,000 gallons to \$3.78 per 1,000 gallons, effective March 27, 2026.<sup>2</sup> Ledbetter District proposes to increase the water rates to its customers effective February 26, 2026, to reflect the increased cost of purchased water from Crittenden-Livingston District.

#### Deviation

Ledbetter District also asked for a deviation from 807 KAR 5:068, Sections 3(3) and 3(5) to permit the PWA factor for this adjustment to be determined using the average of Ledbetter District's annual water purchases for 2022 through 2024, rather than the time period established in Section 3 of 807 KAR 5:068.<sup>3</sup> Specifically, 807 KAR 5:068 Section 3(3) requires that utility water purchases be determined based upon the level of water purchases for a period of 12 consecutive months ending within 90 days immediately prior to the effective date of the utility rate adjustment month period. Commission regulation 807 KAR 5:068, Sections 3(5) states that the same 12-month period shall be used to

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<sup>2</sup> Crittenden-Livingston District filed the TFS2025-00519 tariff on November 24, 2025, and a Commission letter approving the tariff was issued on December 22, 2025, granting effectiveness to the rates approved by the Commission in the final Order of Case No. 2024-00278, *Electronic Application of Crittenden-Livingston County Water District for an Alternative Rate Filing Pursuant to 807 KAR 5:076* (Ky. PSC Nov. 4, 2025).

<sup>3</sup> Application at 4-7.

determine total utility water purchases and total water utility sales. Without a deviation, Ledbetter District's total utility water purchases for the period of 12 consecutive months ending within 90 days immediately prior to the effective date of the utility rate adjustment month period would total 21,700,000 gallons in purchases.<sup>4</sup>

Pursuant to a water purchase contract, Ledbetter District is required to purchase from Crittenden Livingston District a minimum of 2.5 million gallons of water per month.<sup>5</sup> Ledbetter District explained that Crittenden-Livingston District temporarily suspended enforcement of the water purchase contract's minimum purchase provision and charged Ledbetter District only for the volume of water actually purchased, because its production facility had reached maximum capacity and had difficulty meeting its customers' total demand.<sup>6</sup> During 2025, when the minimum purchase provision was suspended, Ledbetter District purchased only 21.7 million gallons of water.<sup>7</sup> During the same period Ledbetter District produced 49,373,000 gallons of the water to sell to its customers covering for the gallons that could not be purchased from Crittenden-Livingston District during 2025.<sup>8</sup> Ledbetter District further explained that in January 2026, with the completion of improvements to its water production and storage facilities, Crittenden-Livingston District withdrew its request for voluntary reductions in Ledbetter District's water purchases and began enforcing the contract minimum purchase provision.<sup>9</sup>

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<sup>4</sup> Application, Exhibit F2 at 87.

<sup>5</sup> Application, Exhibit G at 5.

<sup>6</sup> Application, Exhibit H at 5.

<sup>7</sup> Application at 6.

<sup>8</sup> Application, Exhibit F2 at 87.

<sup>9</sup> Application at 5.

Ledbetter District explained that given the minimum purchase provision of its water purchase contract, its purchase of at least 30 million gallons of water annually is certain.<sup>10</sup> According to the application, total purchases for calendar years 2022 through 2024 totaled 99,275,000 gallons for an average of 33,091,667 gallons purchased per year. Recent trends suggest that the purchase of approximately 33.1 million gallons of water per year for the near future is highly likely based on historic trends when the minimum purchase provision was in effect.<sup>11</sup>

Having considered the record and being otherwise sufficiently advised, the Commission finds that Ledbetter District's motion for deviation from 807 KAR 5:068, Sections 3(3) and 3(5) should be granted for good cause shown. Even though the water purchase contract provided in the application has not been filed with the Commission, Ledbetter District provided sufficient evidence of what their actual purchased water costs are and will be. Ledbetter District also provided sufficient evidence that it will resume its minimum purchase obligations of 30 million gallons as set forth in its contract with Crittenden-Livingston District.

#### Effective Date

Ledbetter District took the position that the Commission's Order of November 4, 2025, in Case No. 2024-00278<sup>12</sup> required Crittenden-Livingston District to charge the approved wholesale rate for service on and after November 4, 2025, and therefore proposed to implement its increased rates on February 26, 2026 rather than on March

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<sup>10</sup> Application at 6.

<sup>11</sup> Application at 7.

<sup>12</sup> Case No. 2024-00278, *Electronic Application of Crittenden-Livingston County Water District for an Alternative Rate Filing Pursuant to 807 KAR 5:076* (Ky PSC Nov. 4, 2025).

27, 2026.<sup>13</sup> March 27, 2026 was the date in which Crittenden-Livingston District, by letter, stated it would begin charging Ledbetter District.<sup>14</sup> Ledbetter District stated that, while it is not opposed to the effective date of Crittenden-Livingston District's wholesale rate increase being March 27, 2026, the Commission's November 4, 2025 Order clearly states that its effective date as November 4, 2025, and that Order appears to supersede any contract provision.<sup>15</sup> Ledbetter District stated that it views any delay in implementing its purchase water adjustment as placing Ledbetter District at risk of being unable to recover a portion of the increased costs should the Commission agree that the effective date of the wholesale rate adjustment is November 4, 2025.<sup>16</sup>

Having considered the record and being otherwise sufficiently advised, the Commission finds that Ledbetter District is entitled to implement its increased purchased water rates as of February 26, 2026, as Crittenden-Livingston District's filed tariff was effective on November 4, 2025.<sup>17</sup>

#### 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, Ledbetter District

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<sup>13</sup> Application at 4.

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

<sup>15</sup> Application at 4.

<sup>16</sup> Application at 4.

<sup>17</sup> See P.S.C. Ky Crittenden-Livingston County Water District 3rd Revised Sheet No. 4 (issued Nov. 4, 2025, effective Nov. 4, 2025).

reported a water loss of 16.7062 percent.<sup>18</sup> In its 2023 Annual Report filed with the Commission, Ledbetter District reported a water loss of 27.1136 percent.<sup>19</sup> In its 2024 Annual Report filed with the Commission, Ledbetter District reported a water loss of 21.4214 percent.<sup>20</sup> Ledbetter District's three-year water loss average is 21.7471 percent.<sup>21</sup> The cost of Ledbetter District's total unaccounted for water loss using a three-year average is \$27,202.69.<sup>22</sup>

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages Ledbetter District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Ledbetter District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

### Financial Condition and Rates

Based on a review of Commission records, Ledbetter District sought a general base rate adjustment was in 2018,<sup>23</sup> which utilized a 2016 test year, became final on

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<sup>18</sup> *Annual Report of Ledbetter District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

<sup>19</sup> *Annual Report of Ledbetter District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

<sup>20</sup> *Annual Report of Ledbetter District to the Public Service Commission for the Year Ended December 31, 2024* at 57.

<sup>21</sup>  $16.7062\% + 27.1136\% + 21.4214\% = 65.2412\% / 3 \text{ years} = 21.7471\%$ .

<sup>22</sup> Total water cost at new wholesale rate of \$125,086.50 times 21.7471% water loss equals \$27,202.69.

<sup>23</sup> Case No. 2018-00117, *Application of Ledbetter Water District for an Alternative Rate Adjustment*, (Ky. PSC Sep. 10, 2018), Order.

September 10, 2018, and reflected an increase of \$74,796 or 17.52 percent.<sup>24</sup> More recently, Ledbetter District tendered an application for an alternative rate adjustment in Case 2025-00081 that application was found deficient on April 24, 2025, and those deficiencies have yet to be addressed.<sup>25</sup> The last update in that case was on August 7, 2025, in which Ledbetter District stated that it is working to correct the filing deficiencies and hopes to have the corrections filed soon.<sup>26</sup> Ledbetter District's only other rate increases have occurred as a result of other PWA cases.<sup>27</sup>

In Case No. 2019-00041,<sup>28</sup> the Commission discussed the problems that can occur when utilities intentionally avoid a review of their financial records by relying solely on financing cases to increase rates.<sup>29</sup> A key recommendation from that proceeding was that water districts should monitor the sufficiency of their base rates closely and, in general, apply for base rate adjustments on a more frequent basis.<sup>30</sup> Future rate cases should be filed at least every three to five years to ensure that the Commission has appropriate oversight of a utility's rate analysis.

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<sup>24</sup> Case No. 2018-00117, Sept. 10, 2018 Order.

<sup>25</sup> Case No. 2025-00081, *Electronic Application of Ledbetter Water District for a Rate Adjustment Pursuant to 807 KAR 5:076*.

<sup>26</sup> Case No. 2025-00081, (filed Aug. 7, 2025), Deficiency Update.

<sup>27</sup> Case No. 2019-00196, *Purchased Water Adjustment Filing of Ledbetter Water District*, (Ky. PSC July 23, 2019), final Order. Case No. 2021-00158, *Electronic Purchased Water Adjustment Filing of Ledbetter Water District*, (Ky. PSC May 4, 2021), final Order. Case No. 2021-00238, *Electronic Purchased Water Adjustment Filing of Ledbetter Water District*, (Ky. PSC Aug. 4, 2021), final Order.

<sup>28</sup> Case No. 2019-00041 *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019).

<sup>29</sup> Case No. 2019-00041, Nov. 22, 2019 Order, Executive Summary, at ii, Poor Financial and Accounting Practice.

<sup>30</sup> Case No. 2019-00041, Nov. 22, 2019 Order at 7, ordering paragraph, 5.

Based upon a review of the annual and audit reports filed with the Commission, Ledbetter District had a rate-based loss (adjusted net income minus principal payments) in 2023 and 2024. Cash basis income (rate-based income plus depreciation) reflected a loss in 2023 and was marginally positive in 2024. The Commission notes that the degradation in rate-based income in 2023 is primarily due to a \$87,877 increase in operating expenses. A chart summarizing cash basis and rate-based income is presented below.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Annual Report 2024
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ (32,621)	\$ 53,275	\$ 24,162	\$ (34,649)	\$ 49,001
Other Non-recurring Items ( )	0	(4,888)	0	(14,388)	(114)
Non-Cash Pension and OPEB Expense / (Income)	45,909	6,860	(12,523)	(32,425)	(80,097)
<b>Adjusted Net Income / (Loss)</b>	<b>\$ 13,288</b>	<b>\$ 55,247</b>	<b>\$ 11,639</b>	<b>\$ (81,462)</b>	<b>\$ (31,210)</b>
Subtract: Principal Payments ( )	0	0	0	0	0
<b>Rate Based Income</b>	<b>\$ 13,288</b>	<b>\$ 55,247</b>	<b>\$ 11,639</b>	<b>\$ (81,462)</b>	<b>\$ (31,210)</b>
Add: Depreciation Expense	49,832	50,734	43,406	47,276	46,771
<b>Cash Basis Income</b>	<b>\$ 63,120</b>	<b>\$ 105,981</b>	<b>\$ 55,045</b>	<b>\$ (34,186)</b>	<b>\$ 15,561</b>
Cash Basis Income as Percent of Depreciation	127%	209%	127%	-72%	33%
Capital Spending	\$ 53,386	\$ 32,524	\$ 74,936	\$ 54,130	\$ 53,886
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 242,137	\$ 310,377	\$ 297,748	\$ 219,226	\$ 207,463
Restricted Funds	0	0	0	0	0
Adjusted Cash Balances	242,137	310,377	297,748	219,226	207,463
Net Increase (Decrease) in Cash	\$ 24,131	\$ 68,240	\$ (12,629)	\$ (78,522)	\$ (90,285)
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	1,200	1,267	1,259	1,268	1,273
Gallons Produced	44,290	43,483	32,469	46,715	53,177
Gallons Purchased	32,611	27,464	46,879	40,105	26,701
Total Gallons Produced and Purchased	76,901	70,947	79,348	86,820	79,878
Gallons Sold	58,423	55,238	61,773	57,398	57,886
Gallons Used for Internal Use	6,338	4,197	4,319	5,882	4,881
Water Loss Gallons	12,140	11,512	13,256	23,540	17,111
System Use Percentage	8.24%	5.92%	5.44%	6.77%	6.11%
Water Loss Percentage	15.7865%	16.2262%	16.7062%	27.1136%	21.4214%
Gallons Sold Per Customer Per Month	4,057	3,633	4,089	3,772	3,789
Revenues from the Sale of Water	\$ 487,886	\$ 506,578	\$ 510,188	\$ 518,343	\$ 542,952
Purchased Water Expense	104,110	92,528	115,018	118,444	97,814
Purchased Water Expense Over 15% Water Loss	819	1,135	1,962	14,348	6,281
Water Loss Expense Over 15% as Percentage of Water Revenue	0.17%	0.22%	0.38%	2.77%	1.16%

## Purchased Water Adjustment Factor

In its current application, Ledbetter District proposed a PWA factor of \$0.24 per 1,000 gallons. As mentioned before, Ledbetter District was granted a deviation from using the “period of twelve (12) consecutive months ending within ninety (90) days immediately prior to the effective date of the utility rate adjustment month period” as the test year for the gallons of purchased water, and therefore the water purchased is based on the average annual sales between 2022 thru 2024. During the 3-year average from 2022 to 2024, Ledbetter District purchased 33,091,667 gallons of water from Crittenden-Livingston District.<sup>31</sup> As no deviation was requested for water sold pursuant to 807 KAR 5:068 Section 3(4), the Commission utilized the 2025 sales in its calculation. During 2025, Ledbetter District sold 61,019,000 gallons of water to its customers.<sup>32</sup> In 2025 Ledbetter District produced 49,373,000 gallons, covering the remainder of the water sold to its customers.<sup>33</sup> The increase in the cost of purchased water from Crittenden-Livingston District as shown in Appendix A of this Order is \$14,560.33, rather than the \$14,583 that was noted by Ledbetter District.<sup>34</sup> However, the PWA factor remains \$0.24 per 1,000 gallons as shown in Appendix A.

The PWA factor of \$0.24 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 Ledbetter District on and after February 26,

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<sup>31</sup> Application, Exhibit F at 82.

<sup>32</sup> Application, Exhibit F.

<sup>33</sup> Application, Exhibit F2 at 87.

<sup>34</sup> Application, Exhibit F2 at 88.

2026, because the rates are supported by evidence of the increase in rates from Ledbetter 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. Ledbetter District's request for a deviation from 807 KAR 5:068, Sections 3(3) and 3(5) are granted.
2. The application is deemed filed February 27, 2026.
3. The PWA factor of \$0.24 per 1,000 gallons is approved.
4. The rates proposed by Ledbetter District are approved.
5. The rates as set forth in Appendix B to this Order are approved for water service rendered by Ledbetter District on and after February 26, 2026.
6. Within 20 days of the date of service of this Order, Ledbetter District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
7. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

Chairman

*Andrew W. Wood*

Commissioner

*Mary Pat Regan*

Commissioner

ATTEST:

*Linda Bridwell RP*

Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2026-00045 DATED MAR 25 2026

	Base Rate	New Rate	Change
<u>Crittenden-Livingston WD</u>			
Purchases in Gallons	33,091,667	33,091,667	
Rate per 1,000 Gallons	<u>\$3.34/1,000</u>	<u>\$3.78/1,000</u>	
Subtotal	\$110,526.17	\$125,086.50	\$14,560.33
Increased water cost			\$14,560.33
Increased water cost		\$14,560.33	
Divided by Gallons sold/1,000		<u>61,019,000</u>	
Purchased water adjustment factor		per 1,000 \$0.2386 Gallons	
		or approx. \$ 0.00024 per Gallon	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2026-00045 DATED MAR 25 2026

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

Monthly Water Rates

Customer Charge	7.74	Minimum Bill
First 25,000 gallons	0.00738	Per Gallon
Over 25,000 gallons	0.00522	Per Gallon

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