

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF BEECH GROVE)	2026-00059
WATER SYSTEM, INC.)	

ORDER

On March 3, 2026, Beech Grove Water System, Inc. (Beech Grove Water) tendered an application requesting approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.012 and 807 KAR 5:068.¹ On March 4, 2026, the Commission notified Beech Grove Water that its application was rejected for certain filing deficiencies.² On March 11, 2026, Beech Grove Water submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of March 11, 2026.³

LEGAL STANDARD

In accordance with KRS 278.012, when a wholesale supplier selling water to a water association decreases its rates, the water association has the authority to decrease its rate commensurate with the wholesale supplier. The water association must file, within the statutory and regulatory deadlines, a copy of the notice from the wholesale supplier showing the decrease in the wholesale rate, and a statement of the volume of purchased

¹ Application (tendered Mar. 3, 2026).

² Deficiency Letter (issued Mar. 4, 2026).

³ Deficiency Cured Letter (issued Mar. 12, 2026).

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

DISCUSSION AND FINDINGS

Beech Grove Water purchases water from Henderson Water Utility (Henderson Utility) and Daviess County Water District (Daviess District). Henderson Utility notified Beech Grove Water that its wholesale rate would decrease by \$0.3273 per 1,000 gallons from \$3.0040 per 1,000 gallons to \$2.6767 per 1,000 gallons, effective April 1, 2026.⁴ Beech Grove Water proposes to decrease the water rates to its customers effective April 1, 2026, to reflect the decreased cost of purchased water from Henderson Utility. Daviess District 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 2024 Annual Report, filed with the Commission, Beech Grove Water reported a water loss of 16.2965 percent.⁵ In its 2023 Annual Report filed with the Commission, Beech Grove Water reported a water loss of 11.8603 percent.⁶ In its 2022 Annual Report filed with the Commission, Beech Grove Water reported a water loss of

⁴ TFS2026-00074 (Ky. PSC Feb. 27, 2026); Henderson Utility submitted the tariff on February 27, 2026, and the tariff was accepted for filing by the Commission by letter dated March 31, 2026, with an effective date of April 1, 2026.

⁵ *Annual Report of Beech Grove Water to the Public Service Commission for the Year Ended December 31, 2024* at 58.

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

17.2894 percent.⁷ Beech Grove Water's three-year water loss average is 15.1487 percent.⁸ The approximate cost of Beech Grove Water's total water loss using a three-year average is \$34,669.45.⁹

In Beech Grove Water's most recent rate case, the Commission approved a monthly water loss reduction surcharge of \$6.30 per customer for 48 months, or until \$177,304 has been assessed, whichever occurs first, to help lower system losses to more acceptable levels.¹⁰ On September 30, 2022, Case No. 2022-00318 was established in order for the Commission to monitor the progress of the water loss reduction surcharge plan established by Beech Grove Water.¹¹ Beech Grove Water currently files a monthly report in Case No. 2022-00318 to update the Commission regarding its water loss.

Financial Condition and Rates

Based on a review of Commission records, Beech Grove Water last sought an alternative rate adjustment in 2022.¹² Beech Grove Water's rate increase in Case No. 2022-00054 was based on a 2020 test year, which became final on September 27, 2022,¹³ and resulted in an increase in revenue of \$24,853, or 5.68 percent. A water loss

⁷ *Annual Report of Beech Grove Water to the Public Service Commission for the Year Ended December 31, 2022* at 57.

⁸ $17.2894\%(2022) + 11.8603\% (2023) + 16.2965\% (2024) = 45.4462 / 3 \text{ years} = 15.1487\%$.

⁹ Total water cost at new wholesale rate of \$237,798.87 times 15.1487% water loss equals \$34,669.45.

¹⁰ Case No. 2022-00054, *Electronic Application of Beech Grove Water System, Inc. For a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 27, 2022), final Order at 20.

¹¹ Case No. 2022-00318, *Electronic Beech Grove Water System, Inc. Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Sept. 30, 2022), opening Order.

¹² Case No. 2022-00054, Sept. 27, 2022 final Order.

¹³ Case No. 2022-00054, Sept. 27, 2022 final Order.

surcharge of \$6.30 per customer per month to be collected over 48 months was also approved.¹⁴ The surcharge is reported as contributed capital in the balance sheet and is not a component of operating income presented below.

Beech Grove Water's financial snapshot for 2020 through 2024 is presented below. Rate based net income (adjusted net income minus debt service) was negative in all years and financial performance subsequent to 2020 (the test year of the prior alternative rate filing) more than offset the revenue increase. Cash basis income (rate-based income plus depreciation) was positive from 2021 through 2022 and negative in 2020 and 2023 through 2024.

¹⁴ Case No. 2022-00054, Nov. 10, 2022 Nunc Order.

Description / Year	2020	2021	2022	2023	2024
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ (56,677)	\$ (7,496)	\$ (18,145)	\$ (39,429)	\$ (63,453)
Subtract: Principal Payments ()	(9,431)	(9,717)	(10,013)	(10,013)	(10,631)
Rate Based Income	\$ (66,108)	\$ (17,213)	\$ (28,158)	\$ (49,442)	\$ (74,084)
Add: Depreciation Expense	37,739	30,371	30,446	30,548	32,681
Cash Basis Income	\$ (28,369)	\$ 13,158	\$ 2,288	\$ (18,894)	\$ (41,403)
Cash Basis Income as Percent of Depreciation	-75%	43%	8%	-62%	-127%
Capital Spending	\$ 2,095	\$ 4,293	\$ 12,678	\$ 35,295	\$ 33,042
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 208,285	\$ 229,211	\$ 224,881	\$ 221,926	\$ 213,175
Restricted Funds	0	0	0	0	0
Adjusted Cash Balances	\$ 208,285	\$ 229,211	\$ 224,881	\$ 221,926	\$ 213,175
Net Increase (Decrease) in Cash	\$ (22,675)	\$ 20,926	\$ (4,330)	\$ (2,955)	\$ (8,751)
<i>Selected Statistical Information (PSC Annual Reports)</i>					
	Fire Customers Not included, Loss of 48 customers				
Customer Count	586	598	590	581	581
Gallons Purchased	79,819	78,344	72,374	67,140	75,096
Gallons Sold	55,806	60,929	59,181	58,855	58,329
Gallons Used for Internal Use	560	72	680	322	4,529
Water Loss Gallons	23,453	17,343	12,513	7,963	12,238
System Use Percentage	0.70%	0.09%	0.94%	0.48%	6.03%
Water Loss Percentage	29.3827%	22.1370%	17.2894%	11.8603%	16.2965%
Gallons Sold Per Customer Per Month	7,936	8,491	8,359	8,442	8,366
Revenues from the Sale of Water	\$ 344,018	\$ 392,360	\$ 455,435	\$ 431,042	\$ 447,552
Purchased Water Expense	215,049	210,185	250,758	256,927	254,119
Purchased Water Expense Over 15% Water Loss	30,930	15,001	5,741	0	3,295
Water Loss Expense Over 15% as Percentage of Water Revenue	8.99%	3.82%	1.26%	0.00%	0.74%

The Commission notes that the negative rate based net income and cash basis income identified above should be addressed by Beech Grove Water's prospective filing, pursuant to Case No. 2025-00139, of an application for a rate adjustment to ensure sufficient revenue or a motion setting forth the reasons why a rate case is not necessary.¹⁵

Purchased Water Adjustment Factor

In its application, Beech Grove Water proposed a purchased water adjustment factor of \$(0.37) per 1,000 gallons. During the 12 months ended January 31, 2026, Beech

¹⁵ Case No. 2025-00139, *Electronic Purchased Water Adjustment Filing of Beech Grove Water System, Inc.* (Ky. PSC June 3, 2025), final Order at 6, ordering paragraph 5.

Grove Water purchased 65,529,000 gallons of water from Henderson Utility and 12,820,000 gallons of water from Daviess District and sold 57,736,871 gallons of water to its customers. The decrease in the cost of purchased water from Henderson Utility is \$21,447.65, resulting in a purchased water adjustment factor of \$(0.37) per 1,000 gallons. No rate changes occurred from Daviess District.

The Commission finds the purchased water adjustment factor of \$(0.37) 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 for water service rendered by Beech Grove Water on and after April 1, 2026, because the rates are supported by evidence of the decrease in rates from Beech Grove Water's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.012.

IT IS THEREFORE ORDERED that:

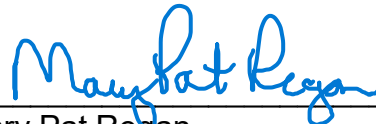
1. The purchased water adjustment factor of \$(0.37) per 1,000 gallons is approved.
2. The rates proposed by Beech Grove Water are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Beech Grove Water on and after April 1, 2026.
4. Within 20 days of the date of service of this Order, Beech Grove Water shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets reflecting the rates approved herein.
5. This case is closed and removed from the Commission's docket.

Entered on this 8th day of April, 2026.

PUBLIC SERVICE COMMISSION



Angie Hatton
Chairman



Mary Pat Regan
Commissioner



Andrew W. Wood
Commissioner

ATTEST:

Linda C. Bridwell, PE
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00059 DATED APR 08 2026

	Base Rate	New Rate	Change
<u>Henderson Utility</u>			
Purchases in Gallons	65,529,000	65,529,000	
Rate per 1,000 Gallons	<u>\$3.0040/1,000</u>	<u>\$2.6767/1,000</u>	
Subtotal	\$196,849.12	\$175,401.47	(\$21,447.65)
 <u>Daviess District</u>			
Purchases in Gallons	12,820,000	12,820,000	
Rate per 1,000 Gallons	<u>\$4.17/1,000</u>	<u>\$4.17/1,000</u>	
Sub-total	\$53,459.40	\$53,459.40	\$0.00
Total	\$250,308.52	\$228,860.87	(\$21,447.65)
Decreased water cost			
Decreased water cost		(\$21,447.65)	
Divided by Gallons sold/1,000		<u>57,736,871</u>	
Purchased water adjustment factor		(\$0.37)	per 1,000 Gallons
		or (\$0.00037)	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00059 DATED APR 08 2026

The following rates and charges are prescribed for the customers in the area served by Beech Grove Water System, Inc. 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

First	2,000 Gallons	\$18.63	Minimum Bill
Next	98,000 Gallons	\$0.00596	Per Gallon
Over	100,000 Gallons	\$0.00500	Per Gallon
Bulk Loading Station		\$0.25	Per 35 Gallons

Service List for 2026-00059

* Beech Grove Water System, Inc.
445 State Route 56 North
Calhoun, KY 42327

* Sheila Murphy
Beech Grove Water System, Inc.
445 State Route 56 North
Calhoun, KY 42327

* Jason Pennell
Kentucky Rural Water Association
Post Office Box 1424
1151 Old Porter Pike
Bowling Green, KY 42102-1424