

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF LOUISVILLE	)	
WATER COMPANY OF A WHOLESALE WATER	)	
PURCHASE AGREEMENT WITH NORTH	)	CASE NO.
NELSON WATER DISTRICT AND A WHOLESALE	)	2024-00335
WATER PURCHASE AGREEMENT BETWEEN	)	
NORTH NELSON DISTRICT AND THE CITY OF	)	
BARDSTOWN	)	

ORDER

On September 26, 2024, Louisville Water Company (Louisville Water) filed a revised purchase water agreement (Louisville Water Agreement) containing a proposed adjustment to the volume of water that will be delivered to North Nelson Water District (North Nelson District) with the earliest possible effective date of October 26, 2024. The Commission suspended the proposed Louisville Water Agreement by order issued October 25, 2024, for five months, up to and including March 25, 2025. On September 26, 2024, North Nelson District filed a water purchase agreement with the city of Bardstown (Bardstown) (Bardstown Agreement) and a tariff establishing the rates and terms for providing wholesale water service to Bardstown with a proposed effective date of November 1, 2024.<sup>1</sup> The Commission suspended the proposed tariff and Bardstown Agreement on October 25, 2024, for five months, up to and including March 30, 2025.

---

<sup>1</sup> Case No. 2024-00336 *Electronic Tariff Filing Of North Nelson Water District Of A Wholesale Water Purchase Agreement With The City Of Bardstown And A Tariff To Establish A Wholesale Rate To The City Of Bardstown* (filed Sept. 26, 2024).

On November 11, 2024, North Nelson District filed an affidavit of an engineer in support of its proposed rates and the Bardstown Agreement.<sup>2</sup> The affidavit provided support for the overall regional project (Project) between Louisville Water, North Nelson District and Bardstown as well as specific facts in support of the two purchased water agreements. North Nelson District responded to one request for information from Commission Staff, and Louisville Water responded to one request for information from Commission Staff.<sup>3</sup> There are no intervenors in this matter. On January 16, 2025, both Louisville Water and North Nelson District requested that the matter be submitted on the record.<sup>4</sup>

The cases were originally filed under Case Nos. 2024-00335 and 2024-00336, respectively. Based on interrelated facts and evidence, on December 4, 2024, the Commission consolidated both cases into Case No. 2024-00335, finding that all issues raised in Case No. 2024-00336 shall be adjudicated in Case No. 2024-00335.

The matter now stands ready for a decision.

#### LEGAL STANDARD

Pursuant to KRS 278.200, the Commission has jurisdiction over both Louisville Water's rates for wholesale water service to North Nelson District and North Nelson District's rates for wholesale water service to Bardstown. The Supreme Court's decision in *Simpson County Water District v. City of Franklin* specifically stated that "where

---

<sup>2</sup> Case No. 2024-00336, Affidavit of Jessica Filiatreau, P.E. (filed Nov. 11, 2024).

<sup>3</sup> North Nelson District's response to Commission Staff's First Request for Information (Staff's First Request) (filed Dec. 2, 2024). Louisville Water's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Dec. 2, 2024).

<sup>4</sup> Joint Motion for a Decision on the Record (filed Jan. 16, 2025).

contracts have been executed between a utility and a city . . . KRS 278.200 is applicable and requires that by so contracting the City relinquishes the exemption and is rendered subject to the PSC rates and service regulation.”<sup>5</sup> Following the Court’s decision in *Simpson County*, the Commission has allowed city-owned utilities to file rate adjustments by a tariff filing, and if a hearing is requested and the Commission suspends the proposed rate, the requirements and procedures set forth in KRS Chapter 278, and the Commission’s regulations, apply equally to filings by a city-owned utility or a jurisdictional utility.<sup>6</sup>

Both Louisville Water’s wholesale water rate charged to North Nelson District and North Nelson District’s wholesale water rate charged to Bardstown are subject to KRS 278.030, which provides that a utility may collect fair, just and reasonable rates. KRS 278.260 explains that the Commission may, on its own motion, investigate whether “any regulation, measurement, practice or act affecting or relating to the service of the utility or any service in connection therewith is unreasonable.” Thus, in accordance with KRS 278.030, KRS 278.200, and KRS 278.260, the Commission must determine whether the proposed rate increase is fair, just and reasonable based upon the evidentiary record.

### BACKGROUND

The contracts in this case are part of an overarching Project to provide more water to the distilleries in the area. North Nelson District stated that it, along with Bardstown, needed additional potable water to support growth within the counties, and more

---

<sup>5</sup> *Simpson County Water District v. City of Franklin*, 872 S.W.2d 460, 463 (Ky. 1994).

<sup>6</sup> *Simpson County Water District v. City of Franklin*, 872 S.W.2d 460, 463 (Ky. 1994); *City of Danville v. Public Service Comm’n, et al.*, Civil Action No. 15-CI-00989, Opinion and Order (Franklin Circuit Court Division II, June 14, 2016).

specifically, new and expanded distilleries.<sup>7</sup> North Nelson District asserted that by 2030, Bardstown’s estimated demand for water from distilleries alone will be 2 million gallons per day (MGD).<sup>8</sup> Bardstown’s current average daily total water sales are approximately 4.2 MGD but are estimated to reach 6 MGD within the next five years.<sup>9</sup>

To address the need and support local growth, the Nelson County Water Supply Project was proposed, which consists of constructing a large diameter water transmission main line along Kentucky Highway 245 from Bardstown to the existing master meter between North Nelson District and Louisville Water.<sup>10</sup> North Nelson District asserted that the Project was the “most feasible and cost-effective means of securing a supplemental source of finished water to Bardstown and Nelson County” due to the new water purchase agreements between these parties and, in part, due to location of an existing master meter near the intersection of Kentucky Highway 1604 and Kentucky Highway 245.<sup>11</sup> As part of the overall Project, North Nelson District, Nelson County Fiscal Court, and Bardstown entered into an agreement stating that North Nelson District was “responsible for overseeing the engineering design of the Project, bidding the Project, and overseeing the construction of the Project.”<sup>12</sup> Furthermore, the agreement provided that, upon

---

<sup>7</sup> Case No. 2024-00347 *Electronic Application of North Nelson Water District For A Declaratory Order* (Ky. PSC Jan. 28, 2025), Application at 5.

<sup>8</sup> Case No. 2024-00347, Application at 5.

<sup>9</sup> Case No. 2024-00347, Application, Exhibit 3 at 4.

<sup>10</sup> Case No. 2024-00347, Application at 4.

<sup>11</sup> Case No. 2024-00347, Application at 4.

<sup>12</sup> Case No. 2024-00347, Application at 5.

completion, North Nelson District would own the water transmission main and be responsible for maintaining and operating the service line.<sup>13</sup>

The Project is broken into two phases. Phase 1, which is already completed, consisted of constructing 7,730 feet of water transmission along Kentucky Highway 245.<sup>14</sup> Phase 1 costed \$3,300,000 and was “funded by Nelson Fiscal Court using \$3,300,000 allocated to Nelson County by the American Rescue Plan Act of 2021 (ARPA).”<sup>15</sup> Phase 2 of the Project, the subject of this application, consists of approximately 38,500 linear feet of 24-inch water transmission main and has an estimated cost of \$16,600,000.<sup>16</sup> North Nelson District provided a map and description of the proposed route of the transmission main<sup>17</sup> as well as plans and specifications for the proposed Project.<sup>18</sup>

North Nelson District stated that the entirety of the Project will be funded by grant funding, and it will not require the use any of its cash reserves or require it to borrow any additional funds.<sup>19</sup> North Nelson District received a total of \$17,837,040 in grant funding, leaving an estimated \$1.2 million in surplus grant funds available, if needed.<sup>20</sup> Given the availability of grant funds, North Nelson District asserted that it “will not issue any

---

<sup>13</sup> Case No. 2024-00347, Application at 5.

<sup>14</sup> Case No. 2024-00347, Application at 10.

<sup>15</sup> Case No. 2024-00347, Application at 10.

<sup>16</sup> Case No. 2024-00347, Application at 10, 12.

<sup>17</sup> Case No. 2024-00347, Application at 10; See also Exhibits 7 and 8.

<sup>18</sup> Case No. 2024-00347, Application at 10; See also Exhibits 9 and 10.

<sup>19</sup> Case No. 2024-00347, Application at 11.

<sup>20</sup> Case No. 2024-00347, Application at 11.

evidence of indebtedness to fund the Project or adjust its rates for water service to fund the Project.”<sup>21</sup>

The Project and agreements as they relate to rates and services do not affect the wholesale rate North Nelson District pays. Currently, Louisville Water’s monthly wholesale water rate to North Nelson District is \$2.72 per 1,000 gallons.<sup>22</sup> The Louisville Water Agreement increases the volume of wholesale water purchased but does not include an increase in the wholesale water rate to North Nelson District.<sup>23</sup>

The Bardstown Agreement sets forth the rates and terms under which North Nelson District will sell water to Bardstown. Initially, Bardstown will be obligated to purchase a minimum of 100,000 gallons per day.<sup>24</sup> Once North Nelson District’s Phase 2 Project and the Louisville Water Hwy. 245 Improvements have been completed and placed in service, Bardstown will be obligated to purchase a minimum of 22,500,000 gallons per month, with total annual minimum purchases being no less than 365,000,000 gallons.<sup>25</sup> Within 30 calendar days of the end of each calendar year, North Nelson District will invoice Bardstown for the difference between the annual minimum amount in the contract and the actual quantity of water purchased.<sup>26</sup>

---

<sup>21</sup> Case No. 2024-00347, Application at 12.

<sup>22</sup> Louisville Water Company Tariff Filing of a Wholesale Water Purchase Agreement with North Nelson Water District filed on Sept. 26, 2024 at 1 and Water Purchase Agreement at 5.

<sup>23</sup> Louisville Water Company Tariff Filing of a Wholesale Water Purchase Agreement with North Nelson Water District filed on Sept. 26, 2024 at 1 and Water Purchase Agreement at 5

<sup>24</sup> Water Purchase Agreement Between North Nelson Water District and City of Bardstown, Kentucky, page 5.

<sup>25</sup> Water Purchase Agreement Between North Nelson Water District and City of Bardstown, Kentucky, pages 5–6.

<sup>26</sup> Water Purchase Agreement Between North Nelson Water District and City of Bardstown, Kentucky, page 6.

North Nelson District will initially charge Bardstown \$2.99 per 1,000 gallons for wholesale water service.<sup>27</sup> This rate consists of the rate North Nelson District pays Louisville Water for wholesale water service, \$2.72 per 1,000 gallons, plus a \$0.27 per 1,000 gallons transmission fee.<sup>28</sup> Once North Nelson District knows the actual cost of the Project, it will have a cost-of-service study performed to determine the wholesale rate to charge Bardstown.<sup>29</sup> Such rate will not become effective until North Nelson District's Project has been completed and placed into service, and the Commission has approved the wholesale rate.<sup>30</sup>

### DISCUSSION

Having reviewed the evidence of record, the Commission approves the Louisville Water and North Nelson District water purchase agreement and the North Nelson District and Bardstown water purchase agreement. The Commission, having reviewed the information used to calculate the rate and the information related to the terms of service, finds that the rates and services, are fair, just and reasonable. The terms of service and rates are based on known and measurable amounts at this time. The agreements do not impact the rate payers of North Nelson District, the only district over which the Commission has jurisdiction to regulate as a utility pursuant to Chapter 278. Additionally, the Commission notes that North Nelson District's proposed wholesale rate to Bardstown

---

<sup>27</sup> Water Purchase Agreement Between North Nelson Water District and City of Bardstown, Kentucky at 11.

<sup>28</sup> Water Purchase Agreement Between North Nelson Water District and City of Bardstown, Kentucky at 11.

<sup>29</sup> Water Purchase Agreement Between North Nelson Water District and City of Bardstown, Kentucky at 12.

<sup>30</sup> Water Purchase Agreement Between North Nelson Water District and City of Bardstown, Kentucky at 12.

is temporary and will likely change when North Nelson District files a cost-of-service study after December 31, 2026.

IT IS THEREFORE ORDERED that:

1. The Bardstown Agreement and wholesale rate of \$2.99 per 1,000 gallons proposed by North Nelson District is approved.

2. The Louisville Water Agreement is approved.

3. The Agreements and rate approved by this Order are fair, just and reasonable and are approved for services rendered on and after the date of service of this Order.

4. Within 20 days of the date of service of this Order, North Nelson District and Louisville Water Company shall file with the Commission, using the Commission's electronic Tariff Filing System, the proposed Agreements and new tariff sheets setting forth the rates and charges approved by this Order and its effective date, and also stating that the rates and charges were authorized by this Order.

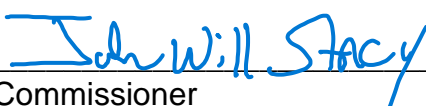
5. This case is closed and removed from the Commission's docket.



PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Commissioner

  
\_\_\_\_\_  
Commissioner

ATTEST:

 *RP*  
\_\_\_\_\_  
Executive Director

ENTERED  
FEB 12 2025<sup>AH</sup>  
KENTUCKY PUBLIC  
SERVICE COMMISSION

\*Andrew Winslow  
Louisville Water Company  
550 S. Third Street  
Louisville, KY 40202

\*Tina C. Frederick  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KENTUCKY 40507-1801

\*Louisville Water Company  
550 S. Third Street  
Louisville, KY 40202

\*Edward T Depp  
Dinsmore & Shohl, LLP  
101 South Fifth Street  
Suite 2500  
Louisville, KENTUCKY 40202

\*Honorable Damon R Talley  
Attorney at Law  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KENTUCKY 40507-1801

\*Honorable Holly C Wallace  
Attorney at Law  
Dinsmore & Shohl, LLP  
101 South Fifth Street  
Suite 2500  
Louisville, KENTUCKY 40202

\*John Lavanga  
Dinsmore & Shohl, LLP  
City Center, 100 W. Main Street  
Suite 900  
Lexington, KENTUCKY 40507

\*Michael F. Tigue  
Vice President and General Counsel  
Louisville Water Company  
550 S. Third Street  
Louisville, KY 40202

\*North Nelson Water District  
5555 Louisville Road  
P. O. Box 25  
Cox's Creek, KY 40013