

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF BEECH GROVE)	2025-00139
WATER SYSTEM, INC.)	

ORDER

On May 5, 2025, Beech Grove Water System, Inc. (Beech Grove Water), applied for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.012 and 807 KAR 5:068. On May 27, 2025, Beech Grove Water submitted an amended application to correct errors in the original application.¹

LEGAL STANDARD

In accordance with KRS 278.012, when a wholesale supplier selling water to a water district decreases its rates, the water district has the authority to decrease 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 decrease 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

Beech Grove Water purchases water from Henderson Water Utility (Henderson) and Daviess County Water District (Daviess District). Henderson notified Beech Grove

¹ PWA Correction (filed May 27, 2025).

Water that its wholesale rate would decrease \$0.1760 from \$3.1800 per 1,000 gallons to \$3.0040 per 1,000 gallons, effective April 1, 2025.² Beech Grove Water proposes to decrease the water rates to its customers effective April 24, 2025, to reflect the decreased cost of purchased water from Henderson. Daviess District proposed no 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,³ filed with the Commission, Beech Grove Water reported a water loss of 16.2965 percent.⁴ In its 2023 Annual Report filed with the Commission, Beech Grove Water reported a water loss of 11.8603 percent.⁵ In its 2022 Annual Report filed with the Commission, Beech Grove Water reported a water loss of 17.2894 percent.⁶ Beech Grove Water's three-year water loss average is 15.1487%.⁷ The

² TFS2025-00065 (Ky. PSC Feb. 14, 2025); Henderson submitted the tariff on February 14, 2025, and the tariff was accepted for filing by the Commission by letter dated March 31, 2025, with an effective date of April 1, 2025.

³ Beech Grove Water's 2024 Annual Report was tendered to the Commission and is being reviewed. The 2024 Annual Report has not been posted on the website at this time.

⁴ *Annual Report of Beech Grove Water to the Public Service Commission for the Year Ended December 31, 2024* at 58.

⁵ *Annual Report of Beech Grove Water to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁶ *Annual Report of Beech Grove Water to the Public Service Commission for the Year Ended December 31, 2022* at 57.

⁷ $17.2894\% (2022) + 11.8603\% (2023) + 16.2965\% (2024) = 45.4462 / 3 \text{ years} = 15.1487\%.$

approximate cost of Beech Grove Water's total water loss using a three-year average is \$36,023.44.⁸

In Beech Grove Water's most recent rate case,⁹ the Commission approved a monthly water loss reduction surcharge of \$6.30 per customer for 48 months 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 a base rate adjustment in 2022.¹² Beech Grove Water's rate increase in Case No. 2022-00054 was based on a 2020 test year, and resulted in an increase in revenue of \$24,853, or 5.68 percent.

As documented in annual and audit reports filed with the Commission, Beech Grove Water's rate based net income (adjusted net income minus debt service) was negative in all years since 2020, shown in the table below, and unfavorable financial

⁸ Total water cost at new wholesale rate of \$237,798.87 times 15.1487% water loss equals \$36,023.44.

⁹ Case No. 2022-00054, *Electronic Application of Beech Grove Water System, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076*.

¹⁰ Case No. 2022-00054, 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.

performance subsequent to 2020 (the test year of Case No. 2022-00054) more than offset the revenue increase from Beech Grove Water's last rate case. Given the continued income losses, the Commission finds that Beech Grove Water should file an application for a general base rate adjustment pursuant to 807 KAR 5:001 Section 16 or an alternative rate adjustment pursuant to 807 KAR 5:076 by July 31, 2026, to ensure that its revenue is sufficient to support adequate and reliable service. In the alternative, Beech Grove Water may file a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary.

Description / Year	Annual Report 2020	Annual Report 2021	Annual Report 2022	Annual Report 2023	Annual Report 2024
Adjusted Net Income					
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
Cash and Investments					
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)
Selected Statistical Information (PSC Annual Reports)	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%

Purchased Water Adjustment Factor

In its application, Beech Grove Water proposed a purchased water adjustment factor of (\$0.19) per 1,000 gallons. During the 12 months ended February 28, 2025, Beech Grove Water purchased 65,023,000 gallons of water from Henderson and 10,184,600 gallons of water from Daviess District and sold 59,491,608 gallons of water to its customers. The decrease in the cost of purchased water from Henderson is \$11,444.05, resulting in a purchased water adjustment factor of (\$0.19) per 1,000 gallons. No rate changes occurred from Daviess District.

The Commission finds that the purchased water adjustment factor of (\$0.19) 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 24, 2025, 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.

Finally, the Commission finds that on or before July 31, 2026, Beech Grove Water shall file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, an application for an alternative rate adjustment pursuant to 807 KAR 5:076, or in the alternative, file a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of (\$0.19) 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 24, 2025.
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 showing the rates approved herein.
5. On or before July 31, 2026, Beech Grove Water shall file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, an application for an alternative rate adjustment pursuant to 807 KAR 5:076, or in the alternative, a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Beech Grove Water from this requirement.
6. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Linda Bridwell *RP*
Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00139 DATED JUN 3 2025

	Base Rate	New Rate	Change
<u>Henderson Utility</u>			
Purchases in Gallons	65,023,000	65,023,000	
Rate per 1,000 Gallons	<u>\$3.1800/1,000</u>	<u>\$3.0040/1,000</u>	
Subtotal	\$206,773.14	\$195,329.09	(\$11,444.05)
<u>Daviess District</u>			
Purchases in Gallons	10,184,600	10,184,600	
Rate per 1,000 Gallons	<u>\$4.17/1,000</u>	<u>\$4.17/1,000</u>	
Sub-total	\$42,469.78	\$42,469.78	0
Total	\$249,242.92	\$237,798.87	(\$11,444.05)
Decreased water cost			
Decreased water cost		(\$11,444.05)	
Divided by Gallons sold/1,000		<u>59,491,608</u>	
Purchased water adjustment factor		(\$0.19)	per 1,000 Gallons
		or (\$0.00019)	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00139 DATED JUN 3 2025

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	\$19.37	Minimum Bill
Next	98,000 Gallons	\$0.00633	Per Gallon
Over	100,000 Gallons	\$0.00537	Per Gallon
Bulk Loading Station		\$0.25	Per 35 Gallons

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