

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF LARUE COUNTY)	2026-00010
WATER DISTRICT NO. 1)	

O R D E R

On January 14, 2026, Larue County Water District #1 (Larue District #1) 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. On January 15, 2026, Larue District #1 filed a correction to its application pertaining to a typographical error pertaining to its meter sizes.¹

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.

¹ The incorrect meter size of 3 inch was changed to the correct size of 2 inch.

DISCUSSION AND FINDINGS

Larue District #1 purchases water from Campbellsville Water & Sewer System (Campbellsville), Green-Taylor Water District (Green-Taylor District), the city of Bardstown (Bardstown), Hardin County Water District #2 (Hardin District #2), Green River Valley Water District (Green River Valley District) and the city of Hodgenville (Hodgenville). Campbellsville notified Larue District #1 that its wholesale rate would increase by \$0.11 per 1,000 gallons from \$3.48 to \$3.59,² effective August 1, 2025.³ Green-Taylor District notified Larue District #1 that its wholesale rate would increase by \$0.07 per 1,000 gallons from \$3.54 to \$3.61, effective August 1, 2025.⁴ Bardstown notified Larue District #1 that its wholesale rate would increase by \$1.09 per 1,000 gallons from \$2.72 to \$3.81, effective January 1, 2026.⁵ Hardin District #2 notified Larue District #1 that its wholesale rate would increase by \$0.02 per 1,000 gallons from \$2.89 to \$2.91, effective July 1, 2025.⁶

Larue District #1 proposes to increase the water rates to its customers effective January 1, 2026, to reflect the increased cost of purchased water from Campbellsville,

² Application at pages 1 and unnumbered page 15 erroneously list Campbellsville's new rate as \$3.58 instead of the correct \$3.59, with a total increased water cost of \$90,777.86 instead of the correct increase of \$90,836.86. The error did not have an effect of the purchased water adjustment factor. Staff's correction can be seen in Appendix A.

³ TFS2025-00278 (Ky. PSC June 18, 2025); Campbellsville submitted the tariff on June 18, 2025, and the tariff was accepted for filing by the Commission by letter dated July 31, 2025, with an effective date of August 1, 2025.

⁴ See Case No. 2025-00235, *Electronic Purchased Water Adjustment Filing of Green-Taylor Water District* (Ky. PSC Aug. 6, 2025).

⁵ TFS2025-00529 (Ky. PSC Dec. 1, 2025); Bardstown submitted the tariff on December 1, 2025, and the tariff was accepted for filing by the Commission by letter dated December 31, 2025, with an effective date of January 1, 2026.

⁶ See Case No. 2025-00167, *Electronic Purchased Water Adjustment Filing of Hardin County Water District No. 2* (Ky. PSC July 1, 2025).

Green-Taylor District, Bardstown, and Hardin District #2. No rate adjustments were proposed by Green River Valley District or Hodgenville.

The Commission encourages utilities to apply for purchased water adjustments soon after a supplier rate increase as the increased expense of purchasing water should be offset by sales revenue. In this case, Larue District #1 delayed its filing of PWA's from three different suppliers in 2025, and as a result, forfeited revenue based on those suppliers' wholesale increases. Larue District #1 did not include an explanation for the delay in their application.

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, Larue District #1 reported a water loss of 8.2056 percent.⁷ In its 2023 Annual Report filed with the Commission, Larue District #1 reported a water loss of 6.2059 percent.⁸ In its 2024 Annual Report filed with the Commission, Larue District #1 reported a water loss of 10.4952 percent.⁹ Larue District #1's three-year water loss average is 8.3022 percent.¹⁰

⁷ *Annual Report of Larue District #1 to the Public Service Commission for the Year Ended December 31, 2022* at 57.

⁸ *Annual Report of Larue District #1 to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁹ *Annual Report of Larue District #1 to the Public Service Commission for the Year Ended December 31, 2024* at 57.

¹⁰ $8.2056\% + 6.2059\% + 10.4952\% = 24.9067/ 3 \text{ years} = 8.3022\%$.

The cost of Larue District #1's total water loss using a three-year average is approximately \$63,140.60.¹¹

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission commends and encourages Larue District #1 to continue to pursue its efforts to reduce its unaccounted-for water loss.

Financial Condition and Rates

Based on a review of Commission records, Larue District #1 last sought a general base rate adjustment, filed pursuant to the alternative adjustment procedures set forth in 807 KAR 5:076, in 2021.¹² Larue District #1's other rate increases have occurred as a result of five Purchased Water Adjustment applications.

In Case No. 2019-00041, 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.¹³ 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.¹⁴

Based upon a review of the annual and audit reports filed with the Commission from 2020 through 2024, Larue District #1's rate-based income (adjusted net income

¹¹ Total water cost at new wholesale rate of \$760,529.59 times 8.3022% water loss equals \$63,140.60.

¹² See Case No. 2021-00285, *Electronic Application of Larue County Water District No. 1 for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 18, 2022).

¹³ See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

¹⁴ See Case No. 2019-00041, Nov. 22, 2019 final Order.

minus principal payments) was negative in each year except 2022 and 2024. Cash based income (rate-based income plus depreciation) was positive in each of the years. On November 7, 2022,¹⁵ the Commission approved Larue District #1's acquisition of the City of New Haven's water system, which impacted the financial condition the following year by increasing operating expenses.

The Commission reminds Larue District #1 that it is responsible for ensuring that its base rates remain sufficient to meet operating expenses, debt service, and system maintenance, and recommends Larue District #1 review its financial performance annually and consider filing a base rate adjustment application at least every three to five years.

¹⁵ Case No. 2022-00207, *Electronic Joint Application of Larue County Water District No. 1 and the City of New Haven for an Order Approving the Transfer of Ownership of the City of New Haven's Water System and Approving Larue County Water District No. 1's Assumption of Certain Debt Obligations of the City of New Haven Pursuant to the Provisions of KRS 278.020, KRS 278.300, and 807 KAR 5:001*.

Description / Year	Audited 2020	Audited 2021	Audited 2022	2021-00285 Rates 03/18/2022	Includes New Haven Audited 2023	Audited 2024
				Includes New Haven Audited 2023		
<i>Adjusted Net Income</i>						
Net Income / (Loss) before Contributions	\$ 26,633	\$ 74,212	\$ 311,071	\$ 150,102	\$ 616,358	
Other Non-recurring Items ()	0	0	(74,940)	0	0	0
Non-Cash Pension and OPEB Expense / (Income)	0	0	0	0	0	0
Adjusted Net Income / (Loss) before Contributions	\$ 26,633	\$ 74,212	\$ 236,131	\$ 150,102	\$ 616,358	
Subtract: Principal Payments ()	(103,583)	(104,000)	(153,583)	(160,394)	(66,628)	
Rate Based Income	\$ (76,950)	\$ (29,788)	\$ 82,548	\$ (10,292)	\$ 549,730	
Add: Depreciation Expense	396,507	402,618	386,761	583,722	531,420	
Cash Basis Income	\$ 319,557	\$ 372,830	\$ 469,309	\$ 573,430	\$ 1,081,150	
Cash Basis Income as Percent of Depreciation	81%	93%	121%	98%	203%	
Capital Spending	\$ 971,954	\$ 2,078,689	\$ 1,716,492	\$ 993,870	\$ 1,105,264	
<i>Cash and Investments</i>						
Unrestricted Cash and Investments	\$ 578,016	\$ 650,321	\$ 531,280	\$ 815,549	\$ 1,083,645	
Restricted Funds	1,496,910	1,740,553	1,540,193	2,120,862	2,050,063	
Adjusted Cash Balances	2,074,926	2,390,874	2,071,473	2,936,411	3,133,708	
Net Increase (Decrease) in Cash	\$ 278,563	\$ 315,948	\$ (319,401)	\$ 864,938	\$ 197,297	
<i>Selected Statistical Information (PSC Annual Reports)</i>						
Customer Count	3,767	3,784	3,830	4,345	4,492	
Gallons Purchased	181,643	195,504	203,628	227,573	244,198	
Gallons Sold	168,077	172,934	185,011	210,944	214,921	
Gallons Used for Internal Use	2,127	7,041	1,908	2,506	3,648	
Water Loss Gallons	11,439	15,529	16,709	14,123	25,629	
System Use Percentage	1.17%	3.60%	0.94%	1.10%	1.49%	
Water Loss Percentage	6.2975%	7.9431%	8.2056%	6.2059%	10.4952%	
Gallons Sold Per Customer Per Month	3,718	3,808	4,025	4,046	3,987	
Revenues from Sale of Water Sales	\$ 1,641,676	\$ 1,796,673	\$ 1,937,337	\$ 2,356,334	\$ 2,559,313	
Purchased Water Expense	469,310	471,271	524,014	583,535	618,889	
Purchased Water Expense Over 15% Water Loss	0	0	0	0	0	
Water Loss Expense Over 15% as Percentage of Water Revenue	0.00%	0.00%	0.00%	0.00%	0.00%	

Purchased Water Adjustment Factor

In its application, Larue District #1 proposed a purchased water adjustment factor of \$0.42 per 1,000 gallons. During the 12 months ended December 31, 2025, Larue District #1 purchased 5,900,700 gallons of water from Campbellsville, 3,798,300 gallons of water from Green-Taylor District, 82,480,400 gallons of water from Bardstown,¹⁶

¹⁶ Application_Signed.pdf, at 2. Two errors occur in which the supplier name is incorrect . “Hardin County” is listed as the supplier of 82,480,400 gallons, instead of the correct supplier of Bardstown. The “City of New Haven” is listed as the supplier of 913,800 gallons, instead of the correct supplier of Hardin District #2.

913,800 gallons of water from the Hardin District #2,¹⁷ 102,966,600 gallons of water from Green River Valley District, and 47,044,888 gallons of water from Hodgenville.¹⁸ Larue District #1 sold 218,338,081 gallons of water to its customers.¹⁹ The increase in the cost of purchased water from Campbellsville, Green-Taylor District, Bardstown, and Hardin District #2 is \$90,836.86,²⁰ resulting in a purchased water adjustment factor of \$0.42 per 1,000 gallons. No rate changes occurred from Green River Valley District or Hodgenville.

The purchased water adjustment factor of \$0.42 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 Larue District #1 on and after January 1, 2026, because the rates are supported by evidence of the increase in rates from Larue District #1'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. The purchased water adjustment factor of \$0.42 per 1,000 gallons is approved.
2. The rates proposed by Larue District #1²¹ are approved.

¹⁷ Application_Signed.pdf, at 2. Two errors occur in which the supplier name is incorrect . “Hardin County” is listed as the supplier of 82,480,400 gallons, instead of the correct supplier of Bardstown. The “City of New Haven” is listed as the supplier of 913,800 gallons, instead of the correct supplier of Hardin District #2.

¹⁸ Application_Signed.pdf at 2.

¹⁹ Application_Signed.pdf at 2.

²⁰ See Appendix A.

²¹ Application_Correction.pdf (filed Jan. 15, 2026).

3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Larue District #1 on and after January 1, 2026.

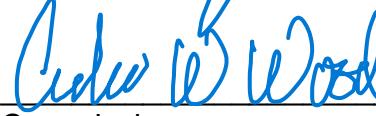
4. Within 20 days of the date of service of this Order, Larue District #1 shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

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

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PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:


Linda Bridwell RP
Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00010 DATED FEB 12 2026

SUPPLIER	Base Rate	New Rate	Increase
<u>Campbellsville</u>			
Purchases	5,900,700	5,900,700	
Wholesale rate	<u>\$3.48/1,000</u>	<u>\$3.59/1,000</u>	
	\$20,534.44	\$21,183.51	\$649.07
<u>Green Taylor District</u>			
Purchases	3,798,300	3,798,300	
Wholesale rate	<u>\$3.54/1,000</u>	<u>\$3.61/1,000</u>	
	\$13,445.98	\$13,711.86	\$265.88
<u>Bardstown</u>			
Purchases	82,480,400	82,480,400	
Wholesale rate	<u>\$2.72/1,000</u>	<u>\$3.81/1,000</u>	
	\$224,346.69	\$314,250.32	\$89,903.63
<u>Hardin District #2</u>			
Purchases	913,800	913,800	
Wholesale rate	<u>\$2.89/1,000</u>	<u>\$2.91/1,000</u>	
	\$2,640.88	\$2,659.16	\$18.28
<u>Green River Valley District</u>			
Purchases	102,966,600	102,966,600	
Wholesale rate	<u>\$3.01/1,000</u>	<u>\$3.01/1,000</u>	
	\$309,929.47	\$309,929.47	\$0.00
<u>Hodgenville</u>			
Purchases	47,044,888	47,044,888	
Wholesale rate	<u>\$2.10/1,000</u>	<u>\$2.10/1,000</u>	
	\$98,794.26	\$98,794.26	\$0.00
Increased water cost			\$90,836.86
Increased water cost		\$90,836.86	
Divided by Gallons sold/1,000		<u>218,338.081</u>	
Purchased water adjustment factor		\$0.4160 per 1,000 Gallons	
		or \$0.00042 per Gallon	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00010 DATED FEB 12 2026

The following rates and charges are prescribed for the customers in the area served by Larue County Water District #1. 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

5/8 X 3/4-Inch Meter

First	1,000 Gallons	\$19.30	Minimum Bill
Next	4,000 Gallons	0.00933	Per Gallon
Next	5,000 Gallons	0.00841	Per Gallon
Over	10,000 Gallons	0.00700	Per Gallon

3/4-Inch Meter

First	3,000 Gallons	\$37.91	Minimum Bill
Next	2,000 Gallons	0.00933	Per Gallon
Next	5,000 Gallons	0.00841	Per Gallon
Over	10,000 Gallons	0.00700	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$56.53	Minimum Bill
Next	5,000 Gallons	0.00841	Per Gallon
Over	10,000 Gallons	0.00700	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$98.49	Minimum Bill
Over	10,000 Gallons	0.00700	Per Gallon

2-Inch Meter

First	20,000 Gallons	\$168.38	Minimum Bill
Over	20,000 Gallons	0.00700	Per Gallon

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