

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MEADE)	
COUNTY WATER DISTRICT FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	
NECESSITY TO CONSTRUCT A SYSTEM)	CASE NO.
IMPROVEMENTS PROJECT AND AN ORDER)	2026-00063
APPROVING CHANGE IN RATES AND)	
AUTHORIZING THE ISSUANCE OF SECURITIES)	
PURSUANT TO KRS 278.023)	

ORDER

On March 25, 2026, Meade County Water District (Meade District) filed an application, pursuant to KRS 278.023, requesting a Certificate of Public Convenience and Necessity (CPCN) to construct 15,600 linear feet of 16” transmission main, upgrade two pumping stations, upgrade a water storage tank, and upgrade its electronic monitoring system.¹ Meade District also sought approval of its plan to finance the proposed projects via a loan agreement with the Rural Utilities Service (RUS) of the United States Department of Agriculture (USDA) Rural Development (RD).² This matter stands submitted for decision.

LEGAL STANDARD

Notwithstanding the Commission’s general responsibilities and discretion regarding CPCNs as laid out in KRS 278.020(1), KRS 278.190, and KRS 278.300;

¹ Application, Exhibit A.

² Application, Exhibit B.

KRS 278.023(1) requires the Commission to accept agreements between water districts and RD, and to issue the necessary orders to implement the terms of such agreements no later than 30 days after the application is filed with the Commission. Additionally, the Commission has no discretionary authority to modify or reject any portion of the agreement between RD and Meade District, nor to defer the issuance of all necessary orders to implement the terms of that agreement. As explained in KRS 278.023(1), the Commission's review is truncated because federal financing of these projects entails prior review and oversight by a federal agency and obligates the utility to take certain actions; conflicting requirements between the federal agency and the Commission may jeopardize the project and place the utility in an untenable position.

Therefore, the Commission is unable to review this application utilizing the standards applicable in cases not filed pursuant to KRS 278.023. The legal standard established in KRS 278.023 requires that (1) the applicant be a water utility formed under KRS Chapter 74 or 273; and (2) the construction project must be funded in whole or in part under terms of an agreement between the Meade District and RD. The Commission is not, however, prohibited by KRS 278.023 from requiring a utility seeking approval of such an agreement to subsequently file reports or other information in order to monitor the utility's ability to repay the loan, meet other financial or regulatory obligations, or otherwise establish its financial condition.

PROJECT DESCRIPTION

Meade District is a water utility organized pursuant to KRS Chapter 74 that owns and operates a distribution system through which it provides retail water service to

approximately 5,489 residential customers and 275 commercial customers located in Meade County, Kentucky.³

Meade District sought approval to construct 15,600 linear feet of 16” transmission main, upgrade two pumping stations, upgrade a water storage tank, and upgrade its electronic monitoring system.⁴ The contract specifically describes the scope of work as follows: “[f]unds will be used to upsize the existing Flaherty pump station and Flaherty transmission main. Additional improvements include a new pump station near the Payneville tank and new control valves to facilitate water turnover within the Payneville tank.”⁵ Meade District planned to finance the proposed projects via (1) a loan agreement with RUS in the amount of \$7,659,000, secured through bonds that Meade District will issue to RD;⁶ and (2) Meade District’s contribution of \$100.⁷

That loan agreement sets forth rates intended to meet the cost of maintenance, repair, and operation of the system and to meet debt service obligations.⁸ For residential customers, RD requires an increase in rates of \$5.36, or 19.75 percent, from \$27.14 to \$32.50 for the first 2,000 gallons, along with a variable increase depending on gallons sold, ranging from 3.4 percent to 3.5 percent.⁹ This results in the average customer bill

³ Annual Report of Meade District to the Public Service Commission for the Calendar Year Ended December 31, 2024 (2024 Annual Report) at 12 and 49.

⁴ Application, Exhibit A.

⁵ Application, Exhibit B at 2.

⁶ Bonds will mature over a 40-year period at an interest rate not to exceed 4.25 percent per annum.

⁷ Application at 2.

⁸ Application, Exhibit B at 4.

⁹ Application at 45.

using 3,634 gallons increasing by \$6.11 from \$48.69 to \$54.80, an increase of approximately 12.6 percent.¹⁰ For wholesale customers, RD requires an increase for the Doe Valley rate class of \$0.00021 or 3.0 percent per gallon,¹¹ and for Otter Creek and Fort Knox rate class, RD requires an increase of \$0.00021 or 2.9 percent¹² per gallon.

Financial Condition and Rates

Based on a review of Commission records, Meade District's last rate adjustment, filed pursuant to 807 KAR 5:076, was in Case No. 2025-00293,¹³ (2024 test year) which became final on March 10, 2026, and reflected a revenue increase of \$355,030 or 9.71 percent.¹⁴

Commission performed a limited review of Meade District's financial records that are on file for the immediately preceding five years. A chart summarizing cash basis and rate-based income is presented below.

¹⁰ The Commission notes that the application did not use the current rates approved in Case No. 2025-00293, effective March 3, 2026, in calculating a typical monthly customer bill increase of 23.5 percent. The application's proposed increase percentage used the prior rates before Case No. 2025-00293 went into effect. The increase to the typical customer monthly bill, calculated using the approved rates from Case 2025-00293, results in an increase of 12.6 percent.

¹¹ Application at 45.

¹² The Commission notes that the application states the increase is 3.0 percent; however, the increase according to the calculation is 2.937 percent.

¹³ Case No. 2025-00293, *Electronic Application of Meade County Water District for an Alternative Rate Filing Adjustment Pursuant to 807 KAR 5:076*.

¹⁴ Case No. 2025-00293, Mar. 10, 2026 Order at 27.

Description / Year Adjusted Net Income	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Audited 2024	Pro Forma
Net Income / (Loss)	\$ (459,083)	\$ (109,166)	\$ (143,320)	\$ (398,016)	\$ (279,484)	\$ (402,028)
Other Non-recurring Items ()	-	-	-	(8,065)	-	-
Additional Revenues per Case # 2025-00293						355,030
Additional Revenues per Case # 2026-00063						422,143
Adjusted Net Income / (Loss)	\$ (459,083)	\$ (109,166)	\$ (143,320)	\$ (398,081)	\$ (279,484)	\$ 375,145
Subtract: Principal Payments ()	(187,621)	(156,749)	(161,571)	(330,222)	(251,852)	(653,337)
Rate Based Income	\$ (646,704)	\$ (265,915)	\$ (304,891)	\$ (728,303)	\$ (531,336)	\$ (278,192)
Add: Depreciation Expense	712,601	685,991	735,527	763,342	762,769	885,313
Cash Basis Income	\$ 65,897	\$ 420,076	\$ 430,636	\$ 35,039	\$ 231,433	\$ 607,121
Cash Basis Income as Percent of Depreciation	9%	61%	59%	5%	30%	69%
Capital Spending	\$ 275,641	\$ 2,298,914	\$ 422,144	\$ 350,240	\$ 1,882,746	\$ 1,882,746
<i>Cash and Investments</i>						
Unrestricted Cash and Investments	\$ 65,531	\$ 440,470	\$ 543,870	\$ 484,553	\$ 670,701	
Restricted Funds	311,325	778,617	1,074,494	976,985	625,320	
Adjusted Cash Balances	<u>376,856</u>	<u>1,219,087</u>	<u>1,618,364</u>	<u>1,461,538</u>	<u>1,296,021</u>	
Net Increase (Decrease) in Cash	\$ (84,821)	\$ 842,231	\$ 399,277	\$ (156,826)	\$ (165,517)	
<i>Selected Statistical Information (PSC Annual Reports)</i>						
Customer Count	5,252	5,368	5,518	5,629	5,767	
Gallons Purchased	404,362	379,296	411,287	426,676	426,768	
Gallons Sold	310,728	310,878	317,820	316,580	323,262	
Gallons Used for Internal Use	4,814	8,013	24,797	36,674	40,974	
Water Loss Gallons	88,820	60,405	68,670	73,422	62,532	
System Use Percentage	1.19%	2.11%	6.03%	8.60%	9.60%	
Water Loss Percentage	21.9655%	15.9256%	16.6964%	17.2079%	14.6525%	
Gallons Sold Per Customer Per Month	4,930	4,826	4,800	4,687	4,671	
Revenues from the Sale of Water	\$ 2,529,463	\$ 2,753,026	\$ 3,063,947	\$ 3,424,589	\$ 3,654,067	
Purchased Water Expense	959,536	909,331	982,573	1,431,969	1,472,835	
Purchased Water Expense Over 15% Water Loss	66,836	8,416	16,668	31,617	0	
Water Loss Expense Over 15% as Percentage of Water Revenue	2.64%	0.31%	0.54%	0.92%	0.00%	

DISCUSSION AND FINDINGS

Based upon the evidence of record, the Commission concludes that Meade District's application meets the standards required by KRS 278.023 and should be granted. Meade District is a water district organized under KRS Chapter 74 and the financing for the proposed project is subject to an agreement between Meade District and RD. Therefore, the Commission finds that the CPCN is granted, and the plan for financing is approved.

IT IS THEREFORE ORDERED that:

1. Meade District is granted a CPCN for the proposed project as submitted.

2. Meade District's proposed plan of financing is approved.
3. Meade District is authorized to execute the RD loan as provided.
4. For service on or after the date of this Order, Meade District shall charge rates, set forth in the Appendix attached to this Order, not to exceed the minimum rates required by the USDA RD agreement but not less than its current rates.
5. Within 20 days of the date of service of this Order, Meade District shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved as set forth in Appendix A and their effective date, and stating that the rates and charges were authorized by this Order.
6. The proceeds of the loans shall be used only for the purposes specified in Meade District's application.
7. Meade District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
8. Meade District shall file with the Commission documentation of the total costs of this project, including the cost of construction and all other capitalized costs (e.g., engineering, legal, and administrative), within 60 days of the date that construction is substantially completed. Construction costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.
9. Meade District shall notify the Commission in writing one week prior to the actual start of construction.
10. Meade District shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or

mechanical engineering to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

11. Any documents filed in the future pursuant to ordering paragraphs 5, 8, or 9 of this Order shall reference this case number and shall be retained in Meade District's post-case correspondence file.

12. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Meade District's showing of good cause for such extension.

13. Nothing contained in this Order shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing, herein approved.


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

Entered on this 24th day of April, 2026.

PUBLIC SERVICE COMMISSION



Angie Hatton
Chair



Mary Pat Regan
Commissioner



Andrew W. Wood
Commissioner

ATTEST:



Linda C. Bridwell, PE
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00063 DATED APR 24 2026

The following rates and charges are prescribed for the customers in the area serviced by Meade County 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

All Meter Sizes

First	2,000 Gallons	\$32.50 Minimum Bill
Next	5,000 Gallons	0.01365 Per Gallon
Next	10,000 Gallons	0.01320 Per Gallon
Next	20,000 Gallons	0.01217 Per Gallon
Over	37,000 Gallons	0.01072 Per Gallon

Bulk Station Sales	0.00973 Per Gallon
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Wholesale Rate Volume Charge

Doe Valley Water System	0.00719 Per Gallon
Otter Creek Water System	0.00736 Per Gallon

Service List for 2026-00063

* Meade County Water District
1003 Armory Place
P. O. Box 367
Brandenburg, KY 40108

* Brett Pyles
Manager
Meade County Water District
1003 Armory Place
P. O. Box 367
Brandenburg, KY 40108

* Ty Wilson
HDR, Inc.
333 W Vine Street
Suite 1400
Lexington, KY 40507

* Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KY 40202