

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF BEECH GROVE	)	2026-00183
WATER SYSTEM, INC.	)	

ORDER

On July 7, 2026, 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.

LEGAL STANDARD

In accordance with KRS 278.012, when a wholesale supplier selling water to a water association increases its rates, the water association has the authority to increase 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 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.

DISCUSSION AND FINDINGS

Beech Grove Water purchases water from Henderson Water Utility (Henderson Utility) and Daviess County Water District (Daviess District). Daviess District notified Beech Grove Water that its wholesale rate would increase from \$4.17 per 1,000 gallons

to \$4.37 per 1,000 gallons, effective June 1, 2026.¹ Beech Grove Water proposes to increase the water rates to its customers effective June 1, 2026, to reflect the increased cost of purchased water from Daviess District. Henderson Utility did not propose any rate adjustments. The Commission finds that the effective date should be June 23, 2026, because evidence in the application shows that the filing date of July 7, 2026, is more than 20 days past the proposed effective date of June 1, 2026, and because the application indicated that the billing cycle beginning on June 23, 2026, would be the actual date that customers would be charged the new rate.²

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 2023 Annual Report filed with the Commission, Beech Grove Water reported an unaccounted for water loss of 11.8603 percent.³ In its 2024 Annual Report filed with the Commission, Beech Grove Water reported an unaccounted for water loss of 16.2965 percent.⁴ In its 2025 Annual Report filed with the Commission, Beech Grove Water reported an unaccounted for water loss of 18.9214 percent.⁵ Beech Grove Water's

¹ See Case No. 2026-00132, *Electronic Purchased Water Adjustment Filing of Daviess County Water District* (Ky. PSC June 18, 2026).

² Application, Exhibit D.

³ *Annual Report of Beech Grove Water to the Public Service Commission for the Year Ended December 31, 2023* at 57.

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, 2025* at 58. The 2025 Annual Report has been submitted but has not yet been accepted.

three-year unaccounted for water loss average is 15.6927 percent.⁶ The approximate cost of Beech Grove Water's total unaccounted for water loss using a three-year average is \$36,910.59.⁷

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.⁸ 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.⁹ Beech Grove Water currently files a monthly report in Case No. 2022-00318 to update the Commission regarding its water loss. As of its June 13, 2026 filing, Beech Grove Water reported an unaccounted for water loss of 16.72 percent and a balance of \$103,775.20 in its water loss surcharge account.¹⁰

Financial Condition and Rates

Beech Grove Water's financial information for 2021 through 2025 is presented below. Based on a review of Commission records, Beech Grove Water's last rate adjustment filing was Case No. 2022-00054 (2020 test year), which became final

⁶ $11.8603\% + 16.2965\% + 18.9214\% = 47.0782 / 3 \text{ years} = 15.6927\%$.

⁷ Total water cost at new wholesale rate of \$235,208.67 times 15.6927% water loss equals \$36,910.59.

⁸ 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 corrected by *nun pro tunc* issued on Nov. 10, 2022.

⁹ 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.

¹⁰ Case No. 2022-00318, (filed July 13, 2026), June 2026 Water Loss Report at 2 and 3.

September 27, 2022, reflecting an increase in revenue of \$24,853 or 5.68 percent.¹¹

Rate-based income (adjusted net income minus debt service) was negative all five years.

Cash basis income (rate-based income plus depreciation) was positive from 2021 through 2022 and negative all other years.

Description / Year	Annual Report 2021	Annual Report 2022	Annual Report 2023	Annual Report 2024	Annual Report 2025
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ (7,496)	\$ (18,145)	\$ (39,429)	\$ (63,453)	\$ (116,335)
Other Non-recurring Items ()	-	(585)	(933)	(474)	(605)
Interest Expense	1,870	1,574	1,274	958	653
Adjusted Net Income / (Loss)	(5,626)	(17,156)	(39,088)	(62,969)	(116,287)
Interest Expense ()	(1,870)	(1,574)	(1,274)	(958)	(653)
Principal Payments ()	(9,717)	(10,013)	(10,013)	(10,631)	(10,955)
Subtract: Total Debt Service ()	(11,587)	(11,587)	(11,287)	(11,589)	(11,608)
Rate-Based Income (Excludes Working Capital of 20%)	(17,213)	(28,743)	(50,375)	(74,558)	(127,895)
Add: Depreciation Expense	30,371	30,446	30,548	32,681	42,581
Cash Basis Income	\$ 13,158	\$ 1,703	\$ (19,827)	\$ (41,877)	\$ (85,314)
Rate Based Income as Percent of Water Sales	-4%	-6%	-12%	-17%	-30%
Cash Basis Income as Percent of Depreciation	43%	6%	-65%	-128%	-200%
Capital Spending	\$ 4,293	\$ 12,678	\$ 35,295	\$ 33,042	\$ 7,000
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 229,211	\$ 227,622	\$ 221,927	\$ 213,174	\$ 162,479
Restricted Funds	-	-	-	-	-
Adjusted Cash Balances	\$ 229,211	\$ 227,622	\$ 221,927	\$ 213,174	\$ 162,479
Net Increase (Decrease) in Cash	\$ 20,927	\$ (1,589)	\$ (5,695)	\$ (8,753)	\$ (50,695)
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	598	590	581	592	592
Gallons Purchased	78,344	72,374	67,140	75,096	80,475
Gallons Sold	60,929	59,181	58,855	58,329	58,035
Gallons Used for Internal Use	72	680	322	4,529	7,213
Water Loss Gallons	17,343	12,513	7,963	12,238	15,227
System Use Percentage	0.0919%	0.9396%	0.4796%	6.0309%	8.9630%
Water Loss Percentage	22.1370%	17.2894%	11.8603%	16.2965%	18.9214%

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,

¹¹ Case No. 2022-00054, (Ky. PSC Sept. 27, 2022), final Order, as amended by *nunc* issued Nov. 10, 2022.

ordered in 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.¹²

Purchased Water Adjustment Factor

In its application, Beech Grove Water proposed a purchased water adjustment factor of \$0.04 per 1,000 gallons. During the 12 months ended May 31, 2026, Beech Grove Water purchased 61,252,000 gallons of water from Henderson Utility and 11,718,000 gallons of water from Daviess District and sold 58,180,000 gallons of water to its customers. The increase in the cost of purchased water from Daviess District is \$2,353.60, resulting in a purchased water adjustment factor of \$0.04 per 1,000 gallons. No rate changes occurred from Henderson Utility.

The purchased water adjustment factor of \$0.04 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 June 23, 2026, because the rates are supported by evidence of the increase 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 \$0.04 per 1,000 gallons is approved.
2. The rates proposed by Beech Grove Water are approved.

¹² 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.

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 June 23, 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 showing the rates approved herein.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Entered on this 3rd day of August, 2026.

PUBLIC SERVICE COMMISSION



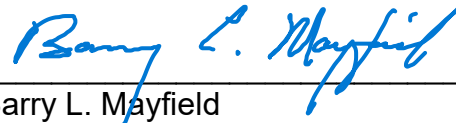
Angie Hutton
Chair



Mary Pat Regan
Vice Chair

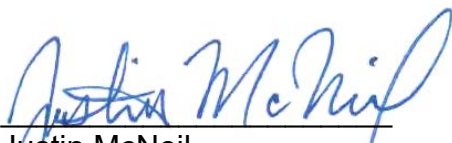


Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

ATTEST:


Justin McNeil
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00183 DATED AUG 03 2026

	Base Rate	New Rate	Change
<u>Henderson Utility</u>			
Purchases in Gallons	61,252,000	61,252,000	
Rate per 1,000 Gallons	<u>\$3.0040/1,000</u>	<u>\$3.0040/1,000</u>	
Subtotal	\$184,001.01	\$184,001.01	\$0.00
<u>Daviess District</u>			
Purchases in Gallons	11,718,000	11,718,000	
Rate per 1,000 Gallons	<u>\$4.17/1,000</u>	<u>\$4.37/1,000</u>	
Sub-total	\$48,864.06	\$51,207.66	\$2,343.60
 Total	 \$232,865.07	 \$235,208.67	 \$2,343.60
 Decreased water cost			
Decreased water cost		\$2,343.60	
Divided by Gallons sold/1,000		<u>58,180,000</u>	
Purchased water adjustment factor		\$0.04	per 1,000 Gallons
		or \$0.00004	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00183 DATED AUG 03 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	\$18.71	Minimum Bill
Next	98,000 Gallons	\$0.00600	Per Gallon
Over	100,000 Gallons	\$0.00504	Per Gallon
Bulk Loading Station		\$0.25	Per 35 Gallons

Service List for Case 2026-00183

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

* Jennifer Ferguson
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