COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LAKE VILLAGE WATER ASSOCIATION, INC FOR A RATE ADJUSTMENT PURSUANT TO 807 KAR 5:076	)))	CASE NO. 2026-00057

O R D E R

On March 25, 2026, Lake Village Water Association, Inc. (Lake Village Water) filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076. To comply with the requirements of 807 KAR 5:076, Section 9,[1] Lake Village Water used the calendar year ended December 31, 2024, as the basis for its application. Lake Village Water's last base rate increase, also filed pursuant to the alternative rate filing procedure, was in Case No. 2022-00068.[2] Since that matter, Lake Village Water has adjusted its rates multiple times pursuant to KRS 278.023 or KRS 278.012.

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated April 14, 2026. Lake Village Water responded timely to two requests for information.[3]

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[1] The reasonableness of the proposed rates shall be determined using a 12-month historical test period, adjusted for known and measurable changes, that coincides with the reporting period of the applicant's annual report for the immediate past year.

[2] See Case No. 2022-00068, *Electronic Application of Lake Village Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 4, 2022), Order.

[3] Lake Village Water's Response to Commission Staff's First Request for Information (Staff's First Request) (filed May 21, 2026); Lake Village Water's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed June 25, 2026).

In its application, Lake Village Water requested a total revenue requirement of $2,079,276 to increase its annual water sales revenue by $163,023 or 8.92 percent.[4]

Commission Staff (Staff) issued its report (Staff Report) on August 5, 2026,[5] summarizing its recommendations regarding Lake Village Water's requested rate adjustment. The Staff Report recommended that Lake Village Water's adjusted test year operations support an overall revenue requirement of $2,104,502 and that a $177,517 or 9.72 percent increase to pro forma present rate revenues was necessary to generate the overall revenue requirement.[6] In the absence of a cost-of-service study (COSS), Staff allocated its recommended revenue increase evenly across all customer classes to calculate its recommended water rates.[7]

On August 12, 2026, Lake Village Water provided three comments in response to the Staff Report.[8] First, Lake Village Water disagreed with Staff's removal of certain labor expenses from the Nonrecurring Charges but stated that it did not want to contest the adjustment in this case.[9] Second, Lake Village Water concurred with the remainder of the findings in the Staff Report.[10] Third, Lake Village Water waived its right to request an informal conference or hearing.[11] The case now stands submitted for a decision.

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[4] Application, Attachment 4, Schedule of Adjusted Operations.

[5] Staff Report (issued Aug. 5, 2026).

[6] Staff Report at 25.

[7] Staff Report at 5-6.

[8] Lake Village Water's Response to Staff Report (Response) (filed Aug. 12, 2026).

[9] Response.

[10] Response.

[11] Response.

LEGAL STANDARD

Alternative rate adjustment proceedings, such as this one, are governed by Commission regulation 807 KAR 5:076, which establishes a simplified process for small utilities to use to request rate adjustments, with the process designed to be less costly to the utility and the utility ratepayers. The Commission's standard of review of a utility's request for a rate increase is well established. In accordance with KRS 278.030 and case law, the utility is allowed to charge its customers "only fair, just and reasonable rates."[12] Further, the utility bears the burden of proof to show that the proposed rate increase is just and reasonable under KRS 278.190(3).

BACKGROUND

Lake Village Water is a water utility organized pursuant to KRS Chapter 273 that owns and operates a distribution system through which it provides retail water service to approximately 2,340 residential customers and 33 commercial customers that reside in Boyle and Mercer counties, Kentucky.[13]

UNACCOUNTED FOR WATER LOSS

Over the last five years, Lake Village Water reported an average water loss of 22.4815 percent,[14] as shown in the following table.

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[12] *City of Covington v. Public Service Commission*, 313 S.W.2d 391 (Ky. 1958); *and Public Service Comm'n v. Dewitt Water District*, 720 S.W.2d 725 (Ky. 1986).

[13] *Annual Report of Lake Village Water to the Public Service Commission for the Calendar Year Ended December 31, 2024* (2024 Annual Report) at 49 and 12.

[14] *Annual Report of Lake Village Water to the Public Service Commission for the Calendar Year Ended December 31, 2020* (2020 Annual Report) at 57; *Annual Report of Lake Village Water to the Public Service Commission for the Calendar Year Ended December 31, 2021* (2021 Annual Report) at 57; *Annual Report of Lake Village Water to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 57; *Annual Report of Lake Village Water to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Report) at 57; 2024 Annual Report at 57.

Year	Water Loss Percentage
2020	22.5495%
2021	19.3284%
2022	32.0122%
2023	20.7024%
2024	17.8152%
Average	22.4815%

Commission regulation 807 KAR 5:066, Section 6(3), states that for ratemaking purposes, a utility's water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations. The table below[15] shows that the 2024 total annual cost of unaccounted for water loss to Lake Village Water was $116,032, while the annual cost of unaccounted for water loss in excess of 15 percent is $18,335.

Total Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	$ 639,926	$ 11,382	$ 651,308
Water Loss Percent	17.8152%	17.8152%	17.8152%
Total Water Loss	$ 114,004	$ 2,028	$ 116,032

Disallowed Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	$ 639,926	$ 11,382	$ 651,308
Water Loss in Excess of 15%	2.8152%	2.8152%	2.8152%
Disallowed Water Loss	$ 18,015	$ 320	$ 18,335

[15] Note that the table reflects the corrected water purchase amounts calculated by Staff and utilized in the Staff Report which the Commission accepts in full in this final Order. In its Schedule of Adjusted Operations (SAO), Lake Village Water provided that its Purchased Water was $630,042, which was also included in the 2024 Annual Report. In response to Staff's First Request, Item 11(a), Attachment, Lake Village Water provided that its Purchased Water Expense was $640,461.10.

Water Loss Surcharge. Lake Village Water currently charges an unaccounted for water loss reduction surcharge of $1.61 per customer per month, authorized in Case No. 2022-00068.[16] It was authorized to assess a monthly surcharge of $1.61 per customer for the services rendered on and after October 4, 2022, and continuing for 48 months, or until $171,220 has been assessed, whichever occurs first.[17] As of June 30, 2026, Lake Village Water had $84,096.56 in its surcharge account.[18] During discovery in this proceeding, Lake Village Water stated that it was experienced 22.55 percent water loss in 2022 when the water loss reduction surcharge was established.[19] Since then, it has significantly reduced its water loss, recording a water loss of 18.25 percent for 2024[20] and 10.79 percent for 2025.[21] Accordingly, Lake Village Water requested that the current monthly $1.61 per customer water loss reduction surcharge be allowed to expire on October 4, 2026, as originally authorized, and that it not be revised or continued beyond the expiration date.[22] The reported 2025 water loss of 10.79 percent is below the 15 percent unaccounted for water loss threshold allowed for recovery, indicating that the purpose of the surcharge has been achieved. Therefore, Staff recommended that the

[16] Case No. 2022-00068, Oct 4, 2022 Order.

[17] Case No. 2022-00068, Oct 4, 2022 Order at 9, ordering paragraph 10.

[18] Case No. 2022-00325, *Electronic Lake Village Water Association, Inc. Unaccounted for Water Loss Reduction Plan, Surcharge and Monitoring* (filed July 15, 2026).

[19] Lake Village Water's Response to Staff's First Request, Item 23.

[20] Lake Village Water's Response to Staff's First Request, Item 23. The Commission notes that the Lake Village Water reported 18.25 percent water loss in response to Staff's request; however, its 2024 Annual Report reflects 17.8152 percent, which the Commission used to calculate the disallowed water loss.

[21] Lake Village Water's Response to Staff's Second Request, Item 3.

[22] Lake Village Water's Response to Staff's First Request, Item 23.

Commission accept Lake Village Water's request to allow the existing water loss reduction surcharge to expire on October 4, 2026, in accordance with the original Order.[23]

The Commission finds that Lake Village Water has demonstrated substantial improvement in reducing its unaccounted for water loss. Because Lake Village Water's reported 2025 water loss is below 15 percent, the Commission finds that the purpose of the water loss reduction surcharge has been achieved. Therefore, the Commission finds that Lake Village Water's request to allow the existing $1.61 per customer monthly water loss reduction surcharge to expire on October 4, 2026, is reasonable. The Commission notes that Lake Village Water shall file a notice of cessation of collection in Case No. 2022-00325 to comply with the opening Order in the surcharge monitoring case and shall continue to comply with all the requirements of the opening Order until such time the Commission finds the requirements to be satisfied.

TEST PERIOD

The calendar year ended December 31, 2024, was used as the test year to determine the reasonableness of Lake Village Water's proposed water rates as required by 807 KAR 5:076, Section 9.

SUMMARY OF REVENUE AND EXPENSES

Staff's Report summarized Lake Village Water's pro-forma income statement as follows:

[23] Case No. 2022-00068, Oct 4, 2022 Order.

Description	Test Year	Total Adjustments	Commission Staff's Pro Forma
Total Operating Revenues	$ 1,882,259	$ 36,805	$ 1,919,064
Total Operating Expenses ( )	(1,825,727)	93,542	(1,732,185)
Net Operating Income	56,532	130,347	186,879
Interest Income	(7,921)		(7,921)
Income Available to Service Debt	$ 48,611	$ 130,347	$ 178,958

REVIEW OF STAFF'S RECOMMENDATIONS

In its application, Lake Village Water proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. In the Staff Report, Staff recommended additional adjustments. The Commission accepts the recommendations contained in the Staff Report with no further modifications.[24] The following is the Commission's complete pro forma:

[24] The Commission notes that the Staff Report inadvertently omitted $(7,921) of interest income from the pro forma calculation. The Commission corrects this omission herein by including the test year Interest Income of $(7,921). No adjustment to Interest Income was made.

Description	Test Year	Total Adjustments	Commission Staff's Pro Forma	Commission Approved Adjustments	Commission Approved Pro Forma
Operating Revenues					
Sales to Residential Customers	$1,680,323	$ 3,573	$1,683,896	-	$1,683,896
Sales to Commercial Customers	143,290	-	143,290	-	143,290
Other Revenues					
Other Revenues	58,646	33,232	91,878	-	91,878
Total Operating Revenues	1,882,259	36,805	1,919,064	-	1,919,064
Operation and Maintenance					
Salaries and Wages - Employees	476,579	6,757			
		(6,176)	477,160	-	477,160
Salaries and Wages - Officers	30,000	-	30,000	-	30,000
Employee Pension and Benefits	68,034	26,655			
		1,616	96,305	-	96,305
Purchased Water	630,042	(18,015)			
		9,884	621,911	-	621,911
Purchased Power	0	11,382			
		(320)	11,062	-	11,062
Materials and Supplies	112,944	(14,410)	98,534	-	98,534
Contractual Services - Eng	4,140	-	4,140	-	4,140
Contractual Services - Acct	10,525	-	10,525	-	10,525
Contractual Services - Legal	4,192	-	4,192	-	4,192
Transportation	20,526	-	20,526	-	20,526
Insurance - Vehicle	7,495	-	7,495	-	7,495
Insurance - General Liability	26,697	-	26,697	-	26,697
Insurance - Other	6,548	-	6,548	-	6,548
Miscellaneous Expenses	59,003	(11,382)			
		(1,109)	46,512	-	46,512
Total	1,456,725	4,882	1,461,607	-	1,461,607
Amortization		4,493	4,493	-	4,493
Depreciation Expense	330,203	(103,388)	226,815	-	226,815
Taxes Other Than Income	38,799	471	39,270	-	39,270
Total Operating Expenses	1,825,727	(93,542)	1,732,185	-	1,732,185
Net Operating Income	56,532	130,347	186,879	-	186,879
Interest Income	(7,921)	-	(7,921)	-	(7,921)
Income Available to Service Debt	$ 48,611	$ 130,347	$ 178,958	-	$ 178,958

<u>Billing Analysis</u>. Lake Village Water provided a billing analysis listing the water usage and water sales revenue for the 12-month test year in its application.[25] Lake

[25] Application, Attachment 5, Billing Analysis.

Village Water reported total metered water sales revenue of $1,823,613[26] for the test year.[27] Lake Village Water provided a billing analysis to calculate a normalized revenue amount based on the usage during the test year using the rates authorized in its current tariff to be $1,827,186 and proposed an adjustment to increase test-year water sales revenue by $3,573 to reflect the revenues from water rates generated by the billing analysis.[28] Staff recommended the Commission accept the adjustment because the amount meets the ratemaking criteria of being known and measurable and to reconcile the test year metered sales to match the pro forma amount of the billing analysis.[29]

The Commission finds Staff's recommendations are reasonable and should be accepted because the adjustment reflects verifiable usage and revenue data that were evaluated and normalized using the information provided in the record for the test year.

Other Water Revenues. Lake Village Water reported total Other Water Revenues of $58,646 for the test year.[30] Lake Village Water provided an itemization of the Other Water Revenues which included the $42,500 revenue from Mercer County Sanitation District management fees, $25,707 in Forfeited Discounts, and $9,804 in Nonrecurring Charges.[31] Lake Village Water later stated that the correct amount of Nonrecurring Charge revenue should have been $993 but did not provide a reason for the error.[32] Staff

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[26] Test year metered water sales revenue of $1,823,613 is comprised of $1,680,323 from sales to residential customers and $143,290 to commercial customers.

[27] Application, Attachment 4, Schedule of Adjusted Operations.

[28] Application, Attachment 4, Schedule of Adjusted Operations, Adjustment A.

[29] Staff Report at 11-12.

[30] Application, Attachment 4, Schedule of Adjusted Operations.

[31] Lake Village Water's Response to Staff's First Request, Item 6.

[32] Lake Village Water's Response to Staff's Second Request, Item 23.

noted that even with the corrected error, the amounts provided by Lake Village Water do not add up to the amount indicated in its Schedule of Adjusted Operations of $58,646.[33]

Staff stated it was unable to determine the components that make up the differing amounts and determined the best approach would be to calculate Lake Village Water's Other Water Revenues and adjust the test year to the known and measurable amounts. Lake Village Water proposed to increase Other Water Revenues by $22,500 to reflect the revenues from management service provided by Lake Village Water to Mercer County Sanitation District, where the contracted fee increased $22,500 from $42,500 to $65,000.[34] As discussed in the Nonrecurring Charges section of the Rate Design below, Staff determined that a $178 increase to Nonrecurring Charges is necessary to reconcile the test year Nonrecurring Charges revenue to the pro forma amount calculated by the Staff of $1,171.[35] The net effect of the above adjustments, including the contracted fee increase of $22,500, results in a pro forma amount of $91,878 for Other Water Revenues as shown in the table below. This results in an increase of $10,554 to reach the pro forma Other Water Revenues amount from the test year also shown in the table below. Staff recommended the Commission accept Staff's adjustments to Other Water Revenues because they meet the ratemaking criteria of being known and measurable and follow appropriate accounting principles.[36]

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[33] $42,500 + $25,707 + $993 = $69,200.

[34] Application, Attachment 4, Schedule of Adjusted Operations, Adjustment B.

[35] Staff Report at 13.

[36] Staff Report at 13.

Description	Lake Village DR1 Responses	Lake Village Water Association, Inc. Proposed Adjustments	Commission Staff Adjustments	Total Adjustments	Pro Forma
Mercer County Sanitation Fee	$ 42,500	$ 22,500	$ -	$ 22,500	$ 65,000
Forfeited Discounts	25,707			-	25,707
Nonrecurring Charges					
Connection/Turn-on Charge	343		98	98	441
Customer Request Disconnect	259		74	74	333
Reconnection Charge	14		4	4	18
Meter Test Charge	7		2	2	9
Returned Check	370			-	370
Total Nonrecurring Charges	993		178	178	1,171
	$ 69,200	$ 22,500	$ 178	$ 22,678	$ 91,878
Test Year Amount ( )					(58,646)
Adjustments ( )					(22,678)
Staff Adjustment from Test Year					$ 10,554

The Commission finds that the Staff's recommended adjustments to Other Water Revenues are appropriate and should be accepted considering the adjustments follow appropriate accounting principles, are supported by the evidence in the record, and the amounts meet the ratemaking criteria of being known and measurable.

Salaries and Wages - Employees. In its application, Lake Village Water reported $476,579 of expenses related to Salaries and Wages – Employees and proposed two adjustments.[37] First, Lake Village Water proposed an increase of $6,757 to reflect the changes in employee wages since the test year.[38] Lake Village Water provided the test year employee list, test year total hours worked, and current wage rate.[39] Lake Village

[37] Application, Attachment 4, Statement of Adjusted Operations.

[38] Application, Attachment 4, Statement of Adjusted Operations, References, Reference C.

[39] Application, Attachment 12, Rate Study, Wages Tab.

Water has seven full-time office employees.[40] Lake Village Water stated that Full Time Office and Administrative Staff, excluding Executive Directors, are scheduled to work 1,820 hours annually and Distribution Staff are scheduled to work 2,080 hours annually.[41] Lake Village Water also stated that it provides Christmas bonuses[42] to all staff members with a fixed amount for all of its employees, and it is based on the previous year amount and overall performance of the utility throughout the year.[43] It further stated that the Board of Directors annually evaluates the Executive Director and, in recent years, has provided a one-time bonus in lieu of a permanent salary adjustment based on the utility's performance, budget performance and water loss percentage.[44] In 2024 and 2025, the Executive Director received a bonus of $12,000.[45] The proposed pro forma salaries and wages calculation does not include the performance bonus.[46] Staff reviewed Lake Village Water's calculation and recommended that the Commission accept Lake Village Water's proposed adjustment because it is known and measurable.[47]

Lake Village Water proposed to decrease its Salaries and Wages – Employees by $6,176 for uncapitalized tap-fee expenses during the test year,[48] because there were 23

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[40] Lake Village Water's Response to Staff's First Request, Item 7a.

[41] Lake Village Water's Response to Staff's First Request, Item 7b.

[42] Lake Village Water's response to Staff's First Request, Item 13, 13_LVWA_2024_Meeting_Minutes at 4.

[43] Lake Village Water's Response to Staff's Second Request, Item 1a.

[44] Lake Village Water's Response to Staff's Second Request, Item 1a.

[45] Lake Village Water's Response to Staff's Second Request, Item 1b.

[46] Application, Attachment_1_6_List_of_attachments, Attachment _12,_LVWD_Rate_Study, Wages Tab.

[47] Staff Report at 14-15.

[48] Application, Attachment 4, Statement of Adjusted Operations, References, Reference D.

new tap installations.[49] Staff reviewed Lake Village Water's calculation and recommended the Commission accept Lake Village Water's proposed adjustment because it reflects the proper accounting treatment for water connection expenses according to the Uniform System of Accounts (USoA).[50]

The Commission finds that Lake Village Water's adjustments are reasonable and approves the adjustments because the amount meets the rate making criteria of being known and measurable.

Employee Pension and Benefits. In its application, Lake Village Water reported $68,034 of expenses related to Employee Pension and Benefits and proposed two adjustments.[51]

First, Lake Village Water proposed to increase its Employee and Pension Benefits by $729 to reflect the current employee health insurance costs.[52] It stated that it provides health, vision, and dental insurance through Anthem and life insurance through MetLife, with certain additional voluntary benefits paid by employees.[53] Staff reviewed the general ledger[54] and the invoices[55] provided by Lake Village Water and determined that an

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[49] Lake Village Water's Response to Staff's Second Request, Item 22a.

[50] Staff Report at 15-16.

[51] Application, Attachment 4, Statement of Adjusted Operations.

[52] Application, Attachment 4, Statement of Adjusted Operations, References, Reference F.

[53] Lake Village Water's Response to Staff's First Request, Item 9a, 9_Staff_Benefits_Description_2024.

[54] Lake Village Water's Response to Staff's First Request, Item 3, 3_LVWA_General_Ledger_2024.

[55] Lake Village Water's Response to Staff's First Request, Item 9a, 9_a_LVWA_2024_Staff_Benefits_Invoices.

additional increase of $887 is necessary to match the latest invoices.[56] Combined with Lake Village Water's proposed increase of $729, the total health insurance adjustment is $1,616, as shown in the table below. Staff recommended that the Commission accept Staff's total adjustment because it is known and measurable.[57]

Type of Premium	Number of Employees	Total Cost
Medical Insurance - Employee Only	4	$ 2,610
Medical Insurance - Employee + Child	1	1,175
Total Medical Insurance	5	3,785
Dental Insurance	5	249
Metlife	7	123
Vision	5	76
Colonial	5	25
Total Monthly Pro Forma Premium		4,258
Multiplied by: 12 Months		12
Total Annual Gross Health Insurance Cost		$ 51,096
Test Year Net Insurance Cost ( )		(49,480)
Commission Staff's Adjustment		$ 1,616

Second, Lake Village Water proposed an increase of $6,959 to reflect the changes in employer pension contributions resulting from current salaries and contribution rates.[58] Lake Village Water stated that it makes annual contributions to employee retirement accounts through a Simplified Employee Pension (SEP) plan, with the contribution percentage determined annually by its Board of Directors.[59] Staff reviewed Lake Village

[56] Staff Report at 16.

[57] Staff Report at 16.

[58] Application, Attachment 4, Statement of Adjusted Operations.

[59] Lake Village Water's Response to Staff's First Request, Item 9a, 9_Staff_Benefits_Description_2024 and Item 13_LVWA_2025_Meeting_Minutes at 21.

Water's proposed pension adjustment calculation,[60] payroll records,[61] general ledger[62] and supporting documentation.[63] Based on its current pro forma salaries and the approved 10 percent SEP contribution rate,[64] Staff determined an additional increase of $19,696 is necessary, as shown in the table below. Staff recommended that the Commission accept Staff's recommendation because it is known and measurable.[65]

Description	Amount
Pro Forma Applicable Wages	$ 452,087
Pension Contribution rate	10%
Employer's Pension Contribution	$ 45,209
Test Year Amount ( )	(18,554)
Lake Village Proposed Adjustment ( )	(6,959)
Commission Staff Adjustment	$ 19,696

The Commission finds that Staff's recommended adjustment is reasonable and should be accepted because it is known and measurable.

Purchased Water. In its application, Lake Village Water reported $630,042 of expenses related to Purchased Water.[66] Lake Village Water purchases water from the city of Harrodsburg (Harrodsburg) and the city of Danville (Danville).[67] During the test

[60] Application, Attachment_1_6_List_of_attachments, Attachment _12,_LVWD_Rate_Study, Wages Tab.

[61] Application, Attachment_1_6_List_of_attachments, Attachment 12,__LVWD_Rate_Study, Wages Tab.

[62] Lake Village Water's Response to Staff's First Request, Item 3, 3_LVWA_General_Ledger_2024.

[63] Lake Village Water's Response to Staff's First Request, Item 28, 28_Lake_Village_Benefits_Account_520235_2024.

[64] Lake Village Water's Response to Staff's First Request, Item 13, 2025 Meeting Minutes, March 11, 2025, at 20.

[65] Staff Report at 17-18.

[66] Application, Attachment 4, Statement of Adjusted Operations.

[67] 2024 Annual Report at 54.

year, Lake Village Water purchased 94,290,456 gallons of water from Harrodsburg and 125,661,673 gallons of water from Danville.[68] Staff applied Harrodsburg and Danville's current tariff wholesale rates to the test year's purchases. Lake Village Water also pays a Kentucky River Authority Withdrawal fee (KRA Fee) on purchases from Harrodsburg of $0.18692790 per 100 cubic feet and from Danville of $0.022 per 1,000 gallons.[69] Staff calculated a KRA Fee of $23,563 for Harrodsburg and $2,765 for Danville based on the test year gallons purchased. Based on test year purchases of 219,952,129 gallons, Staff calculated an increase to the Purchased Water Expense of $9,884 from the amount proposed by Lake Village Water, shown in the table below.[70] Staff recommended that the Commission accept Staff's adjustment because it is known and measurable.[71]

Description	City of Harrodsburg	City of Danville	Total
Gallons	94,290,456	125,661,673	219,952,129
Current Purchase Rate	$ 3.2957	$ 2.4100	$ 2.9094
Total	310,753	302,845	639,926
KRA Fee	23,563	2,765	
Pro Forma Cost	$ 334,316	$ 305,610	
Test Year Purchase Cost ( )			(630,042)
Increase in Purchase Cost			$ 9,884

The Commission finds that Staff's recommended adjustment is reasonable and should be accepted because it is known and measurable.

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[68] Lake Village Water's Response to Staff's First Request, Item 11, 11_4_LVWA_2024_Water_Purchased_Data_Revised.

[69] Harrodsburg Current Tariff P.S.C. KY. No. 1 9th Revised Sheet 1 (Effective Aug. 2, 2023);and Danville Current Tariff Page 1 (effective May 1, 2015).

[70] Staff Report at 18-19.

[71] Staff Report at 18-19.

Purchased Power. During the test year, Lake Village Water did not report any Purchased Power Expense. It proposed an adjustment to increase its expenses by $11,382 to reclassify electric utility costs that had been recorded in Miscellaneous Expense.[72] Staff reviewed Lake Village Water's general ledger and confirmed that these costs represent purchased power and that reclassifying them to Purchased Power Expense is consistent with the USoA. Staff recommended that the Commission accept Lake Village Water's proposed adjustment because it results in the proper accounting treatment of Purchased Power Expense.[73]

The Commission finds that Lake Village Water's recommended adjustment is reasonable and should be accepted because it is known and measurable and in compliance with the USoA.

Unaccounted for Water Loss. In its application, Lake Village Water proposed an adjustment to decrease Purchased Water Expense by $17,737 and Purchased Power Expense by $320 to reflect the disallowance of unaccounted for water loss expense in excess of 15 percent.[74] During the test year, Lake Village Water reported a water loss of 17.8152 percent.[75] Commission regulations state that, for ratemaking purposes, recovery for the expenses related to unaccounted for water loss in excess of 15 percent is not permissible.[76] Lake Village Water's test year indicated $630,042 in Purchased Water

[72] Application, Attachment 4, Statement of Adjusted Operations, References, Reference H.

[73] Staff Report at 19.

[74] Application, Attachment 4, Statement of Adjusted Operations, References, Reference G.

[75] 2024 Annual Report at 57.

[76] 807 KAR 5:066, Section 6(3) .

Expense and $11,382 in Purchased Power Expense.[77] In the table below, Staff adjusted Lake Village Water's Purchased Water Expense to correlate to the current wholesale rates.[78] Staff calculated a disallowed Purchased Water Expense of $18,015, using the adjusted Purchased Water Expense of $639,926 discussed above, which was a $278 decrease from Lake Village Water's proposed adjustment of $17,737.[79] Staff agreed with Lake Village Water's adjustment to reduce Purchased Power Expense by $320.[80] The table below summarizes the disallowed Purchased Water and Purchased Power Expenses for Lake Village Water. Staff recommended the Commission accept Staff's adjustment, since the amounts reflect the limit to costs related to excess water loss of 15 percent.[81]

Disallowed Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	$ 639,926	$ 11,382	$ 651,308
Water Loss in Excess of 15%	2.8152%	2.8152%	2.8152%
Disallowed Water Loss	$ 18,015	$ 320	$ 18,335

The Commission finds that Staff's adjustments are reasonable and approves the amounts because they are supported by the evidence of purchased water and purchased power exceeding the 15 percent water loss threshold for recovery in rates.

[77] Application, Attachment 4, Statement of Adjusted Operations.

[78] Harrodsburg Current Tariff P.S.C. KY. No. 1 9th Revised Sheet 1 (Effective Aug. 2, 2023);and Danville Current Tariff Page 1 (effective May 1, 2015).

[79] Staff Report at 18-19.

[80] Staff Report at 18-19.

[81] Staff Report at 19-20.

Materials and Supplies. In its application, Lake Village Water reported $112,944 of expenses related to Materials and Supplies and proposed an adjustment to decrease its expenses by $14,410 to remove the material cost associated with tap installations that should have been capitalized rather than expensed during the test year.[82] It stated that there were 23 new tap installations during the test year and calculated the capitalized materials amount to be $14,410.[83] Staff reviewed Lake Village Water's calculation and recommended that the Commission accept Lake Village Water's proposed adjustment because it reflects the proper accounting treatment for water connection expenses according to the USoA.[84]

The Commission finds that Lake Village Water's recommended adjustment is reasonable and should be accepted because it is known and measurable.

Miscellaneous Expenses. In its application, Lake Village Water reported $59,003 in Miscellaneous Expenses during the test year.[85] Lake Village Water proposed a decrease of $11,382 to reclassify costs from Miscellaneous Expense to Purchased Power Expense due to a misclassification.[86] Staff reviewed Lake Village Water's general ledger and confirmed that the adjustment properly classifies the expense in accordance with the USoA.[87]

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[82] Application, , Attachment 4, Statement of Adjusted Operations, References, Reference D.

[83] Lake Village Water's Response to Staff's Second Request, Item 22a.

[84] Staff Report at 21.

[85] Application, Attachment 4, Statement of Adjusted Operations, Adjustment I.

[86] Application, Attachment 4, Statement of Adjusted Operations, References, Reference H.

[87] Staff Report at 21-22.

In Staff's review of Lake Village Water's general ledger, Staff identified expenses totaling $1,109 in account 54050 that it recommended for removal from the revenue requirement.[88] Staff recommended removing expenses related to Board and staff meals because these costs are not directly related to Lake Village Water's ability to provide service to its customers and therefore should not be recovered through rates. Staff recommended the Commission accept Staff's adjustment to reduce Miscellaneous Expenses by $1,109 as the amounts are known and measurable and reflect the removal of expenses not directly related to Lake Village Water's ability to provide adequate water service to its customers.[89]

The Commission finds that Staff's recommended adjustment to remove Miscellaneous Expenses of $1,109 is reasonable and should be accepted because the Board and staff meal expenses are not directly related to Lake Village Water's provision of water service to its customers and, therefore, should not be recovered through the rates.

Rate Case Expense. In its application, Lake Village Water did not report any test year expenses related to Rate Case Expense[90] but proposed one adjustment, an increase of $4,493 to reflect the amortization of the current Rate Case Expense over three years.[91] Lake Village Water contracted with Kentucky Rural Water Association (KRWA) to assist

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88 Lake Village Water's Response to Staff's First Request, Item 3, 3_LVWA_General_Ledger_2024.

89 Staff Report at 21-22.

90 Application, Attachment 4, Schedule of Adjusted Operations, Adjustment I.

91 Application, Attachment 4, Schedule of Adjusted Operations, References, Adjustment I.

with the application.[92] KRWA provided an estimated total cost not to exceed $13,480 quote for consulting services to prepare the rate case and a rate study[93] and an invoice related to the rate case expenses.[94] Lake Village Water then proposed to amortize the $13,480 over three years for an annual amount of $4,493. Staff agreed with the recovery of the costs over three years. Staff calculated the annual rate case expense by dividing the total rate case expense of $13,480 over a three-year period, resulting in an annual cost of $4,493, as shown below.[95]

Description	Amount
Kentucky Rural Water Association	$ 13,480
Amortization Years	3
Annual Rate Case Expense	$ 4,493

Staff recommended the Commission accept Lake Village Water's increase of $4,493 to Amortization Expense to reflect the recovery of the estimated Total Rate Case Expense over a three-year period because utilities are expected to file for a rate case every three to five years.[96]

The Commission finds that Lake Village Water's proposed Rate Case Expense of $13,480 is reasonable and should be accepted. The Commission finds that a three-year amortization period is reasonable given that utilities are generally expected to file a rate

[92] Lake Village Water's Response to Staff's First Request, Item 10a.

[93] Lake Village Water's Response to Staff's First Request, Item 10b, 10_b_LVWA_Signed_prpopsal_2025.pdf.

[94] Lake Village Water's Response to Staff's First Request, Item 10c, 10_c_KRWA_Rate_Study_Invoice_2026.pdf.

[95] Staff Report at 22.

[96] Staff Report at 22-23.

case every three to five years. Therefore, the Commission finds that the increase in annual Rate Case Expense of $4,493 should be approved.

Depreciation Expense. In its application, Lake Village Water reported $330,203 of expenses related to Depreciation Expense and proposed an adjustment to decrease Depreciation Expense by $99,535 to bring asset lives to the midpoint of the NARUC recommended range in its publication "Depreciation for Small Utilities".[97] To evaluate the reasonableness of the depreciation practices of small water utilities, the Commission has historically relied upon the same NARUC study. When no evidence exists to support a specific life that is outside NARUC ranges, the Commission has historically used the midpoint of the NARUC ranges to depreciate the utility plant.[98] Staff reviewed Lake Village Water's depreciation schedule[99] and recalculated depreciation using NARUC's midpoint ranges as shown in the table below. Staff recommended a downward adjustment of $103,388, which is $3,853 greater than Lake Village Water's proposed adjustment and recommended the Commission accept Staff's adjustment because it is known and measurable.[100]

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[97] Application, Attachment 4, Statement of Adjusted Operations, References, Reference J.

[98] Case No. 2024-00061, *Electronic Application of Butler County Water Systems, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Nov. 1, 2024), Order at 9-20. Case No 2024-00068, Oct. 29, 2024 Order at 21-22.

[99] Application, Attachment 7, 7_LVWD_Depreciation_Schedule_2024.

[100] Staff Report at 23-21.

Asset Class	Original Cost	NARUC Recommended Service Lives	Current Depreciation	Staff Calculated Depreciation	Depreciation Adjustment
Group: Building	$ 94,012	$ 37.5	$ 4,701	$ 2,507	$ (2,194)
Group: Supply Mains	22,085	62.5	799	353	(446)
Group: Pump Station	200,431	62.5	6,074	3,207	(2,867)
Group: #330 STDPIPES & ST. Tanks	2,450,634	45	74,313	54,459	(19,854)
Group: Tansmission Lines	8,284,065	62.5	210,560	132,545	(78,015)
Group: Customer SVC. Lines	179,712	40	5,345	4,493	(852)
Group: Meters	214,360	20	8,199	10,718	2,519
Group: Office Furniture/Equipment	1,770	22.5	1,460	79	(1,382)
Group: Transportaion Equipment	79,073	7	15,815	11,296	(4,518)
Group: Other Tangible Plant	84,425	10	4,221	8,442	4,221
Total	$ 11,610,567		$ 331,486	$ 228,099	$ (103,388)
Lake Village Water's Adjustment ( )					(99,535)
Difference Between Commission Staff and Lake Village Water's Adjustment					$ (3,853)

The Commission finds that Staff's recommended adjustments are reasonable because it reflects the use of the midpoint of the NARUC recommended service life ranges.

Taxes Other Than Income. In its application, Lake Village Water reported $38,799 of expenses related to Taxes Other Than Income and proposed an adjustment to increase its expenses by $471 to reflect the changes in Salaries and Wages.[101] Staff reviewed Lake Village Water's payroll tax calculation and confirmed the proposed adjustment correctly reflects the changes to employees and officers' wages.[102] Therefore, Staff recommended that the Commission accept Lake Village Water's proposed adjustment because it is known and measurable.[103]

The Commission finds that Lake Village Water's recommended adjustment is reasonable and should be accepted as the amount is known and measurable. The

[101] Application, Attachment 4, Statement of Adjusted Operations, References, Reference K.

[102] Staff Report at 24.

[103] Staff Report at 24.

adjustment is based on sufficient information in the record and reflects values that have either already occurred or can be determined with reasonable certainty.

SUMMARY OF ADJUSTMENTS

Description	Commission Staff's Pro Forma	Commission Approved Adjustments	Commission Approved Pro Forma
Total Operating Revenues	$ 1,919,064	-	$ 1,919,064
Total Operating Expenses ( )	(1,732,185)	-	(1,732,185)
Net Operating Income	186,879	-	186,879
Interest Income	(7,921)	-	(7,921)
Income Available to Service Debt	$ 178,958	-	$ 178,958

OVERALL REVENUE REQUIREMENT AND
REQUIRED REVENUE INCREASE

The Commission has historically applied[104] the Debt Service Coverage (DSC) method to calculate the Overall Revenue Requirement of water districts and water associations. This method allows for a recovery of (1) cash-related pro forma operating expenses; (2) recovery of depreciation expense, a non-cash item, to provide working capital;[105] (3) the average annual principal and interest payments on all long-terms debts; and (4) working capital that is in addition to depreciation expense. The table below

[104] Case No. 2022-00124, *Electronic Application of Elkhorn Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 24, 2022), final Order at 12 and Case No. 2021-00475*, Electronic Application of Carroll County Water District #1 for an Adjustment of Rates Pursuant to 807 KAR 5:076* (Ky. PSC June 28, 2022), final Order at 14.

[105] The Kentucky Supreme Court has held that the Commission must permit a water district to recover its depreciation expense through its rates for service to provide internal funds for renewing and replacing assets. See *Public Serv. Comm'n of Kentucky v. Dewitt Water Dist.,* 720 S.W.2d 725, 725 (Ky.1986). Although a water district's lenders require that a small portion of the depreciation funds be deposited annually into a debt reserve/depreciation fund until the account's balance accumulates to a required threshold, neither the Commission nor the Court requires that revenues collected for depreciation be accounted for separately from the water district's general funds or that depreciation funds be used only for asset renewal and replacement. The Commission has recognized that the working capital provided through recovery of depreciation expense may be used for purposes other than renewal and replacement of assets. See Case No. 2012-00309, *Application of Southern Water and Sewer District for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Dec. 21, 2012).

reflects the Staff Report relative to the Commission approved calculated revenue requirement.

Description	Commission Staff's Report	Commission Approved
Pro Forma Operating Expenses	$ 1,732,185	$ 1,732,185
Average Annual Principal and Interest Payments	310,265	310,265
Additional Working Capital at 20%	62,053	62,053
Total Revenue Requirement	2,104,502	2,104,502
Other Revenue ( )	(91,878)	(91,878)
Interest Income ( )	(7,921)	(7,921)
Revenue Required From Water Sales	2,004,703	2,004,703
Revenue from Sales at Present Rates ( )	(1,827,186)	(1,827,186)
Required Revenue Increase / (Decrease)	$ 177,517	$ 177,517
Percentage Increase / (Decrease)	9.72%	9.72%

Average Annual Principal and Interest Payments and Additional Working Capital. Lake Village Water requested recovery of the average annual principal and interest on its indebtedness in the amount of $310,265 on two loans from United States Department of Agriculture Rural Development Bonds[106] and two from Kentucky Rural Water Finance Corporation (KRWFC),[107] based on the five-year average of the annual principal, interest, and fee payments for the loans listed in the table below for the years 2026 through

[106] Case No. 2016-00153, *Application of Lake Village Water Association, INC., for a Certificate of Public Convenience and Necessity to Construct and Finance a Project, funded by USDA Rural Development Pursuant to the Provisions of KRS 278.023 and KRS 278.020* (Ky. PSC May 20, 2016), Order at 3-5; Case No. 2023-00107, *Application of Lake Village Water Association, INC., of Boyle and Mercer Counties, Kentucky for a Certificate of Public Convenience and Necessity to Construct and Finance a Project, funded by USDA Rural Development Pursuant to the Provisions of KRS 278.023 and KRS 278.020* (Ky. PSC July 25, 2023), Order at 3-4.

[107] Case No. 2014-00445, *Application of Lake Village Water Association, INC., to Issue Securities in the Approximate Principal Amount of $1,515,000 for the Purpose of Refunding Certain Outstanding Indebtedness of the Association Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Jan. 13, 2015), Order at 2-3; Case No. 2021-00020, *Electronic Application of Lake Village Water Association, INC., to Issue Securities in the Approximate Principal Amount of $2,100,000 for the Purpose of Refunding Certain Outstanding Indebtedness of the Association Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Jan. 13, 2015), Order at 7-8.

2030.[108] Staff agreed with the methodology that Lake Village Water proposed because it was reasonable and recommended the Commission accept Lake Village Water's proposed amount.[109] The DSC method includes an allowance for additional working capital that is equal to the minimum net revenues required by a district's lenders that are above its average annual debt payments. Lake Village Water requested recovery of an allowance for working capital that is equal to 20 percent of its average annual debt service, or $62,053.[110] Following the Commission's historic practice[111] of including additional working capital, Staff recommended the Commission accept Lake Village Water's proposed methodology and amount.[112]

	Total Payment					
Description	2026	2027	2028	2029	2030	Total
RD 91-11	$ 28,044	$ 28,044	$ 28,044	$ 28,044	$ 28,044	$ 140,221
RD 91-12	80,887	80,887	80,887	80,887	80,887	404,435
KRWFC 2015C	92,515	75,109	72,991	75,778	73,468	389,860
KRWFC 2021B	124,618	122,538	125,458	123,218	120,978	616,808
Total	$ 326,063	$ 306,578	$ 307,380	$ 307,926	$ 303,376	$ 1,551,324
					Five Year Average	$ 310,265
					Additional Working Capital at 20 Percent	$ 62,053

The Commission finds that Lake Village Water's methodology used to calculate its Average Annual Principal and Interest Payments is reasonable. Therefore, the

[108] Application, Attachment #4,Table B, Debt Service Schedule.

[109] Staff Report at 26.

[110] Application, Attachment #4, Revenue Requirements using Debt Service Coverage Method.

[111] Case No. 2022-00431, *Electronic Application of Letcher County Water and Sewer District for a Rate Adjustment Pursuant To 807 KAR 5:076* (Ky. PSC Nov. 17, 2023), final Order at 27; Case No. 2023 00154, *Electronic Application of Harrison County Water Association, Inc. For An Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024), final Order at 43; and Case No. 2023-00182*, Electronic Application of Western Mason County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Jan. 4, 2024), final Order at 21.

[112] Staff Report at 26.

Commission finds that Lake Village Water's calculated Average Interest and Principal Payments of $310,265 and Additional Working Capital of $62,053 should be included in Lake Village Water's Revenue Requirement because the DSC methodology allows for the recovery of the Average Annual Principal, Interest Payments, and Additional Working Capital.

RATE DESIGN

In its application, Lake Village Water proposed to increase its monthly water service rates by 8.92 percent to all its water customers evenly across the board.[113] Lake Village Water stated that it considered the benefits of performing a cost-of-service study (COSS), but ultimately decided that filing a COSS would provide very limited benefit to the current application considering there have been no material changes in the water system that would cause a new COSS to be prepared.[114] The Commission has previously found that the allocation of a revenue adjustment evenly across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable and in the absence of a COSS.[115] Finding no such evidence in this case, Staff allocated the $177,517 revenue increase evenly across Lake Village Water's monthly retail water service rates.[116]

The rates recommended in Appendix B to this report are based upon the revenue requirement, as calculated by the Commission, and will produce sufficient revenue from

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[113] Application, Attachment 1, Customer Notice.

[114] Lake Village Water's Response to Staff's First Request, Item 17.

[115] Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

[116] Staff Report at 5.

water sales to recover the $2,004,703 in revenue required from rates, an approximate 9.72 percent increase. The monthly water bill for a typical residential customer using approximately 4,000 gallons per month[117] will increase from $54.13 to $59.38 for an increase of $5.25 or approximately 9.70 percent.

The Commission finds that the evidence provided in the record and the analysis shows that the revenue requirement and the allocation methodology recommended by Staff are fair, just and reasonable and should be approved. The Commission also approves Lake Village Water's request to end its monthly water loss reduction surcharge, established in Case No. 2022-00068 of $1.61 per month per customer as of October 4, 2026. As discussed, earlier in the Order, the Commission acknowledges Lake Village Water's improvement on unaccounted for water loss percentage.

Nonrecurring Charges. Staff reviewed Lake Village Water's Nonrecurring Charges. As part of its review, Staff reviewed whether Lake Village Water's charges included expenses related to employee compensation during regular business hours or clerical expenses, which generally are incurred during regular business hours. Expenses related to employee compensation during regular business hours are already recovered in base rates; thus, do not represent a nominal cost of the service classified as a Nonrecurring Charge.[118]

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[117] Application, Attachment 1, Customer Notice. The average retail customer uses 4,000 gallons per month.

[118] Case No. 2023-00299, *Electronic Application of Magoffin County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 24, 2024); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 5, 2024); Case No. 2023-00258, E*lectronic Application of Kirksville Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2023-00220, *Electronic Application of East Casey County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 21, 2024).

Lake Village Water provided updated cost justification information for the Nonrecurring Charges[119] as well as a list of the number of occurrences for each of its Nonrecurring Charges.[120] Lake Village Water's Nonrecurring Charges currently do not include regular business hour labor or clerical expenses.[121] Staff reviewed the cost justification information for the Nonrecurring Charges provided by Lake Village Water, which included regular business hour labor and clerical expenses. Thus, Staff recommended removing the Field Labor Costs and the Office/Clerical Labor Costs[122] from those charges that occur during normal business hours, as was done in Case No. 2022-00068.[123] Staff also recommended removal the Office/Clerical Labor Costs from the After-Hours Reconnection Charge, as office labor is typically performed during normal business hours.[124] Connection/Turn-on Charge, Customer Request Disconnect, Field Collection Charge, and Meter Test Charge all increased by $2, from $7 to $9, due to increasing costs for Transportation and other Miscellaneous Expenses.[125]

The Reconnection Charge increased by $4, from $14 to $18, due to increasing costs for Transportation and other Miscellaneous Expenses.[126] Staff recommended that the Commission accept the respective adjustments for the charges mentioned above, as

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[119] Lake Village Water's Response to Staff's First Request, Item 20.

[120] Lake Village Water's Response to Staff's First Request, Item 19.

[121] Case No. 2022-00068, Oct 4, 2022 Order.

[122] Staff Report at 7.

[123] Case No. 2022-00068, Oct 4, 2022 Order.

[124] Staff Report at 6-7.

[125] Lake Village Water's Response to Staff's First Request, Item 20.

[126] Lake Village Water's Response to Staff's First Request, Item 20.

these were supported by Lake Village Water in the cost justification provided,[127] and the amounts meet the ratemaking criteria of being known and measurable. The cost justification information, shown in Appendix A, was provided by Lake Village Water and supports the adjustments to the Nonrecurring Charges. The adjustments discussed above result in the following revised Nonrecurring Charges:

Nonrecurring Charge	Current Charge	Revised Charge
Connection / Turn-on Charge	$7.00	$9.00
Customer Request Disconnect	$7.00	$9.00
Field Collection Charge	$7.00	$9.00
Reconnection Charge	$14.00	$18.00
Meter Test Charge	$7.00	$9.00
Returned Check	$10.00	$10.00

The adjustments to the Nonrecurring Charges result in an increase in Other Water Revenues of $178 as shown below.

Nonrecurring Charge	Occurrences	Current Charge	Revised Charge	Adjustment	Pro Forma
Connection / Turn-on Charge	49	$7.00	$9.00	$98	$441
Customer Request Disconnect	37	$7.00	$9.00	$74	$333
Field Collection Charge	0	$7.00	$9.00	$0	$0
Reconnection Charge	1	$14.00	$18.00	$4	$18
Meter Test Charge	1	$7.00	$9.00	$2	$9
Returned Check	37	$10.00	$10.00	$0	$370
Pro Forma Test Year NRC Revenue					$1,171
Less: Test Year NRC Revenue					$993
Adjustment (Increase)					$178

[127] Lake Village Water's Response to Staff's First Request, Item 20.

The Commission finds that the Staff's recommended adjustments to the Nonrecurring Charges are appropriate considering the provided cost justification, and that the amounts meet the ratemaking criteria of being known and measurable. The Commission further finds that Staff's recommendation is reasonable, and the revised Nonrecurring Charges as calculated in Appendix A and in Appendix B should be accepted.

Tap-On Fee. Lake Village Water provided an updated cost justification for its 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge.[128] Staff reviewed the cost justification information provided by Lake Village Water and recommended that the Commission accept Lake Village Water's supported increase for the Tap-On fee from $895 to $1,540 for the 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge.[129] Staff noted that consistent under recovery of the Meter Connection/Tap-On Charge expense could severely impact the utility's financial condition in the long term.

The Commission agrees with Staff's recommendation to increase the 5/8-Inch x 3/4-Inch Meter Connection/Tap-On Charge to $1,540, to reflect the current expenses incurred when performing this service and to prevent any under recovery for the tap fee. Increasing the tap fee rates in line with Lake Village Water's actual cost will result in a fair, just and reasonable rate. In addition, over time, under recovery of a particular charge may result in degradation of the utility's financial condition.

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[128] Lake Village Water's Response to Staff's First Request, Item 21, 21_Avg_Meter_Connection_Expense_Cost_Justification.

[129] Staff Report at 9.

OTHER ISSUES

Mercer County Sanitation District

Lake Village Water explained that certain employees, including management and administrative personnel, perform work for both Lake Village Water and Mercer County Sanitation District under a management agreement.[130] Although it tracks certain work performed for the Mercer County Sanitation District through work orders, Lake Village Water acknowledged that time devoted by management and administrative personnel is not separately tracked because employees frequently transition between responsibilities for the two utilities throughout the workday.[131] Lake Village Water also explained that the management fee established under the management agreement is reviewed periodically and adjusted based on the anticipated level of services provided; however, the record does not include a methodology allocating shared employee time or related costs between the two entities.[132]

In the Staff Report, Staff noted that it was unable to determine whether salary related expenses, including wages, overtime, payroll taxes, pension contributions, and employee benefits, have been appropriately allocated between Lake Village Water and Mercer County Sanitation District.[133]

Having considered the record and being otherwise sufficiently advised, the Commission finds that Lake Village Water should develop and maintain a reasonable

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[130] Lake Village Water's Response to Staff's Second Request, Item 8c.

[131] Lake Village Water's Response to Staff's Second Request, Item 8b.

[132] Lake Village Water's Response to Staff's Second Request, Item 8d.

[133] Staff Report at 27.

methodology for tracking and allocating shared employee costs associated with services provided to Mercer County Sanitation District and present evidence that it has done so in its next rate proceeding filed pursuant to 807 KAR 5:076 or 807 KAR 5:001, Section 16. The Commission shares Staff's concerns about whether certain expenses have been appropriately allocated between Lake Village Water and Mercer County Sanitation District.

Leak Adjustment Tariff

Lake Village Water's leak adjustment tariff is calculated as follows:

> The first step will be to calculate the customer's average monthly usage over a twelve-month period. (A lesser consumption history may be used if a twelve-month period is not available). The second step will be to deduct the customers average monthly usage (as calculated in the above) from the total amount of water that passed through the meter. The usage calculated in step one will be billed at the utility's regular rates, while the remaining usage will be divided by two and the customer shall pay this amount plus average.[134]

In the 2025 Board Minute Notes, the Board of Commissioners (Board) calculated a $4,400 leak adjustment for a customer.[135] The customer requested more help, and the Board agreed to help the customer by further adjusting the bill.[136] The Board voted to charge for only the water costs.[137]

Lake Village Water stated that "the leak adjustment was consistent with the tariff prior to the customer requesting further assistance from the Board of Directors. In this

[134] P.S.C. Ky. No. 1 Original Sheet No. 37.

[135] Lake Village Water's Response to Staff's First Request, Item 13, 2025 Meeting Minutes at 21.

[136] Lake Village Water's Response to Staff's First Request, Item 13, 2025 Meeting Minutes at 21.

[137] Lake Village Water's Response to Staff's First Request, Item 13, 2025 Meeting Minutes at 21.

particular case, the bill was so high that the Board of Directors moved to make a further adjustment and charge a bill that covered any costs incurred by the leak."[138] Lake Village Water stated that it has not considered leak adjustments on a case by case basis and relies on the tariff to apply leak adjustments.[139]

KRS 278.160(2) states that "No utility shall charge, demand, collect, or receive from any person a greater or less compensation for any service rendered or to be rendered than that prescribed in its filed schedules, and no person shall receive any service from any utility for a compensation greater or less than that prescribed in such schedules."

The Commission reminds Lake Village Water that it is required to follow its tariff pursuant to KRS 278.160(2) and customer bill adjustments should be administered in accordance with its Commission approved tariff. If Lake Village Water wishes to provide additional discretionary relief in the future, it should seek Commission approval to revise its tariff accordingly.

Water Purchase Agreements

Lake Village Water has Water Purchase Agreements with Northpoint Training Center and the city of Burgin (Burgin). The Water Purchase Agreement with NorthPoint Training Center was entered into on November 30, 2001, and was effective on March 3, 2002.[140] The Water Purchase Contract with Burgin was entered into on May 3, 2005, and

[138] Lake Village Water's Response to Staff's Second Request, Item 10a.

[139] Lake Village Water's Response to Staff's Second Request, Item 10b.

[140] Lake Village Water's Response to Staff's Second Request, Item 15a.

was effective on June 17, 2005.[141] The contract with NorthPoint Training Cener established that the Purchaser:

> [S]hall pay Seller a flat rate of $1.80 per one thousand (1,000) gallons for all water purchased with a monthly minimum bill of $72.00 or 40,000 gallons. In addition, Purchaser shall pay all taxes or other levies imposed upon the sale of said water."[142]

The contract with Burgin established that:

> [T]he Purchaser shall pay seller a flat rate of $1.85 per one thousand (1,000) gallons for all water purchased with a monthly minimum bill of $20.00 or 10,000 gallons. In addition, Purchaser shall pay all taxes or other levies imposed upon the sale of water.[143]

Both contracts also allow for purchased water adjustments for rates charged to Lake Village Water from its suppliers.[144]

Although the agreements provide for purchased water adjustments tied to changes in Lake Village Water's wholesale costs, the record indicates that Lake Village Water has concerns that the NorthPoint Training Center rate may no longer be proportionate to the rates charged to the other purchasers.[145] It acknowledged that no COSS has been performed to evaluate these wholesale rates.[146]

The Commission encourages Lake Village Water to evaluate its wholesale contracts and consider whether future revisions supported by a COSS are warranted to

[141] Lake Village Water's Response to Staff's Second Request, Item 15d, Attachment.

[142] Lake Village Water's Response to Staff's Second Request, Item 15a, Attachment.

[143] Lake Village Water's Response to Staff's Second Request, Item 15d, Attachment.

[144] Lake Village Water's Response to Staff's Second Request, Item 15d, Attachment.

[145] Lake Village Water's Response to Staff's First Request, Item 13, 2025 Meeting Minutes at 24.

[146] Lake Village Water's Response to Staff's First Request, Item 17.

ensure that wholesale rates remain fair, just reasonable and supported by cost. The Commission also encourages Lake Village Water to ensure that sales to the NorthPoint Training Center and Burgin are properly recorded as Public Authorities sales in its accounting records and annual reports, as applicable.

Additional Information

During discovery, Lake Village Water provided multiple explanations and revised amounts for Other Water Revenues, including Nonrecurring Charges.[147] However, the amounts provided could not be reconciled to the total Other Water Revenues reported in the Statement of Adjusted Operations, and it did not provide sufficient documentation explaining the discrepancies. Consequently, Staff was unable to determine the components comprising the reported Other Water Revenues and instead relied on the known and measurable amounts supported by the record. Staff recommended the Commission encourage Lake Village Water to strengthen its accounting and recordkeeping practices to ensure that Nonrecurring Charges, Forfeited Discounts and Other Water Revenues are accurately tracked, reconciled and supported in future rate proceedings.[148]

The Commission finds that Lake Village Water should be required to maintain sufficient accounting records to separately identify, accurately track, and reconcile Nonrecurring charges, forfeited discounts and other water revenues and to provide supporting documentation in future rate proceedings filed pursuant to 807 KAR 5:076 or 807 KAR 5:001, Section 16.

[147] Lake Village Water's Response to Staff's First Request, Item 6 and Lake Village Water's Response to Staff's Second Request, Item 23.

[148] Staff Report at 29.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in the Staff Report are supported by the evidence of record, are reasonable and should be approved. Applying the DSC method to Lake Village Water's pro forma operations results in an Overall Revenue Requirement of $2,104,502, and a $177,517 or 9.72 percent revenue increase to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement.

IT IS THEREFORE ORDERED that:

1. The recommendations contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.

2. The water service rates proposed by Lake Village Water are denied.

3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Lake Village Water on or after the date of this Order.

4. Upon cessation of the collection of the water loss surcharge, Lake Village Water shall still file a notice of this cessation in Case No. 2022-00325.

5. In the next rate proceeding filed pursuant to 807 KAR 5:076 or 807 KAR 5:001, Section 16, Lake Village Water shall provide evidence that it has developed and maintained a reasonable methodology for tracking and allocating shared employee costs associated with services provided to Mercer County Sanitation District.

6. Lake Village Water should be required to maintain sufficient accounting records to separately identify, accurately track, and reconcile Nonrecurring charges,

forfeited discounts and other water revenues and to provide supporting documentation in future rate proceedings filed pursuant to 807 KAR 5:076 or 807 KAR 5:001, Section 16.

7. Within 20 days of the date of service of this Order, Lake Village Water shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.

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

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Entered on this 23rd day of September, 2026.

PUBLIC SERVICE COMMISSION

Angie Hatton
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. 2026-00057 DATED SEP 23 2026

* Denotes Rounding

Nonrecurring Charges Adjustments

Connection / Turn-on Charge

	Utility Revised Charge	Staff Revised Charge
Field Materials	$ -	$ -
Field Labor (0.5 hours)	$ 9.50	$ -
Office Supplies	$ -	$ -
Office Labor	$ 10.75	$ -
Transportation	$ -	$ -
Misc. (12 miles @ $0.725 per mile)	$ 8.70	$ 8.70
Total Revised Charge*	$ 28.95	$ 9.00
Current Rate	$ 7.00	

Customer Request Disconnect

	Utility Revised Charge	Staff Revised Charge
Field Materials	$ -	$ -
Field Labor (0.5 hours @ 19.00 per hour)	$ 9.50	$ -
Office Supplies	$ -	$ -
Office Labor	$ 10.75	$ -
Transportation	$ -	$ -
Misc. (12 miles @ $0.725 per mile)	$ 8.70	$ 8.70
Total Revised Charge*	$ 28.95	$ 9.00
Current Rate	$ 7.00	

Field Collection Charge

	Utility Revised Charge	Staff Revised Charge
Field Materials	$ -	$ -
Field Labor (0.5 hours @ $34.50)	$ 17.25	$ -
Office Supplies	$ -	$ -
Office Labor	$ 10.75	$ -
Transportation	$ -	$ -
Misc. (12 miles @ $0.725 per mile)	$ 8.70	$ 8.70
Total Revised Charge*	$ 36.70	$ 9.00
Current Rate	$ 7.00	

Reconnection Charge				
	Utility Revised Charge		Staff Revised Charge	
Field Materials	$	-	$	-
Field Labor (1 hour @ $19.00)	$	19.00	$	-
Office Supplies	$	-	$	-
Office Labor	$	10.75	$	-
Transportation	$	-	$	-
Misc. (2 times 6 miles @ $.0725)	$	17.40	$	17.40
Total Revised Charge*	$	47.15	$	18.00
Current Rate	$	14.00		

Meter Test Charge				
	Utility Revised Charge		Staff Revised Charge	
Field Materials	$	-	$	-
Field Labor (0.5 hours at $19 per hour)	$	9.50	$	-
Office Supplies	$	-	$	-
Office Labor	$	10.75	$	-
Transportation	$	-	$	-
Misc. (12 miles @ $0.725 per mile)	$	8.70	$	8.70
Total Revised Charge*	$	28.95	$	9.00
Current Rate	$	7.00		

Returned Check				
	Utility Revised Charge		Staff Revised Charge	
Field Materials	$	-	$	-
Field Labor	$	-	$	-
Office Supplies	$	-	$	-
Office Labor	$	-	$	-
Transportation	$	-	$	-
Misc. (Bank Fee)	$	10.00	$	10.00
Total Revised Charge*	$	10.00	$	10.00
Current Rate	$	10.00		

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00057 DATED SEP 23 2026

The following rates and charges are prescribed for the customers in the area served by Lake Village Water Association, 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

5/8- x 3/4-Inch Meter

First	2,000 Gallons	$	33.32 Minimum Bill
Next	18,000 Gallons		0.01303 Per Gallon
Over	20,000 Gallons		0.01058 Per Gallon

Wholesale Rates North Point Training Center

$ 0.00522 Per Gallon

Nonrecurring Charge	Revised Charge
Connection / Turn-on Charge	$9.00
Customer Request Disconnect	$9.00
Field Collection Charge	$9.00
Reconnection Charge	$18.00
Meter Test Charge	$9.00

Meter Connection/Tap-On Charges

5/8-Inch x 3/4-Inch Meter $ 1,540.00

Service List for Case 2026-00057

* Lake Village Water Association, Inc.
801 Pleasant Hill Drive
P. O. Box 303
Burgin, KY 40310

* Mike D Sanford
Executive Director
Lake Village Water Association, Inc.
801 Pleasant Hill Drive
P. O. Box 303
Burgin, KY 40310

* Sam Reid
312 N. Jackson Street
Perryville, KY 40468

* Christopher J. Tucker
Sheehan, Barnett, Dean, Pennington, Dexter & Tucke
114 South Fourth Street
Danville, KY 40423

* Denotes served by Email