Water/Wastewater and Gas Rate Changes - July 1, 2026

Frequently Asked Questions About July 1, 2026 Water/Wastewater and Gas Rate Changes

Why is my Utility bill increasing?

Water Effective July 1, 2026, Lexington Utilities increased water rates by 2.8%COLA rate which covers annual cost increases.

Sewer Effective July 1, 2026, Lexington Utilities increased wastewater rates by 2.8%COLA rate which covers annual cost increases as well as a $7.00 customer charge increase for capital improvments.

Gas Effective July 1, 2026, Lexington Utilities increased gas rates by 2.8%COLA which covers annual cost increases. A $3.90 increase was added to the customer charge. - This rate had not been adjusted in over 20 years.

Why is Lexington Utilities making this change now?

The rate changes help ensure Lexington Utilities can continue to operate, maintain, replace, and expand the systems while meeting the needs of both current and future customers.

Why can’t Lexington Utilities just keep the old rates?

Operating a public utility system has become significantly more expensive.

Costs continue to increase for:

- Chemicals used in water/wastewater treatment
- Electricity
- Fuel
- Equipment
- Construction materials
- Replacement of aging infrastructure. The initial system installations for Water began in 1912, Wastewater in 1912(purchased by city in 1950), and Gas system in 1954.
- Regulatory compliance
- Employee wages and benefits

The Utilities must generate enough revenue to safely operate and maintain the water system while planning for future needs.

How does Lexington Utilities budget revenues and expenses?

Lexington Utilities is a governmental utility, not a for-profit business. It has no shareholders and pays no dividends.

By Tennessee law, the Utility must adopt a balanced budget each year. This budget must cover all operating expenses, depreciation on its infrastructure, interest on debt, and maintain sufficient revenues to meet the financial requirements of its bond agreements.

Any revenue remaining after expenses stay with the utility and are reinvested in maintaining, replacing, or expanding the systems, and paying principal on long term debt.

Does Lexington Utilities receive any tax money?

No.

Lexington Utilities receives no funding from city, county, state, or federal tax revenues for its operations.

Lexington Utilities systems is funded primarily through:

- Utilities sales
- Tap fees
- Bond financing for major capital projects

Why does Lexington Utilities borrow money?

Major infrastructure projects cost multi millions of dollars and are expected to serve customers for 50 to 100 years.

Rather than asking today's customers to pay the full cost immediately, Lexington Utilities finances these projects through long-term bonds. This allows the costs to be shared by the generations of customers who will benefit from the systems.

What are bond covenants?

When Lexington Utilities borrows money through bonds, it agrees to certain financial requirements that help protect the ratepayers and bond investors.

One of those requirements is maintaining adequate revenues to make debt payments while continuing to safely operate the systems.

These financial standards help Lexington Utilities maintain favorable credit and lower borrowing costs, which ultimately benefits our customers.

How are Lexington Utilities' rates determined?

A comprehensive third-party rate and cost of service study is completed for each system every 2 years.

The Utilities staff carefully review the operating expenses, capital improvement needs, debt obligations, and long-term financial plans before asking for any rate adjustment.

The goal of any rate adjustment is to establish rates that are sufficient to provide safe, reliable services while keeping costs as affordable as possible.

Is conserving water still important?

Yes.

Using water efficiently helps reduce operating costs, protects our water supply, and can lower individual monthly bills.

What is Lexington Utilities commitment to customers?

Lexington Utilities is committed to providing safe, reliable water, sewer, and gas services while managing the System's resources responsibly.

Every rate decision is made only after careful consideration of the Utilities financial needs, regulatory requirements, and the impact on our customers. Lexington Utilities remains committed to operating the system efficiently and keeping rates as low as possible while ensuring the long-term reliability of the utility system for future generations.