

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASE WATER)	CASE NO.
ADJUSTMENT FILING OF HARDIN COUNTY)	2025-00167
WATER DISTRICT NO. 2)	

ORDER

On June 2, 2025,¹ Hardin County Water District #2 (Hardin District #2) tendered an application requesting approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068. On June 20, 2025, Hardin District #2 submitted additional information into the case file.

LEGAL STANDARD

In accordance with KRS 278.015, when a wholesale supplier selling water to a water district increases its rates, the water district has the authority to increase its rate commensurate with the wholesale supplier. The water district must file, within the statutory and regulatory deadlines, a copy of the notice from the wholesale supplier showing the increase in the wholesale rate, and a statement of the volume of purchased water used to calculate the rate adjustment. The Commission shall approve the filing by order after the above documents are filed.

¹ Hardin County Water District #2 filed an application on May 29, 2025. On May 29, 2025, Hardin County Water District #2 was notified by letter from the PSC of deficiencies in its application. On June 2, 2025, the utility cured the deficiency, and the application was deemed filed.

DISCUSSION AND FINDINGS

Hardin District #2 produces its own water and purchases water from Louisville Water Company (Louisville Water). Louisville Water notified Hardin District #2 that its wholesale rate would increase by \$0.07 from \$2.72 per 1,000 gallons to \$2.79 per 1,000 gallons, and that its monthly service charge would increase by \$42.51, from \$1,000.38 to \$1,042.89, effective July 1, 2025.² Hardin District #2 proposes to increase the water rates to its customers effective July 1, 2025, to reflect the increased cost of purchased water from Louisville Water.

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 2024 Annual Report filed with the Commission, Hardin District #2 reported a water loss of 13.0303 percent.³ In its 2023 Annual Report filed with the Commission, Hardin District #2 reported a water loss of 15.1810 percent.⁴ In its 2022 Annual Report filed with the Commission, Hardin District #2 reported a water loss of

² TFS 2025-00139 (Ky. PSC Mar. 28, 2025); Louisville Water submitted the tariff on March 28, 2025, and the tariff was accepted for filing by the Commission by letter dated June 18, 2025, with an effective date of July 1, 2025.

³ *Annual Report of Hardin District #2 to the Public Service Commission for the Year Ended December 31, 2024* at 57.

⁴ *Annual Report of Hardin District #2 to the Public Service Commission for the Year Ended December 31, 2023* at 57.

14.0257 percent.⁵ Hardin District #2's three-year water loss average is 14.0790 percent.⁶ The cost of Hardin District #2's total average annual water loss for 2022 through 2024 is \$198,122.53.⁷

Financial Condition and Rates

Hardin District #2's financial information for 2020 through 2024 is presented below. Hardin District #2's last general rate adjustment filing was Case No. 2023-00247 (2022 test year) which became final on July 29, 2024, reflecting an increase in revenue of \$1,762,501 or 11.92 percent.⁸ Rate-based income (adjusted net income minus principal payments) was positive in 2020 but has been negative since then. Cash Basis Income (rate-based income plus depreciation) averaged 69 percent of depreciation for the past five years. Based upon a review of the annual and audit reports filed with the Commission, the Commission recommends that Hardin District #2 consider filing an application for rate adjustment and notes that rate cases should be filed at least every three to five years, depending on financial performance.

⁵ *Annual Report of Hardin District #2 to the Public Service Commission for the Year Ended December 31, 2022* at 57.

⁶ $13.0303 + 15.1810 + 14.0257 = 42.2370 / 3 \text{ years} = 14.0790\%$.

⁷ Total water cost at new wholesale rate of \$1,407,220.20 times 14.0790% water loss equals \$198,122.53.

⁸ Case No. 2023-00247, *Electronic Application of Hardin County Water District No. 2 for a General Adjustment of Rates* (Ky. PSC July 29, 2024) at 15.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Audited 2024
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ 1,716,123	\$ 705,617	\$ (2,348,215)	\$ 242,026	\$ 927,342
Other Non-recurring Items ()	(72,203)	(7,750)	(15,000)	(74,500)	(71,251)
Adjusted Net Income / (Loss)	\$ 1,643,920	\$ 697,867	\$ (2,363,215)	\$ 167,526	\$ 856,091
Subtract: Principal Payments ()	(1,212,971)	(1,261,785)	(1,300,801)	(1,309,722)	(1,401,461)
Rate Based Income	\$ 430,949	\$ (563,918)	\$ (3,664,016)	\$ (1,142,196)	\$ (545,370)
Add: Depreciation Expense	3,320,335	3,302,683	3,505,363	3,552,920	3,664,313
Cash Basis Income	\$ 3,751,284	\$ 2,738,765	\$ (158,653)	\$ 2,410,724	\$ 3,118,943
Cash Basis Income as Percent of Depreciation	113%	83%	-5%	68%	85%
Capital Spending	\$ 4,485,743	\$ 7,429,439	\$ 4,927,800	\$ 7,527,322	\$ 6,952,738
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 24,239,441	\$ 27,112,139	\$ 15,996,105	\$ 16,426,049	\$ 17,259,013
Restricted Funds	6,161,611	9,232,939	10,134,280	8,273,197	7,690,871
Adjusted Cash Balances	30,401,052	36,345,078	26,130,385	24,699,246	24,949,884
Net Increase (Decrease) in Cash	\$ 550,720	\$ 5,944,026	\$ (10,214,693)	\$ (1,431,139)	\$ 250,638
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	28,822	29,332	29,933	30,459	30,898
Gallons Purchased	2,675,292	3,051,251	3,431,665	3,364,159	3,302,988
Gallons Sold	2,162,628	2,266,284	2,530,276	2,399,802	2,370,315
Gallons Used for Internal Use	146,088	368,733	420,075	453,643	502,284
Water Loss Gallons	366,576	416,234	481,314	510,714	430,389
System Use Percentage	5.4606%	12.0846%	12.2411%	13.4846%	15.2070%
Water Loss Percentage	13.7023%	13.6414%	14.0257%	15.1810%	13.0303%
Gallons Sold Per Customer Per Month	6,253	6,439	7,044	6,566	6,393
Revenues from the Sale of Water	\$ 13,477,649	\$ 13,896,381	\$ 14,685,398	\$ 14,542,058	\$ 15,820,338
Purchased Water Expense	388,681	1,146,024	989,113	987,973	1,153,404
Purchased Water Expense Over 15% Water Loss	0	0	0	1,789	0
Water Loss Expense Over 15% as Percentage of Water Revenue	0.00%	0.00%	0.00%	0.01%	0.00%

Purchased Water Adjustment Factor

In its application, Hardin District #2 proposed a purchased water adjustment factor of \$.02 per 1,000 gallons. During the 12 months ended April 30, 2025, Hardin District #2 purchased 504,380,000 gallons of water from Louisville Water and produced 2,820,438,854 gallons of water.⁹ Hardin District #2 sold 2,438,745,418 gallons of water to its customers during the same 12-month period. The increase in the cost of purchased water from Louisville Water is \$35,816.72, resulting in a purchased water adjustment factor of \$.02 per 1,000 gallons.

⁹ Requested production data, (filed June 20, 2025).

The purchased water adjustment factor of \$0.02 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 Hardin District #2 on and after July 1, 2025, because the rates are supported by evidence of the increase in rates from Hardin District #2's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$.02 per 1,000 gallons is approved.
2. The rates proposed by Hardin District #2 are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Hardin District #2 on and after July 1, 2025.
4. Within 20 days of the date of service of this Order, Hardin District #2 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.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

Mary Pat Regan

ATTEST:

Linda Bridwell RP
Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00167 DATED JUL 1 2025

	Base Rate	New Rate	Change
<u>Louisville Water Company</u>			
Purchases in Gallons	504,380,000	504,380,000	
Rate per 1,000 Gallons	<u>\$2.72/1,000</u>	<u>\$2.79/1,000</u>	
Subtotal	\$1,371,913.60	\$1,407,220.20	\$35,306.60
Months	12	12	
Monthly Service Charge	<u>\$1,000.38</u>	<u>\$1,042.89</u>	
Subtotal	\$12,004.56	\$12,514.68	\$510.12
Total	\$1,383,918.16	\$1,419,734.88	
Increased water cost			\$35,816.72
Increased water cost		\$35,816.72	
Divided by Gallons sold/1,000		<u>2,438,745,418</u>	
Purchased water adjustment factor		\$0.02	per 1,000 Gallons
		or \$ 0.00002	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00167 DATED JUL 1 2025

The following rates and charges are prescribed for the customers in the area served by Hardin County Water District #2. 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	\$21.53	Minimum Bill
Next	498,000 Gallons	0.00599	Per Gallon
Over	500,000 Gallons	0.00337	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$42.38	Minimum Bill
Next	495,000 Gallons	0.00599	Per Gallon
Over	500,000 Gallons	0.00337	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$77.12	Minimum Bill
Next	490,000 Gallons	0.00599	Per Gallon
Over	500,000 Gallons	0.00337	Per Gallon

2-Inch Meter

First	20,000 Gallons	\$146.59	Minimum Bill
Next	480,000 Gallons	0.00599	Per Gallon
Over	500,000 Gallons	0.00337	Per Gallon

3-Inch Meter

First	30,000 Gallons	\$216.07	Minimum Bill
Next	470,000 Gallons	0.00599	Per Gallon
Over	500,000 Gallons	0.00337	Per Gallon

4-Inch Meter

First	50,000 Gallons	\$355.02	Minimum Bill
Next	450,000 Gallons	0.00599	Per Gallon

Over	500,000 Gallons	0.00337	Per Gallon
<u>6-Inch Meter</u>			
First	100,000 Gallons	\$702.40	Minimum Bill
Next	400,000 Gallons	0.00599	Per Gallon
Over	500,000 Gallons	0.00337	Per Gallon
<u>8-Inch Meter</u>			
First	150,000 Gallons	\$1,049.78	Minimum Bill
Next	350,000 Gallons	0.00599	Per Gallon
Over	500,000 Gallons	0.00337	Per Gallon
<u>10-Inch Meter</u>			
First	250,000 Gallons	\$1,744.55	Minimum Bill
Next	250,000 Gallons	0.00599	Per Gallon
Over	500,000 Gallons	0.00337	Per Gallon
<u>12-Inch Meter</u>			
First	400,000 Gallons	\$2,786.69	Minimum Bill
Next	100,000 Gallons	0.00599	Per Gallon
Over	500,000 Gallons	0.00337	Per Gallon
<u>Wholesale</u>		0.00291	Per Gallon

*Hardin County Water District #2
1951 West Park Road
P. O. Box 970
Elizabethtown, KY 42702-0970

*Shaun Youravich
Operations Manager
Hardin County Water District #2
1951 West Park Road
P. O. Box 970
Elizabethtown, KY 42702-0970