

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF HENDERSON)	2025-00034
COUNTY WATER DISTRICT)	

ORDER

On April 1, 2025, Henderson County Water District (Henderson District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068.

LEGAL STANDARD

In accordance with KRS 278.015, when a wholesale supplier selling water to a water district increases or decreases its rates, the water district has the authority to increase or decrease 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 or decrease 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

Henderson District purchases water from Henderson Water Utility, North System (Henderson North) and Henderson Water Utility, South System (Henderson South). Henderson Water Utility notified Henderson District that its wholesale rate would decrease from \$3.2990 per 1,000 gallons to \$3.1486 per 1,000 gallons for Henderson

North and increase from \$2.9274 per 1,000 gallons to \$3.0355 per 1,000 gallons for Henderson South, effective April 30, 2025.¹ Henderson District proposes to decrease the water rates to its customers effective April 30, 2025, to reflect the aggregate decreased cost of purchased water from Henderson Water Utility.

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 2021 Annual Report filed with the Commission, Henderson District reported a water loss of 24.2780 percent.² In its 2022 Annual Report filed with the Commission, Henderson District reported a water loss of 29.0060 percent.³ In its 2023 Annual Report filed with the Commission, Henderson District reported a water loss of 23.1306 percent.⁴ Henderson District's three-year water loss average is 25.4715 percent.⁵ The approximate cost of Henderson District's total water loss using a three-year average is \$509,387.96.⁶

¹ TFS2025-00065 (Ky. PSC Feb. 14, 2025); Henderson Water Utility submitted the tariff on February 14, 2025, and the tariff was accepted for filing by the Commission by letter dated March 31, 2025, with an effective date of April 30, 2025.

² *Annual Report of Henderson District to the Public Service Commission for the Year Ended December 31, 2021* at 57.

³ *Annual Report of Henderson District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

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

⁵ $24.2780\% + 29.006\% + 23.1306\% = 76.4146 / 3 \text{ years} = 25.4715 \text{ percent.}$

⁶ Total water cost at new wholesale rate of \$1,999,834.94 times 25.4715% water loss equals \$509,387.96.

In Henderson District's recent rate case,⁷ the Commission approved a monthly water loss reduction surcharge of \$1.87 per customer for 48 months to help lower system losses to more acceptable levels.⁸ On December 13, 2023, Case No. 2023-00333 was established in order for the Commission to monitor the progress of the water loss reduction surcharge plan established by Henderson District.⁹

Financial Condition and Rates

Based on a review of Commission records, Henderson District's most recent rate case, Case No. 2023-00101, increased revenue by \$223,245, or 7.08 percent, effective December 13, 2023.¹⁰ In Case No. 2024-00086, the Commission issued a final Order on May 3, 2024, pertaining to Henderson District's purchased water adjustment filing, with no rate changes to Henderson District's customers because the PWA factor equaled less than one penny.¹¹ A summary of Henderson District's financial snapshot for 2020 through 2024 is presented below.¹² As documented in annual and audit reports for 2023 and

⁷ Case No. 2023-00101, *Electronic Application of Henderson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 13, 2023), final Order.

⁸ Case No. 2023-00101, *Electronic Application of Henderson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 13, 2023), final Order at 25-26.

⁹ Case No. 2023-00333, *Electronic Henderson County Water District Unaccounted For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Dec. 13, 2023), opening Order.

¹⁰ Case No. 2023-00101, *Electronic Application of Henderson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 13, 2023), final Order.

¹¹ Case No. 2024-00086, *Electronic Purchased Water Adjustment Filing of Henderson County Water District* (Ky. PSC May 3, 2024), final Order.

¹² *Audit Report of Henderson District to the Public Service Commission for the Year Ended December 31, 2020* at 6. *Audit Report of Henderson District to the Public Service Commission for the Year Ended December 31, 2021* at 7. *Audit Report of Henderson District to the Public Service Commission for the Year Ended December 31, 2022* at 7. *Audit Report of Henderson District to the Public Service Commission for the Year Ended December 31, 2023* at 7. *Annual Report of Henderson District to the Public Service Commission for the Year Ended December 31, 2020* at 57. *Annual Report of Henderson District to the Public Service Commission for the Year Ended December 31, 2021* at 57. *Annual Report of Henderson*

2024 filed with the Commission, Henderson District's rate based income decreased by \$131,864 from a negative income of \$460,332 to a negative income of \$592,196. The same reports indicate that an increase in water loss contributed \$462,923¹³ to the overall 2024 loss and noted that water loss increased about 19 percent in 2024, from 23.1306 percent to 43.8238 percent.¹⁴ The Commission is concerned that Henderson District would have reflected a rate-based loss of \$130,000 even without the 2024 increase in water loss. As reflected below, the Henderson District has operated with not only a loss in Rate Based Income, but a loss in Cash Basis Income each of the last three years despite a full year of increased revenues from its last rate increase.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Annual Report 2024
Net Income / (Loss)	\$ 16,443	\$ 103,098	\$ (47,323)	\$ (38,109)	\$ (139,786)
Other Non-recurring Items ()	6,254	(4,149)	0	(2,978)	0
Non-Cash Pension and OPEB Expense / (Income)	156,389	152,233	(6,975)	593	(110,313)
Adjusted Net Income / (Loss)	\$ 179,086	\$ 251,182	\$ (54,298)	\$ (40,494)	\$ (250,099)
Subtract: Principal Payments ()	(392,761)	(435,928)	(381,613)	(419,838)	(342,097)
Rate Based Income	\$ (213,675)	\$ (184,746)	\$ (435,911)	\$ (460,332)	\$ (592,196)
Add: Depreciation Expense	417,101	398,042	396,446	401,365	411,307
Cash Basis Income	\$ 203,426	\$ 213,296	\$ (39,465)	\$ (58,967)	\$ (180,889)
Water Loss Percentage	22.5565%	24.2780%	29.0060%	23.1306%	43.8238%

Maintaining financial stability is critical for a utility to meet its obligations to provide safe and adequate service. The recent financial and water losses reported by Henderson District led the Commission to conclude that Henderson District should file an application for a rate adjustment or an alternative rate adjustment no later than June 30, 2026, to

District to the Public Service Commission for the Year Ended December 31, 2023 at 57. Annual Report of Henderson District to the Public Service Commission for the Year Ended December 31, 2024 at 20 and 57.

¹³ \$2,033,457(Total Purchased Water Exp.) minus (Sum of 2023 Water Exp. plus Purchase price difference plus purchased water volume difference) \$1,570,534 = \$462,923 water loss expense.

¹⁴ Henderson District tendered its 2024 Annual Report to the Commission in March 2025, but the report is in the verification stage and not yet published on the Commission website.

ensure that its revenue is sufficient to support adequate and reliable service. If Henderson District believes a rate filing is unnecessary, in the alternative, no later than June 30, 2026, it may file a formal motion with a detailed analysis of its rates and revenues and a statement of the reasons why a rate case is not necessary. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Henderson District from this requirement.

Purchased Water Adjustment Factor

In its application, Henderson District proposed a purchased water adjustment factor decrease of \$0.22 per 1,000 gallons. During the 12 months ended January 31, 2025, Henderson District purchased 560,123,798 gallons of water from Henderson North and 77,822,156 gallons of water from Henderson South and sold 337,572,928 gallons of water to its customers. The decrease in the cost of purchased water from Henderson North is \$84,242.62, and the increase in the cost of water from Henderson South is \$8,412.58, totaling an aggregate decrease in purchased water of \$75,830.04 resulting in a purchased water adjustment factor decrease of \$0.22 per 1,000 gallons.

The purchased water adjustment factor decrease of \$0.22 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 Henderson District on and after April 30, 2025, because the rates are supported by evidence of the change in rates from Henderson District's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.015.


On or before June 30, 2026, Henderson District should file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, an application for an

alternative rate adjustment pursuant to 807 KAR 5:076, or in the alternative, file a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of (\$0.22) per 1,000 gallons is approved.
2. The rates proposed by Henderson District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Henderson District on and after April 30, 2025.
4. Within 20 days of the date of service of this Order, Henderson District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.
5. On or before June 30, 2026, Henderson District shall file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, an application for an alternative rate adjustment pursuant to 807 KAR 5:076, or in the alternative, a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary. Any filing for a rate adjustment filed under KRS 278.023 does not relieve Henderson District from this requirement.
6. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman


Commissioner

ATTEST:


Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00034 DATED APR 29 2025

	Base Rate	New Rate	Change
<u>Henderson North</u>			
Purchases in Gallons	560,123,798	560,123,798	
Wholesale rate	<u>\$3.2990/1,000</u>	<u>\$3.1486/1,000</u>	
Sub-total	\$ 1,847,848.41	\$ 1,763,605.79	(\$84,242.62)
<u>Henderson South</u>			
Purchases in Gallons	77,822,156	77,822,156	
Wholesale rate	<u>\$2.9274/1,000</u>	<u>\$3.0355/1,000</u>	
Sub-total	\$ 227,816.58	\$ 236,229.15	\$ 8,412.58
Total	\$ 2,075,664.99	\$ 1,999,834.94	
Decreased water cost (\$ 75,830.44)			
Divided by Gallon sold/1,000		<u>337,572,928</u>	
Purchased water adjustment factor		(\$ 0.22) per 1,000 gallons	
		or (\$ 0.00022) per gallon	

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00034 DATED APR 29 2025

The following rates and charges are prescribed for the customers in the area served by Henderson County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8 X 3/4-Inch Meter

First	2,000 Gallons	21.79	Minimum Bill
Next	8,000 Gallons	0.00801	Per Gallon
Next	20,000 Gallons	0.00745	Per Gallon
Over	30,000 Gallons	0.00688	Per Gallon

1-Inch Meter

First	5,000 Gallons	45.83	Minimum Bill
Next	5,000 Gallons	0.00801	Per Gallon
Next	20,000 Gallons	0.00745	Per Gallon
Over	30,000 Gallons	0.00688	Per Gallon

2-Inch Meter

First	16,000 Gallons	130.58	Minimum Bill
Next	14,000 Gallons	0.00745	Per Gallon
Over	30,000 Gallons	0.00688	Per Gallon

3-Inch Meter

First	30,000 Gallons	234.84	Minimum Bill
Over	30,000 Gallons	0.00688	Per Gallon

4-Inch Meter

First	50,000 Gallons	372.42	Minimum Bill
Over	50,000 Gallons	0.00688	Per Gallon

6-Inch Meter

First	100,000 Gallons	716.37	Minimum Bill
Over	100,000 Gallons	0.00688	Per Gallon

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