

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF SOUTH HOPKINS	)	2025-00251
WATER DISTRICT	)	

ORDER

On July 25, 2025, South Hopkins Water District (South Hopkins District) 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 July 31, 2025, the Commission notified South Hopkins District that its application was rejected for certain filing deficiencies. On July 31, 2025, South Hopkins District submitted further documentation to correct the filing deficiencies and the application was deemed filed as of July 31, 2025. On August 13, 2024, South Hopkins District filed corrected current rates and proposed rates documentation with its application.

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.

## DISCUSSION AND FINDINGS

South Hopkins District purchases water from Dawson Springs City Water (Dawson Springs) and Madisonville Water (Madisonville). Dawson Springs notified South Hopkins District that its wholesale rate would increase by \$0.67, or 28.8 percent, from \$2.33 per 1,000 gallons to \$3.00 per 1,000 gallons, effective August 15, 2025.<sup>1</sup> Madisonville notified South Hopkins District that its wholesale rate would increase by \$0.46, or 10.2 percent, from \$4.52 per 1,000 gallons to \$4.98 per 1,000 gallons effective February 1, 2025.<sup>2</sup> South Hopkins District proposes to increase the water rates to its customers effective August 15, 2025, to reflect the increased cost of purchased water from Dawson Springs and Madisonville.

### 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 2022 Annual Report filed with the Commission, South Hopkins District reported a water loss of 36.5382 percent.<sup>3</sup> In its 2023 Annual Report filed with the Commission, South Hopkins District reported a water loss of 26.6482 percent.<sup>4</sup> In its

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<sup>1</sup> TFS2025-00321 (Ky. PSC July 17, 2025); Dawson Springs submitted the tariff on July 17, 2025, and the tariff was accepted for filing by the Commission by letter dated August 14, 2025, with an effective date of August 15, 2025.

<sup>2</sup> TFS2024-00585 (Ky. PSC December 27, 2024); Madisonville submitted the tariff on December 27, 2024, and the tariff was accepted for filing by the Commission by letter dated January 30, 2025, with an effective date of February 1, 2025.

<sup>3</sup> *Annual Report of South Hopkins District to the Public Service Commission for the Year Ended December 31, 2022* at 59.

<sup>4</sup> *Annual Report of South Hopkins District to the Public Service Commission for the Year Ended December 31, 2023* at 59.

2024 Annual Report filed with the Commission, South Hopkins District reported a water loss of 32.5562 percent.<sup>5</sup> South Hopkins District's three-year water loss average is 31.9142 percent.<sup>6</sup> The approximate annual cost of South Hopkins District's average water loss using a three-year average is \$365,978.48.<sup>7</sup>

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. A Water Loss Reduction Surcharge of \$3.50 per customer per month was authorized in Case No. 2022-00122, which will collect approximately \$500,669 over 48 months.<sup>8</sup> The Commission strongly encourages South Hopkins District to continue to review projects that will reduce water loss.

#### Financial Condition and Rates

Based on a review of Commission records, South Hopkins District last sought a base rate adjustment, filed pursuant to the 807 KAR 5:076 alternative adjustment procedures, in 2022.<sup>9</sup> Since then, South Hopkins District has increased rates through a Purchased Water Adjustment filing.<sup>10</sup>

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<sup>5</sup> *Annual Report of South Hopkins District to the Public Service Commission for the Year Ended December 31, 2024* at 59. This report has been tendered but not accepted for posting on the PSC website yet.

<sup>6</sup>  $36.5382 + 26.6482 + 32.5562 = 95.7426 / 3 \text{ years} = 31.9142\%$ .

<sup>7</sup> Total water cost at new wholesale rate of \$1,146,757.50 times 31.9142% water loss equals \$365,978.48.

<sup>8</sup> Case No. 2022-00122, *Electronic South Hopkins Water District for an Alternative Rate Adjustment* (Ky. PSC Feb. 14, 2023), final Order.

<sup>9</sup> Case No. 2022-00122, (Ky. PSC Feb. 14, 2023), final Order.

<sup>10</sup> See Case No. 2023-00129, *Electronic Purchased Water Adjustment Filing of South Hopkins Water District* (Ky. PSC May 15, 2023).

As documented in annual and audit reports filed with the Commission, South Hopkins District's financial snapshot for 2020 through 2024 is presented below. Its last base rate increase, Case No. 2022-00122 (2020 test year), which became final on February 14, 2023, reflected an increase of \$74,843 or 4.63 percent. Rate based income (adjusted net income minus principal payments) was negative in all years (2020-2024), and cash basis income (rate-based income plus depreciation expense) was positive in 2020, 2022, and 2023, but it was negative in 2021 and 2024.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Audited 2024
<b>Adjusted Net Income</b>					
Net Income / (Loss) before Contributions	\$ (97,285)	\$ (75,014)	\$ 60,227	\$ 148,938	\$ (28,305)
Non-Cash Pension and OPEB Expense / (Income)	56,328	(7,658)	(32,773)	(104,076)	(108,049)
<b>Adjusted Net Income / (Loss) before Contributions</b>	<b>\$ (40,957)</b>	<b>\$ (82,672)</b>	<b>\$ 27,454</b>	<b>\$ 44,862</b>	<b>\$ (136,354)</b>
Subtract: Principal Payments ( )	(21,900)	(35,061)	(49,820)	(51,471)	(53,032)
<b>Rate Based Income</b>	<b>\$ (62,857)</b>	<b>\$ (117,733)</b>	<b>\$ (22,366)</b>	<b>\$ (6,609)</b>	<b>\$ (189,386)</b>
Add: Depreciation Expense	112,314	107,575	104,850	103,504	116,882
<b>Cash Basis Income</b>	<b>\$ 49,457</b>	<b>\$ (10,158)</b>	<b>\$ 82,484</b>	<b>\$ 96,895</b>	<b>\$ (72,504)</b>
Cash Basis Income as Percent of Depreciation	44%	-9%	79%	94%	-62%
Capital Spending	\$ 27,756	\$ 109,899	\$ 50,882	\$ 91,466	\$ 339,590
<b>Cash and Investments</b>					
Unrestricted Cash and Investments	\$ 30,691	\$ 15,446	\$ 77,960	\$ 126,607	\$ 101,438
Restricted Funds (exclude construction funds from bond proceeds)	29,672	15,990	40,678	125,294	196,838
<b>Adjusted Cash Balances</b>	<b>\$ 60,363</b>	<b>\$ 31,436</b>	<b>\$ 118,638</b>	<b>\$ 251,901</b>	<b>\$ 298,276</b>
Net Increase (Decrease) in Cash	\$ 10,719	\$ (28,927)	\$ 87,202	\$ 133,263	\$ 46,375
<b>Selected Statistical Information (PSC Annual Reports)</b>					
Customer Count	3,012	2,948	2,960	2,969	2,967
Gallons Purchased	375,444	378,364	383,662	331,437	379,077
Gallons Sold	263,395	234,091	241,712	239,861	252,127
Gallons Used for Internal Use	3,195	2,871	1,767	3,254	3,537
Water Loss Gallons	108,854	141,402	140,183	88,322	123,413
System Use Percentage	0.85%	0.76%	0.46%	0.98%	0.93%
Water Loss Percentage	28.9934%	37.3719%	36.5382%	26.65%	32.56%
Gallons Sold Per Customer Per Month	7.287	6.617	6.805	6.732	7.081
Revenue from Sale of Water	\$ 1,645,684	\$ 1,548,024	\$ 1,573,534	\$ 1,689,560	\$ 1,760,169
Purchased Water Expense	822,528	827,857	846,579	775,996	905,861
Purchased Water Expense Over 15% Water Loss	115,100	185,208	182,337	90,390	159,035
Water Loss Expense Over 15% as Percentage of Total Revenue	6.99%	11.96%	11.59%	5.35%	9.04%

Based on the financial information in the record which demonstrates a negative financial performance in 2024, South Hopkins District should file an application for a general base rate adjustment or an alternative rate adjustment no later than July 31, 2026,

based on the 2025 test year to ensure that its revenue is sufficient to support adequate and reliable service.

#### Purchased Water Adjustment Factor

In its application, South Hopkins District proposed a purchased water adjustment factor of \$0.90 per 1,000 gallons. During the 12 months ended June 30, 2025, South Hopkins District purchased 366,782,960 gallons of water from Dawson Springs and 9,319,000 gallons of water from Madisonville and sold 278,744,816 gallons of water to its customers. The increase in the cost of purchased water from Dawson Springs and Madisonville is \$250,031.32, resulting in a purchased water adjustment factor of \$0.90 per 1,000 gallons.

The purchased water adjustment factor of \$0.90 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 South Hopkins District on and after August 15, 2025, because the rates are supported by evidence of the increase in rates from South Hopkins District's wholesale water suppliers 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 \$0.90 per 1,000 gallons is approved.
2. The rates proposed by South Hopkins District are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by South Hopkins District on and after August 15, 2025.

4. Within 20 days of the date of service of this Order, South Hopkins 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 July 31, 2026, South Hopkins 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 filed in this case record 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 South Hopkins District from this requirement.

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

PUBLIC SERVICE COMMISSION

  
Chairman

  
Commissioner

  
Commissioner

ATTEST:

 RP  
Executive Director



# APPENDIX A

## APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00251 DATED AUG 28 2025

	Base Rate	New Rate	Change
<u>Dawson Springs</u>			
Purchases in Gallons	366,782,960	366,782,960	
Rate per 1,000 Gallons	<u>\$2.33/1,000</u>	<u>\$3.00/1,000</u>	
Subtotal	\$854,604.30	\$1,100,348.88	\$245,744.58
<u>Madisonville</u>			
Purchases in Gallons	9,319,000	9,319,000	
Rate per 1,000 Gallons	<u>\$4.52/1,000</u>	<u>\$4.98/1,000</u>	
Sub-total	\$42,121.88	\$46,408.62	\$4,286.74
Total	\$896,726.18	\$1,146,757.50	
Increased water cost			\$250,031.32
Increased water cost		\$250,031.32	
Divided by Gallons sold/1,000		<u>278,744,816</u>	
Purchased water adjustment factor		\$0.8970	per 1,000 Gallons
		or \$ 0.00090	per Gallon



## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00251 DATED AUG 28 2025

The following rates and charges are prescribed for the customers in the area served by South Hopkins 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	1,000 Gallons	\$14.52	Minimum Bill
Next	9,000 Gallons	0.00853	Per Gallon
Next	10,000 Gallons	0.00804	Per Gallon
Next	30,000 Gallons	0.00755	Per Gallon
Over	50,000 Gallons	0.00664	Per Gallon

##### 1-Inch Meter

First	10,000 Gallons	\$91.26	Minimum Bill
Next	10,000 Gallons	0.00804	Per Gallon
Next	30,000 Gallons	0.00755	Per Gallon
Over	50,000 Gallons	0.00664	Per Gallon

##### 2-Inch Meter

First	20,000 Gallons	\$171.58	Minimum Bill
Next	30,000 Gallons	0.00755	Per Gallon
Over	50,000 Gallons	0.00664	Per Gallon

##### 3-Inch Meter

First	50,000 Gallons	\$398.13	Minimum Bill
Over	50,000 Gallons	0.00664	Per Gallon

##### Wholesale Rates

All	0.00446	Per Gallon
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