

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF HARDIN COUNTY)	2025-00324
WATER DISTRICT #1)	

ORDER

On October 2, 2025, Hardin County Water District #1 (Hardin District #1) 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. On October 27, 2025, Hardin District #1 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.

DISCUSSION AND FINDINGS

Hardin District #1 produces a portion of its own water. However, Hardin District #1 also purchases water from Hardin County Water District #2 (Hardin District #2), Louisville Water Company (Louisville Water), and U.S. Treasury Garrison Resource Management

(U.S. Treasury Garrison). Hardin District #2 notified Hardin District #1 that its wholesale rate would increase by \$0.02 per 1,000 gallons from \$2.89 per 1,000 gallons to \$2.91 per 1,000 gallons, effective July 1, 2025.¹ Louisville Water notified Hardin District #1 that its wholesale rate would increase by \$0.07 per 1,000 gallons from \$2.72 to \$2.79,² and its monthly service charge would increase by a total of \$6.72, from \$157.95 to \$164.67,³ effective July 1, 2025.⁴ Hardin District #1 proposes to increase the water rates to its customers effective October 30, 2025, to reflect the increased cost of purchased water from Hardin District #2 and Louisville Water. No rate changes occurred from U.S. Treasury Garrison.

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, Hardin District #1 reported a water loss of 5.0326 percent.⁵ In its 2023 Annual Report filed with the

¹ Case No. 2025-00167, *Electronic Purchase Water Adjustment Filing of Hardin County Water District No. 2* (Ky. PSC Jul. 1, 2025), final Order.

² Louisville Water's Commodity Rate is comprised of a Volume Charge increase of \$0.04 per 1,000 gallons, from \$2.19 per 1,000 gallons to \$2.23 per 1,000 gallons and an Elevated Service Area Charge increase of \$0.03 per 1,000 gallons, from \$0.53 per 1,000 gallons to \$0.56 per 1,000 gallons.

³ Monthly Service Charge (per Meter): \$6.72 increase from \$157.95 to \$164.67 for a 4-inch meter.

⁴ TFS2025-00138 (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.

⁵ *Annual Report of Hardin District #1 to the Public Service Commission for the Year Ended December 31, 2022* at 57.

Commission, Hardin District #1 reported a water loss of 2.8211 percent.⁶ In its 2024 Annual Report filed with the Commission, Hardin District #1 reported a water loss of 2.7647 percent.⁷ Hardin District #1's three-year water loss average is 3.5395 percent.⁸ The cost of Hardin District #1's total water loss using a three-year average is approximately \$27,854.19.⁹

Financial Condition and Rates

In Case No. 2019-00041, the Commission discussed the problems that can occur when utilities intentionally avoid a review of their financial records by relying solely on financing cases to increase rates.¹⁰ A key recommendation from that proceeding was that water districts should monitor the sufficiency of their base rates closely and, in general, apply for base rate adjustments on a more frequent basis.¹¹ Based on a review of Commission records, Hardin District #1 has not sought a general base rate adjustment since 2006.¹² Hardin District #1's last rate adjustment resulted from an application for a Certificate of Public Convenience and Necessity (CPCN) and federal financing approval in accordance with KRS 278.023, in Case No. 2022-00337, which increased rates by

⁶ *Annual Report of Hardin District #1 to the Public Service Commission for the Year Ended December 31, 2023* at 57.

⁷ *Annual Report of Hardin District #1 to the Public Service Commission for the Year Ended December 31, 2024* at 57.

⁸ $5.0326\% + 2.8211\% + 2.7647\% = 10.6184 / 3 \text{ years} = 3.5395\%$.

⁹ Total water cost at new wholesale rate of \$786,952.57 times 3.5395% water loss equals \$27,854.19.

¹⁰ See Case No. 2019-00041, *Electronic Investigation Into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

¹¹ See Case No. 2019-00041, Nov. 22, 2019 final Order.

¹² See Case No. 2006-00410, *The Application of Hardin County Water District No. 1 for a General Rate Adjustment Effective On and After December 2, 2006* (Ky. PSC Aug. 2, 2007), final Order.

41.2 percent.¹³ In accordance with the provisions of KRS 278.023, the Commission's review of such applications is a limited review of a utility's total financial stability and operational viability. Hardin District #1 has also adjusted its rates by filing several purchased water adjustment (PWA) applications since the last general rate case.

Based upon a review of the annual and audit reports filed with the Commission, Hardin District #1's rate-based income, adjusted net income minus principal payments, was negative in 2020 and positive from 2021 through 2024. Cash basis income, rate-based income plus depreciation, was positive from 2020 through 2024. A chart summarizing cash basis and rate-based income is presented below.

¹³ See Case No. 2022-00337, *Electronic Application of Hardin County Water District #1 for a Certificate of Public Convenience and Necessity Authorizing the Construction of Additions and Improvements to Its Water System, Approval of Revised Water Service Rates and Charges, and Authorizing the Issuance of Certain Securities Pursuant to the Provisions of KRS 278.023 and 807 KAR 5:069* (Ky. PSC Nov. 7, 2022), final Order at 3.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Audited 2024
<i>Adjusted Net Income</i>					
Net Income / (Loss) before Contributions	\$ (853,840)	\$ 548,751	\$ 641,634	\$ 1,175,589	\$ 1,591,857
Other Non-recurring Items ()	88,577	11,560	246,120	214,565	119,685
Non-Cash Pension and OPEB Expense / (Income)	1,210,988	767,540	0	0	0
Adjusted Net Income / (Loss) before Contributions	\$ 445,725	\$ 1,327,851	\$ 887,754	\$ 1,390,154	\$ 1,711,542
Subtract: Principal Payments ()	(773,500)	(798,500)	(760,000)	(495,000)	(528,848)
Rate Based Income	\$ (327,775)	\$ 529,351	\$ 127,754	\$ 895,154	\$ 1,182,694
Add: Depreciation Expense	1,937,717	1,965,640	1,968,969	2,487,985	2,819,213
Cash Basis Income	\$ 1,609,942	\$ 2,494,991	\$ 2,096,723	\$ 3,383,139	\$ 4,001,907
Cash Basis Income as Percent of Depreciation	83%	127%	106%	136%	142%
Capital Spending	\$ 7,392,772	\$ 15,751,521	\$ 5,138,268	\$ 5,010,047	\$ 4,026,910
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 18,150,964	\$ 5,032,530	\$ 3,431,854	\$ 3,755,102	\$ 5,007,370
Restricted Funds	1,540,935	1,503,273	1,428,739	1,445,518	1,515,250
Adjusted Cash Balances	19,691,899	6,535,803	4,860,593	5,200,620	6,522,620
Net Increase (Decrease) in Cash	\$ (2,745,840)	\$ (13,156,096)	\$ (1,675,210)	\$ 340,027	\$ 1,322,000
<i>Selected Statistical Information (PSC Annual Reports)</i>					
	2020	2021	2022	2023	2024
Customer Count	10,592	10,702	10,822	11,327	11,381
Gallons Purchased	1,948,613	1,843,689	1,952,840	2,051,815	2,040,221
Gallons Sold	1,805,390	1,734,748	1,813,327	1,957,572	1,936,903
Gallons Used for Internal Use	41,148	39,236	41,234	36,360	46,913
Water Loss Gallons	102,075	69,705	98,279	57,883	56,405
System Use Percentage	2.1117%	2.1281%	2.1115%	1.7721%	2.2994%
Water Loss Percentage	5.2383%	3.7807%	5.0326%	2.8211%	2.7647%
Gallons Sold Per Customer Per Month	14,204	13,508	13,963	14,402	14,182
Revenues from the Sale of Water	\$ 9,363,191	\$ 10,803,836	\$ 9,862,939	\$ 10,812,815	\$ 8,795,270
Purchased Water Expense	554,318	3,376,358	2,314,991	1,384,452	805,184
Purchased Water Expense Over 15% Water Loss	0	0	0	0	0
Water Loss Expense Over 15% as Percentage of Water Revenue	0.00%	0.00%	0.00%	0.00%	0.00%

The Commission finds that Hardin District #1 should monitor its operating performance and file a rate case no less than every three to five years, depending on operating performance, to ensure that its revenue is sufficient to support adequate and reliable service.

Purchased Water Adjustment Factor

In its application, Hardin District #1 proposed a purchased water adjustment factor of \$0.01 per 1,000 gallons.¹⁴ During the 12 months ended August 31, 2025, Hardin

¹⁴ Application, 2025_Purchase_Water_Adjust_Worksheet.pdf. at 2.

District #1 purchased 149,062,000 gallons of water from Hardin District #2, 125,610,000 gallons of water from Louisville Water, and 815,000 gallons of water from U.S. Treasury Garrison.¹⁵ During the same 12 month period, Hardin District #1 produced 1,087,278,128 gallons of water¹⁶ and sold 1,219,377,236 gallons of water to its customers.¹⁷ The increase in the cost of purchased water from Hardin District #2 and Louisville Water is \$11,773.94, resulting in a purchased water adjustment factor of \$0.01 per 1,000 gallons. No rate changes occurred from U.S. Treasury Garrison.

The purchased water adjustment factor of \$0.01 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 #1 on and after October 30, 2025, because the rates are supported by evidence of the increase in rates from Hardin District #1'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 \$0.01 per 1,000 gallons is approved.
2. The rates proposed by Hardin District #1 are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Hardin District #1 on and after October 30, 2025.

¹⁵ Application, 2025_Purchase_Water_Adjust_Worksheet.pdf. at 1-2.

¹⁶ Additional Information - Water Production (filed Oct. 27, 2025), Additional_Filing_HCWD1_Water_Production.pdf

¹⁷ Application, 2025_Purchase_Water_Adjust_Worksheet.pdf. at 2.

4. Within 20 days of the date of service of this Order, Hardin District #1 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.

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PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

ATTEST:



Executive Director

ENTERED
OCT 31 2025
KENTUCKY PUBLIC SERVICE COMMISSION
jdc

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00324 DATED OCT 31 2025

	Base Rate	New Rate	Change
<u>U.S. Treasury Garrison Resource</u>			
Purchases in Gallons	815,000	815,000	
Rate per 1,000 Gallons	<u>\$3.35/1,000</u>	<u>\$3.35/1,000</u>	
Subtotal	\$2,730.25	\$2,730.25	\$0.00
 <u>Hardin District #2</u>			
Purchases in Gallons	149,062,000	149,062,000	
Rate per 1,000 Gallons	<u>\$2.89/1,000</u>	<u>\$2.91/1,000</u>	
Subtotal	\$430,789.18	\$433,770.42	\$2,981.24
 <u>Louisville Water</u>			
Purchases in Gallons	125,610,000	125,610,000	
Rate per 1,000 Gallons	<u>\$2.72/1,000</u>	<u>\$2.79/1,000</u>	
Subtotal	\$341,659.20	\$350,451.90	\$8,792.70
 Total	 \$775,178.63	 \$786,952.57	 \$11,773.94
 Increased water cost		 \$11,773.94	
Divided by Gallons sold/1,000		<u>1,219,377,236</u>	
Purchased water adjustment factor		\$0.0097	per 1,000 Gallons
		or \$ 0.00001	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2025-00324 DATED OCT 31 2025

The following rates and charges are prescribed for the customers in the area served by Hardin County Water District #1. 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

All Meters

First	15,000 Gallons	0.00758	Per Gallon
Over	15,000 Gallons	0.00547	Per Gallon
Wholesale rate		0.00341	Per Gallon

*Justin Metz
Interim General Manager
Hardin County Water District #1
1400 Rogersville Road
Radcliff, KY 40160

*Richard Shufelt
Skeeters, Bennett, Wilson & Humphrey
550 W. Lincoln Trail Boulevard
Radcliff, KY 40160

*Hardin County Water District #1
1400 Rogersville Road
Radcliff, KY 40159-0489

*Scott Schmuck
Hardin County Water District #1
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