

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF HARRISON COUNTY)	2025-00412
WATER ASSOCIATION, INC.)	

ORDER

On January 1, 2026, Harrison County Water Association, Inc. (Harrison Water) tendered an application requesting approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.012 and 807 KAR 5:068. On January 7, 2026, the Commission notified Harrison Water that its application was rejected for certain filing deficiencies. On January 15, 2026, Harrison Water submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of January 15, 2026.

LEGAL STANDARD

In accordance with KRS 278.012, when a wholesale supplier selling water to a water association increases its rates, the water association has the authority to increase its rate commensurate with the wholesale supplier. The water association 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

Harrison Water purchases water from the city of Cynthiana (Cynthiana), Kentucky-American Water Company (Kentucky-American) at several intake locations, and Nicholas County Water District (Nicholas District). Kentucky-American notified Harrison Water that its wholesale rate would increase by \$6.0591 per 1,000 gallons, from \$2.25 per 1,000 gallons to \$8.3091 per 1,000 gallons for the Millersburg intake, and by \$3.3564 per 1,000 gallons, from \$4.9527 per 1,000 gallons to \$8.3091 per 1,000 gallons for two intake locations, 353 Centerville and U.S. 60, that are both located in Cynthiana, effective December 16, 2025.¹ Harrison Water proposes to increase the water rates to its customers effective January 13, 2026, to reflect the increased cost of purchased water from Kentucky-American.² Nicholas District and Cynthiana had no rate changes.

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, Harrison Water reported a water loss of 20.8656 percent.³ In its 2023 Annual Report filed with the Commission, Harrison Water reported a water loss of 19.9417 percent.⁴ In its 2024 Annual Report filed

¹ See Case No. 2025-00122, *Electronic Application of Kentucky-American Water Company for an Adjustment of Rates* (Ky. PSC Dec. 16, 2025), final Order.

² Amended Application, PWA_Form_1.pdf at 2.

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

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

with the Commission, Harrison Water reported a water loss of 26.1334 percent.⁵ Harrison Water's three-year water loss average is 22.3136 percent.⁶ The cost of Harrison Water's total water loss using a three-year average is \$514,699.04.⁷

In Harrison Water's recent rate case,⁸ the Commission approved a monthly water loss reduction surcharge of \$1.43 per customer for 48 months to help lower system losses to more acceptable levels.⁹ On January 11, 2024, Case No. 2023-00355 was established in order for the Commission to monitor the progress of the water loss reduction surcharge plan established for Harrison Water.¹⁰

Financial Condition and Rates

Harrison Water's financial snapshot for 2020 through 2024 is presented below. Based on a review of Commission records, Harrison Water last sought a general base rate adjustment in 2023,¹¹ in Case No. 2023-00154 (2022 test year), which became final on January 11, 2024, and reflected an increase of \$184,194 or 5.82 percent. Substantially all of the increase was realized during 2024. Harrison Water's other rate increases during the review period were due to purchased water adjustment cases. The revenue increase

⁵ *Annual Report of Harrison Water to the Public Service Commission for the Year Ended December 31, 2024* at 57.

⁶ $20.8656\% + 19.9417\% + 26.1334\% = 66.9407 / 3 \text{ years} = 22.3136\%$.

⁷ Total water cost at new wholesale rate of \$2,306,660.68 times 22.3136% water loss equals \$514,699.04.

⁸ See Case No. 2023-00154, *Electronic Application of Harrison County Water Association, Inc. for an Alternative Rate Adjustment* (Ky. PSC Jan. 11, 2024), final Order.

⁹ Case No. 2023-00154, Jan. 11, 2024 final Order at 50-52.

¹⁰ Case No. 2023-00355, *Electronic Harrison County Water Association, Inc. Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Jan. 11, 2024), opening Order.

¹¹ See Case No. 2023-00154, Jan. 11, 2024 final Order.

was more than offset by a 6.2 percentage point increase in water loss. Staff also notes that approximately \$300,000 in rate making adjustments were made in Case No. 2023-00154 that reduced the revenue requirement. The impact of the adjustments contributed to the Rate Based Loss in 2024.

In Case No. 2019-00041, the Commission discussed the problems that can occur when utilities intentionally avoid a review of its financial records by relying solely on financing cases to increase rates.¹² A key recommendation from that proceeding was that water associations should monitor the sufficiency of their base rates closely and, in general, apply for base rate adjustments on a more frequent basis.¹³

¹² See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

¹³ See Case No. 2019-00041, Nov. 22, 2019, final Order.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Audited 2024
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ 22,808	\$ (7,289)	\$ 11,167	\$ (340,822)	\$ (128,534)
Other Non-recurring Items () (Grants, Gain on Asset Disposal)	(84,827)	0	(209,905)	(1,537)	(108,458)
Water Loss Surcharge ()	0	0	0	0	(86,956)
Adjusted Net Income / (Loss)	\$ (62,019)	\$ (7,289)	\$ (198,738)	\$ (342,359)	\$ (323,948)
Subtract: Principal Payments ()	(23,249)	(23,906)	(24,586)	(25,174)	(25,893)
Rate Based Income / (Loss)	\$ (85,268)	\$ (31,195)	\$ (223,324)	\$ (367,533)	\$ (349,841)
Add: Depreciation and Amortization Expense	411,445	445,825	515,698	531,627	510,493
Cash Basis Income / (Loss)	\$ 326,177	\$ 414,630	\$ 292,374	\$ 164,094	\$ 160,652
Cash Basis Income as Percent of Depreciation	79%	93%	57%	31%	31%
Capital Spending	\$ 154,835	\$ 545,419	\$ 646,422	\$ 377,685	\$ 381,479
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 1,145,866	\$ 1,111,581	\$ 597,658	\$ 591,100	\$ 409,004
Restricted Funds	1,566,939	1,580,982	1,925,967	1,497,108	1,408,690
Adjusted Cash Balances	2,712,805	2,692,563	2,523,625	2,088,208	1,817,694
Net Increase (Decrease) in Cash	\$ 257,126	\$ (20,242)	\$ (168,938)	\$ (435,417)	\$ (270,514)
<i>Selected Statistical Information (PSC Annual Reports)</i>	2020	2021	2022	2023	2024
Customer Count	6,050	6,030	5,915	6,255	6,337
Gallons Purchased	442,615	437,499	477,968	462,342	519,979
Gallons Sold	334,575	329,608	376,423	367,721	381,225
Gallons Used for Internal Use	14,331	11,490	1,814	2,422	2,866
Water Loss Gallons	93,709	96,400	99,731	92,199	135,888
System Use Percentage	3.24%	2.63%	0.38%	0.52%	0.55%
Water Loss Percentage	21.1717%	22.0343%	20.8656%	19.9417%	26.1334%
Gallons Sold Per Customer Per Month	4,608	4,555	5,303	4,899	5,013
Revenues from the Sale of Water	\$ 2,859,050	\$ 2,829,163	\$ 2,981,501	\$ 3,192,634	\$ 3,509,639
Purchased Water Expense	1,446,862	1,462,631	1,522,156	1,697,895	1,898,234
Purchased Water Expense Over 15% Water Loss	89,296	102,886	89,284	83,905	211,337
Water Loss Expense Over 15% as Percentage of Water Revenue	3.12%	3.64%	2.99%	2.63%	6.02%

Given this information, the Commission finds that Harrison Water should continue to monitor its operating performance annually to determine whether a rate adjustment application should be submitted. Future rate cases should be filed every three to five years depending on financial performance.

Purchased Water Adjustment Factor

In its application, Harrison Water proposed a purchased water adjustment factor of \$0.0009132 per gallon.¹⁴ During the 12 months ended December 31, 2025, Harrison Water purchased 437,146,780 gallons of water from Cynthiana, 29,030,600 gallons of water from Kentucky-American at intake 353 Centerville, 17,288,260 gallons of water from Kentucky-American at intake U.S. 60, 39,601,900 gallons of water from Kentucky-American at Millersburg and zero gallons of water from Nicholas District.¹⁵ Harrison Water sold 381,849,000 gallons of water to its customers.¹⁶ The increase in the cost of purchased water from Kentucky-American is \$348,691.67, resulting in a purchased water adjustment factor of \$0.9132 per 1,000 gallons. No rate changes occurred from Cynthiana or Nicholas District.

The purchased water adjustment factor of \$0.9132 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 Harrison Water on and after January 13, 2026, because the rates are supported by evidence of the increase in rates from Harrison Water's wholesale water supplier and the volume of purchased water used to calculate the rates in accordance with KRS 278.012.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.9132 per 1,000 gallons is approved.

¹⁴ Amended Application, PWA_Form_1.pdf

¹⁵ Amended Application, Exhibit B-Excel-Amended Suppliers Purchased.


¹⁶ Amended Application, Exhibit C-Excel Water Sold.


2. The rates proposed by Harrison Water are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Harrison Water on and after January 13, 2026.
4. Within 20 days of the date of service of this Order, Harrison Water 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



Case No. 2025-00412

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00412 DATED FEB 13 2026

	Base Rate	New Rate	Change
<u>Cynthiana</u>			
Purchases in Gallons	437,146,780	437,146,780	
Rate per 1,000 Gallons	<u>\$3.61/1,000</u>	<u>\$3.61/1,000</u>	
Subtotal	\$1,578,099.88	\$1,578,099.88	\$0.00
 <u>Kentucky-American Water 353 Centerville, Cynthiana</u>			
Purchases in Gallons	29,030,600	29,030,600	
Rate per 1,000 Gallons	<u>\$4.9527/1,000</u>	<u>\$8.3091/1,000</u>	
Subtotal	\$173,749.39 ¹	\$241,218.16	\$67,468.77
 <u>Kentucky-American Water U. S. 62, Cynthiana</u>			
Purchases in Gallons	17,288,260	17,288,260	
Rate per 1,000 Gallons	<u>\$4.9527/1,000</u>	<u>\$8.3091/1,000</u>	
Sub-total	\$107,642.50 ²	\$143,649.88	\$36,007.38
 <u>Kentucky-American Water Millersburg</u>			
Purchases in Gallons	39,601,900	39,601,900	
Rate per 1,000 Gallons	<u>\$2.25/1,000</u>	<u>\$8.3091/1,000</u>	
Sub-total	\$98,477.24 ³	\$329,056.15	\$230,578.91
 Kentucky River Withdrawal Fee	included in subtotals	\$14,636.61	\$14,636.61
 Total	\$1,957,969.01	\$2,306,660.67	
Increased water cost			\$348,691.67

¹ Amended Application, Exhibit B-Excel-Amended Suppliers Purchased.

² Amended Application, Exhibit B-Excel-Amended Suppliers Purchased.

³ Amended Application, Exhibit B-Excel-Amended Suppliers Purchased.

Increased water cost	\$348,691.67	
Divided by Gallons sold/1,000	<u>381,849,000</u>	
Purchased water adjustment factor	\$0.9132	per 1,000 Gallons
	or \$ 0.0009132	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00412 DATED FEB 13 2026

The following rates and charges are prescribed for the customers in the area served by Harrison County Water Association, Inc. 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	\$23.55	Minimum Bill
Next	1,000 Gallons	0.0093232	Per Gallon
Next	2,000 Gallons	0.0091332	Per Gallon
Next	45,000 Gallons	0.0085732	Per Gallon
Over	50,000 Gallons	0.0075932	Per Gallon

3/4-Inch Meter

First	3,000 Gallons	\$33.22	Minimum Bill
Next	2,000 Gallons	0.0091332	Per Gallon
Next	45,000 Gallons	0.0085732	Per Gallon
Over	50,000 Gallons	0.0075932	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$51.15	Minimum Bill
Next	45,000 Gallons	0.0085732	Per Gallon
Over	50,000 Gallons	0.0075932	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$93.97	Minimum Bill
Next	40,000 Gallons	0.0085732	Per Gallon
Over	50,000 Gallons	0.0075932	Per Gallon

2-Inch Meter

First	15,000 Gallons	\$136.76	Minimum Bill
Next	35,000 Gallons	0.0085732	Per Gallon
Over	50,000 Gallons	0.0075932	Per Gallon

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