

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TREATED SEWAGE)	CASE NO.
ADJUSTMENT FILING OF HARDIN)	2024-00383
COUNTY WATER DISTRICT NO. 2)	

RESPONSE TO COMMISSION’S JANUARY 2, 2025 ORDER

By and through the undersigned counsel and pursuant to the Commission’s January 2, 2025 Order in this proceeding, Hardin County Water District No. 2 (“Hardin No. 2”) submits the following reasons why no adjustment of its sewer rates is needed at this time.

Background

1. On December 5, 2024, Hardin No. 2 applied for a treated sewage adjustment pursuant to KRS 278.015 and 807 KAR 5:075, due to an increase in wastewater treatment rates from the city of Elizabethtown, the entity from which Hardin No. 2 purchases wastewater treatment services. In its January 2, 2025 Order approving the treated sewage adjustment, the Commission expressed concern regarding the financial condition and rates of Hardin No. 2’s Sewer Division.¹ The

¹ Order at 2-4.

Commission noted that Hardin No. 2's rate based income (adjusted net income minus principal payments) for its sewer division was negative for all years 2020 through 2023, while cash basis income (rate based income plus depreciation expense) was positive for the same period.

2. In Ordering paragraph five of the January 2, 2025 Order, the Commission ordered Hardin No. 2 to file for a general base rate adjustment, an alternative rate adjustment, or show cause why a base rate adjustment is unnecessary no later than July 31, 2025. Hardin No. 2's sewer facilities were constructed with \$16.6 million of state grant funds.² Therefore, Hardin No. 2 has **no debt** related to its sewer facilities.

2024 Increase in Sewer Sales

3. In 2024 Hardin No. 2 added two large customers to its Sewer Division. One is BlueOval SK, a large industrial sewer customer, and the other is the ECTC BlueOval SK Training Center, a public authority sewer customer. Both of these large customers are located in the BlueOval SK Battery Park, a recently developed industrial park in Glendale, Kentucky. The addition of these customers to Hardin No. 2's sewer division has had a tremendous positive impact on Hardin No. 2's revenues from sewer rates. The impact is summarized in **Exhibit 1** filed with this Response.

² See, *Electronic Application of Hardin County Water District No. 2 for a Certificate of Public Convenience and Necessity* Case No. 2017-00264 Order at 3 (Ky. PSC Nov. 1, 2017).

4. In 2024, Hardin No. 2's Sewer Division had \$580,650 in revenues from sewer sales and \$597,931 in total operating revenues. This is compared to 2023 revenues from sewer sales of \$212,229 and total operating revenues of \$212,778. Revenues from sewer sales more than doubled in 2024, leading to a \$304,772 increase in net income. Because this increase in revenues and corresponding increase in income is due to adding customers to the system and not some anomalous event, it is expected to be recurring, and therefore is a significant factor in determining whether a rate adjustment is needed. Attached as **Exhibit 2** is a schedule of revenues, expenses, and changes in net position for Hardin No. 2's Sewer Division for 2023. Attached as **Exhibit 3** is a schedule comparing the revenues, expenses and changes in net position for Hardin No. 2's Sewer Division in 2023 and 2024.

5. It is also important to note that neither new customer took service for the entirety of 2024. Both BlueOval SK and the ECTC BlueOval SK Training Center became sewer customers in March of 2024, but did not ramp up their usage until the summer of 2024. Hardin No. 2's revenues from sewer sales are expected to continue to rise as these new customers increase activity at their locations.

6. Because Hardin No. 2 has no debt service associated with its sewer system, the method of calculating its revenue requirement, consistent with Commission precedent, is the Operating Ratio method.³ Applying an 88 percent

³ *Electronic Application of Levee Road Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076, Case No 2024-00067 (Ky. PSC Oct. 28, 2024); Electronic Application of North Nelson Water District for a Rate*

Operating Ratio to the \$487,360 of combined operating expenses and depreciation Hardin No. 2's Sewer Division incurred in 2024 would have resulted in a revenue requirement of \$528,455 as shown below.

Description	2024
Operating Expenses Including Depreciation Expense	\$ 487,360
Divided by: 88 Percent Operating Ratio	88%
Overall Revenue Requirement	<hr/> 553,878
Less: Interest Income	25,003
Other Income	360
Revenue Required from Rates	<hr/> \$ 528,455

7. While this calculation could suggest that a rate *decrease* may be warranted, Hardin No. 2 does not believe that an application for a rate adjustment based on 2024 financial information would produce fair, just, or reasonable rates for its customers moving forward. In the current economic and political climate, not only in the United States, but in other areas around the world, the market for the product BlueOval SK produces could shift in either direction quite rapidly. Any such shift could have an impact on BlueOval SK's sewer usage.

Adjustment Pursuant to 807 KAR 5:076, Case No. 2024-00234 (Ky. PSC May 15, 2025); Electronic Application of South 641 Water District for a Sewer Rate Adjustment Pursuant to 807 KAR 5:076, Case No. 2023-00051 (Ky. PSC Dec. 13, 2023).


8. Given the nature of the economic and political climate and that Hardin No. 2 has less than a full year of data concerning its new customers' usage, Hardin No. 2 believes it would be wise to allow the economic and political climate to "settle down" a bit, and to allow BlueOval SK and the ECTC BlueOval SK Training Center to move forward in their operations before filing an application for a rate adjustment. The current financial indications are that Hardin No. 2 does **not** need an imminent sewer rate increase. Neither are its rates so far in excess of its revenue requirement to constitute an injustice to its customers.

9. Hardin No. 2 proposes to examine the sufficiency of its sewer rates at the close of 2025, when more information will be known about the usage patterns of these large customers. Hardin No. 2 will file an application for a rate adjustment at that time, if necessary.

WHEREFORE, on the basis of the foregoing, Hardin No. 2 seeks a finding by the Commission that no application for an adjustment of its sewer rates is necessary at this time.

Dated: June 13 2025

Respectfully submitted,


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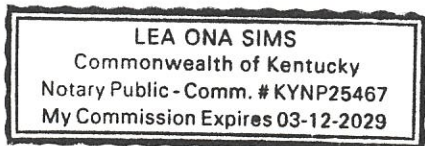
SWORN CERTIFICATION AND VERIFICATION


COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF HARDIN)

The undersigned, Shaun Youravich, being duly sworn, deposes and states that he, as General Manager of Hardin County Water District No. 2, has supervised the preparation of the Response Showing Cause in Kentucky Public Service Commission Case No. 2024-00383, and that the information contained therein is true and correct to the best of his information, knowledge, and belief.


Shaun Youravich, General Manager
Hardin County Water District No. 2

Subscribed, sworn to, and acknowledged before me, a Notary Public in and for said county and state, this 13 day June of 2025.




Notary Public

My Commission Expires: 3/12/29

Notary ID: KYNP25467

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, and the Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was submitted electronically to the Public Service Commission on June 13, 2025, and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding.


Damon R. Talley

EXHIBIT 1

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COMPARATIVE INCOME AND EXPENSE SUMMARIES HARDIN COUNTY WATER DISTRICT NO. 2 SEWER DIVISION

	Category	2023 ¹	2024 ²	Difference
1.	Operating Revenue	\$ 212,778	\$597,931	\$ 385,153
2.	(Operating Expenses)Excluding Depr.	(112,170)	(190,516)	(78,346)
3.	Operating Income (Before Depr.)	100,608	407,415	306,807
4.	(Depreciation Expense)	(295,878)	(296,844)	(966)
5.	Operating Income (Loss)	(195,270)	110,571	305,841
6.	Interest Income	26,432	25,003	(1,429)
7.	Miscellaneous – Other Income	-0-	360	360
8.	Net Income	(168,838)	135,934	304,772
9.	Add Back Depreciation	295,878	296,844	966
	Available Funds	\$ 127,040	\$ 432,778	\$ 305,738

¹ Hardin County Water District No. 2 Independent Auditor's Report for Year-ended December 31, 2023 (2023 Audit Report) at 48 and Hardin County Water District No. 2, Sewer Division's Financial and Statistical Report to the Kentucky Public Service Commission for Year-ended December 31, 2023 (2023 Sewer Division Annual Report) at 25 and 28.

² Hardin County Water District No. 2 Independent Auditor's Report for Years-ended December 31, 2024 and 2023 (2024 Audit Report) at 55 and Hardin County Water District No. 2, Sewer Division's Financial and Statistical Report to the Kentucky Public Service Commission for Years-ended December 31, 2024 (2024 Sewer Division Annual Report) at 25 and 26.

EXHIBIT 2

HARDIN COUNTY WATER DISTRICT NO. 2
SCHEDULE IX - SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - SEWER DIVISION
YEAR ENDED DECEMBER 31, 2023

OPERATING REVENUES:	
Sewer sales	\$ 212,229
Other operating income	549
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TOTAL OPERATING REVENUES	212,778
OPERATING EXPENSES:	
Power purchased	10,802
Purification supplies and expense	24,804
Transmission and distribution supplies and expense	50,094
General and administrative expenses	26,470
Depreciation	295,878
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TOTAL OPERATING EXPENSES	408,048
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OPERATING (LOSS)	(195,270)
NON-OPERATING REVENUES (EXPENSES):	
Investment income	26,432
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TOTAL NON-OPERATING REVENUES (EXPENSES)	26,432
	<hr/>
CAPITAL CONTRIBUTIONS	26,377
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CHANGE IN NET POSITION	(142,461)
NET POSITION, beginning of year	16,482,216
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NET POSITION, end of year	\$ 16,339,755
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EXHIBIT 3

HARDIN COUNTY WATER DISTRICT NO. 2
SCHEDULE IX - SCHEDULES OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - SEWER DIVISION
YEARS ENDED DECEMBER 31,

	2024	2023
OPERATING REVENUES:		
Sewer sales	\$ 580,650	\$ 212,229
Other operating income	17,281	549
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TOTAL OPERATING REVENUES	597,931	212,778
OPERATING EXPENSES:		
Power purchased	25,097	10,802
Purification supplies and expense	24,208	24,804
Transmission and distribution supplies and expense	112,502	50,094
General and administrative expenses	28,709	26,470
Depreciation	296,844	295,878
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TOTAL OPERATING EXPENSES	487,360	408,048
OPERATING INCOME (LOSS)	110,571	(195,270)
NON-OPERATING REVENUES (EXPENSES):		
Investment income	25,003	26,432
Other income	360	-
	<hr/>	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	25,363	26,432
CAPITAL CONTRIBUTIONS	1,316,910	26,377
	<hr/>	<hr/>
CHANGE IN NET POSITION	1,452,844	(142,461)
NET POSITION, beginning of year	16,339,755	16,482,216
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NET POSITION, end of year	\$ 17,792,599	\$ 16,339,755
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