

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF HENDERSON)	2026-00104
COUNTY WATER DISTRICT)	

ORDER

On April 29, 2026, 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 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

Henderson District purchases water from Henderson Water Utility, North System (Henderson North) and Henderson Water Utility, South System (Henderson South). The supplier, Henderson Water Utility, filed a tariff with the Commission on February 27, 2026,

proposing to change multiple wholesale rates.¹ Henderson Water Utility notified Henderson District that its wholesale rates would increase by \$0.2336 per 1,000 gallons from \$3.1486 per 1,000 gallons to \$3.3822 per 1,000 gallons for Henderson North and decrease by \$(0.4048) per 1,000 gallons from \$3.0355 per 1,000 gallons to \$2.6307 per 1,000 gallons for Henderson South. Henderson Water Utility notified Henderson District that its wholesale rates would change effective on the first billing after April 30, 2026, for April 2026 consumption. Henderson District proposed to increase the water rates to its customers effective April 30, 2026, to reflect the aggregate increased 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 2022 Annual Report filed with the Commission, Henderson District reported a water loss of 29.0060 percent.² In its 2023 Annual Report filed with the Commission, Henderson District reported a water loss of 23.1306 percent.³ In its 2024 Annual Report filed with the Commission, Henderson District reported a water loss of

¹ TFS2026-00074 (Ky. PSC Feb. 27, 2026); the tariff was accepted for filing by the Commission by letter dated March 31, 2026.

² *Annual Report of Henderson District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

³ *Annual Report of Henderson District to the Public Service Commission for the Year Ended December 31, 2023* at 57.

43.8238 percent.⁴ Henderson District's three-year water loss average is 31.9868%.⁵ The cost of Henderson District's total unaccounted for water loss, using a three-year average, is \$580,063.77.⁶

In Henderson District's most recent application for an alternative rate adjustment (ARF),⁷ the Commission approved a monthly water loss reduction surcharge of \$1.87 per meter for 48 months, or until \$584,220 has been assessed 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

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages Henderson District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Henderson District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

⁴ *Annual Report of Henderson District to the Public Service Commission for the Year Ended December 31, 2024* at 57.

⁵ $29.0060\% + 23.1306\% + 43.8238\% = 95.9604\% / 3 \text{ years} = 31.9868\%$.

⁶ Total water cost at new wholesale rate of \$1,813,447.33 times 31.9868% water loss equals \$580,063.77.

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

⁸ Case No. 2023-00101, Apr. 5, 2023 final Order at 17.

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.

Financial Condition and Rates

Henderson District's financial snapshot for 2020-2024 is presented below. Henderson District last sought a base rate adjustment in Case No. 2023-00101 (2021 test year), which became final on December 13, 2023, and reflected a revenue increase of \$223,245, or 7.08 percent.¹⁰ Henderson District filed purchased water adjustment cases, pursuant to KRS 278.015, in 2024¹¹ and 2025.¹² The 2023 rate increase is fully reflected in 2024 financial results. Henderson District's rate-based income, which was already a deficit of (\$435,589) in 2023, worsened by \$249,520 to (\$685,109) in 2024. Unaccounted for water loss increased approximately 20.7 percent in 2024, from 23.1306 percent to 43.8238 percent; this increase contributed \$453,630 to the overall 2024 loss.¹³ A chart summarizing cash basis and rate-based income is presented below.

The Commission notes that Henderson District was previously ordered in Case No. 2025-00034 to file for a rate adjustment or an alternative rate adjustment no later than June 30, 2026, to ensure that its revenue is sufficient to support adequate and reliable service, or, in the alternative, 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.¹⁴ Given that

¹⁰ Case No. 2023-00101, Apr. 5, 2023 final Order.

¹¹ Case No. 2024-00086, *Electronic Purchased Water Adjustment Filing of Henderson County Water District* (Ky. PSC Apr. 9, 2024).

¹² Case No. 2025-00034, *Electronic Purchased Water Adjustment Filing of Henderson County Water District* (Ky. PSC Apr. 1, 2025).

¹³ \$586,120 (2024 Purchased Water Expense Over 15% Water Loss) minus \$132,490 (2023 Purchased Water Expense Over 15% Water Loss) = \$453,630 increase in water loss expense.

¹⁴ Case No. 2025-00034, Apr. 29, 2025 final Order at 5.

any such filing should be based upon calendar years 2025 financials, the Commission further notes Henderson District has yet to file its 2025 annual report or audit report.

Description / Year	2023-00101 Test Year		2023-00101 ARF FO12/13/2023		Audited 2024
	Audited 2020	Audited 2021	Audited 2022	Audited 2023	
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ 41,153	\$ 127,598	\$ (27,323)	\$ (13,366)	\$ (101,559)
Other Non-recurring Items ()	6,254	(4,149)	-	(2,978)	-
Water Loss Surcharge ()	-	-	-	-	(131,140)
Non-Cash Pension and OPEB Expense / (Income)	156,389	152,233	(6,975)	593	(110,313)
Interest Expense	131,855	154,436	108,084	71,610	99,071
Adjusted Net Income / (Loss)	335,651	430,118	73,786	55,859	(243,941)
Interest Expense ()	(131,855)	(154,436)	(108,084)	(71,610)	(99,071)
Principal Payments ()	(392,761)	(435,928)	(381,613)	(419,838)	(342,097)
Subtract: Total Debt Service ()	(524,616)	(590,364)	(489,697)	(491,448)	(441,168)
Rate Based Income (Excludes Working Capital of 20%)	(188,965)	(160,246)	(415,911)	(435,589)	(685,109)
Add: Depreciation Expense	417,101	398,042	396,446	401,365	411,307
Cash Basis Income	\$ 228,136	\$ 237,796	\$ (19,465)	\$ (34,224)	\$ (273,802)
Cash Basis Income as Percent of Depreciation	55%	60%	-5%	-9%	-67%
Capital Spending	\$ 144,953	\$ 87,163	\$ 98,874	\$ 234,341	\$ 473,025
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 1,288,426	\$ 1,417,942	\$ 1,193,642	\$ 731,162	\$ 246,316
Restricted Funds	953,966	909,750	1,000,304	1,045,148	1,210,975
Adjusted Cash Balances	2,242,392	2,327,692	2,193,946	1,776,310	1,457,291
Net Increase (Decrease) in Cash	\$ 58,673	\$ 85,300	\$ (133,746)	\$ (417,636)	\$ (319,019)
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	6,452	6,504	6,514	6,473	6,486
Gallons Purchased	462,027	462,324	502,552	483,039	624,660
Gallons Sold	352,245	341,017	339,746	338,984	338,399
Gallons Used for Internal Use	5,565	9,064	17,036	32,325	12,511
Water Loss Gallons	104,217	112,243	145,770	111,730	273,750
System Use Percentage	1.20%	1.96%	3.39%	6.69%	2.00%
Water Loss Percentage	22.5565%	24.2780%	29.0060%	23.1306%	43.8238%
Gallons Sold Per Customer Per Month	4,550	4,369	4,346	4,364	4,348
Revenues from the Sale of Water	\$ 3,045,077	\$ 3,163,386	\$ 3,224,823	\$ 3,185,227	\$ 3,512,751
Purchased Water Expense	1,398,344	1,387,417	1,750,623	1,629,511	2,033,457
Purchased Water Expense Over 15% Water Loss	105,666	128,724	245,191	132,490	586,120
Water Loss Expense Over 15% as Percentage of Water Revenue	3.47%	4.07%	7.60%	4.16%	16.69%

Purchased Water Adjustment Factor

In its amended application,¹⁵ Henderson District proposed a purchased water adjustment factor of \$0.27 per 1,000 gallons. During the 12 months ended January 31, 2026, Henderson District purchased 496,350,118 gallons of water from Henderson North and 51,200,045 gallons of water from Henderson South and sold 353,982,678 gallons of water to its customers. The increase in the cost of purchased water from Henderson North is \$115,947.39, and the decrease in the cost of water from Henderson South is \$20,725.78, totaling an aggregate increase in purchased water of \$95,221.61 resulting in a purchased water adjustment factor of \$0.27 per 1,000 gallons.

The purchased water adjustment factor of \$0.27 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, 2026, because the rates are supported by evidence of the increase 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.

IT IS THEREFORE ORDERED that:

1. The rates initially proposed by Henderson District application are denied.
2. The corrected rates proposed by Henderson District in response to Commission Staff's First Request for Information are approved.
3. The purchased water adjustment factor of \$0.27 per 1,000 gallons is approved.

¹⁵ Henderson District's initial application contained proposed rates that were calculated incorrectly, which was unsupported by the record.

4. 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, 2026.

5. 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.

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


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Entered on this 28th day of May, 2026.

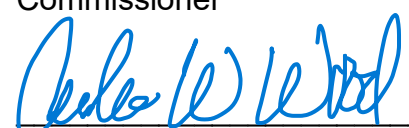
PUBLIC SERVICE COMMISSION



Angie Hatton
Chair



Mary Pat Regan
Commissioner



Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

ATTEST:



Linda C. Bridwell, PE
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00104 DATED MAY 28 2026

	Base Rate	New Rate	Change
<u>Henderson North System</u>			
Purchases in Gallons	496,350,118	496,350,118	
Rate per 1,000 Gallons	<u>\$3.1486/1,000</u>	<u>\$3.3822/1,000</u>	
Subtotal	\$1,562,807.98	\$1,678,755.37	\$115,947.39
<u>Henderson South System</u>			
Purchases in Gallons	51,200,045	51,200,045	
Rate per 1,000 Gallons	<u>\$3.0355/1,000</u>	<u>\$2.6307/1,000</u>	
Sub-total	\$155,417.74	\$134,691.96	(\$20,725.78)
Total			
Increased water cost			\$95,221.61
Increased water cost			\$95,221.61
Divided by Gallons sold/1,000			<u>353,982,678</u>
Purchased water adjustment factor			\$0.27 per 1,000 Gallons
			or \$0.00027 per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00104 DATED MAY 28 2026

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	22.33 Minimum Bill
Next	8,000 Gallons	0.00828 Per Gallon
Next	20,000 Gallons	0.00772 Per Gallon
Over	30,000 Gallons	0.00715 Per Gallon

1-Inch Meter

First	5,000 Gallons	47.18 Minimum Bill
Next	5,000 Gallons	0.00828 Per Gallon
Next	20,000 Gallons	0.00772 Per Gallon
Over	30,000 Gallons	0.00715 Per Gallon

2-Inch Meter

First	16,000 Gallons	134.90 Minimum Bill
Next	14,000 Gallons	0.00772 Per Gallon
Over	30,000 Gallons	0.00715 Per Gallon

3-Inch Meter

First	30,000 Gallons	242.94 Minimum Bill
Over	30,000 Gallons	0.00715 Per Gallon

4-Inch Meter

First	50,000 Gallons	385.92 Minimum Bill
Over	50,000 Gallons	0.00715 Per Gallon

6-Inch Meter

First	100,000 Gallons	743.37 Minimum Bill
Over	100,000 Gallons	0.00715 Per Gallon

Service List for 2026-00104

* Henderson County Water District
655 South Main Street
P. O. Box 655
Henderson, KY 42419-0655

* Mark Julian
Henderson County Water District
655 South Main Street
P. O. Box 655
Henderson, KY 42419-0655