

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASE WATER)	CASE NO.
ADJUSTMENT FILING OF HARDIN COUNTY)	2026-00153
WATER DISTRICT NO. 2)	

ORDER

On May 29, 2026, Hardin County Water District #2 (Hardin District #2) 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

Hardin District #2 purchases water from Louisville Water Company (Louisville Water) and produces the remainder of the water used. Louisville Water notified Hardin District #2 that its wholesale rate would increase by \$0.09 per 1,000 gallons or 3.23 percent, from \$2.79 per 1,000 gallons to \$2.88 per 1,000 gallons, and its monthly service

charge would increase by \$44.32 or 4.25 percent, from \$1,042.89 to \$1,087.21 effective July 1, 2026.¹ Hardin District #2 proposed to increase the water rates to its customers effective July 1, 2026, to reflect the increased cost of purchased water from Louisville Water.

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 2023 Annual Report filed with the Commission, Hardin District #2 reported an unaccounted for water loss of 15.1810 percent.² In its 2024 Annual Report filed with the Commission, Hardin District #2 reported an unaccounted-for water loss of 13.0303 percent.³ In its 2025 Annual Report filed with the Commission, Hardin District #2 reported an accounted for water loss of 11.5563 percent.⁴ Hardin District #2's three-year water loss average is 13.2559 percent.⁵ The cost of Hardin District #2's total unaccounted-for water loss, using a three-year average, is \$311,110.05.⁶

¹ TFS2026-00115 (Ky. PSC March 24, 2026); the tariff was accepted for filing by the Commission by letter dated June 12, 2026.

² *Annual Report of Hardin District #2 to the Public Service Commission for the Year Ended December 31, 2023*, at 57.

³ *Annual Report of Hardin District #2 to the Public Service Commission for the Year Ended December 31, 2024*, at 57.

⁴ *Annual Report of Hardin District #2 to the Public Service Commission for the Year Ended December 31, 2025*, at 57.

⁵ 15.1810 percent + 13.0303 percent + 11.5563 percent = 39.7676 percent / 3 years = 13.2559 percent.

⁶ Total water cost at new wholesale rate of \$2,346,955.32 times 13.2559 percent water loss equals \$311,110.05.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission strongly encourages Hardin District #2 to continue to pursue reasonable actions to consistently maintain its unaccounted-for water loss below the 15 percent unaccounted for water benchmark.

Financial Condition and Rates

Hardin District #2's financial information for 2021 through 2025 is presented below. Based on a review of Commission records, Hardin District #2's last rate adjustment filing was Case No. 2023-00247 (2022 test year) which became final on July 29, 2024, reflecting an increase in revenue of \$1,762,501 or 11.92 percent.⁷ Rate-based income (adjusted net income minus principal payments) was negative from 2021 through 2024 but was positive in 2025 following the rate increase approved in Case No. 2023-00247. Cash Basis Income (rate-based income plus depreciation) averaged 68 percent of depreciation for the past five years. Based upon a review of the annual and audit reports filed with the Commission, the Commission recommends that Hardin District #2 consider filing an application for rate adjustment and notes that rate cases should be filed at least every three to five years, depending on financial performance.

⁷ Case No. 2023-00247, *Electronic Application of Hardin County Water District No. 2 for a General Adjustment of Rates* (Ky. PSC July 29, 2024) final Order.

Description / Year	Audited 2021	Audited 2022	Audited 2023	Audited 2024	Audited 2025
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ 705,617	\$ (2,348,215)	\$ 242,026	\$ 927,342	\$ 3,158,667
Other Non-recurring Items ()	(7,750)	(15,000)	(74,500)	(71,251)	(1,382,260)
Adjusted Net Income / (Loss)	\$ 697,867	\$ (2,363,215)	\$ 167,526	\$ 856,091	\$ 1,776,407
Subtract: Principal Payments ()	(1,261,785)	(1,300,801)	(1,309,722)	(1,401,461)	(1,457,127)
Rate Based Income	\$ (563,918)	\$ (3,664,016)	\$ (1,142,196)	\$ (545,370)	\$ 319,280
Add: Depreciation Expense	3,302,683	3,505,363	3,552,920	3,664,313	3,789,173
Cash Basis Income	\$ 2,738,765	\$ (158,653)	\$ 2,410,724	\$ 3,118,943	\$ 4,108,453
Cash Basis Income as Percent of Depreciation	83%	-5%	68%	85%	108%
Capital Spending	\$ 7,429,439	\$ 4,927,800	\$ 7,527,322	\$ 6,952,738	\$ 16,095,812
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 27,112,139	\$ 15,996,105	\$ 16,426,049	\$ 17,259,013	\$ 19,622,604
Restricted Funds	9,232,939	10,134,280	8,273,197	7,690,871	6,847,085
Adjusted Cash Balances	36,345,078	26,130,385	24,699,246	24,949,884	26,469,689
Net Increase (Decrease) in Cash	\$ 5,944,026	\$ (10,214,693)	\$ (1,431,139)	\$ 250,638	\$ 1,519,805
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	29,332	29,933	30,459	30,898	31,179
Gallons Purchased	3,051,251	3,431,665	3,364,159	3,302,988	3,372,843
Gallons Sold	2,266,284	2,530,276	2,399,802	2,370,315	2,582,951
Gallons Used for Internal Use	368,733	420,075	453,643	502,284	400,116
Water Loss Gallons	416,234	481,314	510,714	430,389	389,776
System Use Percentage	12.0846%	12.2411%	13.4846%	15.2070%	11.8629%
Water Loss Percentage	13.6414%	14.0257%	15.1810%	13.0303%	11.5563%
Gallons Sold Per Customer Per Month	6,439	7,044	6,566	6,393	6,904
Revenues from the Sale of Water	\$ 13,896,381	\$ 14,685,398	\$ 14,542,058	\$ 15,820,338	\$ 18,053,375
Purchased Water Expense	1,146,024	989,113	987,973	1,153,404	2,046,042
Purchased Water Expense Over 15% Water Loss	0	0	1,789	0	0
Water Loss Expense Over 15% as Percentage of Water Revenue	0.00%	0.00%	0.01%	0.00%	0.00%

Purchased Water Adjustment Factor

In its application, Hardin District #2 proposed a purchased water adjustment factor of \$0.03 per 1,000 gallons. During the 12 months ending April 30, 2026, Hardin District #2 purchased 810,385,000 gallons of water from Louisville Water and sold 2,546,249,843 gallons of water to its customers.⁸ Hardin District #2 produces a portion, of its water for sale. The increase in the cost of purchased water from Louisville Water

⁸ Application, Purchased Water Adjustment Form 1 at 2.

is \$73,466.49, resulting in a purchased water adjustment factor of \$0.03 per 1,000 gallons.

The purchased water adjustment factor of \$0.03 per 1,000 gallons, as calculated in Appendix A, and the rates set forth in Appendix B to this Order are fair, just and reasonable and should be approved for water service rendered by Hardin District #2 on and after July 1, 2026, because the rates are supported by evidence of the increase in rates from Hardin District #2'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 \$0.03 per 1,000 gallons is approved.
2. The rates proposed by Hardin District #2 are approved.
3. The rates set forth in Appendix B to this Order are approved for water service rendered by Hardin District #2 on and after July 1, 2026.
4. Within 20 days of the date of service of this Order, Hardin District #2 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.

Entered on this 26th day of June, 2026.


PUBLIC SERVICE COMMISSION



Angie Hatton
Chair



Mary Pat Regan
Vice Chair



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. 2026-00153 DATED JUN 26 2026

	Base Rate	New Rate	Change
<u>Louisville Water Company</u>			
Purchases in Gallons	810,385,000	810,385,000	
Rate per 1,000 Gallons	<u>\$2.79/1,000</u>	<u>\$2.88/1,000</u>	
Subtotal	\$2,260,974.15	\$2,333,908.80	\$72,934.65
Months	12	12	
Monthly Service Charge	<u>\$1,042.89</u>	<u>\$1,087.21</u>	
Subtotal	\$12,514.68	\$13,046.52	\$531.84
Total	\$2,273,488.83	\$2,346,955.32	
Increased water cost			\$73,466.49
Increased water cost		\$73,466.49	
Divided by Gallons sold/1,000		<u>2,546,249,843</u>	
Purchased water adjustment factor		\$0.03	per 1,000 Gallons
		or \$ 0.00003	per Gallon

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2026-00153 DATED JUN 26 2026

The following rates and charges are prescribed for the customers in the area served by Hardin County Water District #2. 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	\$21.59	Minimum Bill
Next	498,000 Gallons	0.00602	Per Gallon
Over	500,000 Gallons	0.00340	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$42.53	Minimum Bill
Next	495,000 Gallons	0.00602	Per Gallon
Over	500,000 Gallons	0.00340	Per Gallon

1 1/2-Inch Meter

First	10,000 Gallons	\$77.42	Minimum Bill
Next	490,000 Gallons	0.00602	Per Gallon
Over	500,000 Gallons	0.00340	Per Gallon

2-Inch Meter

First	20,000 Gallons	\$147.19	Minimum Bill
Next	480,000 Gallons	0.00602	Per Gallon
Over	500,000 Gallons	0.00340	Per Gallon

3-Inch Meter

First	30,000 Gallons	\$216.97	Minimum Bill
Next	470,000 Gallons	0.00602	Per Gallon
Over	500,000 Gallons	0.00340	Per Gallon

4-Inch Meter

First	50,000 Gallons	\$356.52	Minimum Bill
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Next	450,000 Gallons	0.00602	Per Gallon
Over	500,000 Gallons	0.00340	Per Gallon

6-Inch Meter

First	100,000 Gallons	\$705.40	Minimum Bill
Next	400,000 Gallons	0.00602	Per Gallon
Over	500,000 Gallons	0.00340	Per Gallon

8-Inch Meter

First	150,000 Gallons	\$1,054.28	Minimum Bill
Next	350,000 Gallons	0.00602	Per Gallon
Over	500,000 Gallons	0.00340	Per Gallon

10-Inch Meter

First	250,000 Gallons	\$1,752.05	Minimum Bill
Next	250,000 Gallons	0.00602	Per Gallon
Over	500,000 Gallons	0.00340	Per Gallon

12-Inch Meter

First	400,000 Gallons	\$2,798.69	Minimum Bill
Next	100,000 Gallons	0.00602	Per Gallon
Over	500,000 Gallons	0.00340	Per Gallon

Wholesale

		0.00294	Per Gallon
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Service List for 2026-00153

* Hardin County Water District #2
1951 West Park Road
P. O. Box 970
Elizabethtown, KY 42702-0970

* Shaun Youravich
Operations Manager
Hardin County Water District #2
1951 West Park Road
P. O. Box 970
Elizabethtown, KY 42702-0970