

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF HARDIN COUNTY	)	2026-00209
WATER DISTRICT # 1	)	

ORDER

On July 29, 2026, 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.

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 purchases water from Hardin County Water District #2 (Hardin District #2), Louisville Water Company (Louisville Water) and the U.S. Treasury Garrison Resource Management (U.S. Treasury).¹ Hardin District #2 notified Hardin District #1

¹ Application, 2026_HCWD_Purchase_Water_Adjust_Worksheet.pdf, PWA Form 1 at 1.

that its wholesale volumetric rate would increase by \$0.03 per 1,000 gallons, or 1.03 percent, from \$2.91 per 1,000 gallons to \$2.94 per 1,000 gallons effective July 1, 2026.² Louisville Water notified Hardin District #1 that its wholesale commodity 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 effective July 1, 2026.³ Louisville Water explained that the proposed wholesale rate effective July 1, 2026, will be \$2.29 per thousand gallons plus an elevated service area surcharge of \$0.59 per thousand gallons, for the total wholesale rate of \$2.88 per thousand gallons.⁴ Hardin District #1 proposes to increase the water rates to its customers effective August 1, 2026, to reflect the increased cost of purchased water from Hardin District #2 and Louisville Water. The U.S. Treasury did not propose any 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 2023 Annual Report filed with the Commission, Hardin District #1 reported a water loss of 2.8211 percent.⁵ In its 2024 Annual Report filed with the

² Case No. 2026-00153, *Electronic Purchase Water Adjustment Filing of Hardin County Water District No. 2* (Ky. PSC June 26, 2026).

³ TFS2026-00114 (Ky. PSC Mar 24, 2026); Louisville Water submitted the tariff on March 24, 2026, and the tariff was accepted for filing by the Commission by letter dated June 12, 2026, with an effective date of July 1, 2026.

⁴ Application, Notice of Wholesale Water Rate Increase from the Louisville Water Company, 2026_HCWD_PWA_Exhibit_A1_LWC_Notice.pdf.

⁵ *Annual Report of Hardin District #1 to the Public Service Commission for the Year Ended December 31, 2023* at 57.

Commission, Hardin District #1 reported a water loss of 2.7647 percent.⁶ In its 2025 Annual Report filed with the Commission, Hardin District #1 reported a water loss of 3.0339 percent.⁷ Hardin District #1's three-year water loss average is 2.8732 percent.⁸ The cost of Hardin District #1's total water loss using a three-year water loss average is \$22,837.23.⁹ The Commission commends Hardin District #1 for keeping water loss below 15 percent and encourages it to continue to pursue actions to reduce its unaccounted-for water loss.

Financial Condition and Rates

Hardin District #1's financial snapshot for 2021 through 2025 is presented below. Based upon a review of Commission records, 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. 2022-00337.¹⁰ Hardin District #1's other rate increases during the review period were

⁶ *Annual Report of Hardin District #1 to the Public Service Commission for the Year Ended December 31, 2024* at 57.

⁷ *Annual Report of Hardin District #1 to the Public Service Commission for the Year Ended December 31, 2025* at 57.

⁸ $2.8211 + 2.7647 + 3.0339 = 8.6197 / 3 \text{ years} = 2.8732\%$.

⁹ Total water cost at new wholesale rate of \$794,836.06 times 2.8732% water loss equals \$22,837.23.

¹⁰ 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 Dec. 9, 2022).

due to multiple purchase water adjustment cases.¹¹ Hardin District #1 has not sought a general base rate adjustment since 2006.¹²

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) and cash basis income (rate-based income plus depreciation) were positive in every year presented. Rate-based income significantly increased in 2023 due to the rate adjustment in Case No. 2022-00337. Rate-based income decreased from 2024 to 2025 due to an increase in Treatment Expense and General and Administrative Expenses.

¹¹ Case No. 2023-00315, *Electric Purchased Water Adjustment of Hardin County Water District No.1* (Ky. PSC Oct. 26, 2023) final Order; Case No. 2024-00319, *Electric Purchased Water Adjustment Filing of Hardin County Water District No.1* (Ky. PSC Nov. 1, 2024) final Order; Case No. 2025-00324, *Electric Purchased Water Adjustment Filing of Hardin County Water District #1* (Ky. PSC Oct. 31, 2025) final Order.

¹² 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.

Description / Year	Audited 2021	Audited 2022	Audited 2023	Audited 2024	Audited 2025
<i>Adjusted Net Income</i>					
Net Income / (Loss)	\$ 548,751	\$ 641,634	\$ 1,175,589	\$ 1,591,857	\$ 264,360
Other Non-recurring Items ()	11,560	246,120	214,565	119,685	886,071
Non-Cash Pension and OPEB Expense / (Income)	767,540	-	-	-	-
Interest Expense	134,893	189,236	259,615	122,872	75,209
Adjusted Net Income / (Loss)	1,462,744	1,076,990	1,649,769	1,834,414	1,225,640
Interest Expense ()	(134,893)	(189,236)	(259,615)	(122,872)	(75,209)
Principal Payments ()	(798,500)	(760,000)	(495,000)	(528,848)	(557,260)
Subtract: Total Debt Service ()	(933,393)	(949,236)	(754,615)	(651,720)	(632,469)
Rate-Based Income (Excludes Working Capital of 20%)	529,351	127,754	895,154	1,182,694	593,171
Add: Depreciation and Amortization Expense	1,965,640	1,968,969	2,487,985	2,819,213	2,891,656
Cash Basis Income	\$ 2,494,991	\$ 2,096,723	\$ 3,383,139	\$ 4,001,907	\$ 3,484,827
Rate Based Income as Percent of Water Sales	5%	1%	8%	11%	5%
Cash Basis Income as Percent of Depreciation	127%	106%	136%	142%	121%
Capital Spending	\$ 15,751,521	\$ 5,138,268	\$ 5,010,047	\$ 4,026,910	\$ 3,341,524
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 5,032,530	\$ 3,431,854	\$ 3,755,102	\$ 5,007,370	\$ 18,476,668
Restricted Funds	1,503,273	1,428,739	1,445,518	1,515,250	172,962
Adjusted Cash Balances	\$ 6,535,803	\$ 4,860,593	\$ 5,200,620	\$ 6,522,620	\$ 18,649,630
Net Increase (Decrease) in Cash	\$ (13,156,096)	\$ (1,675,210)	\$ 340,027	\$ 1,322,000	\$ 12,127,010
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	10,702	10,822	11,327	11,381	11,388
Gallons Produced	1,059,356	1,280,462	1,578,303	1,764,461	1,809,801
Gallon Purchased	784,333	672,378	473,512	275,760	285,721
Total Gallons Produced and Purchased	1,843,689	1,952,840	2,051,815	2,040,221	2,095,522
Gallons Sold	1,734,748	1,813,327	1,957,572	1,936,903	1,968,236
Gallons Used for Internal Use	39,236	41,234	36,360	46,913	63,711
Water Loss Gallons	69,705	98,279	57,883	56,405	63,575
System Use Percentage	2.1281%	2.1115%	1.7721%	2.2994%	3.0403%
Water Loss Percentage	3.7807%	5.0326%	2.8211%	2.7647%	3.0339%
Gallons Sold Per Customer Per Month	13,508	13,963	14,402	14,182	14,403
Revenues from the Sale of Water	\$ 10,803,836	\$ 9,862,939	\$ 10,812,815	\$ 10,948,288	\$ 11,010,043
Purchased Water Expense	1,878,087	1,565,890	1,131,577	715,670	817,455
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%

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.¹³ A key recommendation from that proceeding was

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

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.¹⁴

Given this information, the Commission recommends that Hardin District #1 continue to monitor its operating performance annually and consider filing future rate cases 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 \$0.02 per 1,000 gallons. During the 12 month period ended May 31, 2026, Hardin District #1 purchased 181,023,000 gallons of water from Hardin District #2, 90,888,000 gallons of water from Louisville Water, and 260,000 gallons of water from U.S. Treasury, and sold 1,246,700,979 gallons of water to its customers.¹⁵ During the same 12 months period ended May 31, 2026, Hardin District #1 produced 1,094,889,931 gallons of water for sale to its customers.¹⁶ The increase in the cost of purchased water from Hardin District #2 and Louisville Water is \$13,610.61, resulting in a purchased water adjustment factor of \$0.02 per 1,000 gallons. No rate changes occurred from U.S. Treasury.

The purchased water adjustment factor of \$0.02 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 August 1, 2026, because the rates are supported by evidence of the increase

¹⁴ See Case No. 2019-00041, Nov. 22, 2019 final Order.

¹⁵ Application, 2026_HCWD_Purchase_Water_Adjust_Worksheet.pdf, PWA Form 1 at 2.

¹⁶ Application, 2026_HCWD_PWA_Exhibit_B_PWA_Calculations.pdf, PWA Calculations at 2.

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:

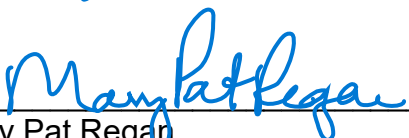
1. The purchased water adjustment factor of \$0.02 per 1,000 gallons is approved.
2. The rates proposed by Hardin District #1 are approved.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Hardin District #1 on and after August 1, 2026.
4. Within 20 days 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.

Entered on this 26th day of August, 2026.

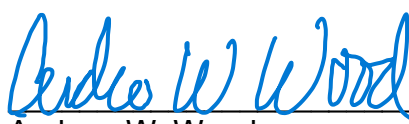
PUBLIC SERVICE COMMISSION



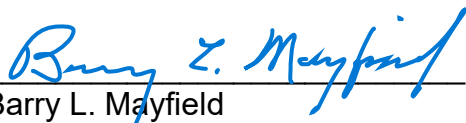
Angie Hatton
Chair



Mary Pat Regan
Vice Chair



Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

ATTEST:



Justin McNeil
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00209 DATED AUG 26 2026

	Base Rate	New Rate	Change
<u>U.S. Treasury Garrison</u>			
<u>Resource</u>			
Purchases in Gallons	260,000	260,000	
Rate per 1,000 Gallons	<u>\$3.35/1,000</u>	<u>\$3.35/1,000</u>	
Sub-total	\$871.00	\$871.00	\$0.00
 <u>Hardin District #2</u>			
Purchases in Gallons	181,023,000	181,023,000	
Rate per 1,000 Gallons	<u>\$2.91/1,000</u>	<u>\$2.94/1,000</u>	
Sub-total	\$526,776.93	\$532,207.62	\$5,430.69
 <u>Louisville Water</u>			
Purchases in Gallons	90,888,000	90,888,000	
Rate per 1,000 Gallons	<u>\$2.79/1,000</u>	<u>\$2.88/1,000</u>	
Subtotal	\$253,577.52	\$261,757.44	\$8,179.92
 Total	 \$781,225.45	 \$794,836.06	 \$13,610.61
Increased water cost		\$13,610.61	
Divided by Gallons sold/1,000		<u>1,246,700,979</u>	
Purchased water adjustment factor		\$0.0109	per 1,000 Gallons
		or \$ 0.00002	per Gallon approx.

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2026-00209 DATED AUG 26 2026

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.

<u>Monthly Water Rates</u>			
<u>All Meters</u>			
First	15,000 Gallons	\$0.00760	Per Gallon
Over	15,000 Gallons	\$0.00549	Per Gallon
Wholesale rate		\$0.00343	Per Gallon

Service List for Case 2026-00209

* 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