

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SHARPSBURG)
WATER DISTRICT FOR AN ADJUSTMENT) CASE NO. 2010-00128
OF WATER RATES)

ORDER

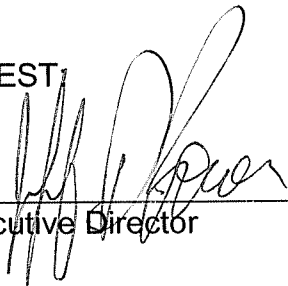
On March 24, 2010, Sharpsburg Water District (“Sharpsburg”) submitted its application for Commission approval of proposed water service rates and to eliminate a \$5 monthly surcharge assessed to each of the approximately 150 customers receiving service through the 1996 and 2004 construction projects funded by the Kentucky Department of Agriculture Rural Development. Commission Staff, having performed a limited financial review of Sharpsburg’s operations, has prepared the attached Staff Report containing Staff’s findings and recommendations regarding Sharpsburg’s application. All parties should review the report carefully and provide any written comments or requests for a hearing or informal conference no later than 10 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have no more than 10 days from the date of this Order to provide written comments regarding the attached Staff Report or requests for hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

By the Commission

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APR 23 2010
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST



Executive Director

STAFF REPORT
ON
SHARPSBURG WATER DISTRICT
CASE NO. 2010-00128

Pursuant to a request by Sharpsburg Water District ("Sharpsburg") for Commission Staff ("Staff") assistance with the preparation of an application for an adjustment of water service rates, Staff performed a limited financial review of Sharpsburg's test-year operations, the calendar year ended December 31, 2009. The scope of Staff's review was limited to obtaining information as to whether the test-year operating revenues and expenses were representative of normal operations. Known and measurable adjustments were made to test-year operations as allowed by 807 KAR 5:001, Section 10(7). Insignificant or immaterial discrepancies were not pursued and are not addressed herein. Upon completion of the review, Staff assisted Sharpsburg in the development and preparation of an application. On March 24, 2010, Sharpsburg filed the Application.

As stated in the application, Sharpsburg's revenue requirement from monthly water service rates is \$686,585, requiring a \$131,062, or 23.59 percent, increase over present rate revenue of \$555,523.¹ Sharpsburg requests that the increase be applied to its current monthly water service rates across the board evenly.² The requested rates will increase the monthly bill of a customer using 5,000 gallons through a 5/8" x 3/4" meter connection from \$32.15 to \$39.75, a \$7.60 increase.

¹ Application, Attachment B.

² Application, Attachment D.


In conjunction with its requested increase to monthly water service rates, Sharpsburg requests to eliminate a \$5 monthly surcharge that is currently assessed to approximately 150 residential customers receiving service through water main extension projects constructed in 1996 and 2004 that were funded by Rural Development. During the test year, this surcharge produced \$9,055 in revenue. The revenue lost as a result of eliminating the surcharge will be replaced, in full, by the requested increase in the monthly water service rates. Sharpsburg's monthly water service rates for all residential customers will be uniform after elimination of the surcharge.

After reviewing Sharpsburg's financial information, Staff finds that:

1. Sharpsburg's proposed adjusted operating statement, as presented in its application, is reflective of normal operations and should be used to determine Sharpsburg's revenue requirement;
2. It is appropriate to apply the necessary increase across the board evenly to all monthly water service rates;
3. The monthly water service rates proposed by Sharpsburg, as shown in Attachment A, will produce Sharpsburg's revenue requirements;
4. It is appropriate to eliminate the \$5 monthly surcharge; and
5. The Commission should approve all the requests included in Sharpsburg's application.

Eddie Beavers is responsible for all revenue adjustments and calculation of the proposed water service rates. Scott Lawless is responsible for the determination of the revenue requirement.

Signatures



Prepared by: Jack Scott Lawless, CPA
Manager, Financial Audit Branch
Division of Financial Analysis



Prepared by: Eddie Beavers
Rate Analyst, Communications, Water,
and Sewer Rate Design Branch
Division of Financial Analysis

ATTACHMENT A
STAFF REPORT CASE NO. 2010-00128
STAFF'S RECOMMENDED WATER SERVICE RATES

Monthly Water Rates

5/8" x 3/4" Meter

First	2,000	gallons	\$23.31 minimum bill
Next	3,000	gallons	5.48 per 1,000 gallons
Next	5,000	gallons	4.86 per 1,000 gallons
Over	10,000	gallons	4.61 per 1,000 gallons

1" Meter

First	5,000	gallons	\$39.73 minimum bill
Next	5,000	gallons	4.86 per 1,000 gallons
Over	10,000	gallons	4.61 per 1,000 gallons

2" Meter

First	16,000	gallons	\$91.68 minimum bill
Over	16,000	gallons	4.61 per 1,000 gallons

Schools

First	50,000	gallons	\$248.42 minimum bill
Over	50,000	gallons	4.61 per 1,000 gallons

Bulk Loading Station

\$9.00 per 1,000 gallons

Ms. Gayle Haney
Manager/Distribution Operator
Sharpsburg Water District
667 Main St, Suite 2
P. O. Box 248
Sharpsburg, KY 40374