

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING FOR SHARPSBURG	)	2025-00366
WATER DISTRICT	)	

ORDER

On November 18, 2025, Sharpsburg Water District (Sharpsburg 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.<sup>1</sup> On November 18, 2025, the Commission notified Sharpsburg District that its application was rejected for certain filing deficiencies. On November 20, 2025, Sharpsburg District submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of November 20, 2025.

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

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<sup>1</sup> KRS 278.015: When a wholesale supplier selling water to a water district increases its rates, the water district shall have the authority to increase its rates. Within twenty (20) days after any such increase in rates, the district shall file its revised tariffs with the commission, together with a copy of the notice from its wholesale supplier showing the increase in the rate charged to the utility, and a statement of the volume of purchased water used to calculate the increase in rates. The commission shall approve the filing or establish revised rates by order no later than thirty (30) days after the above documents are filed with it. Prior to or at the time of the first billing of the new rates, the district shall give notice to its customers of the increase.

water used to calculate the rate adjustment. The Commission shall approve the filing by order after the above documents are filed.

### DISCUSSION AND FINDINGS

Sharpsburg District purchases water from Bath County Water District (Bath District) and the city of Carlisle (Carlisle). Bath District notified Sharpsburg District that its wholesale rate would increase by \$0.39, or 6.84 percent, from \$5.70 per 1,000 gallons to \$6.09 per 1,000 gallons, effective December 15, 2025.<sup>2</sup> Sharpsburg District proposed to increase the water rates to its customers effective December 15, 2025, to reflect the increased cost of purchased water from Bath District. Carlisle proposed no changes to its water rates.

#### 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, Sharpsburg District reported a water loss of 16.2030 percent.<sup>3</sup> In its 2023 Annual Report filed with the Commission, Sharpsburg District reported a water loss of 20.8909 percent.<sup>4</sup> In its 2024 Annual Report filed with the Commission, Sharpsburg District reported a water loss of

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<sup>2</sup> TFS2025-00508 (Ky. PSC November 13, 2025); Bath District submitted the tariff on November 13, 2025, and the tariff was accepted for filing by the Commission by letter dated December 9, 2025, with an effective date of December 15, 2025.

<sup>3</sup> *Annual Report of Sharpsburg District to the Public Service Commission for the Year Ended December 31, 2022* (2022 Annual Report) at 57.

<sup>4</sup> *Annual Report of Sharpsburg District to the Public Service Commission for the Year Ended December 31, 2023* (2023 Annual Report) at 57.

16.6071 percent.<sup>5</sup> Sharpsburg District's three-year water loss average is 17.9003 percent.<sup>6</sup> The approximate annual cost of Sharpsburg District's water loss, based on a three-year average, is \$112,057.56.<sup>7</sup>

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

#### Financial Condition and Rates

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.<sup>8</sup> A key recommendation from that proceeding was 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.<sup>9</sup> Based on a review of Commission records, Sharpsburg District last sought an alternative rate adjustment in

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<sup>5</sup> *Annual Report of Sharpsburg District to the Public Service Commission for the Year Ended December 31, 2024* (2024 Annual Report) at 57.

<sup>6</sup>  $16.2030 + 20.8909 + 16.6071 = 53.7010 / 3 \text{ years} = 17.9003\%$ .

<sup>7</sup> Total water cost at new wholesale rate of \$626,009.37 times 17.9003% water loss equals \$112,057.56.

<sup>8</sup> See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), final Order.

<sup>9</sup> See Case No. 2019-00041, Nov. 22, 2019 final Order.

2022,<sup>10</sup> in Case No. 2022-00348, which became final on May 15, 2023, and reflected a required revenue increase of \$159,111 or 17.64 percent.<sup>11</sup>

Based upon a review of the annual and audit reports filled with the Commission, Sharpsburg District's rate-based income, or adjusted net income minus principal payments, was negative all five years but improved in 2023 and 2024 as a result of the approved rate increase. Cash basis income, or rate-based income plus depreciation, was negative in 2021 and positive all other years. A chart summarizing cash basis and rate-based income is presented below.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Audited 2024
<i>Adjusted Net Income</i>					
Net Income / (Loss) before Contributions	\$ (56,948)	\$ (118,652)	\$ (73,160)	\$ 17,778	\$ 222,177
Less: Tap fees, Other Non Recurring ( )	-	-	-	-	(167,759)
<b>Adjusted Net Income / (Loss) before Contributions</b>	<b>\$ (56,948)</b>	<b>\$ (118,652)</b>	<b>\$ (73,160)</b>	<b>\$ 17,778</b>	<b>\$ 54,418</b>
Subtract: Principal Payments ( )	(45,900)	(48,300)	(50,600)	(52,500)	(57,400)
<b>Rate Based Income</b>	<b>\$ (102,848)</b>	<b>\$ (166,952)</b>	<b>\$ (123,760)</b>	<b>\$ (34,722)</b>	<b>\$ (2,982)</b>
Add: Depreciation Expense	133,791	133,792	133,783	132,109	132,389
<b>Cash Basis Income</b>	<b>\$ 30,943</b>	<b>\$ (33,160)</b>	<b>\$ 10,023</b>	<b>\$ 97,387</b>	<b>\$ 129,407</b>
Cash Basis Income as Percent of Depreciation	23%	-25%	7%	74%	98%
Capital Spending	\$ -	\$ -	\$ -	\$ -	\$ 167,759
<i>Cash and Investments</i>					
Unrestricted Cash and Investments	\$ 280,200	\$ 242,793	\$ 248,108	\$ 321,354	\$ 450,720
Restricted Funds	224,170	161,337	236,407	239,803	243,378
Adjusted Cash Balances	504,370	404,130	484,515	561,157	694,098
Net Increase (Decrease) in Cash	\$ 17,334	\$ (100,240)	\$ 80,385	\$ 76,642	\$ 132,941
<i>Selected Statistical Information (PSC Annual Reports)</i>					
Customer Count	1,515	1,560	1,556	1,576	1,608
Gallons Purchased	106,026	110,655	111,097	116,046	120,960
Gallons Sold	83,733	83,330	89,106	88,397	94,826
Gallons Used for Internal Use	1,654	1,808	3,990	3,406	6,046
Water Loss Gallons	20,639	25,517	18,001	24,243	20,088
System Use Percentage	1.56%	1.63%	3.59%	2.94%	5.00%
Water Loss Percentage	19.4660%	23.0600%	16.2030%	20.8909%	16.6071%

<sup>10</sup> See Case No. 2022-00348 *Electronic Application of Sharpsburg Water District for Rate Adjustment Pursuant to 807 KAR5:076* (Ky. PSC May 15, 2023), final Order.

<sup>11</sup> See Case No. 2022-00348, May 15, 2023 final Order.

Given this information, the Commission recommends that Sharpsburg District 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, Sharpsburg District proposed a purchased water adjustment factor of \$0.39 per 1,000 gallons. During the 12 months ended September 30, 2025, Sharpsburg District purchased 102,793,000 gallons of water from Bath District and 28,100,100 gallons of water from Carlisle and sold 103,002,900 gallons of water to its customers. The increase in the cost of purchased water from Bath District is \$40,089.27, resulting in a purchased water adjustment factor of \$0.39 per 1,000 gallons. No rate changes occurred from Carlisle.

The purchased water adjustment factor of \$0.39 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 Sharpsburg District on and after December 15, 2025, because the rates are supported by evidence of the increase in rates from Sharpsburg 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 purchased water adjustment factor of \$0.39 per 1,000 gallons is approved.
2. The rates proposed by Sharpsburg District are approved.


3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Sharpsburg District on and after December 15, 2025.

4. Within 20 days of the date of service of this Order, Sharpsburg District 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.

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PUBLIC SERVICE COMMISSION

  
Chairman

  
Commissioner

  
Commissioner

ATTEST:

  
Executive Director



Case No. 2025-00366

## APPENDIX A

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00366 DATED DEC 17 2025

	Base Rate	New Rate	Change
<u>Bath District</u>			
Purchases in Gallons	102,793,000	102,793,000	
Rate per 1,000 Gallons	<u>\$5.70/1,000</u>	<u>\$6.09/1,000</u>	
Subtotal	\$585,920.10	\$626,009.37	\$40,089.27
 <u>Carlisle</u>			
Purchases in Gallons	28,100,100	28,100,100	
Rate per 1,000 Gallons	<u>See Below<sup>1</sup></u>	<u>See Below</u>	
Sub-total	\$57,305.56	\$57,305.56	no change
 Total	 \$643,225.66	 \$683,314.93	
 Increased water cost			 \$40,089.27
 Increased water cost		 \$40,089.27	
Divided by Gallons			
sold/1,000		<u>103,002,100</u>	
Purchased water adjustment			per 1,000
factor		\$0.39	Gallons
		or \$ 0.00039	per Gallon

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		GALLONS	RATE	REVENUE
FIRST	1,000	12,000	\$14.91	\$178.92
NEXT	4,000	48,000	5.08	243.84
NEXT	5,000	60,000	3.92	235.20
NEXT	5,000	60,000	2.73	163.80
NEXT	10,000	120,000	2.53	303.60
NEXT	25,000	300,000	2.10	630.00
NEXT	50,000	27,500,100	2.02	55,550.20
TOTAL		28,100,100		\$57,305.56



## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00366 DATED DEC 17 2025

The following rates and charges are prescribed for the customers in the area served by Sharpsburg 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	\$36.15	Minimum Bill
Next	3,000 Gallons	0.01042	Per Gallon
Next	5,000 Gallons	0.00965	Per Gallon
Over	10,000 Gallons	0.00936	Per Gallon

##### 1-Inch Meter

First	5,000 Gallons	\$67.52	Minimum Bill
Next	5,000 Gallons	0.00965	Per Gallon
Over	10,000 Gallons	0.00936	Per Gallon

##### 2-Inch Meter

First	16,000 Gallons	\$172.09	Minimum Bill
Over	16,000 Gallons	0.00936	Per Gallon

Bulk Loading Station	0.01300	Per Gallon
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\*Ms. Gayle Haney  
Manager/Distribution Operator  
Sharpsburg Water District  
16 East Mill Street  
P. O. Box 248  
Sharpsburg, KY 40374

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16 East Mill Street  
P. O. Box 248  
Sharpsburg, KY 40374