

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF SHARPSBURG)	2025-00198
WATER DISTRICT)	

ORDER

On June 17, 2025, Sharpsburg Water District (Sharpsburg District) tendered an application requesting approval to adjust its rates pursuant to the purchased water adjustment procedure set forth in KRS 278.015 and 807 KAR 5:068. On June 24, 2025, the Commission notified Sharpsburg District that its application was rejected for certain filing deficiencies. On June 25, 2025, Sharpsburg District submitted further documentation to correct the filing deficiencies, and the application was deemed filed as of June 25, 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 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 \$1.46 per 1,000 gallons from \$4.24 per 1,000 gallons to \$5.70 per 1,000 gallons,¹ effective July 15, 2025.² Sharpsburg District proposed to increase the water rates to its customers effective July 15, 2025,³ to reflect the increased cost of purchased water from Bath District.

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.⁴ In its 2023 Annual Report filed with the Commission, Sharpsburg District reported a water loss of 20.8909 percent.⁵ In its 2024 Annual Report filed with the Commission, Sharpsburg District reported a water loss of

¹ Case No. 2025-00187, *Electronic Purchased Water Adjustment Filing of Bath County Water District*, (filed June 27, 2025), Amended Application, amended_wholesale_notice.pdf at 1.

² Case No. 2025-00187, (Ky. PSC July 24, 2025), final Order.

³ Amended_PWA_Case__2025-00198.pdf, at unnumbered page 4.

⁴ *Annual Report of Sharpsburg District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

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

16.6071 percent.⁶ Sharpsburg District's three-year water loss average is 17.9003%.⁷ The approximate cost of Sharpsburg District's total water loss using a three-year average is \$112,956.81.⁸

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The Commission encourages Sharpsburg District to continue to pursue reasonable actions to reduce its unaccounted-for water loss.

Financial Condition and Rates

Based on a review of Commission records, Sharpsburg District last sought an alternative rate adjustment in Case No. 2022-00348.⁹ In that case, the Commission authorized an increase to Sharpsburg District's rates of \$159,111 or 17.64 percent.¹⁰ Sharpsburg District has not requested another rate adjustment since the last alternative rate filing adjustment mentioned above. All other rate adjustments since Case 2022-00348 were a result of purchase water adjustments.

Although Sharpsburg District received approval for a rate increase in May 2023, based upon a review of the annual and audit reports filed with the Commission, Sharpsburg District's rate based income, or adjusted net income minus principal

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

⁷ $16.2030\% + 20.8909\% + 16.6071\% = 53.7010 / 3 \text{ years} = 17.9003\%$.

⁸ Total water cost at new wholesale rate of \$631,033.03 times 17.9003% water loss equals \$112,956.81.

⁹ Case No. 2022-00348, *Application of Sharpsburg Water District for an Alternative Rate Adjustment* (Ky. PSC May 15, 2023), final Order.

¹⁰ See Case No. 2022-00348, May 15, 2023 final Order.

payments, was negative from 2020 through 2024. Cash basis income, or rate based income plus depreciation, was negative in 2021 but improved in 2022 through 2024 because of the rate increase in 2023. A chart summarizing cash basis and rate based income is presented below.

Description / Year	Audited 2020	Audited 2021	Audited 2022	Audited 2023	Audited 2024
Adjusted Net Income					
Net Income / (Loss) before Contributions	\$ (56,948)	\$ (118,652)	\$ (73,160)	\$ 17,778	\$ 222,177
Less: Tap fees, Other Non Recurring ()	-	-	-	-	(167,759)
Adjusted Net Income / (Loss) before Contributions	\$ (56,948)	\$ (118,652)	\$ (73,160)	\$ 17,778	\$ 54,418
Subtract: Principal Payments ()	(45,900)	(48,300)	(50,600)	(52,500)	(57,400)
Rate Based Income	\$ (102,848)	\$ (166,952)	\$ (123,760)	\$ (34,722)	\$ (2,982)
Add: Depreciation Expense	133,791	133,792	133,783	132,109	132,389
Cash Basis Income	\$ 30,943	\$ (33,160)	\$ 10,023	\$ 97,387	\$ 129,407
Cash Basis Income from Operations as Percent of Deprecia	23%	-25%	7%	74%	98%
Capital Spending	\$ -	\$ -	\$ -	\$ -	\$ 167,759
Cash and Investments					
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
Selected Statistical Information (PSC Annual Reports)					
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%
Gallons Sold Per Customer Per Month	4,606	4,451	4,772	4,674	4,914
Revenue	\$ 831,429	\$ 866,577	\$ 913,940	\$ 1,039,591	\$ 1,168,064
Purchased Water Expense	343,748	372,328	392,489	407,340	442,652
Purchased Water Expense Over 15% Water Loss	15,352	30,009	4,721	23,996	7,114
Water Loss Expense Over 15% as Percentage of Total Revenue	1.8465%	3.4629%	0.5166%	2.3082%	0.6090%

The Commission finds that Sharpsburg District should monitor its operating performance annually and file 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 \$1.50 per 1,000 gallons. Upon review of the information submitted with the application, during the 12 months ended April 30, 2025, Sharpsburg District purchased 101,560,000 gallons of water from Bath District and 25,543,400 gallons of water from Carlisle and sold 98,474,800 gallons of water to its customers. In contrast to the calculation set forth in the application, the increase in the cost of purchased water from Bath District is \$148,277.60, resulting in a purchased water adjustment factor of \$1.51 per 1,000 gallons. No rate changes occurred from Carlisle.

The Commission finds that the proposed purchased water adjustment factor of \$1.50 be rejected in favor of a purchased water adjustment factor of \$1.51 per 1,000 gallons, as calculated in Appendix A and the rates set forth in Appendix B to this Order be adopted as fair, just and reasonable and should be approved for water service rendered by Sharpsburg District on and after July 15, 2025. These 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 rates proposed by Sharpsburg District are denied.
2. The purchased water adjustment factor of \$1.51 per 1,000 gallons is 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 July 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



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00198 DATED JUL 25 2025

	Base Rate	New Rate	Change
<u>Bath District</u>			
Purchases in Gallons	101,560,000	101,560,000	
Rate per 1,000 Gallons	<u>\$4.24/1,000</u>	<u>\$5.70/1,000</u>	
Subtotal	\$430,614.40	\$578,892.00	\$148,277.60
<u>Carlisle</u>			
Purchases in Gallons	25,543,400	25,543,400	
Rate per 1,000 Gallons	<u>See Below¹</u>	<u>See Below</u>	
Sub-total	\$52,141.03	\$52,141.03	no change
Total	\$482,755.43	\$631,033.03	
Increased water cost			\$148,277.60
Increased water cost		\$148,277.60	
Divided by Gallons sold/1,000		<u>98,474,800</u>	
Purchased water adjustment factor		\$1.5057	per 1,000 Gallons
		or \$ 0.00151	per Gallon

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		BILLS	GALLONS	RATE	REVENUE
FIRST	1,000	12	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		24,943,400	2.02	50,385.67
TOTAL		12	25,543,400		\$52,141.03

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2025-00198 DATED JUL 25 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	\$35.37	Minimum Bill
Next	3,000 Gallons	0.01003	Per Gallon
Next	5,000 Gallons	0.00926	Per Gallon
Over	10,000 Gallons	0.00897	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$65.57	Minimum Bill
Next	5,000 Gallons	0.00926	Per Gallon
Over	10,000 Gallons	0.00897	Per Gallon

2-Inch Meter

First	25,000 Gallons	\$165.85	Minimum Bill
Over	25,000 Gallons	0.00897	Per Gallon

Bulk Loading Station

0.01250	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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P. O. Box 248
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