

Sharpsburg Water District
PO Box 248
16 East Mill Street
Sharpsburg, Kentucky 40374

March 22, 2010

Jeff Derouen, Executive Director
Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602

RECEIVED

MAR 24 2010

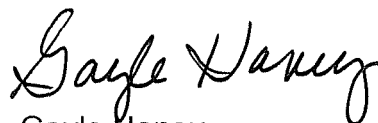
PUBLIC SERVICE
COMMISSION

2010-00128

Dear Mr. Derouen:

Please accept for filing the enclosed application of Sharpsburg Water District seeking approval to adjust its water service rates. Enclosed you will find the original application and four copies. Due to the expense of producing additional copies, we request a deviation from the requirement of filing 11 copies. A copy of the petition has also been forwarded to the Attorney General's Office at Office of the Attorney General, Office of Rate Intervention, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.

Sincerely,



Gayle Haney
Manager

COMMONWELATH OF KENTUCKY

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

RECEIVED

MAR 24 2010

PUBLIC SERVICE COMMISSION

In the Mater of:

AN ADJUSTMENT OF WATER RATES OF)
THE SHARPSBURG WATER DISTRICT)

CASE NO. 2010-00128

Comes the Applicant, Sharpsburg Water District, pursuant to KRS 278.180 and 807 KAR 5:001, Sections 8 and 10, gives notice to the Kentucky Public Service Commission of its intent to increase its water rates so as to raise in total additional annual revenues the principal sum of \$131,060, a 23.59 percent increase over pro forma present rate revenues. In conjunction with the rate phase-in plan Knox requests to eliminate the \$5 monthly surcharge assessed to each of the approximately 150 customers receiving service through the 1996 and 2004 construction projects funded by Rural Development. In support of this application, Applicant files the following information as required by the applicable KAR as so stated.

Sharpsburg further requests that the Commission process its application and approve the requested rates as expeditiously as possible. In recent years Sharpsburg has seen its cash reserves depleted to the point that it fears not having funds sufficient to make the principal and interest payments on its long-term debt that will become due at the end of 2010. The requested rate relief will ensure that sufficient funds are available and Sharpsburg will be able to replenish its cash reserves in the coming years.

807 KAR 5:001:

Section 8(1)

Pursuant to KRS 278.180, Applicant with the mailing address of Sharpsburg Water District P.O. Box 248 Sharpsburg, Kentucky 40374, is hereby requesting that the Commission allow it to increase its rates charged for water service.

Section 8(2)

This regulation requires that the original and eleven (11) copies of the application be filed with the Commission. 807 KAR 5:001, Section 14 allows that in special cases, for good cause shown, the commission may permit deviations from this rule. Sharpsburg requests a deviation and has filed the original and four (4) copies of its application. The reduction in copies will reduce Sharpsburg's copying costs and mailing cost and will provide the Commission with sufficient copies for the main case file and all team members assigned to Sharpsburg's case.

Section 10(1)(b)(1)

The rate adjustment is needed to provide financial resources to pay operating costs and service long-term debt.

Section 10(1)(b)(2)

Applicant has filed its 2008 annual report with the Commission as well as annual reports for all prior years of operation.

Section 10(1)(b)(3)

Applicant is a water district organized pursuant to KRS Chapter 74 and has no articles of incorporation.

Section 10(1)(b)(4) and (5)

Applicant is not a limited partnership.

Section 10(1)(b)(6)

A certified copy of a certificate of assumed name is not necessary in this instance.

Section 10(1)(b)(7)

The proposed tariffs are attached hereto as Attachment E.

Section 10(1)(b)(8)

A comparison of the present and proposed tariffs is attached hereto as Attachment F.

Section 10(1)(b)(9)

Applicant has provided notice to its customers as required by 807 KAR 5:001, Sections (3) and (4). In meeting this requirement, a typewritten notice was mailed to all customers no later than the date the application was filed with the Commission. A copy of the notice and affidavit of delivery is included herewith as Attachment G.

Section 10(2)

30 day prior notice to the Public Service Commission is not required. The gross annual revenues of the Applicant do not exceed \$1,000,000.

Section 10(6)(a)

A complete description and quantified explanation for all proposed adjustments to test year operations is included as a part of this application at Attachment A, Sharpsburg's Adjusted Operating Statement. As shown on this statement, Sharpsburg chose to use the calendar year ended 2009 as its test year upon which to calculate its revenue requirement. At the time this application was prepared, Sharpsburg's 2009 annual audit had not been completed and therefore no audit adjustments are reflected in Sharpsburg's 2009 general ledger income statement accounts as shown in Column B of Attachment A. These amounts are stated on a cash basis. The adjustments in Column C were necessary to restate revenues and expenses to a modified accrual basis. The amounts shown in Column E represent the adjusted test year revenues and expenses as restated on a modified accrual basis. To restate the modified accrual basis revenues and expenses to a full accrual basis, additional adjustments would be

required reversing prior period accrued accounts payables and accruing test year ended accounts payables. These additional adjustments would not have a material effect on the revenues and expenses as stated using the modified accrual method and have therefore not been made. Column F includes adjustments that are necessary for ratemaking purposes. Column H represents the pro forma present rate revenues and expenses upon which Sharpsburg calculated its revenue requirement.

Section 10(6)(b) and (c)

No testimony is required. Applicant's gross annual revenues do not exceed \$1,000,000. Applicant does not intend to submit testimony.

Section 10(6)(d)

The proposed rates will produce additional annual revenues of \$131,060.

Section 10(6)(e)

The impact of the rate increase is included in the public notice as shown in Attachment G.

Section 10(6)(f)

Applicant is not a local exchange company.

Section 10(6)(g)

This section requires that an analysis of customers' bills in such detail that revenues from the present and proposed rates can be readily determined for each customer class. Sharpsburg requests a deviation from this requirement. Sharpsburg believes that a billing analysis is not necessary in this instance since an "across the board" rate increase has been requested with no change to the current rate design.

The primary purpose of a billing analysis is to verify that a new rate design will produce the revenue requirement found appropriate. Sharpsburg does not request a change in rate design in this Application making a billing analysis unnecessary for this purpose. A secondary benefit of a billing analysis is to verify the accuracy of test year reported revenues. Because a billing analysis was not available to verify the accuracy of reported test year revenues, Sharpsburg performed a different test of revenues.

As discussed in Attachment A, Reference Item A, Metered Sales were reported during the test year on a cash basis in the amount of \$583,862. Also discussed in Item A is the restated of this amount to \$548,770 to reflect test year monthly billings. These two amounts are reconciled at item A demonstrating that test year billings are supported by actual collections and are appropriately stated for ratemaking purposes.

Section 10(6)(h)

Applicant's revenue requirement was determined using a 120 percent debt service coverage as required by Sharpsburg's bondholder, Rural Development. The calculation is shown at Attachment B.

Section 10(6)(i)

Rate base and weighted cost of capital calculations were not performed as Applicant used a debt service coverage ratio to determine its revenue requirements.

Section 10(6)(j)

Applicant's chart of accounts is not more detailed than those contained in the applicable Uniform Systems of Accounts.

Section 10(6)(k)

An auditor's report with the required reports on internal controls was filed with the Commission along with Applicant's 2008 Annual Report.

Section 10(6)(l)

Applicant does not file with the Federal Energy Regulatory Commission.

Section 10(6)(m)

Applicant does not file with the Federal Energy Regulatory Commission.

Section 10(6)(n)

A formal depreciation study has never been performed by Sharpsburg. Sharpsburg requests recovery of depreciation expense in the amount of \$92,170 as discussed in Attachment A, Reference Item J.

Section 10(6)(o)

Microsoft Word and Excel were used to develop this application.

Section 10(6)(p)

No prospectus has even been prepared.

Section 10(6)(q)

All annual reports have been filed with the Commission.

Section 10(6)(r)

Applicant does not prepare monthly managerial reports.

Section 10(6)(s)

Applicant does not file with the Securities and Exchange Commission.

Section 10(6)(t)

Applicant had no transactions with affiliates during the test year or the two years previous.

Section 10(6)(u)

Applicant's revenues are less than \$5,000,000.

Section 10(6)(v)

Applicant is not a local exchange carrier.

Section 10(7)(a)

A pro forma operating statement is attached hereto as Attachment A.

Section 10(7)(b)

Applicant has not prepared a capital construction budget.

Section 10(7)(c)

There are no proposed pro forma adjustments reflecting plant additions.

Section 10(7)(d)

Applicant does not prepare monthly operating budgets.

Section 10(7)(e)

All revenue adjustments are detailed in Attachment B as attached hereto.

Section 10(3)(a)

The impact of the requested rates for incremental usages is shown in the public notice as shown in Attachment G.

Section 10(3)(b)

See Attachment F of this Application for a comparison of present and proposed rates.

Section 10(3)(c)

All rates will increase by approximately 24 percent.

Section 10(3)(d)

Applicant is not a local exchange company.

Section 10(4)

A copy of the customer notice is included at Attachment G. The notice was mailed directly to each customer's billing address..

Wherefore, Applicant asks that the Public Service Commission of the Commonwealth of Kentucky make its order authorizing Applicant to:

- 1) Increase its water rates so as to raise \$131,060 in additional annual revenues;
- 2) Eliminate the \$5 surcharge from its tariff; and
- 3) Allow for deviation from the requirements of;

- a) 807 KAR 5:001, Section 8(2); and
- b) 807 KAR 5:001, Section 10(6)(g).

Respectfully submitted,

Becky M. Ritchie
Chairman

Sharpsburg Water District
P.O. Box 248
Sharpsburg, Kentucky 40374

Attachment A
Sharpsburg Water District, Adjusted Operating Statement
Test Year Ended December 31, 2009

(Col. A)	Test Year From General Ledger Unaudited (Col. B)	Accounting Adjustments (Col. C)	Ref. (Col. D)	Test Year Restated (Col. E)	Ratemaking Adjustments (Col. F)	Ref. (Col. G)	Pro forma (Col. H)
Sales of Water							
Metered Sales	\$ 583,862	\$ (35,092)	(A)	\$ 548,770	\$ 4,610	(L)	\$ 553,380
Bulk Loading Station	2,143			2,143			2,143
Total Sales of Water	586,005	(35,092)		550,913	4,610		555,523
Other Operating Revenue							
Forfeited Discounts		2,016	(A)	2,016			2,016
Returned Check Service Charges	2,874	(1,850)	(B)	1,024			1,024
Reconnection Fees	1,800	1,150	(A)	2,950			2,950
Miscellaneous Income	33,893	(29,853)	(C)	4,040			4,040
Surcharge Revenues		9,055	(A)	9,055	(9,055)	(M)	-
Total Other Operating Revenues	38,567	(19,482)		19,085	(9,055)		10,030
Total Operating Revenues	624,572	(54,574)		569,998	(4,445)		565,553
Operating Expenses							
Backhoe Rental	6,880			6,880			6,880
Bank Service Charges	145			145			145
Dues and Subscriptions	634			634			634
Garbage Pick-up	220			220			220
Liability Insurance	13,376			13,376			13,376
Insurance Other	42,320			42,320			42,320
Licenses and Permits	1,777			1,777			1,777
Miscellaneous	1,583	(163)	(D)	1,420			1,420
Office Supplies	4,051			4,051			4,051
Salaries	208,345	(62,315)	(E)	146,030			146,030
Postage	8,636			8,636			8,636
Printing and Reproduction	459			459			459
Professional Fees - Accounting	4,725			4,725			4,725
Professional Fees - Legal	5,203	(5,203)	(F)	-			-
Professional Fees -Other	786			786			786
Computer Repairs	772			772			772
Equipment Repairs	408			408			408
Other Repairs	205			205			205
Returned Checks	1,850	(1,850)	(B)	-			-
Sales Tax	669	(669)	(A)	-			-
Sewer Usage	36			36			36
Supplies - Maintenance	19,741	(5,400)	(G)	14,341			14,341
Telephone	7,696			7,696			7,696
Travel	213			213			213
Uniform Rental	2,033			2,033			2,033
Utilities - Gas and Electric	13,604			13,604	(868)	(N)	12,736
Utility Tax	16,423	(16,423)	(A)	-			-
Water Purchased	260,041			260,041	4,610	(L)	264,651
				-	(18,526)	(N)	246,125
Water Sample	4,901			4,901			4,901
Payroll Taxes		11,584	(H)	11,584			11,584
Bad Debt Expense		4,719	(I)	4,719			4,719
Depreciation	1,320	90,850	(J)	92,170			92,170
Total Operating Expenses	629,052	15,130		644,182	(14,784)		629,398
Net Operating Income	(4,480)	(69,704)		(74,184)	10,339		(63,845)
Other Revenue							
Interest Income		779	(K)	779			779
Inventory Sales	2,431			2,431			2,431
Sewer Billing Fees	3,600			3,600			3,600
Income Available to Service Debt	\$ 1,551	\$ (68,925)		\$ (67,374)	\$ 10,339		\$ (57,035)

(A) Metered Water Sales. The metered sales reported in the general ledger were reported on a cash basis. The cash entries to this account included the collection of cash derived from monthly water service rates, sales taxes, school taxes, surcharge collections, forfeited discounts, and reconnection charges that were paid by check. For accounting purposes the metered water sales should be reported at the amount billed, not the cash basis, and should only include the revenue derived from the monthly water service rates. To properly account for water sales revenues, the test year cash basis amount was decreased by \$35,092. By making this adjustment test year revenues were restated to the amounts billed during the test year as shown in Sharpsburg's monthly billing journals. The calculation for this adjustment is shown below.

Month Billed	Total
Jan 2009	\$ 47,950
Feb 2009	41,877
Mar 2009	45,157
April 2009	43,787
May 2009	45,720
June 2009	48,933
July 2009	47,471
Aug 2009	47,063
Sept 2009	48,208
Oct 2009	41,660
Nov 2009	48,609
Dec 2009	44,477
Total, includes Buld Loading Stations Revenue	550,913
Less: Bulk Loading Station Revenue included in Billing Register	(2,143)
Test Year Billed Sales	548,770
Less: Cash Basis General Ledger	(583,862)
Adjustment to Sales of Water	\$ (35,092)

Generally a billing analysis is required when a change in rate design is requested. In these cases the test year customer usages included in the billing analysis are priced out using the proposed rate design and the resulting total revenues are then compared to the revenue requirement to ensure that the new rate design will produce the revenue requirement. As a secondary use, the billing analysis can be used to demonstrate that test year revenues are properly stated.

In this case Sharpsburg does not request a change in rate design. It simply requests that the revenue deficiency be allocated evenly, “across the board,” to all monthly water service rates. For this reason a billing analysis was not performed to support the proposed rates. Because a billing analysis was not prepared for this purpose, it is not available to demonstrate the appropriateness of the test year revenues from present rates. In the absence of the billing analysis Sharpsburg prepared the following reconciliation of revenues reported in its general ledger on a cash basis to the restated revenues taken from the monthly billing journals. This reconciliation demonstrates that the revenue from present rates are supported by the cash collections reported in Sharpsburg’s general ledger and that the billed revenues are then appropriate to use for ratemaking purposes.

Cash collections charged to Water Sales in General Ledger	\$ 583,862
Less: Surcharge Revenue	(9,055)
Sales Taxes	(669)
School Taxes	(16,423)
Forfeited Discounts	(2,016)
Reconnection Fees Paid by Check	(1,150)
Net decrease to Accounts Receivable from 1/1/09 to 12/31/09	<u>(3,444)</u>
Cash collections from monthly water sales adjusted for change in Accounts Receivable	551,106
Test year sales as taken from monthly billing registers	<u>548,770</u>
Difference, .4 percent	<u>\$ 2,335</u>

Surcharge Collections and Forfeited Discounts. The following schedule details the adjustments to test year revenues that are required to add back the surcharge collections and forfeited discounts that were removed by the metered sales adjustment shown above. Technically, the surcharge collections should not be reported as revenue on the income state but instead reported as a contribution in aid of construction on the balance sheet and used to reduce the annual debt service revenue requirement. However, its inclusion as other operating revenue has the same effect on the overall revenue requirement in this instance.

Monthly forfeited discounts and surcharge collections included in cash water sales revenue.			
		Forfeited Discounts	Monthly \$5 Surcharge
Jan 2009		\$ 227	\$ 780
Feb 2009		185	755
Mar 2009		160	755
April 2009		135	755
May 2009		149	750
June 2009		161	750
July 2009		156	750
Aug 2009		201	755
Sept 2009		167	755
Oct 2009		180	755
Nov 2009		164	755
Dec 2009		131	740
Total		\$ 2,016	\$ 9,055

Reconnection Fees. Reconnection fees in the amount of \$1,150 were eliminated by the previous adjustment to metered sales that should be added back as other operating revenue. Reconnection fees in the amount of \$1,800 paid by customers in cash were accounted for in the appropriate other operating revenue account; however, reconnection fees that were paid by check in the amount of \$1,150 were reported as metered water sales and were eliminated in the previous adjustment. This amount should be added back as other operating revenues.

Sales Taxes and Utility Taxes. Sharpsburg reported the collection and payment of sales taxes and "utility" (school) taxes as a revenue and expense, respectively. Sharpsburg simply acts as an agent for the taxing authorities. The sales tax and school tax collections and remittances are not revenues and expenses to Sharpsburg and have therefore not been added back and remain eliminated from the income statement.

(B) Returned Check Charges. During the test year Sharpsburg reported as revenue not only the amount charged by Sharpsburg for returned check charges but also the amount of the returned checks. The amount of the returned checks totaled \$1,850. To offset this portion of the revenue Sharpsburg also reported the amount of the returned checks as an expense. Instead of being shown on the income statement, the amount of the returned checks should have been accounted for in the cash account and accounts receivable account on the balance sheet. Therefore, revenues and expenses were reduced by the amount of the returned checks.

(C) Miscellaneous Income. During the test year Sharpsburg report two items as Miscellaneous Income that should be eliminated for accounting purposes. The first item was a \$23,078.23 deposit to the revenue account that was made after cashing a certificate of deposit. This item represents an inter-company transfer of funds and is not considered revenue to Sharpsburg. The other item is a \$6,774.35 reimbursement from Rural Development ("RD") for legal fees related to an RD funded construction project that was initiated in 2006. This item should have been recorded as a contribution in aid of construction. Test year Miscellaneous Income has been reduced by \$29,853 to properly account for these items.

(D) Miscellaneous Expense. During the test year Sharpsburg paid a total of \$163 for three separate payments for flowers. These purchases are not essential to Sharpsburg's delivery of potable water and should therefore be reported "below the line" and not included in the determination of rates. This amount was eliminated from operating expenses.

(E) Salaries. During the test year Sharpsburg inappropriately recorded a large portion of payroll taxes in the salaries and wages account resulting in a large overstatement of the salary and wage expense. This amount has been restated for accounting purposes. To determine the amount of the adjustment, the appropriate level of salaries was taken from employee payroll tax forms. Using this method the appropriate level of salaries and wages was determined to be \$151,430.

Furthermore, salaries and wages were reduced by \$5,400 to account for half of the cost capitalization for the 18 new meter connections that were installed by Sharpsburg employees during the test year. The total amount capitalized for new connections is \$10,800. The total amount was determined by multiplying the number of new connections by the amount of Sharpsburg's tap fee charge, \$600. Since Sharpsburg's tap fee charge is cost based (designed to recover all the costs to install a meter) it is appropriate to determine the total cost of the meter installations using this method.

Ideally, the total capitalization adjustment would be spread over all the different expense accounts that include costs related to the new meter connections such as wages, payroll taxes, employee benefits, materials and supplies, transportation costs,

etc.; however, for simplicity, the adjustment was split evenly between salaries and wages expense and materials and supplies expense. This simple method fairly represents the detailed method in all material respects and is appropriate.

The complete adjustment to salaries is presented below.

Gross Salaries paid during 2009	\$ 151,430
Less: Amount capitalized for new meter installation	(5,400)
Test year	<u>(208,345)</u>
Adjustment	<u>\$ (62,315)</u>

(F) Professional Fees - Legal. During the test year Sharpsburg expensed legal fees totaling \$5,203 that were related to a construction project. This amount should be capitalized as a part of the cost of the project and removed from expenses.

(G) Supplies – Maintenance. As discussed in reference item (E) supplies in the amount of \$5,400 were capitalized for new meter installations and eliminated from expenses.

(H) Payroll Taxes. This adjustment adds back into expenses the appropriate level of Sharpsburg's portion of employee payroll taxes that was erroneously included in the salaries expense account that was removed at reference item (E). The calculation of the adjustment is shown below.

Salaries and Wages	\$ 151,430
Times: FICA rate	7.65%
Adjustment	<u>\$ 11,584</u>

(I) Bad Debt Expense. Because test year revenues were stated on a cash basis in the general ledger bad debt expenses were not accrued in the general ledger. The adjustments made to the cash basis revenues at reference item (A) restates revenues to a modified accrual basis making the inclusion of bad debts appropriate. In its 2008 audit Sharpsburg stated bad debt expense at .86 percent of audited revenues. This rate is within the range generally accepted by the Commission. To determine the amount of bad debt expense to include in the test year, the audited percentage from 2008 was applied to the restated test year metered sales revenues as shown below.

Adjusted Test Year Metered Sales		\$	548,770
Times: Rate			0.86%
Adjustment		\$	4,719

(J) Depreciation. The depreciation expense reported in the general ledger for the test year of \$1,320 does not represent actual depreciation expense. It represents the cash transfers from the revenue fund to the depreciation fund. The proper test year depreciation expense is being calculated as a part of Sharpsburg's annual audit which is not yet complete. In lieu of the 2009 audited depreciation expense, Sharpsburg proposes to use the audited depreciation expense from the calendar year ended 2008 in its adjusted operating statement. It is Sharpsburg's opinion this amount fairly represents, in all material respects, the test year depreciation expense as there have been no major plant additions or retirements since the 2008 audit was prepared. The 2008 audited expense is \$92,170 as shown in Sharpsburg's 2008 annual report on file with the Public Service Commission.

(K) Interest Income. The test year income statement does not include the amount of interest income earned during the test year. This adjustment is necessary to properly account for interest income in the amount of \$779.33 that was earned on Sharpsburg's cash and investments during the test year.

(L) Metered Sales and Purchased Water. On February 2, 2010 in case no. 2010-00011, the Kentucky Public Service Commission approved a rate increase for Sharpsburg to pass through an increase in wholesale water costs paid to Bath County Water District. In that case it was determined that Sharpsburg's annual purchased water costs would increase by \$4,660.80 based on water purchases for the 12 months ending November 30, 2009. Sharpsburg's rates were increased so as to raise an additional \$4,660.80 to recover the exact amount of the increase in wholesale water costs.

To account for the additional revenues and expenses resulting from this increase in rates and wholesale water costs, Sharpsburg has increased test year revenues and purchased water expense by \$4,610 based on water sales and purchases during the test year ended December 31, 2009.

The calculation for the expense adjustment is shown below. The revenues will increase by the same amount based on the formula used by the Commission to calculate the rates approved in case no. 2010-00011.

Month	Gallons		Increase
	Purchased (000 Omitted)	Increase per 1,000 gal	
Jan 2009	5,858	\$ 0.06	\$ 351
Feb 2009	6,522	0.06	391
Mar 2009	7,261	0.06	436
April 2009	5,305	0.06	318
May 2009	5,682	0.06	341
June 2009	5,616	0.06	337
July 2009	7,612	0.06	457
Aug 2009	7,265	0.06	436
Sept 2009	7,447	0.06	447
Oct 2009	6,519	0.06	391
Nov 2009	5,644	0.06	339
Dec 2009	6,095	0.06	366
Total	76,826		\$ 4,610

(M) Surcharge Revenue. During the test year Sharpsburg assessed a \$5 per month surcharge to approximately 150 residential customers receiving service through main extensions that were constructed as a part of projects funded by Rural Development in 1996 and 2004. Test year surcharge collections totaled \$9,055.

As a part of this application Sharpsburg requests that it be allowed remove this surcharge from its tariff and cease collection of the surcharge. Accordingly, test year revenues have been adjusted to account for the discontinuance of the surcharge. In support of its request to eliminate the surcharge, Sharpsburg argues that elimination of the surcharge results in a uniform rate to be charged to all residential customers of the district and that the revenues lost due to the elimination of the surcharge will be replaced with revenues to be generated from the rates for service requested herein.

(N) Purchased Power for Pumping and Purchased Water / Excessive Water Loss. 807 KAR 5:016 Section 6(3) states, in part that, “for ratemaking purposes a utility’s unaccounted-for water loss shall not exceed fifteen percent of total water produced and purchased...an alternative level of reasonable unaccounted-for water loss may be established by the commission. A utility proposing an alternative level shall have the

burden of demonstrating that the alternative level is more reasonable than the level prescribed in this section.”

During the test year Sharpsburg’s water loss was 22 percent of purchases, or 7 percent above that allowed by regulation. This loss is generally attributed to small line leaks due to aged infrastructure and theft. The most notable infrastructure deficiency is in Sharpsburg’s high pressure, 12-mile, 8-inch diameter transmission main. A relatively small leak in this main will drain the storage tanks in approximately 30 minutes. Sharpsburg experienced numerous leaks in this main during 2008 and 2009. Repairs to this main and other problem transmission and distribution mains are anticipated to be completed within the next 18 months as a part of a construction project with an estimated cost in excess of \$1 million which will be funded by Rural Development.

Instead of requesting an alternative level of water loss in this application as allowed by the administrative regulation, Sharpsburg eliminates the cost of the water lost over the allowable 15 percent as well as the cost of pumping this water. Sharpsburg anticipates that the upcoming repairs will drastically reduce the excessive water loss and reduce these two expenses accordingly on a going forward basis.

Total Charged to Gas and Electric Account		\$	13,604
Less: Office Usage			(1,200)
Amount paid for pumping			12,404
Times: 7 percent (22 - 15)			7%
Amount Eliminated for Pumping Excessive Water Loss		\$	(868)
Test Year Purchased Water + Increased Wholesale Water Cost		\$	264,651
Times: 7 percent (22 - 15)			7%
Amount Eliminated for the Cost of the Excessive Water Loss		\$	(18,526)

Attachment B

Sharpsburg Water District, Determination of Revenue Requirement

Operating Expenses		\$ 629,398
Debt Service Principal and Interest, 5-year average		
See Attachment C		61,689
Debt Coverage at 20 percent		12,338
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Total Revenue Requirement		703,425
Less: Other Operating Revenues		(10,030)
Non-Operating Revenues		(6,810)
<hr/>		
Total Revenue Requirement from Rates		686,585
Less: Pro forma Present Rate Revenue		(55,523)
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Required Revenue Increase \$		\$ 131,062
Required Revenue Increase %		23.59%
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Attachment C

Sharpsburg Water District, Calculation of Five-Year Average Principal and Interest Payments

RD 1984				RD 1991			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2010	4,000	8,550	12,550	2010	7,000	12,425	19,425
2011	5,000	8,229	13,229	2011	8,000	12,050	20,050
2012	5,000	7,873	12,873	2012	8,000	11,650	19,650
2013	5,000	7,517	12,517	2013	8,000	11,250	19,250
2014	6,000	7,125	13,125	2014	9,000	10,825	19,825
RD 1996				RD 2007			
2010	5,100	10,802	15,902	2010	3,000	10,354	13,354
2011	5,300	10,568	15,868	2011	3,000	10,230	13,230
2012	5,600	10,323	15,923	2012	3,000	10,106	13,106
2013	5,800	10,067	15,867	2013	3,500	9,972	13,472
2014	6,100	9,799	15,899	2014	3,500	9,828	13,328
Total							
Year	Principal	Interest	Total				
2010	19,100	42,131	61,231				
2011	21,300	41,078	62,378				
2012	21,600	39,952	61,552				
2013	22,300	38,806	61,106				
2014	24,600	37,577	62,177				
Total			308,443				
Divide by: Five			5				
Five Year Average			61,689				

Attachment D

Sharpsburg Water District Comparison of Present and Proposed Rates

	Percentage		
	Current	Increase	Proposed
5/8" x 3/4"			
First 2,000	\$ 18.86	23.59%	\$ 23.31
Next 3,000	4.43	23.59%	5.48
Next 5,000	3.93	23.59%	4.86
Over 10,000	3.73	23.59%	4.61
1"			
First 5,000	32.15	23.59%	39.73
Next 5,000	3.93	23.59%	4.86
Over 10,000	3.73	23.59%	4.61
2"			
First 16,000	74.18	23.59%	91.68
Over 16,000	3.73	23.59%	4.61
Schools			
First 50,000	201.00	23.59%	248.42
Over 50,000	3.73	23.59%	4.61
Bulk Loading			
Per 1,000 gallons	7.25	24.14%	9.00
<p>Note: The rate for the bulk loading station was originally calculated to be \$8.96 (\$7.25 x 123.59%) per thousand. It was rounded to the nearest quarter of a dollar because the smallest coin accepted at the station is a quarter.</p>			

FOR _____
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

SHARPSBURG WATER DISTRICT
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

CONTENTS

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

\$9.00 per 1,000 gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

SHARPSBURG WATER DISTRICT
Community, Town, or City

SHARPSBURG WATER DISTRICT
Name of Issuing Corporation

P.S.C. No. _____

_____ Sheet No. _____

Cancelling P.S. C. No. _____

_____ Sheet No. _____

RATES AND CHARGES

5/8 x 3/4" Meter

First 2,000 gallons
Next 3,000 gallons
Next 5,000 gallons
~~Next~~ 10,000 gallons
OVER

Requested
23³¹
5⁴⁸
4⁸⁶
4⁶¹

Current

\$ ~~18.00~~ Minimum bill
~~4.48~~ per 1,000 gallons
~~3.98~~ per 1,000 gallons
~~3.78~~ per 1,000 gallons

1" Meter

First 5,000 gallons
Next 5,000 gallons
Over 10,000 gallons

30⁷³
4⁸⁶
4⁶¹

\$ ~~32.15~~ Minimum bill
~~3.98~~ per 1,000 gallons
~~3.78~~ per 1,000 gallons

2" Meter

First 16,000 gallons
Over 16,000 gallons

91⁶⁸
4⁶¹

\$ ~~74.10~~ Minimum bill
~~3.78~~ per 1,000 gallons

Schools

First 50,000 gallons
Over 50,000 gallons

248⁴²
4⁶¹

\$ ~~201.00~~ Minimum bill
~~3.78~~ per 1,000 gallons

~~A \$5.00 per month per customer debt service surcharge is added to the minimum bill for all 1996 and 2004 USDA/RD project customers.~~

Tank Truck Sales ^{9²⁸}~~7.50~~ per 1,000 gallons

DATE OF ISSUE _____
Month/Date/Year

DATE EFFECTIVE January 26, 2010
Month/Date/Year

ISSUED BY Bucky M. Ritchie
Signature of Officer

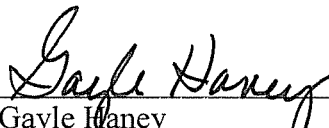
TITLE _____
Chairman

By Authority of Order of the Public Service Commission
In Case No. 2010-00011 Dated 2-2-2010

Affidavit

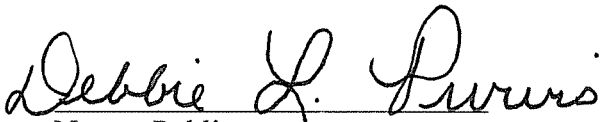
The affiant, Gayle Haney, Manager/Distribution Operator of Sharpsburg Water District, states that notices of the proposed rate increase to all of its customers were sent to customers via the U.S. Postal Service mail on Mar. 22, 2010, in compliance with 807 KAR 5:001, Section 10. A copy of the notice is attached.

Witness my hand this 22nd day of March, 2010.



Gayle Haney
Manager/Distribution Operator
Sharpsburg Water District

Subscribed and sworn before me this 22 day of March, 2010.



Notary Public

My commission expires: 3-22-12

NOTICE

Sharpsburg Water District has filed an application with the Public Service Commission to increase its rates for water service.

Monthly Rate:

<u>Current</u>			<u>Proposed</u>		<u>Rate</u>
First	2,000 Gallons	\$18.86	First	2,000	\$23.31 Minimum Bill
First	3,000 Gallons	4.43	First	3,000	5.48 per 1,000 gallons
First	5,000 Gallons	3.93	First	5,000	4.86 per 1,000 gallons
Over	10,000 Gallons	3.73	Over	10,000	4.61 per 1,000 gallons
Bulk Loading		7.25	Bulk Loading		9.00 per 1,000 gallons

	MONTHLY		MONTHLY	PERCENT
	BILL AT		BILL AT	INCREASE
MONTHLY	CURRENT		PROPOSED	OVER
<u>USAGE</u>	<u>RATE</u>		<u>RATE</u>	<u>CURRENT</u>
2,000	\$18.86		23.31	23.6%
5,000	32.15		39.75	23.6%
10,000	51.80		64.05	23.6%
20,000	89.10		110.15	23.6%
50,000	201.00		248.45	23.6%
100,000	387.50		478.95	23.6%
200,000	760.50		939.95	23.6%
300,000	1133.50		1400.95	23.6%

The rates contained in this notice are the rates proposed by the Sharpsburg Water District. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic, or person may request leave to intervene, by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from the District office at 16 East Mill Street, Sharpsburg, Kentucky 40374. Upon request from an intervenor, the District shall furnish to the intervenor a copy of the application and supporting documents.

Sharpsburg Water District