

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF SHARPSBURG)	2023-00279
WATER DISTRICT)	

ORDER

On September 14, 2023, 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.

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 from \$3.89 per 1,000 gallons to \$4.04 per 1,000 gallons,

effective August 15, 2023.¹ Sharpsburg District proposes to increase the water rates to its customers effective September 15, 2023, to reflect the increased cost of purchased water from Bath District. Carlisle did not propose any rate changes. Sharpsburg District proposes to increase the rate for Bulk Loading Station from \$10.80 to \$11.00 per 1,000 gallons because the machines that distribute bulk water, accept only quarter coins and U. S. currency bills.

In its application, Sharpsburg District provided a schedule of Current Rates and Proposed Rates and a separate Customer Notice with a rate schedule for the prior and proposed rates, in which the Bulk Loading Station rates are listed incorrectly.² The notice lists the current rate for Bulk Loading Station is listed as \$0.001089, when the rate should be listed as \$0.01089 per gallon. The proposed rate for Bulk Loading Station listed in the notice is \$0.0011 when the rate should be listed as \$0.01100 per gallon. Both incorrect rates have an extra leading zero and should be corrected by Sharpsburg District.

Unaccounted-for Water

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.³ Sharpsburg District's application provides

¹ Case No. 2022-00404, *Electronic Application of Bath County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Aug. 10, 2023); TFS2023-00386, Bath District submitted the tariff on August 29, 2023, with an effective date of August 15, 2023.

² Application at unnumbered pages 4–5 of 10.

³ *Annual Report of Sharpsburg District to the Public Service Commission for the Year Ended December 31, 2022* at 57.

updated purchase and sales information for the period of August 2022 through July 2023. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2022 Annual Report, Sharpsburg District's unaccounted-for water loss is 17.23 percent for the updated period.⁴ Reduction of Sharpsburg District's unaccounted-for water loss to 15 percent would result in an approximate \$8,981.59 decrease to purchased water expense.⁵ Potentially, Sharpsburg District is paying approximately \$0.10 per 1,000 gallons sold for expenses associated with unaccounted-for water loss in excess of the 15 percent threshold.⁶ The cost of Sharpsburg District's total water loss is \$69,395.84.⁷

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.

⁴ Total Purchases (application PWA Form 1 at 2)	115,141,400
Less Total Sales (application PWA Form 1 at 2)	91,170,100
Less Plant Use (% determined from 2022 Annual Report)	4,135,879
Water Loss – Gallons	19,835,421
Water Loss – Percent	17.23%

⁵ Water loss above 15% is 2.23%, potential purchased water expense reduction (Total water cost at new wholesale rate of \$402,761.72 x water loss above 15%) = \$8,981.59.

⁶ Potential purchased water expense reduction divided by sales (\$8,981.59/ (91,170,100/1,000)) = \$0.10 per 1,000 gallons.

⁷ Total water cost at new wholesale rate of \$402,761.72 x 17.23% water loss = \$69,395.84.

Financial Condition and Rates

Sharpsburg District's last general base rate adjustment in Case No. 2022-00348,⁸ filed pursuant to the Commission's order in Case No. 2021-00189,⁹ was finalized on May 15, 2023, and resulted in an increase in retail sales rates to Sharpsburg District's customers of \$159,111 or 17.64 percent.

Purchased Water Adjustment Factor

In its application, Sharpsburg District proposed a purchased water adjustment factor of \$0.15 per 1,000 gallons. During the 12 months ended July 31, 2023, Sharpsburg District purchased 89,636,000 gallons of water from Bath District and 25,505,400 gallons of water from Carlisle and sold 91,170,100 gallons of water to its customers. The increase in the cost of purchased water from Bath District is \$13,445.40, resulting in a purchased water adjustment factor of \$0.15 per 1,000 gallons. No rate changes occurred from Carlisle.

The purchased water adjustment factor of \$0.15 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 September 15, 2023, 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.

⁸ Case No. 2022-00348, *Electronic Application of Sharpsburg Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 15, 2023), final Order.

⁹ Case No. 2021-00189, *Electronic Purchased Water Adjustment Filing of Sharpsburg Water District* (Ky. PSC May 27, 2021), final Order.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.15 per 1,000 gallons is approved.
2. The rates proposed by Sharpsburg District are denied.
3. The rates as set forth in Appendix B to this Order are approved for water service rendered by Sharpsburg District on and after September 15, 2023.
4. Within 14 days of the date of service of this Order, Sharpsburg District shall republish a corrected notice in a newspaper of general circulation in its territory. The customer notice shall contain the information set forth in Appendix B of this Order.
5. 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.
6. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

Kent Chiles
Chairman

Angie Hatter *by KAC w/permission*
Vice Chairman

May Pat Regan
Commissioner

ENTERED
OCT 12 2023
rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Linda C. Bridwell
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00279 DATED OCT 12 2023

	Base Rate	New Rate	Increase
<u>Bath District</u>			
Purchases	89,636,000	89,636,000	
Wholesale rate	<u>\$ 3.89/1,000</u>	<u>\$ 4.04/1,000</u>	
	\$348,684.04	\$362,129.44	\$ 13,445.40
 <u>Carlisle</u>			
Purchases	25,505,400	25,505,400	
Wholesale rates	<u>see below¹</u>	<u>see below</u>	
	\$40,632.28	\$40,632.28	
Increased water cost			\$ 13,445.40
Increased water cost		\$ 13,445.40	
Divided by Gallons sold/1,000		<u>91,170,100</u>	
Purchased water adjustment factor		\$ 0.1474 per 1,000 Gallons	
			or \$ 0.00015 per Gallon

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First 1,000 gallons	\$14.91	12,000	\$178.92
Next 4,000 gallons	5.08	48,000	243.84
Next 5,000 gallons	3.92	60,000	235.20
Next 5,000 gallons	2.73	60,000	163.80
Next 10,000 gallons	2.53	120,000	303.60
Next 25,000 gallons	2.10	300,000	630.00
All over 50,000 gallons	2.02	19,246,000	<u>38,876.92</u>
TOTAL			\$40,632.28

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00279 DATED OCT 12 2023

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	\$ 31.95	Minimum Bill
Next	3,000	Gallons	\$ 0.00832	Per Gallon
Next	5,000	Gallons	\$ 0.00755	Per Gallon
Over	10,000	Gallons	\$ 0.00726	Per Gallon

1-Inch Meter

First	5,000	Gallons	\$ 57.02	Minimum Bill
Next	5,000	Gallons	\$ 0.00755	Per Gallon
Over	10,000	Gallons	\$ 0.00726	Per Gallon

2-Inch Meter

First	16,000	Gallons	\$ 138.49	Minimum Bill
Over	16,000	Gallons	\$ 0.00726	Per Gallon

Bulk Loading Station

\$ 0.01100	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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Sharpsburg, KY 40374