

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER	)	CASE NO.
ADJUSTMENT FILING OF SHARPSBURG	)	2024-00180
WATER DISTRICT	)	

ORDER

On June 15, 2024,<sup>1</sup> 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 city of Carlisle (Carlisle). Bath District notified Sharpsburg District that its wholesale rate would increase from \$4.04 per 1,000 gallons to \$4.24 per 1,000 gallons,

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<sup>1</sup> The application was tendered on June 13, 2024. Pursuant to 807 KAR 5:068, Section 4(2)(b), the application is deemed filed June 15, 2024.

effective July 15, 2024.<sup>2</sup> Carlisle proposed no changes to rates. Sharpsburg District proposes to increase the water rates to its customers effective July 15, 2024, 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 2021 Annual Report filed with the Commission, Sharpsburg District reported a water loss of 23.06 percent.<sup>3</sup> In its 2022 Annual Report filed with the Commission, Sharpsburg District reported a water loss of 16.20 percent.<sup>4</sup> In its 2023 Annual Report filed with the Commission, Sharpsburg District reported a water loss of 20.89 percent.<sup>5</sup> Sharpsburg District's three-year water loss average is 20.05 percent.<sup>6</sup> The cost of Sharpsburg District's total water loss during the updated period from May 2023 through April 2024 is approximately \$86,000.<sup>7</sup>

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold. The

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<sup>2</sup> Case No. 2024-00177, *Electronic Purchased Water Adjustment Filing of Bath County Water District* (Ky. PSC July 10, 2024).

<sup>3</sup> *Annual Report of Sharpsburg District to the Public Service Commission for the Year Ended December 31, 2021* at 57.

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

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

<sup>6</sup>  $23.0600\% + 16.2030\% + 20.8909\% = 60.1539\% / 3 \text{ years} = 20.0513\%$ .

<sup>7</sup> Total water cost at new wholesale rate of \$428,900.70 times 20.0513% water loss equals \$86,000.17.

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

Based on a review of Commission records, Sharpsburg District last sought a general base rate adjustment in 2023.<sup>8</sup> Based upon a review of the annual and audit reports filed with the Commission from 2019 through 2023, Sharpsburg District's rate-based income (adjusted net income minus debt service) was negative in each year. Sharpsburg District's rate-based income improved in 2023, partly due to an approximately \$93,000 benefit from the rate increase noted above. If the full year benefit of the rate adjustment was included in 2023, Sharpsburg District's rate-based income would have been approximately break even. Cash Basis Income (rate-based income plus depreciation) was negative in 2021<sup>9</sup> and 2022<sup>10</sup> but improved in 2023<sup>11</sup> as a result of the rate increase. In 2021, Sharpsburg District's supplies and repairs expense was about \$60,000 higher than surrounding years. The Commission could not conclude whether the increase related to expenditures that should have been capitalized. Sharpsburg District's water loss percentage averaged 20 percent for the five-year period and was

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

<sup>9</sup> *Annual Audit Report of Sharpsburg Water District to the Public Service Commission for the Year Ended December 31, 2021* at 5.

<sup>10</sup> *Annual Audit Report of Sharpsburg Water District to the Public Service Commission for the Year Ended December 31, 2022* at 5.

<sup>11</sup> *Annual Audit Report of Sharpsburg Water District to the Public Service Commission for the Year Ended December 31, 2023* at 6.

over 15 percent in each year. Given that Sharpsburg District had not fully benefitted from its most recent rate adjustment, it should review its revenue sufficiency annually and consider filing for a general base rate adjustment or an alternative rate adjustment every three to five years to ensure adequate and reliable service.

#### Purchased Water Adjustment Factor

In its application, Sharpsburg District proposed a purchased water adjustment factor of \$0.20 per 1,000 gallons. During the 12-month period ended April 2024, Sharpsburg District purchased 89,092,000 gallons of water from Bath District and 25,053,100 gallons of water from Carlisle and sold 89,010,100 gallons of water to Sharpsburg District's customers. The increase in the cost of purchased water from Bath District is \$17,818.40, resulting in a purchased water adjustment factor of \$0.20 per 1,000 gallons. No rate changes occurred from Carlisle.

The purchased water adjustment factor of \$0.20 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 July 15, 2024, 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 \$0.20 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 July 15, 2024.

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.

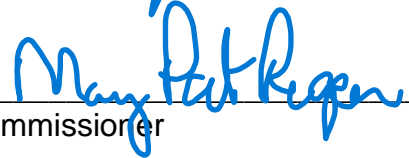
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PUBLIC SERVICE COMMISSION

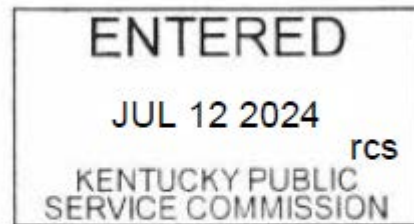
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Chairman



\_\_\_\_\_  
Vice Chairman



\_\_\_\_\_  
Commissioner



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2024-00180 DATED JUL 12 2024

	Base Rate	New Rate	Change
<u>Bath County Water District</u>			
Purchases in Gallons	89,092,000	89,092,000	
Rate per 1,000 Gallons	<u>\$4.04/1,000</u>	<u>\$4.24/1,000</u>	
Subtotal	\$359,931.68	\$377,750.08	\$17,818.40
<u>City of Carlisle</u>			
Purchases in Gallons	25,053,100	25,053,100	
Rate per 1,000 Gallons	<u>See Below<sup>1</sup></u>	<u>See Below</u>	
Subtotal	\$51,150.62	\$51,150.62	\$0.00
Total Water Cost	\$411,082.30	\$428,900.70	
Increased water cost			\$17,818.40
Increased water cost		\$17,818.40	
Divided by Gallons sold/1,000		<u>89,010,100</u>	
Purchased water adjustment factor		\$0.20	per 1,000 Gallons
		or	
		\$0.00020	per Gallon

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		GALLONS	RATE	COST
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	24,453,100	2.02	49,395.26
TOTAL		25,053,100		\$51,150.62

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2024-00180 DATED JUL 12 2024

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	\$32.35	Minimum Bill
Next	3,000 Gallons	0.00852	Per Gallon
Next	5,000 Gallons	0.00775	Per Gallon
Over	10,000 Gallons	0.00746	Per Gallon

1-Inch Meter

First	5,000 Gallons	\$58.02	Minimum Bill
Next	5,000 Gallons	0.00775	Per Gallon
Over	10,000 Gallons	0.00746	Per Gallon

2-Inch Meter

First	16,000 Gallons	\$141.69	Minimum Bill
Over	16,000 Gallons	0.00746	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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16 East Mill Street  
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