

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC BIG SANDY WATER DISTRICT'S)	
UNACCOUNTED-FOR WATER LOSS)	CASE NO.
REDUCTION PLAN, SURCHARGE AND)	2022-00301
MONITORING)	

ORDER

This matter is before the Commission on a motion filed February 10, 2023, by Big Sandy Water District (Big Sandy District) requesting the Commission's approval to use \$136,989 of surcharge proceeds to fund the replacement of a damaged and leaking main located in a stream-crossing. Specifically, Big Sandy District requests \$88,576 of surcharge proceeds to be used to partially fund this replacement and \$48,412.93 of surcharge proceeds to be temporarily used to fund this replacement, but to be redeposited into the surcharge account, once grant proceeds are received by Big Sandy District, as further explained below.

On December 16, 2022, Big Sandy District filed a qualified infrastructure improvement plan (QIIP) into the record of this proceeding. On February 10, 2023, Big Sandy District filed a motion to amend its QIIP, and a revised QIIP. The Commission will address the QIIP by separate Order.

LEGAL STANDARD

On September 13, 2022, the Commission established this proceeding to monitor the collection and expenditure of an unaccounted-for water loss reduction surcharge. In the September 13, 2022 Order, the Commission prohibited the use of surcharge proceeds

for reimbursement of unaccounted-for water loss expenses without prior Commission approval.¹ The Commission also ordered Big Sandy District to file a description of the purpose of each payment from the account and invoices supporting payment in a monthly report.²

BACKGROUND

Big Sandy District has a history of significant water loss. In Case No. 2022-00044, the Commission approved a monthly surcharge of \$6.42 per active meter for 60 months to fund Big Sandy District's unaccounted-for water loss reduction efforts.³ This proceeding was subsequently opened to monitor Big Sandy District's collection and expenditures of the water loss prevention surcharge to ensure that the surcharge was used solely to improve Big Sandy District's efforts to reduce water loss.

MOTION FOR AUTHORIZATION TO USE SURCHARGE PROCEEDS

In support of its motion, Big Sandy District stated that in May 2022, Big Sandy District employees discovered a leak in a six-inch main in a remote area of Lawrence County, Kentucky. The main serves approximately 350 customers.⁴ The leak was located in a portion of the main that ran down a steep embankment, crossed a stream bed, and continued up an embankment on the other side of the stream.⁵ Big Sandy

¹ Order (Ky. PSC Sept. 13, 2022) ordering paragraph 7.

² September 13, 2022 Order, ordering paragraph 5.

³ Case No. 2022-00044, *Electronic Application of Big Sandy Water District for an Adjustment of its Water Rates Pursuant to 807 KAR 5:076*, (Ky. PSC Sept. 13, 2022).

⁴ Motion for Authorization (filed Feb. 10, 2022) at paragraph 3.

⁵ Motion for Authorization at paragraph 3, Exhibits A and B.

District estimated that the leak resulted in the loss of 15 gallons of water per minute, and stated that it is unknown how long this leak existed prior to discovery.⁶

Big Sandy District stated that it tried to repair the leak using its own equipment and personnel, but discovered that its equipment was not adequate and that the repair required greater expertise.⁷ Upon further examination of the main, additional portions were discovered to be in a condition making future breaks likely. Big Sandy District hired B.P. Pipeline to replace the main. The construction took approximately a week and was complete on September 26, 2022.⁸ The final cost of the main replacement was \$136,989.⁹ Big Sandy District stated that it has received authorization from the Kentucky Infrastructure Authority (KIA) to use \$48,412.93 of remaining Cleaner Water Program grant funds to partially fund the cost of replacing the main.¹⁰ However, these funds are not immediately available. Big Sandy District stated that it lacks the unrestricted general funds to cover the cost of replacing the main and to also meet its current expenses. Therefore, Big Sandy District is seeking a short-term loan to make immediate payment to the construction contractor. Big Sandy District stated that it requests:

- Authorization to use \$88,576 of the unaccounted-for water loss reduction surcharge proceeds to cover the portion of the cost of replacing the main in the stream-crossing which is in excess of Big Sandy District's remaining Cleaner Water Program grant funds, and
- Authorization to temporarily apply \$48,412.93 of surcharge proceeds to the cost of replacing the main in the stream-crossing, conditioned

⁶ Motion for Authorization at paragraph 3.

⁷ Motion for Authorization at paragraph 4.

⁸ Motion for Authorization at paragraph 5.

⁹ Motion for Authorization at paragraph 5, and Exhibit C.

¹⁰ Motion for Authorization at paragraph 6, and Exhibit D.

on \$48,412.93 being redeposited into the surcharge account upon Big Sandy's receipt of the Cleaner Water grant funds from KIA.

In further support of its motion, Big Sandy District argued that the purpose of the unaccounted-for water loss reduction surcharge is to assist the district in locating and repairing leaks. Big Sandy District maintained that use of surcharge proceeds to fund the replacement of this leaking main located in a stream-crossing is consistent with the purpose of the surcharge and that replacing the main has reduced monthly water loss by 648,000 gallons.

DISCUSSION AND FINDINGS

The purpose of the surcharge is to provide Big Sandy District with funds that are dedicated to reducing its unaccounted-for water loss. Identifying the sources of water loss and then taking action to address the problem at the source are necessary components of any water-loss reduction plan. In this instance, Big Sandy District identified a leak and determined that merely repairing the pipe that was actively leaking would be a temporary solution. The geographic location of the main presented challenges best addressed by a contractor, not in-house personnel, and Big Sandy District made the decision to replace the main using the assistance of a pipeline contractor. The costs associated with replacing a leaking main located in a geographically challenging area bear a close nexus to the purpose of the surcharge. Big Sandy District has provided an itemized invoice of the costs associated with the construction, and has sought Commission approval before using any of the surcharge proceeds. For these reasons the Commission finds that the motion should be granted.

Big Sandy District should inform the Commission by filing a notice into the post-case correspondence file of this proceeding within seven days of any decision or disbursement made by KIA regarding the Cleaner Water Program grant funds discussed in its motion. Big Sandy District should also file a copy of any correspondence regarding these funds into the post-case correspondence record of this proceeding. The monthly activity report filed in this proceeding following Big Sandy District's receipt of the Cleaner Water Program grant funds should include documentation of the amount of funds received and a record of a deposit reflecting that those funds were deposited into the surcharge account.

The Commission, on its own motion, finds that Big Sandy District should capitalize the costs of this infrastructure replacement so that it can be appropriately depreciated. The Commission encourages Big Sandy District and all similarly situated water utilities to develop a capital improvement and replacement plan that anticipates capital expenditures associated with providing adequate, efficient and reasonable service.


IT IS THEREFORE ORDERED that:

1. Big Sandy District is authorized to use surcharge proceeds as outlined in its motion.
2. Big Sandy District shall capitalize the costs associated with this infrastructure replacement so that it can be appropriately depreciated.
3. Big Sandy District shall file copies of any correspondence regarding the Cleaner Water Program grant funds discussed in Big Sandy District's motion into the post case correspondence record of this proceeding within seven days of such correspondence.

4. The monthly activity report filed in the month following Big Sandy District's receipt of the Cleaner Water grant funds shall include documentation of the amount of funds received and a record of a deposit reflecting that those funds were deposited into the surcharge account.

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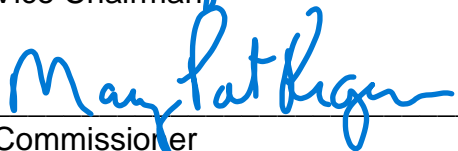
PUBLIC SERVICE COMMISSION



Chairman



Vice Chairman



Commissioner



ATTEST:



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