

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|------------------------------------|---|------------|
| ELECTRONIC MOUNTAIN WATER DISTRICT |) | |
| UNACCOUNTED-FOR WATER LOSS |) | CASE NO. |
| REDUCTION PLAN, SURCHARGE AND |) | 2023-00351 |
| MONITORING |) | |

ORDER

The Commission, on its own motion, initiates this proceeding for the purpose of monitoring Mountain Water District’s (Mountain District) unaccounted-for water loss reduction plan surcharge, which was approved in Case No. 2022-00366.¹ Information provided by Mountain District in its past five Annual Reports filed with the Commission reflect the following²:

| Year | Reported Percentage Water Loss | Purchased Water and Power | Cost of Water Loss in Excess of 15% | Total Cost of Water Loss |
|------|--------------------------------------|---------------------------------|---|--------------------------------|
| 2022 | 27.81% | \$ 3,088,018 | \$ 395,572 | \$ 858,775 |
| 2021 | 27.90% | 2,756,627 | 355,652 | 769,146 |
| 2020 | 30.42% | 2,600,781 | 401,072 | 791,189 |
| 2019 | 36.88% | 2,906,856 | 635,985 | 1,072,014 |
| 2018 | 37.45% | 2,832,602 | 635,902 | 1,060,792 |

In order to address Mountain District’s excessive unaccounted-for water loss, the Commission ordered Mountain District to assess a monthly Water Loss Reduction

¹ Case No. 2022-00366, *Electronic Application of Mountain Water District for a General Adjustment of Water Rates* (Ky. PSC Oct. 31, 2023).

² *Annual Reports of Mountain Water District to the Public Service Commission for the Years Ending December 31, 2018, 2019, 2020, 2021, and 2022.*

Surcharge of \$1.72 per active meter for 48 months, or until \$341,402 has been assessed, whichever occurs first, and that a review of the necessity to continue the surcharge beyond the 48-month period be conducted before its expiration. Consistent with the findings in Case No 2022-00366, the Commission finds that:

1. Within 120 days of the date of service of this Order, Mountain District should file with the Commission a qualified infrastructure improvement plan (QIIP), including a comprehensive unaccounted-for water loss reduction plan that establishes priorities and a time schedule for eliminating each source of unaccounted-for water loss and provides a detailed spending plan for the proceeds of a surcharge. Mountain District's QIIP should also detail what infrastructure projects it proposes for use of the KIA Clean Water Grant (No. 22CWW069) and American Rescue Plan Act funds.

2. Mountain District should deposit surcharge collections in a separate interest-bearing account.

3. On the 15th day of each month for 48 months from the date of service of this Order or until all surcharge proceeds are expended, Mountain District should file with the Commission a monthly activity report that includes a statement of monthly surcharge billings and collections using the format in the Surcharge Reporting form,³ a monthly surcharge bank statement, a list of each payment from the account, its payee, and a description of the purpose, and invoices supporting each payment.

³ The Surcharge Reporting form can be found at <https://psc.ky.gov/Home/UtilForms> under the Water tab.

4. On the 15th day of each month for 48 months from the date of service of this Order or until all surcharge proceeds are expended, Mountain District should file a monthly water loss report with the Commission.⁴

5. Mountain District should not use any surcharge proceeds for reimbursement of unaccounted-for water loss reduction expenses without prior Commission authorization.

6. Mountain District should file requests to use surcharge proceeds into the record of this proceeding. The request should include a complete description of the equipment, project, or service for which approval is sought; bids, invoices, or price quotes as applicable; and a statement describing how the proposed purchase, project, or service is related to the qualified infrastructure improvement plan and the goal of reducing unaccounted-for water loss.

7. Mountain District should consider all surcharge collections as contributions and shall account for them in the manner that the Uniform System of Accounts for Class A and B Water Districts and Associations prescribes.

8. Mountain District should debit monthly billings for the surcharge to customers' accounts receivable and credit the contribution account.

9. When Mountain District collects the surcharge from the customers, it should debit special funds and credit the customer account.

10. For the purpose of evaluating whether adjustments in the surcharge are required, Mountain District should file an annual report of surcharge activity and water

⁴ The report format is found at <https://psc.ky.gov/Home/UtilForms> under "Water Use & Loss Calculations (Excel format)."

loss improvement progress no later than April 30 of each year. The report should be based on the preceding year ended December 31 with reported surcharge billings and expenditures reflecting the amounts reported for surcharge activity in the financial and statistical Annual Report filed with the Commission and Mountain District's audited financial statements.

11. Mountain District should respond to any requests for information propounded by Commission Staff according to the date set forth in the request.

12. Mountain District's failure to comply with any conditions attached to its assessment of the surcharge will result in termination of the surcharge and the refund of all surcharge proceeds previously collected.

IT IS THEREFORE ORDERED that:

1. This case is opened to monitor Mountain District's Water Loss Reduction Surcharge proceeds and collections.

2. The record of Case No. 2022-00366 is incorporated by reference in this proceeding.

3. Within 120 days of the date of service of this Order, Mountain District shall file with the Commission a QIIP, including a comprehensive unaccounted-for water loss reduction plan that establishes priorities and a time schedule for eliminating each source of unaccounted-for water loss and provides a detailed spending plan for the proceeds of a surcharge. Mountain District's QIIP shall also detail what infrastructure projects it proposes for use of the KIA Clean Water Grant (No. 22CWW069) and American Rescue Plan Act funds.

4. Mountain District shall deposit surcharge collections in a separate interest-bearing account.

5. On the 15th day of each month for 48 months from the date of service of this Order or until all surcharge proceeds are expended, Mountain District shall file with the Commission a monthly activity report that includes a statement of monthly surcharge billings and collections using the Surcharge Reporting form that can be found at <https://psc.ky.gov/Home/UtilForms> under the Water tab, a monthly surcharge bank statement, a list of each payment from the account, its payee, and a description of the purpose, and invoices supporting each payment.

6. On the 15th day of each month for 48 months from the date of service of this Order or until all surcharge proceeds are expended, Mountain District shall file a monthly water loss report with the Commission.

7. Mountain District shall not use any surcharge proceeds for reimbursement of unaccounted-for water loss reduction expenses without prior Commission authorization.

8. Mountain District shall file all requests to use surcharge proceeds in the record of this proceeding. A request shall include a complete description of the equipment, project, or service for which approval is sought; bids, invoices, or price quotes as applicable; and a statement describing how the proposed purchase, project, or service is related to the qualified infrastructure improvement plan and the goal of reducing unaccounted-for water loss.

9. Mountain District shall consider all surcharge collections as contributions and shall account for them in the manner that the Uniform System of Accounts for Class A and B Water Districts and Associations prescribes.

10. Mountain District shall debit monthly billings for the surcharge to customers' accounts receivable and credit the contribution account.

11. When Mountain District collects the surcharge from the customers, it shall debit special funds and credit the customer account.

12. No later than April 30 of each year, Mountain District shall file, in the record of this proceeding, a report of surcharge activity and water loss improvement progress based on the preceding year ended December 31 with reported annual surcharge billings and expenditures reflecting the amounts reported for surcharge activity in the financial and statistical Annual Report filed with the Commission and Mountain District's audited financial statements. Cumulative surcharge billings and expenditures shall also be reported. A schedule of the estimated and actual progress of the water loss detection and repair program, actual expenditures made with surcharge proceeds, and encumbered amounts of future surcharge proceeds for the purpose of evaluating whether adjustments to the program or to the surcharge amount shall be provided.

13. Mountain District shall respond to any requests for information propounded by Commission Staff as provided in those requests.

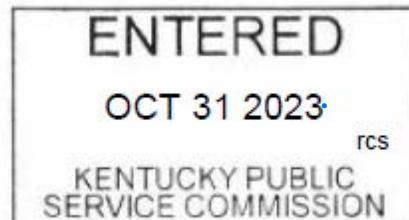
14. Mountain District's failure to comply with any conditions attached to its assessment of the surcharge shall result in termination of the surcharge and the refund of all surcharge proceeds previously collected.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner



ATTEST:


Executive Director

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