

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC FARMDALE WATER DISTRICT'S)	
UNACCOUNTED-FOR WATER LOSS)	CASE NO.
REDUCTION PLAN, SURCHARGE AND)	2020-00217
MONITORING)	

ORDER

This matter arises upon Farmdale Water District's (Farmdale District) motion filed May 21, 2025 (Motion), for the approval of alternate use of funds from its water loss reduction plan surcharge¹ and Supplement to the Motion (Supplement) filed on July 7, 2025.²

On July 7, 2020, the Commission established this proceeding to monitor Farmdale District's collection and expenditure of an unaccounted-for water loss reduction plan surcharge. In the July 7, 2020 Order, the Commission prohibited the use of the surcharge proceeds for reimbursement of unaccounted-for water loss reduction expenses without prior Commission authorization.³ The Commission also ordered Farmdale District to file "a monthly activity report that includes a statement of monthly surcharge billings and collections; 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."⁴

¹ Farmdale District's Motion (Motion) (filed May 21, 2025).

² Farmdale District's Supplement to Motion (Supplement) (filed July 7, 2025).

³ Order (Ky. PSC July 7, 2020) at 4, ordering paragraph 7.

⁴ Order (Ky. PSC July 7, 2020) at 3, ordering paragraph 5.

Farmdale District has a history of significant water loss, which can both be reflected in and cause financial distress to a utility. In Case No. 2020-00021,⁵ the Commission approved a monthly surcharge of \$3 per active meter for 48 months, or until \$380,000 had been assessed, whichever occurs first, to fund Farmdale District's unaccounted-for water loss reduction efforts.⁶

This proceeding was subsequently opened to monitor Farmdale District's collection and expenditures of the water loss reduction surcharge to ensure that the surcharge was used solely to improve Farmdale District's efforts to reduce water loss.

On February 29, 2024, Farmdale District filed a proposed Qualified Infrastructure Improvement Plan, Water Loss Reduction Plan, and Water Loss Surcharge Spending Plan (collectively, QIIP). In that filing, Farmdale District proposed to use surcharge funds towards the purchase of leak detection equipment, replacement of customer meters, as well as reimbursement for the South Benson Project, the relocation of a waterline located along the bank of Benson Creek that tends to wash-out during heavy rain.

By Order issued June 13, 2024, Farmdale District was granted approval to expend \$32,041.69 from the water loss surcharge account for reimbursement for engineering services, advertising of bids and construction overrun related to its South Benson Project, and for a ground penetrating radar.⁷ Further, by Order issued January 24, 2025, Farmdale District was granted approval to expend \$266,451.42 from the water loss surcharge account for the purchase of one thousand 5/8- x 3/4-inch T-10, Pro-Coder

⁵ Case No. 2020-00021, *Electronic Alternative Rate Adjustment Filing of Farmdale Water District* (Ky. PSC July 7, 2020), final Order at 10.

⁶ Case No. 2020-00021, July 7, 2020 final Order at 8, 10.

⁷ Order (Ky. PSC June 13, 2024).

Neptune water meters; five hundred Sensus 520M, M2 MXU single port transceiver units; and five hundred Sensus 520M, M2 MXU dual port transceiver units to be used to replace meters in Farmdale District's system that have been in place without testing for 10 years or longer; and to reimburse Farmdale District for expenses directly related to its Benson Creek Project.⁸

On July 26, 2024, Farmdale District filed a notice of cessation of its water loss surcharge, which stated it last billed its customers the Surcharge Fee on July 25, 2024, and would remove the Surcharge Fee from the customers' bills beginning with the August 26, 2024 bill.⁹ By Order issued October 24, 2024, the Commission approved the cessation of the water loss surcharge and directed Farmdale District to continue compliance with all filing requirements until it has received approval for expenditure of all of the water loss surcharge funds.¹⁰

DISCUSSION AND FINDINGS

Farmdale District's Motion requested alternate approval for use of the surcharge funds for reimbursement of the purchase it made of 1,600 meters in place of the items previously approved by the Commission's January 24, 2025 Order.¹¹ Farmdale District also requested approval to use all remaining surcharge funds towards reimbursement for the purchase of transceivers from Frankfort Plant Board.¹²

⁸ Order (Ky. PSC Jan. 24, 2025).

⁹ Farmdale District's Notice of Surcharge Fee Cessation (filed July 26, 2024).

¹⁰ Order (Ky. PSC Oct. 24, 2024).

¹¹ Motion at 3-5.

¹² Motion at 4-5.

In its Motion, Farmdale District explained that, following the Commission's prior approval in the January 24, 2025 Order for purchase of 1,000 meters, it believed tariffs might impact the anticipated purchase price of meters, and around the same time, learned that it actually needed at least 1,405 meters to replace all meters over ten years old to meet its testing requirements by August 31, 2025.¹³ The distributor agreed to honor the previously quoted price of the meters, so Farmdale District purchased an additional 600 meters, for a total of 1,600 meters.¹⁴ Farmdale District stated this purchase provided enough new meters to finish the meter replacement that it was ordered to perform by August 31, 2025, and provided an inventory of meters to be used for new installations or meter replacement in the future.¹⁵ Farmdale District paid for all 1,600 meters using Surcharge Funds in the amount of \$267,600 - exceeding the previously approved amount in the January 24, 2025 Order by \$1,148.58.¹⁶

Farmdale District further explained in the Motion that it has not reimbursed its operating account for the \$7,861.42 in expenses related to the Benson Creek project, nor has it used any Surcharge Funds to pay the Frankfort Plant Board for the transceivers it is obtaining from the Plant Board.¹⁷ Farmdale District acknowledged proper procedure would have been to request the Commission's approval before spending Surcharge Funds to purchase additional meters, but explained its actions were made to ensure it

¹³ Motion at 2-3.

¹⁴ Motion at 3.

¹⁵ Motion at 3.

¹⁶ Motion at 3.

¹⁷ Motion at 3.

had an adequate number of meters on hand to meet the August 31, 2025 deadline, and to avoid a potentially drastic increase in the price for the meters.¹⁸

In its Motion, Farmdale District also requested approval to use the remainder of its Surcharge Funds to partially fund its purchase of the transceivers that were previously approved. Farmdale District acknowledged the remaining funds will not cover the full purchase price of those transceivers, so Farmdale District stated it plans to use other unrestricted funds to pay the remainder of that cost.¹⁹

On July 7, 2025, Farmdale District filed a supplement to the Motion and clarified that the 1,405 current total of meters necessary for replacement, and the purchase of 1,600 meters referenced in the Motion, included ten 1-inch Pro-Coder Neptune meters.²⁰ Farmdale District explained that eight of the 1-inch meters will be immediately placed into service to replace the existing meters that need to be replaced, and two meters will be kept in inventory and used for new service installations or future meter replacement. The total cost for the ten 1-inch meters is \$4,180. Farmdale District provided an invoice showing its purchase in June 2025 of five 1-inch meters for \$2,090. Farmdale District requested approval for reimbursement of \$2,900 for the purchase of those five meters, as well as approval to purchase five additional 1-inch meters using surcharge funds, for a total expenditure of \$4,180 for the ten 1-inch meters. In the supplement to the Motion, Farmdale District additionally continued its request for authority to use the remainder of

¹⁸ Motion at 4.

¹⁹ Motion at 4.

²⁰ Farmdale District's Supplement to Motion for Alternate Use of Surcharge Funds (filed July 7, 2025).

its surcharge funds as partial payment for the transceivers Farmdale District is purchasing through the Frankfort Plant Board.

As previously provided in the record, Farmdale District has executed an Assistance Agreement and a Mutual Aid Agreement with the Frankfort Plant Board, under the terms of which Frankfort Plant Board will assist Farmdale District with meter installation and meter reading.²¹ Farmdale District stated that, to comply with the Commission's meter replacement or testing deadline, Farmdale District ordered the meters and transceivers discussed above, and will utilize the assistance of Frankfort Plant Board and an outside contractor, if necessary, to complete meter installation by August 31, 2025.²²

The Commission finds that Farmdale District's request for alternate use of the surcharge proceeds for the new total of 1600 meters, including the ten 1-inch meters identified in the Supplement, should be granted. While Farmdale District did not seek Commission permission prior to expending funds from the surcharge account, it has since submitted invoices for the expenses and provided an explanation regarding the past immediacy of pricing concerns, and how the additional purchased meters are necessary in its continued efforts to decrease water loss and comply with the Commission's meter replacement or testing deadline. The Commission further finds that the expenditure of all remaining surcharge funds for the purchase of the transceivers should be approved, and Farmdale District should take all further necessary steps to ensure its compliance with

²¹ Farmdale District's Motion for Authority to Use Surcharge Funds (filed Dec. 18, 2024) at 2–4.

²² Farmdale District's Updated QIIP (filed Dec. 27, 2024) at 6.

the Commission's previous Orders to replace all of its customer meters that are ten years old or older or to complete periodic meter testing of such meters by August 31, 2025.²³

The Commission reminds Farmdale District that the collection of surcharge funds for reduction in water loss percentage was permitted subject to certain terms and conditions.²⁴ Specifically, Farmdale District was to request permission prior to expenditure of any funds from the water loss surcharge account. Farmdale District's failure to comply with Commission Orders may result in an investigation by the Commission, possible penalties pursuant to KRS 278.990 as well as the Commission's Order to cease collection of the surcharge. The Commission expects Farmdale District to comply in full with all Orders in this matter.

IT IS THEREFORE ORDERED:

1. Farmdale District's request for approval of alternate use of surcharge funds, for reimbursement of the purchase of 1,600 meters, is granted.
2. Farmdale District's request to approve the use of surcharge funds for reimbursement of \$2,090 for five 1-inch meters already purchased and an additional \$2,090 for the purchase of five additional 1-inch meters, as part of the alternate use of surcharge funds, is granted.
3. Farmdale District's request to expend all remaining surcharge funds towards the purchase of transceivers from Frankfort Plant Board is granted.

²³ Case No. 2022-00347, *Electronic Alleged Failure of Farmdale Water District, and its Individual Commissioners Scottie Woolridge, Jon Dailey, and Eddie Harrod to Comply with KRS 278.030, 807 KAR 5:006, Section 4(4), 807 KAR 5:006, Section 26 and 807 KAR 5:066* (Ky. PSC Sept. 4, 2024), final Order, ordering paragraph 12.

²⁴ Order (Ky. PSC Jan. 24, 2025) at 4.

PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:


Executive Director



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