

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC MCKINNEY WATER DISTRICT)	
UNACCOUNTED-FOR WATER LOSS)	CASE NO.
REDUCTION PLAN, SURCHARGE AND)	2023-00194
MONITORING)	

ORDER

The Commission, on its own motion, initiates this proceeding for the purpose of monitoring McKinney Water District’s (McKinney District) unaccounted-for water loss reduction plan surcharge, which was approved in Case No. 2022-00400.¹ Information provided by McKinney District in its past five Annual Reports filed with the Commission reflect the following.²

Year	Reported Percentage Water Loss	Purchased Water and Power	Cost of Water Loss in Excess of 15%	Total Cost of Water Loss
2021	31.6879%	\$ 464,375	\$ 77,494	\$ 147,151
2020	32.3532%	481,852	83,617	155,895
2019	21.3558%	410,156	26,069	87,592
2018	20.9103%	381,685	22,559	79,811
2017	26.9266%	340,835	40,650	91,775

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

¹ Case No. 2022-00400, *Electronic Application of McKinney Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Sept. 1, 2023).

² Annual Reports of McKinney District to the Public Service Commission for the years ending December 31, 2021 (2021 Annual Report); 2020 Annual Report; 2019 Annual Report; 2018 Annual Report; and 2017 Annual Report.

Surcharge of \$4.05 per active meter for 48 months, or until \$362,362 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. 2022-00400, the Commission finds that:

1. Within 120 days of the date of service of this Order, McKinney District should file with the Commission a qualified infrastructure improvement plan, 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.

2. McKinney 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, McKinney District should file into the record of this proceeding a monthly activity report that includes a statement of monthly surcharge billings and collections using the format in the Surcharge Reporting form³; a monthly surcharge bank statement; and a list of all payments made for the month from the surcharge account that includes the following for each payment: the payee, a description of the purpose, and the supporting invoice.

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, McKinney District should file into

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

the record of this proceeding a monthly water loss report using the format in the Water Use & Loss Calculations form.⁴

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

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

9. When McKinney 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, McKinney District should file into the record of this proceeding an annual report of surcharge activity and water loss improvement progress no later than April 30 of each

⁴ The Water Use & Loss Calculations form can be found at <https://psc.ky.gov/Home/UtilForms> under the Water tab.

year. The report should be based on the preceding year ended December 31 with reported annual surcharge billings, collections and deposits as well as expenditures reflecting the amounts reported for surcharge activity in the financial and statistical Annual Report filed with the Commission and the district's audited financial statements. Cumulative surcharge billings and expenditures over the life of the surcharge shall also be included, a schedule of the estimated and actual progress of the water loss detection and repair program. This report shall include encumbered amounts of future surcharge proceeds .

11. No later than April 30 of each year, McKinney District should file into this record a report of surcharge activity and water loss improvement progress based on the preceding year ended December 31 with reported annual surcharge billings, collections, and deposits, as well as expenditures reflecting the amounts reported for surcharge activity in the financial and statistical Annual Report filed with the Commission and McKinney District's audited financial statements. Cumulative surcharge billings and expenditures over the life of the surcharge should also be included, as well as a schedule of the estimated and actual progress of the water loss detection and repair program. This report shall include encumbered amounts of future surcharge proceeds for the purpose of evaluating whether adjustments to the program or to the surcharge amount shall be provided.

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

13. McKinney 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

collected surcharge proceeds disbursed on expenses or projects outside the scope of the expenses and projects approved by the Commission.

IT IS THEREFORE ORDERED that:

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

2. The record of Case No. 2022-00400 is incorporated by reference in this proceeding.

3. Within 120 days of the date of service of this Order, McKinney District shall file with the Commission a qualified infrastructure improvement plan, 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.

4. McKinney 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, McKinney District shall file with the Commission a monthly activity report that includes a statement of monthly surcharge billings and collections, using the Surcharge Reporting form⁵; a monthly surcharge bank statement; and a list of all payments made for the month from the surcharge account that includes the following for each payment: the payee, a description of the purpose, and the supporting invoice.

⁵ The Surcharge Reporting form can be found at <https://psc.ky.gov/Home/UtilForms> under the Water tab."

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, McKinney District shall file a monthly water loss report using the Water Use & Loss Calculations form.⁶

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

8. McKinney 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.

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

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

11. No later than April 30 of each year, McKinney 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 McKinney 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

⁶ The Water Use & Loss Calculations form can be found at <https://psc.ky.gov/Home/UtilForms> under the Water tab.

encumbered amounts of future surcharge proceeds for the purpose of evaluating whether adjustments to the program or to the surcharge amount shall be provided.

12. McKinney 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.

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

14. McKinney 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 collected surcharge proceeds disbursed on expenses or projects outside the scope of expenses and projects approved by the Commission.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
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KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


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