

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC BLACK MOUNTAIN WATER)	
DISTRICT UNACCOUNTED FOR WATER LOSS)	CASE NO.
REDUCTION PLAN, SURCHARGE AND)	2023-00202
MONITORING)	

ORDER

The Commission, on its own motion, initiates this proceeding for the purpose of monitoring Black Mountain Utility District’s (Black Mountain District) unaccounted-for water loss reduction plan surcharge, which was approved in Case No. 2022-00275.¹ Information provided by Black Mountain District in its past five Annual Reports filed with the Commission reflect the following.^{2, 3}

Year	Reported Percentage Water Loss	Purchased Water and Power	Cost of Water Loss in Excess of 15%	Total Cost of Water Loss
2016	6.1567%	\$ 876,641	\$ -	\$ 53,972
2017	33.3658%	894,244	145,049	298,372
2018	43.8686%	980,201	251,085	430,000
2019	39.6619%	959,727	208,323	380,646
2020	47.9095%	970,285	280,187	464,858

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

¹ Case No. 2022-00275, *Electronic Application of Black Mountain Utility District for a Rate Adjustment Pursuant To 807 KAR 5:076.*

² *Annual Reports of Black Mountain District to the Public Service Commission for the Year Ending (Annual Report) December 31, 2016, 2017 Annual Report, 2018 Report, 2019 Report, and 2020 Report.*

³ Water loss of 6.1567% for 2016 could not be validated due to a lack of records from the Black Mountain District.

Reduction Surcharge of \$3.65 per active meter to be phased in over three years. The surcharge will continue for 48 months, or until \$319,316 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 2022-00275, the Commission finds that:

1. Within 120 days of the date of service of this Order, Black Mountain 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. Black 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, Black 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 form⁴, 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 The Surcharge Reporting form can be found at <https://psc.ky.gov/Home/UtilForms> under the Water tab "Surcharge Report (Excel format)."

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, Black Mountain District should file a monthly water loss report with the Commission.⁵

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

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

9. When Black 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, Black Mountain District should file an annual report of surcharge activity and

⁵ The report format is found at <https://psc.ky.gov/Home/UtilForms> under "Water Use & Loss Calculations (Excel format)"

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

12. Black 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 Black Mountain District's Water Loss Reduction Surcharge proceeds and collections.

2. The record of Case No. 2022-00275 is incorporated by reference in this proceeding.

3. Within 120 days of the date of service of this Order, Black Mountain 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. Black 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, Black Mountain District shall file with the Commission a monthly activity report that includes a statement of monthly surcharge billings and collections using format in the Surcharge Reporting form located on the Commission's website, 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, Black Mountain District shall file a monthly water loss report with the Commission.

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

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

11. When Black 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, Black 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 Black 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. Black Mountain District shall respond to any requests for information propounded by Commission Staff as provided in those requests.

14. Black 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

ENTERED
OCT 09 2023
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KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

*Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806-8437

*Chad Brock
Chairman
Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806-8437

*Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806-8437

*Brandon Shepherd
Commissioner
Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806-8437

*Bill Clem
Commissioner
Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806-8437

*Dwayne Williams
Commissioner
Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806-8437

*Grant Cooper
Manager
Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806-8437

*Shawn Miller
Commissioner
Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806-8437