

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION INTO EAST	)	CASE NO.
LOGAN WATER DISTRICT, INC. WATER LOSS	)	2021-00063

ORDER

On March 10, 2021, the Commission, on its own motion, initiated this proceeding for the purpose of investigating East Logan Water District, Inc.'s (East Logan District) operational and financial status in response to the information gathered in Case No. 2020-00220.<sup>1</sup> During the pendency of Case No. 2020-00220, the Commission found that there were several important issues that gave cause to open a separate proceeding to further investigate and ensure the financial and operational stability of East Logan District.

In the opening Order, East Logan District was ordered to file a capital improvement plan that included a comprehensive unaccounted-for-water loss reduction plan establishing priorities and a time schedule for eliminating each source of unaccounted-for water loss. East Logan District was also ordered to file a detailed estimate of the annual cost of implementing the capital improvement plan and respond to requests for information attached to the Order.

The Commission notes that in its 2020 Annual Report, East Logan District reported a water loss of 25.33 percent.<sup>2</sup> Commission regulation 807 KAR 5:066(6)(3) states that

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<sup>1</sup> Case No. 2020-00220, *Electronic Purchased Water Adjustment Filing of East Logan Water District, Inc.* (Ky. PSC Mar. 10. 2021).

<sup>2</sup> *Annual Report of East Logan Water District to the Public Service Commission for the Calendar Year Ended December 31, 2020* at 57.

for ratemaking purposes a utility's water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages East Logan District to pursue reasonable actions to reduce its unaccounted-for water loss. At a 25.33 percent water loss, the annual cost to East Logan District is \$101,165<sup>3</sup> while the total cost of water loss is \$248,064.<sup>4</sup> Failure by East Logan District to make significant process towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

East Logan District responded to the request for information on April 14, 2021, and filed its 2021 Capital Improvements Plan on July 7, 2021. The Capital Improvements Plan

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	Purchased Water	Purchased Power
Purchased Water from 2020 Annual Report	\$966,195	\$13,134
Times: Water loss Above 15 Percent	10.33%	10.33%
Excess Water Loss Reductions	<u>\$99,808</u>	<u>\$1,357</u>
Total		<u>\$101,165</u>

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	Purchased Water	Purchased Power
Purchased Water from 2020 Annual Report	\$966,195	\$13,134
Times: Water loss Above 15 Percent	25.33%	25.33%
Excess Water Loss Reductions	<u>\$244,737</u>	<u>\$3,327</u>
Total		<u>\$248,064</u>

included five projects for improving its infrastructure that will allow the district to reduce its unaccounted-for water.

- Project 1 – System-Wide Meter/Service Replacement.
- Project 2 – Billing Computers and Software Upgrade.
- Project 3 – System-Wide SCADA Improvements Project.
- Project 4 – New Service Extension Project.
- Project 5 – Main Line Upgrade and Replacement Project.

East Logan District estimates that these capital improvements will cost approximately \$10.840 million.<sup>5</sup> East Logan District estimated that it will take ten years to complete the projects with the majority of the projects completed in the next three to five years.<sup>6</sup> East Logan District acknowledged financing for these projects would rely mostly on loans from the Kentucky Infrastructure Authority or Rural Development and available grant funds, and that these funds are limited.<sup>7</sup>

In response to the growing water loss in its Capital Improvements Plan, East Logan District stated that in recent years, it has concentrated on retiring system debt instead of

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System-Wide Meter/Service Replacement Project	\$ 5,800,000
Billing Computers and Software Upgrade	15,000
System-Wide SCADA Improvements Project	1,600,000
New Service Extension Project	625,000
Main Line Upgrade and Replacement Project	<u>2,800,000</u>
Total Capital Improvements	<u><u>10,840,000</u></u>

<sup>6</sup> 2021 Capital Improvements Plan at 10.

<sup>7</sup> *Id.* at 4.

taking on any new projects. East Logan indicated that these actions have resulted in only \$920,000 remaining in long term debt.<sup>8</sup>

The Commission notes that East Logan District's annual reports and the utility's response to the requests for information indicate East Logan District is in sound financial condition;<sup>9</sup> however, the Commission remains concerned about East Logan District's high levels of water loss which have consistently exceeded 20 percent.<sup>10</sup>

Therefore, the Commission finds that beginning April 1, 2022, East Logan District should begin filing in this case its monthly water loss reports on a quarterly basis. In addition to the water loss reports, beginning April 1, 2022, East Logan District should also file on a quarterly basis any updates on the status of its efforts to obtain financing through indebtedness or grant funding to fund the capital improvements identified in its Capital Improvements Plan. Both of these filings should be made each quarter, no later than the 20<sup>th</sup> of each quarterly month.

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<sup>8</sup> *Id.* at 2.

<sup>9</sup>

Year	2016	2017	2018	2019	2020
Net Income before Contributions	\$ 309,820	\$ 389,765	\$ 244,779	\$ 282,109	\$ 315,126
Subtract: Principal Payments	(925,000)	(60,000)	(561,000)	(462,000)	(68,000)
Add: Depreciation Expense	372,583	371,176	366,887	372,629	372,980
Cash Basis Income	\$ (242,597)	\$ 700,941	\$ 50,666	\$ 192,738	\$ 620,106

<sup>10</sup>

Year	2016	2017	2018	2019	2020
Number of Customers	3014	3076	3103	3186	3201
Water Loss Percentage	22.5009	23.2584	25.8577	29.1766	25.3253
System Use Percentage	0.0148	0.0307	0.0167	0.04403	0.0565

This case should remain open for the purpose of obtaining this information.

IT IS THEREFORE ORDERED that:

1. Beginning April 1, 2022, East Logan District shall begin filing its monthly water loss reports on a quarterly basis.

2. Beginning April 1, 2022, East Logan District shall begin filing updates on the status of its efforts to obtain financing to fund the capital improvements identified in its Capital Improvements Plan.

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By the Commission



ATTEST:

  
Executive Director

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