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NEWS RELEASE

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PSC Opens Investigation of Utilities with High Water Loss

Utilities can't account for more than 35% of water they produce or purchase

FRANKFORT, Ky. (Mar. 12, 2019) – The Kentucky Public Service Commission (PSC) has opened a case to investigate the operations and finances of water utilities that are unable to account for 35 percent or more of the water that they produce or purchase.

In an order issued today, the PSC directed a dozen utilities – ten water districts, one water association and a division of one investor-owned utility – to provide extensive information regarding their operational practices and efforts to reduce water loss.

Water loss is defined as the difference between the quantity of water that a utility produces at its own treatment plants or purchases from another producer and the total amount of water that is sold, used by the utility, used for fire protection or otherwise accounted for. Leaks in the system, line breaks, theft, unauthorized usage and metering inaccuracies all contribute to water loss.

A water loss of no more than 15 percent is considered acceptable under PSC regulations. Utilities are allowed to factor only a loss of 15 percent or less into their rates, meaning that water loss above that level represents a financial loss to the utility.

In today's order, the PSC noted that it is placing a greater emphasis on reducing water loss and that it views "excessive water loss as a potential warning sign as to the financial health and operational well-being of water utilities."

The PSC has, in recent rate orders, directed utilities with excessive water loss to take reasonable actions to address the problem.

Two utilities – Martin County Water District and Cannonsburg Water District – are the subjects of current PSC proceedings that include investigations of their excessive water loss.

Today's order is the first step in investigating all utilities with excessive water loss, the PSC said. Future proceedings will address all utilities that consistently exceed the 15 percent threshold.

The PSC last year opened a separate proceeding to establish a consistent process, including a standardized form for water loss calculations, used for reporting water loss. The PSC is analyzing the evidence it has gathered in the case and will issue a decision later this year.

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Today's PSC order includes a list of 45 questions that the utilities must respond to by April 12. In addition, those utilities that buy or sell water at wholesale must provide copies of the applicable contracts and related documents by March 22.

Today's order is available on the PSC website, psc.ky.gov. The case number is 2019-00041. Records in the other cases are also on the PSC website. The case numbers are 2014-00267 (Cannonsburg Water District), 2016-00142 (Martin County Water District), and 2018-00394 (water loss reporting).

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,100 gas, water, sewer, electric and telecommunication utilities operating in Kentucky.

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QUESTIONS OR PROBLEMS REGARDING YOUR UTILITY SERVICE?

CALL THE PSC CONSUMER HOTLINE: 800-772-4636

A LIST OF UTILITIES COVERED BY THIS CASE FOLLOWS

UTILITIES COVERED BY CASE 2019-00041

Each entry includes utility name, counties served, number of customers, last reported annual water loss - customers and water loss as of 2017 (most recent) annual report unless otherwise indicated

Big Sandy Water District – Boyd, Carter, Johnson, Lawrence – 4,794 – 37% (2018)

Cawood Water District – Harlan – 1,627 – 46.44%

Estill County Water District – Estill – 3,763 – 37.65%

Farmdale Water District – Anderson, Franklin, Shelby – 2,650 – 35.93%

Hyden-Leslie Water District – Clay, Leslie, Perry – 3,683 – 35.74%

Kentucky-American Water Company – only the portion that is the former Eastern Rockcastle Water Association – Jackson, Rockcastle – 611 – 46.55%

Milburn Water District – Carlisle – 136 – 37.73%

Morgan County Water District – Morgan – 2,743 – 38.04%

North Manchester Water Association – Clay – 1,953 – 36.27%

Rattlesnake Ridge Water District – Carter, Elliot, Lawrence, Lewis, Morgan – 4,015 – 62.98%

Southern Water & Sewer District – Floyd, Knott – 5,457 – 42.18%

West Carroll Water District – Carroll, Henry, Trimble – 972 – 38.46%