

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 December 18, 2024 (Motion), to disburse funds from its water loss reduction plan surcharge.<sup>1</sup>

On July 7, 2020, the Commission established this proceeding to monitor the 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.<sup>2</sup> 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."<sup>3</sup>

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<sup>1</sup> Farmdale District's Motion (Motion) (filed Dec. 18, 2024).

<sup>2</sup> Order (Ky. PSC July 7, 2020) at 4, ordering paragraph 7.

<sup>3</sup> 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,<sup>4</sup> 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.<sup>5</sup>

This proceeding was subsequently opened to monitor Farmdale District's collection and expenditures of the water loss prevention 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 explained it needed to relocate a waterline that was located along the bank of Benson Creek because the waterline has a tendency to wash-out during heavy rain events and indicated that it would be seeking reimbursement for the South Benson Project.<sup>6</sup>

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.<sup>7</sup>

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<sup>4</sup> Case No. 2020-00021, *Electronic Alternative Rate Adjustment Filing of Farmdale Water District* (Ky. PSC July 2020), Order at 10.

<sup>5</sup> Case No. 2020-00021, July 7, 2020 Order at 8, 10.

<sup>6</sup> Farmdale District's QIIP (filed Feb. 29, 2024) at 4.

<sup>7</sup> Order (Ky. PSC June 13, 2024).

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.<sup>8</sup> 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.<sup>9</sup>

### DISCUSSION AND FINDINGS

Farmdale District's Motion requested approval to expend \$266,451.42 of the \$336,137 remaining Water Loss Reduction Surcharge Funds (Surcharge Funds) to purchase one thousand 5/8- x 3/4-inch T-10, Pro-Coder Neptune water meters; five hundred Sensus 520M, M2 MXU single port transceiver units; five hundred Sensus 520M, M2 MXU dual port transceiver units, which will be used to replace meters in Farmdale District's system that have been in place without testing for ten years or longer; and to reimburse Farmdale District for expenses directly related to the Benson Creek Project, which is currently underway.

On December 27, 2024, Farmdale District filed an update to its QIIP, including an update on the Benson Creek Project.<sup>10</sup> Farmdale District stated that the Electric and Water Plant Board of the city of Frankfort, Kentucky (Frankfort Plant Board), has now located the waterline, and Farmdale District has purchased the pipe, gate valve, and other

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<sup>8</sup> Farmdale District's Notice of Surcharge Fee Cessation (filed July 26, 2024).

<sup>9</sup> Order (Ky. PSC Oct. 24, 2024).

<sup>10</sup> Farmdale District's Updated QIIP and Seven Year Capital Plan (Updated QIIP) (filed Dec. 27, 2024).

necessary fittings for the project as well as installing a 6-inch tap and sleeve.<sup>11</sup> In its Motion, Farmdale District requested reimbursement from the water loss surcharge funds for these purchases in the amount of \$7,861.42.<sup>12</sup>

Farmdale District also requested approval to use surcharge funds to purchase 1,000 Neptune customer water meters and 1,000 transceivers to enable radio-reading of the meters.<sup>13</sup> Farmdale District was previously found to be out of compliance with its meter testing, and ordered by the Commission in Case No. 2022-00347 to complete all periodic testing or replace all meters for which testing has not been maintained, by August 31, 2025.<sup>14</sup> The final Order in that case encouraged Farmdale District to seek permission to use surcharge funds toward that cost.<sup>15</sup>

Farmdale District explained that it has executed an Assistance Agreement and a Mutual Aid Agreement with Frankfort Plant Board, under the terms of which Frankfort Plant Board will assist Farmdale District with meter installation and meter reading.<sup>16</sup> Farmdale District stated that, to comply with the Commission's meter replacement or testing deadline, Farmdale District has ordered the meters and transceivers discussed above at a cost of \$258,5907, and it will utilize the assistance of Frankfort Plant Board and an outside contractor, if necessary, to complete meter installation by August 31,

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<sup>11</sup> Farmdale District's Updated QIIP (filed Dec. 27, 2024).

<sup>12</sup> Motion at 4.

<sup>13</sup> Motion at 1–4.

<sup>14</sup> Case No. 2022-00347, *Electronic Alleged Failure of Farmdale Water District, and its Individual Commissioners Scottie Wooldridge, 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 Sep. 4, 2024) at Ordering paragraph 12.

<sup>15</sup> Case No. 2022-00347, Sept. 4, 2024 Order at 12.

<sup>16</sup> Motion at 2–4

2025.<sup>17</sup> As provided in both its Motion and its updated QIIP, Farmdale District stated it chose this meter and transceiver combination because it is compatible with equipment in use in Farmdale District's system, and it is the same customer meter and transceiver combination currently used by the water division of the Frankfort Plant Board.<sup>18</sup>

The Commission finds that Farmdale District's request for reimbursement from the surcharge proceeds should be granted. Farmdale District sought Commission permission prior to expending funds from the surcharge account, submitted invoices for the expenses, and provided an explanation of how the purchased items for the South Benson Project are necessary in its continued efforts to decrease water loss. The Commission further finds that the expenditure for the purchase of the customers meters and transceivers should be approved, and Farmdale District should take all further necessary steps to ensure its compliance with 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.<sup>19</sup>

IT IS THEREFORE ORDERED that Farmdale District's request to disburse \$266,451.42, as detailed in its Motion, from the water loss reduction surcharge is granted.

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<sup>17</sup> Farmdale District's Updated QIIP at 6.

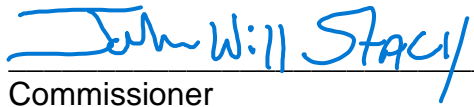
<sup>18</sup> Motion at 2; Updated QIIP at 6.

<sup>19</sup> Case No. 2022-00347, Sept. 4, 2024 Order, Ordering paragraph 12.

PUBLIC SERVICE COMMISSION

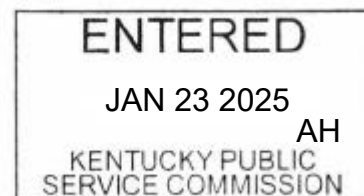
  
Chairman

Commissioner

  
Commissioner

ATTEST:

  
Executive Director



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