

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

This matter arises from two requests from Black Mountain Utility District (Black Mountain District) filed on August 12, 2025, and December 18, 2025. Both requests sought permission to use water loss surcharge funds for reimbursement of expenses related to leak repairs and employee overtime.

BACKGROUND

The Commission initiated this case on October 9, 2023, to monitor Black Mountain District's water loss surcharge and the progress of its water loss reduction efforts. The October 9, 2023 Order indicated that Black Mountain District was to collect a monthly water loss surcharge of \$3.65 per meter for 48 months or until \$319,316 had been assessed, whichever ever occurred first.<sup>1</sup> The October 9, 2023 Order also required that Black Mountain District seek prior approval from the Commission prior to spending any funds from the water surcharge account.<sup>2</sup>

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<sup>1</sup> Order (Ky. PSC Oct. 9, 2023) at 2.

<sup>2</sup> Oct. 9, 2023 Order at 3.

## DISCUSSION AND FINDINGS

On August 12, 2025, Black Mountain District filed a motion for approval to expend water loss surcharge funds, including expenses for leak repairs and upgrades in the amount of \$13,444.14, as well as an additional \$47,851.45 for overtime pay Black Mountain District stated was required to make the necessary repairs and upgrades.<sup>3</sup> The repairs were performed on water mains found leaking into the ground, service line leaks, water main and service line failures, as well as failed valve packing, a ruptured meter base, and a leaking pump.<sup>4</sup> Black Mountain District provided invoices which detailed these repairs and indicated the repairs were successful in stopping leaks.<sup>5</sup> Black Mountain District confirmed that the employees involved in the overtime hours for these repairs and upgrades were Black Mountain District personnel, performing leak repairs.<sup>6</sup>

On December 18, 2025, Black Mountain District filed a further motion for approval to expend water loss surcharge funds for an additional \$33,829.54 in overtime pay, which Black Mountain District claimed was necessary for repairs and upgrades.<sup>7</sup>

The Commission finds that the request for authorization to use water loss surcharge account funds for the repairs and upgrades provided in Black Mountain District's August 12, 2025 motion in the amount of \$13,444.14 should be approved.

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<sup>3</sup> Black Mountain District's Motion to Use Surcharge Funds (August 12, 2025 Motion) (filed Aug. 12, 2025) at unnumbered pages 2–3.

<sup>4</sup> Black Mountain District's Response to Commission Staff's Fifth Request for Information (Staff's Fifth Request) (filed Dec. 5, 2025), Item 1.

<sup>5</sup> August 12, 2025 Motion at unnumbered page 2 Exhibit A and Black Mountain District's Response to Staff's Fifth Request, Item 1.

<sup>6</sup> Black Mountain District's Response to Staff's Fifth Request, Items 1–2.

<sup>7</sup> Black Mountain District's Motion to Use Surcharge Funds (December 18, 2025 Motion) (filed Dec. 18, 2025) at unnumbered page 2.

Black Mountain District claimed that the overtime charges for compensation to personnel, for which it seeks to use water loss surcharge funds, are directly related to those person's duties performed specifically to leak detection services.<sup>8</sup> The Commission has previously granted the use of water loss surcharge funds for overtime hours under a state of emergency,<sup>9</sup> and has also granted approval of surcharge funds for districts that have required additional employee(s) to perform leak detection services and/or repairs and specifically requested approval to hire the additional personnel.<sup>10</sup> However, based on the information provided in the record, the Commission does not find the same emergent situation was present for the repairs and upgrades for which Black Mountain employees accrued overtime hours, and compensation for such overtime hours it not an intended use of the water loss surcharge. Therefore, the Commission finds that the request for approval to expend \$47,851.45 and \$33,829.54, respectively, from water loss surcharge funds for overtime hours performed by Black Mountain District employees should be denied.

Further, according to the record, Black Mountain District has collected \$341,687.38 in water loss surcharge funds to date,<sup>11</sup> an overcollection in the amount of \$22,371.38 from the \$319,316 allowed pursuant to the October 9, 2023 Order. Black Mountain

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<sup>8</sup> December 18, 2025 Motion at unnumbered page 2.

<sup>9</sup> Order (Ky. PSC Apr. 10, 2025).

<sup>10</sup> See Case No. 2019-00119, *Electronic Application of Estill County Water District No. 1 for a Surcharge to Finance Water Loss Control Efforts* (Ky. PSC Jan. 25, 2024); Case No. 2023-00301, *Electronic Big Sandy Water District's Unaccounted for Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC May 30, 2023); Case No. 2023-00351, *Electronic Mountain Water District Unaccounted-for Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Feb. 21, 2025).

<sup>11</sup> Commission Staff calculated the amount from all monthly surcharge filings to date, with the most recent surcharge report filed on February 13, 2026.

District having reached the amount of water loss surcharge collections allowed pursuant to the October 9, 2023 Order, the Commission finds that Black Mountain District should immediately cease collection of the water loss surcharge or show cause as to why they have not satisfied the condition precedent to stop collection pursuant to the October 9, 2023 Order.

IT IS HEREBY ORDERED that:

1. Black Mountain District's August 12, 2025 request for approval to expend surcharge funds in the amount of \$13,444.14 for leak repairs and upgrades is granted.
2. Black Mountain District's August 12, 2025 request for approval to expend water loss surcharge funds in the amount of \$47,851.45 for overtime pay to Black Mountain District employees is denied.
3. Black Mountain District's December 18, 2025 request for approval to expend water loss surcharge funds in the amount of \$33,829.54 for overtime pay to Black Mountain District employees is denied.
4. Black Mountain District shall terminate collections of the water loss surcharge immediately.
5. Black Mountain District's next monthly surcharge report should reflect the date the water loss surcharge collections were terminated, and any further total amount of water loss surcharge funds that were collected prior to termination.
6. Black Mountain District shall not use any remaining surcharge proceeds for reimbursement of unaccounted-for water loss reduction expenses without prior Commission authorization.

PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

ATTEST:

   
Executive Director



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