

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

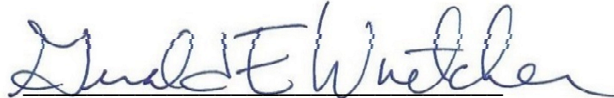
ELECTRONIC APPLICATION OF ESTILL)	
COUNTY WATER DISTRICT NO. 1 FOR A)	CASE NO. 2019-00119
SURCHARGE TO FINANCE WATER LOSS)	
CONTROL EFFORTS)	

**RESPONSE OF ESTILL COUNTY WATER DISTRICT NO. 1
TO COMMISSION STAFF'S FOURTH REQUEST FOR INFORMATION**

Estill County Water District No. 1 submits its Response to Commission Staff's Fourth Request for Information.

Dated: December 19, 2025

Respectfully submitted,

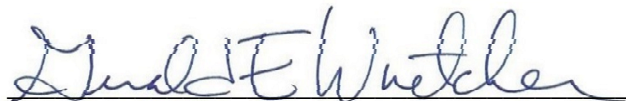


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CERTIFICATE OF SERVICE

In accordance with the Commission's Order of July 22, 2021 in Case No. 2020-00085 (Electronic Emergency Docket Related to the Novel Coronavirus COVID-19), I certify that the electronic filing has been transmitted to the Commission on December 19, 2025; and that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means.




Counsel for Estill County Water District No. 1

VERIFICATION


COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF ESTILL)

The undersigned, Audrea Miller, being duly sworn, deposes and states that she is the General Manager of Estill County Water District No. 1 and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.



Audrea Miller
General Manager
Estill County Water District No. 1

Subscribed and sworn to before me, a Notary Public in and before said County and State,
this 16th day of December 2025.



Notary Public
My Commission Expires: 6/20/2026
Notary ID: KYNP53871

ESTILL COUNTY WATER DISTRICT NO. 1

Response to Commission Staff's Fourth Request for Information Case No. 2019-00119

Question No. 4-1

Responding Witness: Audrea Miller

Q-4-1. Refer to the Commission Order dated January 25, 2024, issued in this matter. The Order authorized hiring two new employees for a period of 33 months. Considering approximately 22 months have passed since that Order, explain the benefits the two employees have provided the district.

A-4-1. Historically, the Estill County Water District No. 1 ("the District") has experienced elevated levels of unaccounted-for water due to several longstanding challenges, including aging customer meters, a geographically large service area that was difficult to monitor effectively, limited field staff capacity to locate and repair leaks promptly, and the absence of sufficient data to support system zoning, sub-zoning, and long-term asset management.

In 2022 and 2023, the District undertook significant system improvements aimed at reducing water loss. These efforts included replacing all residential and commercial meters, installing the first 19 zone meters, and replacing three inadequate creek crossings. As reflected in the District's annual reports, these upgrades produced the first major reduction in unaccounted-for water: from 39.89 percent in 2022 to 25.94 percent in 2023.

In January 2024, the District appointed an existing employee as Water Loss Supervisor - its first full-time, dedicated leak detection position. This employee played a key role in determining the placement of the initial 19 zones and in mastering the District's leak detection technologies. The Water Loss Supervisor was tasked with establishing a systematic, data-driven approach to water loss management using the infrastructure installed in 2022–2023. This approach includes:

- Preparing monthly District Metered Area (DMA) reports
- Collecting and analyzing monthly data from Mlog leak sensors
- Using acoustic listening devices, portable flow meters, and other leak detection tools
- Maintaining detailed records of findings and system performance

This structured process has generated actionable data that has guided management decisions regarding additional sub-zones, the need for new system valves, and the placement of permanent flow-monitoring pits.

In January 2025, the District added a second employee to the leak detection team. This employee supports leak detection activities and is also responsible for mapping the distribution system, identifying areas in need of replacement, documenting valve exercising, and tracking service line inspections and replacements.

To date, the leak detection team—working closely with District management—has made measurable progress in identifying leaks quickly and reducing unaccounted-for water. Data collected by the team has also helped the District better understand how weather events impact water loss. For example:

- **February 2024:** A winter weather event caused widespread meter and regulator failures, temporarily increasing water loss. Because of the District's monitoring system and daily data review, staff were able to identify and repair failures more quickly, reducing the overall impact.
- **April 2025:** Severe flooding washed out water mains and damaged monitoring equipment, causing unaccounted-for water to rise to 36%. However, the systems and processes now in place enabled staff to rapidly pinpoint and repair leaks. Within two months, unaccounted-for water had been reduced to 20%.

Prior to the establishment of the leak detection team and the installation of monitoring infrastructure, events of this magnitude would have taken significantly longer to address and would have resulted in substantially higher water loss. These incidents also revealed weaknesses in the monitoring network and helped identify locations where additional zone meters are needed. Planned upgrades will further enhance the District's ability to monitor and respond to system issues.

Looking ahead, the District recognizes the essential role of a dedicated leak detection team and intends to maintain this team permanently. Its ongoing responsibilities will include continuous system monitoring, evaluating the need for additional zones, valves, and flow pits, and supporting the development of a comprehensive asset management plan through detailed system mapping and documentation.

The District intends to request authorization from the Public Service Commission to continue using surcharge proceeds for the leak detection team's wages and benefits through December 31, 2027, and will request in its next application for general rate adjustment, which will be filed no later than July 1, 2027, general rates that include recovery of the cost of the leak detection team's wages and benefits.

ESTILL COUNTY WATER DISTRICT NO. 1

Response to Commission Staff's Fourth Request for Information Case No. 2019-00119

Question No. 4-2

Responding Witness: Audrea Miller

Q-4-2. Explain whether the district intends to continue those employees' positions using regular operating funds after the 33-month period.

A-4-2. Estill County Water District No. 1 ("the District") interprets the Commission's Order of January 25, 2024 as authorizing the use of surcharge proceeds for thirty-three months of wages and benefits for each of two leak detection employees. The Order does not require these employees be hire or assigned concurrently or provide that authorization for such use of surcharge proceeds would terminate 33 months from entry of the Order.

As noted in the response to Question 4-1, Estill County Water District No. 1 ("the District") did not assign or hire the two members of its leak detection team at same time. The first member of the team was assigned in January 2024. The District has used surcharge proceeds for that member's pay and benefits since that time. The Commission's Order of January 25, 2024, surcharge proceeds authorizes the use of surcharge proceeds for his monthly pay and benefits up to and including the month of **October 2026**. The second leak detection team member was not hired until January 2025. The Commission's Order of January 25, 2024 authorizes the use of surcharge proceeds for the second employee's pay and benefits up to and including the month of **October 2027**.

The District previously explained in its [Response to Commission Staff's Third Request for Information](#) that the need for a leak detection team **is permanent** and will continue no matter how successful the District is in reducing its water loss. The cost of such employees' pay and benefits, therefore, should be provided through general rates. Such recovery, however, is not easily obtained, especially when a leak detection team has yet to be formed. Accordingly, the District advised the Commission of its intention to use surcharge proceeds as a bridge to fund its leak detection team until completion of its next general rate proceeding:

The cost to hire and equip additional personnel is not easily recovered through a general rate adjustment. As a practical matter, the [applicant for a rate adjustment] must use a historical test period when applying for a rate adjustment. Unless the additional personnel are employed at the time of the rate proceeding, the expenses related to their compensation and equipment are not considered as known and measurable and, therefore, are not recoverable through rates. The surcharge proceeds represented a source of funding to permit the immediate hiring and equipping of such personnel. These personnel will enable the District to build upon the improvements financed through the KIA loan to bring its water loss down to an acceptable

level. **While the District expects to employ leak detection personnel permanently – leak detection and water loss prevention require an unwavering commitment and will always be an essential task even after the District brings its water loss within regulatory standards, the District does not intend to permanently fund the cost of its leak detection team through surcharge proceeds.** It recently received Commission approval to use surcharge proceeds to fund leak detection personnel and equipment and has hired personnel to staff that team. **In the District's next rate proceeding, which will likely occur in 2027, it will apply to recover the cost of those personnel through general rates.** By that time, those costs will be known and measurable. [Emphasis added.]

Pursuant to [the Commission's Order of August 30, 2024 in Case No. 2023-00371](#), the District must apply for a general rate adjustment no later than July 1, 2027, using a calendar year 2026 as its test period. Assuming the Public Service Commission enters a decision within six months of the District's application, new rates, which include recovery of the costs associated with the District's leak detection team, should become effective by January 1, 2028.

Accordingly, the District intends to apply to the Public Service Commission prior to October 2026 for authorization to continue its use of surcharge proceeds to fund the pay and benefits of its leak detection team until the end of December 2027. The use of surcharge proceeds for this purpose is consistent with the purpose and intent of the District's Water Loss Control Program and the approved Water Loss Control Program Surcharge.

ESTILL COUNTY WATER DISTRICT NO. 1

**Response to Commission Staff's Fourth Request for Information
Case No. 2019-00119**

Question No. 4-3

Responding Witness: Audrea Miller

Q-4-3. Provide a timeline for the final expenditures from the water loss surcharge account. Include in the response a description of the usage of those funds.

A-4-3. Estill County Water District No. 1 ("the District") currently plans to make the following expenditures between January 1, 2026 and December 31, 2027:

- **Leak Detection Team Salaries:** Two full-time employees at **\$6,000 per month for each employee** continuing through December 2027.
- **System Improvements and Equipment Purchases:**
 - Hargett Creek Crossing Replacement: **\$30,000**
 - Meter Reading Equipment: **\$25,000**
 - Three Listening Devices: **\$18,000**
 - Three Additional Zone Meters: **\$30,000**

Table 1 on next page reflects the District's projected surcharge fund balance after accounting for salaries and planned capital purchases. The beginning balance is \$403,065, with the fund's balance being \$24,750.60 as of December 31, 2027.

The District reserves the right to make additional expenditures of surcharge proceeds for water loss control measures should the circumstances require and the required authorization from the Public Service Commission has been obtained.

TABLE 1			
Month	Expected Expenditures	Surcharge Collection^o	Ending Balance
November 2025			403,350.26
December 2025	42,000.00*	12,200.00	373,550.26
January 2026	12,000.00	12,200.00	373,750.26
February 2026	12,000.00		361,750.26
March 2026	12,000.00		349,750.26
April 2026	85,000.00**		264,750.26
May 2026	12,000.00		252,750.26
June 2026	12,000.00		240,750.26
July 2026	12,000.00		228,750.26
August 2026	12,000.00		216,750.26
September 2026	12,000.00		204,750.26
October 2026	12,000.00		192,750.26
November 2026	12,000.00***		180,750.26
December 2026	12,000.00		168,750.26
January 2027	12,000.00		156,750.26
February 2027	12,000.00		144,750.26
March 2027	12,000.00		132,750.26
April 2027	12,000.00		120,750.26
May 2027	12,000.00		108,750.26
June 2027	12,000.00		96,750.26
July 2027	12,000.00		84,750.26
August 2027	12,000.00		72,750.26
September 2027	12,000.00		60,750.26
October 2027	12,000.00		48,750.26
November 2027	12,000.00		36,750.26
December 2027	12,000.00		24,750.26

* Includes authorized expenditure for Hargett Creek Crossing Replacement.

** Assumes authorization for use of surcharge proceeds for other system improvements and equipment expenditures has been granted by 4/30/2026.

*** Assumes authorization for use of surcharge proceeds for leak detection team pay and benefits for each team member through December 31, 2027 has been granted.

^o December 2025 is the last month in which the District is authorized to bill the surcharge. The billed amount is received in the month following the bill issuance.

ESTILL COUNTY WATER DISTRICT NO. 1

**Response to Commission Staff's Fourth Request for Information
Case No. 2019-00119**

Question No. 4-4

Responding Witness: Audrea Miller

Q-4-4. If only a small amount of funds are left in the account [less than needed to pay the two employees a month], explain Estill District No. 1's plan to expend those funds.

A-4-4. Estill County Water District No. 1 ("the District") has not yet developed plans to address any unspent funds. It currently estimates that \$24,750.26 will remain in the surcharge fund as of December 31, 2027. At this time, the funds serve as a reserve for future contingencies that may occur prior to December 31, 2027. Should the need arise to spend these funds for additional water loss control purposes, the District will provide appropriate notice to the Public Service Commission and request Commission authorization for such expenditures, if such authorization has not previously been granted.