

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC ALTERNATIVE RATE)
ADJUSTMENT FILING OF FARMDALE) CASE NO. 2020-00021
WATER DISTRICT)

MOTION FOR SURCHARGE

Farmdale Water District (“Farmdale District”), by counsel, hereby respectfully requests the Kentucky Public Service Commission (“Commission”) to approve a monthly water loss reduction surcharge of \$3.00 per active meter. In support of this Motion, Farmdale District states as follows:

1. Farmdale District has experienced high unaccounted-for water loss over the last several years.¹ Farmdale District has been working to reduce its water loss, but recognizes that much more progress must be made in order to consistently achieve a 15% or less water loss to comply with 807 KAR 5:066, Section 6(3).

2. To assist in these ongoing water loss reduction efforts, Farmdale District has recently engaged the services of the Kentucky Rural Water Association,

¹ In 2015, Farmdale District’s water loss peaked at 41.6%. In 2016, Farmdale District’s water loss was 39.2% and in 2017 it was 35.9%. It was further reduced to 28.0% in 2018, but Farmdale District is still working to reduce the water loss percentage to below 15% on a consistent basis. *See* Response of Farmdale Water District to Commission’s Request for Information Dated March 12, 2019, Question No. 1, Case No. 2019-00041 (Apr. 12, 2019).

Inc. (“KRWA”) and HMB Professional Engineers, Inc. (“HMB”). Farmdale District, KRWA, and HMB have identified several projects that could be undertaken to reduce Farmdale District’s water loss, and the parties are in the preliminary stages of drafting a formal Water Loss Reduction Plan. Farmdale District will file its Water Loss Reduction Plan with the Commission when it is finalized. The list of activities currently under consideration by Farmdale District for inclusion in its Water Loss Reduction Plan include the following:

- a. Purchase of more sophisticated leak detection (listening device) equipment;
- b. Purchase and installation of additional zone meters;
- c. Purchase of flow meter;
- d. Purchase and installation of additional bypass meters;
- e. Purchase and installation of additional isolation valves;
- f. Replacement of old, brittle Blue Max tubing service lines; and
- g. Replacement of approximately 0.5 mile of 6-inch diameter AC transmission main.

3. Farmdale District’s Board of Commissioners acknowledges that it is necessary for Farmdale District to raise revenue to finance its water loss reduction efforts. The most feasible method is to implement a monthly surcharge.

4. At its monthly Board of Commissioners meeting held on April 3, 2020, Farmdale District adopted a Resolution requesting the Commission authorize a water loss surcharge in the amount of \$3.00 per month per active meter. A copy of Resolution No. 2020-04-01 is attached hereto and incorporated herein by reference as **Exhibit 1**.

5. The \$3.00 per month per meter water loss surcharge proposed by Farmdale District will generate approximately **\$95,000** per year (31,766 annual bills x \$3.00 = \$95,298).² If the surcharge is effective for four (4) years, approximately \$380,000 will be generated. The Staff Report in this case has not yet been filed,³ but Farmdale District expects Commission Staff's recommendation for reduction of its purchased water and purchased power expenses will approximately equal the amount Farmdale District would recover through the proposed monthly surcharge.

6. Farmdale District will file its Water Loss Reduction Plan with the Commission when finalized and, if the proposed monthly surcharge is approved, will not spend any of the surcharge collected from customers until the Commission approves the Water Loss Reduction Plan.

7. Farmdale District further agrees to deposit surcharge collections in a separate interest-bearing account in order to " earmark" the funds, and will request

² See Application, Attachment 5 "Billing Analysis with 2018 Usage & Existing Rates," Case No. 2020-00021 (Jan. 22, 2020).

³ The Commission's Order entered on February 10, 2020 in this case states that Commission Staff shall file its Staff Report no later than April 30, 2020.

Commission approval prior to the expenditure of any surcharge proceeds for a specific water loss reduction activity. Farmdale District will also file three (3) different monthly reports: (a) billing activity report and requests for disbursement from the surcharge account; (b) the activity report on its operations to reduce water loss; and (c) the water loss report. These requirements have been recently imposed by the Commission on other water utilities that requested to assess a monthly surcharge for water loss reduction efforts, including Estill County Water District No.1, whose request to immediately begin billing the proposed monthly surcharge subject to refund was approved.⁴

8. Farmdale District was a party to Case No. 2019-00041. Hence, the Commission is aware of Farmdale District's efforts to reduce its water loss and the need for further reduction. Farmdale District believes that the evidence contained in the record in this ARF case and in Case No. 2019-00041 will be sufficient for the Commission to approve Farmdale District's request for a monthly surcharge fee.

9. Farmdale District requests that the Commission's Order granting a rate increase pursuant to 807 KAR 5:076 include approval of the proposed surcharge.

⁴ *Application of Estill County Water District No. 1 for a Surcharge to Finance Water Loss Control Efforts*, Case No. 2019-00119, Order (Ky. PSC Aug. 29, 2019); *Application of Cannonsburg Water District for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076*, Case No. 2018-00376, Order (Ky. PSC May 13, 2019).

WHEREFORE, Farmdale District respectfully requests that the Commission issue an Order approving its request for a monthly surcharge fee in the amount of \$3.00 per month per active meter for a minimum of four (4) years.

Dated: April 13, 2020

Respectfully submitted,



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Counsel for Farmdale Water District

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8 and the Commission's March 16, 2020 Order in Case No. 2020-00085 regarding electronic filings, I certify that Farmdale Water District's filing of this Motion for Surcharge was electronically transmitted to the Public Service Commission on April 13, 2020; that there are currently no other parties in this proceeding; and Farmdale Water District will file original paper copies of this filing within 30 days of the lifting of the state of emergency.



Katelyn L. Brown

EXHIBIT 1

RESOLUTION NO. 2020-04-01

**RESOLUTION OF FARMDALE WATER DISTRICT
REQUESTING AUTHORITY FROM THE PSC TO
IMPLEMENT A MONTHLY SURCHARGE TO FUND ITS
UNACCOUNTED-FOR WATER LOSS REDUCTION
EFFORTS.**

WHEREAS, Farmdale Water District (“Farmdale”) is a water district organized pursuant to KRS Chapter 74;

WHEREAS, Farmdale owns and operates facilities that distribute water to approximately 2,668 customers in Franklin, Anderson, and Shelby counties;

WHEREAS, during recent years, Farmdale has experienced high unaccounted-for water loss;

WHEREAS, Farmdale has engaged the services of the Kentucky Rural Water Association, Inc. (“KRWA”) and HMB Professional Engineers, Inc. (“HMB”) to assist in its ongoing water loss reduction efforts. Farmdale, with the assistance of KRWA and HMB, has identified several projects that need to be undertaken to reduce Farmdale’s water loss. Farmdale is in the process of reviewing and prioritizing these projects;

WHEREAS, it is necessary for Farmdale to raise more revenue to finance its efforts to reduce its water loss; and

WHEREAS, implementing a monthly surcharge to fund Farmdale's non-revenue water reduction efforts appears to be the most feasible means to raise the necessary funds.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF FARMDALE WATER DISTRICT AS FOLLOWS:

Section 1. The facts, recitals, and statements contained in the foregoing preamble of this Resolution are true and correct and are hereby affirmed and incorporated as a part of this Resolution.

Section 2. It is hereby determined and declared to be necessary that Farmdale request the PSC to authorize a monthly surcharge in the amount of **\$3.00** per customer to fund Farmdale's unaccounted-for water loss reduction efforts.

Section 3. The Board of Commissioners hereby authorizes the Chairman to request that the PSC authorize a monthly surcharge fee in the amount of **\$3.00** per month per active meter.

Section 4. This Resolution shall take effect upon its adoption.

**ADOPTED BY THE BOARD OF COMMISSIONERS OF FARMDALE
WATER DISTRICT** at a meeting held on April 3, 2020, signed by the Chairman,
and attested by the Secretary.

FARMDALE WATER DISTRICT

BY: 
Clifford Toles, Chairman

ATTEST:


Donald Morse, Secretary

CERTIFICATION

The undersigned Secretary of Farmdale Water District (the "District") does hereby certify that the foregoing is a true copy of a Resolution duly adopted by the Commission of the District at a meeting properly held on April 3, 2020, signed by the Chairman of the Commission, attested by the Secretary, and now in full force and effect.

WITNESS my hand this 3rd day of April, 2020.


Donald Morse, Secretary