

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC BIG SANDY WATER)
DISTRICT’S UNACCOUNTED-FOR WATER) CASE NO. 2022-00301
LOSS REDUCTION PLAN, SURCHARGE AND)
MONITORING)

MOTION FOR AUTHORIZATION TO USE SURCHARGE PROCEEDS

Pursuant to 807 KAR 5:001, Section 4, and the Public Service Commission’s (“Commission”) Order of September 13, 2022, Big Sandy Water District (“the District”) moves for authorization to use \$88,576 of the proceeds of its Water Loss Reduction Surcharge to finance the replacement of a damaged and leaking water stream crossing.

In support of its Motion, the District states:

1. In Case No. 2022-00044, the District requested authority to assess a Water Loss Reduction Surcharge to fund its water loss reduction efforts.¹ It proposed to assess a monthly surcharge of \$6.15 on each customer for 60 months. The proposed surcharge was estimated to generate \$354,240 annually, or \$1,771,200 over the proposed life of the surcharge. The amount of the proposed surcharge was based upon the sum of purchased water expense and purchased power expense that 807 KAR 5:066, Section 3 required to be disallowed from recovery in the District’s rates due to excessive unaccounted-for water loss. In its application, the District identified initial expenditures of \$910,328 for which the proposed surcharge proceeds would be used but noted that other water loss control expenditures would subsequently be submitted for Commission review and approval.

¹ *Electronic Application of Big Sandy Water District for an Adjustment of Its Water Rates Pursuant to 807 KAR 5:076, Case No. 2022-0004 (Ky. PSC filed Mar. 25, 2022), Application, Exhibit N.*

2. On September 13, 2022, the Commission authorized the District to assess a monthly surcharge of \$6.42 per active meter for a period of 60 months. The approved Water Loss Reduction Surcharge is expected to produce \$369,639 annually or \$1,848,195 over the life of the surcharge. The Commission found that a monthly surcharge was “a reasonable means for Big Sandy District to recover the cost of its efforts in **water leak detection and repair** in order to reduce the increased expense and lost revenue from unaccounted-for water loss.”²

3. In May 2022, approximately two months after the filing its application for rate adjustment with the Commission, District employees on a routine patrol for water leaks discovered a leak in a six-inch main in a remote area of Lawrence County, Kentucky. This main provides water service to approximately 350 customers. The District isolated the location of a leak to a portion of the main that ran down a steep embankment, traversed a stream bed and ran up a steep embankment on the other side of the stream. Photographs of the area are attached to this Motion as **Exhibits A and B**. The District estimates that the leak resulted in a loss of fifteen gallons of water per minute, or approximately 648,000 gallons of water monthly. This water loss represents a monthly expense of \$19,717.34.³ The District is uncertain as to how long this leak existed prior to its discovery.

4. After attempting to repair the leak with its own personnel and equipment in June and July 2022, the District determined that, given the topography of the area, it lacked the necessary equipment and expertise to perform the repairs. Furthermore, after surveying the area, it found exposed portions of the main that would likely result in future main breaks. The District

² Order of September 13, 2022 at 19 (emphasis added).

³ This amount assumes the average cost of purchased water is \$2.802 per 1,000 gallons and the cost of electric power to pump water is \$0.2408 per 1,000 gallons. See Case No. 2022-00044, Commission Staff Report at 20-21. Total Cost = 648,000 gallons x (\$2.802 + \$0.2408) per 1,000 gallons = \$19,717.344.

determined that the most cost-effective approach to addressing the water leak was to replace the stream crossing.

5. After searching for a contractor to perform the replacement, Big Sandy District in early September 2022 contracted with B.P. Pipeline to replace the stream crossing. B.P. Pipeline began construction of the replacement crossing on or about September 21, 2022 and completed construction on September 26, 2022. Total cost of the replacement was \$136,989. An itemized list of the project costs and supporting invoices is attached to this Motion as **Exhibit C**.

6. The District has sought funding from various sources to pay the construction costs. The Kentucky Infrastructure Authority (“KIA”) has agreed to allocate towards the cost of the stream crossing replacement \$48,412.93 remaining from Cleaner Water Program Grant No. 21CWW013.⁴ A copy of the request to reallocate the remaining grant funds is attached as Exhibit D. The District has been unable to locate other funding sources and is now pursuing a short-term loan from a commercial bank to obtain the necessary funds to pay its construction contractor. The District lacks sufficient funds from its unrestricted general funds to make immediate payment of the remaining amount owed and to also meet its current expenses, such as purchased water, purchased power and employee wages and benefits.⁵

7. Big Sandy District requests authorization to apply \$88,576 of Water Loss Reduction Surcharge proceeds to the remaining stream crossing replacement cost. This use of surcharge proceeds is consistent with the Water Loss Reduction Surcharge’s purpose, which is to

⁴ The earlier project, entitled “Replacement Water Interconnection – Kenova, WV” and designated in the Water Resource Information System as WRIS Project No. WX21019060, involved the replacement of an interconnect between the District and the City of Kenova, West Virginia’s water system. It was funded with Cleaner Water Program Grant No. 21CWW013. The District completed the project in Spring 2022 at a lower-than-expected cost.

⁵ In Case No. 2022-00044, the Commission approved rates that would increase the District’s annual revenues by 8.67 percent, but ordered the increase implemented in two phases. The first bills reflecting the increased rates were not issued until December 1, 2022. The District, therefore, has yet to experience the full effect of the increased rates. Furthermore, the District is still experiencing significant unaccounted-for water loss that is adversely affecting its financial condition.

assist the District in locating and **repairing** water leaks that have led to the District's high level of unaccounted-for water. The leak in question was detected as a result of the District's leak detection efforts. The repair efforts occurred after the approval of the Water Loss Reduction Surcharge, have reduced monthly water loss by 648,000 gallons, and enabled the District to avoid monthly purchased water and purchased power expenses of \$19,717.

8. The District's request is also consistent with the District's Amended Infrastructure Improvement Plan. That plan has allotted \$400,000 of the Water Loss Reduction Surcharge proceeds towards the cost of repairing discovered water leaks, including materials and outside labor. The costs for which the District has requested to use the proceeds involve only the materials and outside labor and services to perform the stream crossing replacement.

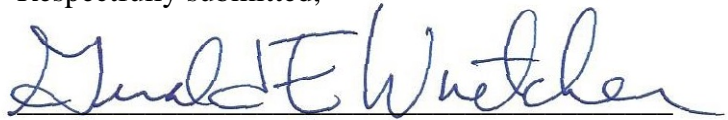
WHEREFORE, Big Sandy Water District respectfully requests that the Commission:

1. Authorized the District's use of \$88,576 of Water Loss Reduction Surcharge proceeds to pay costs for materials and outside labor and services related to the construction of the water stream crossing replacement; and,

2. Authorized the District to temporarily withdraw from the Water Loss Reduction Surcharge Account an additional amount no greater than \$48,412.93 to pay costs for materials and outside labor and services related to the construction of the water stream crossing replacement on the condition that such withdrawn funds be redeposited to that Account upon the District's receipt of Cleaner Water Grant Funds from the KIA for those costs.

Dated: February 10, 2023

Respectfully submitted,

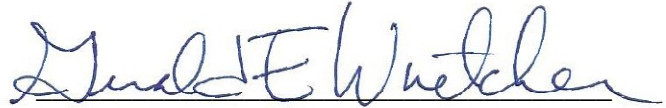
A handwritten signature in blue ink that reads "Gerald E. Wuetcher". The signature is written in a cursive style and is positioned above a horizontal line.

Gerald E. Wuetcher
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Counsel for Big Sandy Water District

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, and the Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was submitted electronically to the Public Service Commission on February 10, 2023, and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding

A handwritten signature in blue ink that reads "Gerald E. Wuetcher". The signature is written in a cursive style with a horizontal line underneath the name.

Gerald E. Wuetcher

EXHIBIT A



EXHIBIT B



EXHIBIT C

SME #22030
9/19/2022

**Big Sandy Water District
(S.R. #3 Lawrence County)
Stream Crossing Replacement**

Item No.	Description	Quantities	Units	Item Cost	Total
1	8" HDPE - DR 9, IPS (Furnishing) (BSWD)	800	L.F.	\$18	\$14,152
2	8" HDPE - DR 9, IPS HDD (Labor) (BP Pipeline)	800	L.F.	\$135	\$108,000
3	3/4" Service Line (BP Pipeline)	250	L.F.	\$15	\$3,750
4	Tie-in New 8" HDPE to Existing 6" PVC (BP Pipeline)	2	EA.	\$1,500	\$3,000
4	Tie-in New Services (BP Pipeline)	2	EA.	\$500	\$1,000
4	6" Gate Valve & Parts (BSWD)	1	EA.	\$3,487	\$3,487
5	6" Gate Valve Installation (BP Pipeline)	1	EA.	\$600	\$600
	SUBTOTAL				\$133,989

Engineering 1 L.S. 3,000 3,000

Total Project Cost = \$136,989

Jimmy Blanton
Big Sandy Water District
Jimmy Blanton, Manager

10/5/2022
Date

EXHIBIT D

CLEANER WATER PROGRAM GRANT REALLOCATION REQUEST

Grantee: Big Sandy Water District
Grant Amount: \$417,000
Grant Number: 21CWW013 - Boyd County Portion
WRIS Number: WX21019060

In a commitment letter dated March 17, 2022 the Grantee was awarded a Cleaner Water Program grant identified by the Grant Amount and Grant Number designated above.

Since submitting this Project Profile for consideration local circumstances have changed and the Grantee requests that awarded funds be reallocated for the following reasons:

River Crossing was completed with less funding than anticipated. The funds to be considered for reallocation are the remaining funds from that project totaling \$48,412.93. The portion from Boyd County totals \$34,481.13.

Consequently, the Grantee hereby declines the grant designated above and requests the funds be reallocated to the project(s) identified below.

Project 1

Grantee: Big Sandy Water District
Grant Amount: \$34,481.13
WRIS Number: WX21019065

Project 2

Grantee: _____
Grant Amount: _____
WRIS Number: _____

Requested by:
Eric Choney
Grantee Authorized Official

Approved by:

KIA Authorized Official

Date

Date

KIA Board Chair

Date

CLEANER WATER PROGRAM GRANT REALLOCATION REQUEST

Grantee: Big Sandy Water District
Grant Amount: \$417,000
Grant Number: 21CWW013 - Lawrence County Portion
WRIS Number: WX21019060

In a commitment letter dated March 17, 2022 the Grantee was awarded a Cleaner Water Program grant identified by the Grant Amount and Grant Number designated above.

Since submitting this Project Profile for consideration local circumstances have changed and the Grantee requests that awarded funds be reallocated for the following reasons:

River Crossing was completed with less funding than anticipated. The funds to be considered for reallocation are the remaining funds from that project totaling \$48,412.93. The portion from Lawrence County totals \$13,931.80.


Consequently, the Grantee hereby declines the grant designated above and requests the funds be reallocated to the project(s) identified below.

Project 1

Grantee: Big Sandy Water District
Grant Amount: \$13,931.80
WRIS Number: WX21019065

Project 2

Grantee: _____
Grant Amount: _____
WRIS Number: _____

Requested by: 

Grantee Authorized Official

1/20/23

Date

Approved by: _____

KIA Authorized Official

Date

KIA Board Chair

Date