

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.
SURCHARGE TO FINANCE WATER LOSS	)	2019-00119
CONTROL EFFORTS	)	

ORDER

On August 31, 2023, Estill County Water District No. 1 (Estill District No. 1) tendered a motion that requested, among other things, to continue collecting the water loss surcharge until December 31, 2025.<sup>1</sup> By Order issued December 13, 2023, the Commission stated that the status of the water loss surcharge would be reviewed as part of an application for an alternative rate filed by Estill District No. 1 and the surcharge would remain unchanged until further order of the Commission.<sup>2</sup> The Commission has evaluated Estill District No. 1's surcharge as part of the application for an alternative rate in Case No. 2023-00371,<sup>3</sup> and hereby incorporates its findings from that proceeding, granting Estill District No. 1's request to terminate its surcharge on December 31, 2025.

---

<sup>1</sup> Motion for Authorization to Expend Surcharge Proceeds and to Continue Billing Surcharge until December 31, 2025 (Motion for Authorization) (filed Aug. 31, 2023).

<sup>2</sup> Order (Ky. PSC Dec. 13, 2023), (reiterating a previous finding from Commission Order issued May 12, 2023, that the surcharge would be reviewed under the rate adjustment case).

<sup>3</sup> Case No. 2023-00371, *Electronic Application of Estill County Water District No. 1 for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 15, 2023).

## LEGAL STANDARD

On June 13, 2019, Estill District No. 1 tendered an application requesting implementation of a water loss surcharge to fund efforts to reduce unaccounted water loss. Estill District No. 1 sought approval to collect of \$3.54 from each customer.<sup>4</sup> Estill District No. 1 proposed several conditions to assure the funds are used solely to finance efforts to decrease unaccounted for water loss. These conditions included seeking Commission approval prior to expending surcharge funds, monthly activity reports which include a statement of monthly surcharge billings and collections to be filed with the Commission, three years after the surcharge is authorized a formal Commission review of performance of the surcharge and that Estill District No. 1's water loss control efforts will be conducted to determine if the surcharge should be terminated or modified.<sup>5</sup>

On July 29, 2019, Estill District No. 1 requested permission to go forward and start collecting the surcharge.<sup>6</sup> On August 29, 2019, the Commission entered an Order authorizing Estill District No. 1 to start collecting the water loss surcharge as of August 22, 2019, subject to refund.<sup>7</sup>

## BACKGROUND

Estill District No. 1 has assessed the water loss surcharge since August 22, 2019. Estill District No. 1 also sought other funding through Kentucky Infrastructure Authority

---

<sup>4</sup> Application at 5.

<sup>5</sup> Application at 6.

<sup>6</sup> Motion for Deviation and Request for Authority to Start Billing the Proposed Surcharge (filed July 29, 2019).

<sup>7</sup> Order (Ky. PSC Aug. 29, 2019), ordering paragraph 5.

(KIA) loans to further assist with decreasing its unaccounted-for water loss.<sup>8</sup> Those projects included replacing substandard stream crossing, creating designated metered areas, upgrading its systems telemetry, replacing 3,000 residential meters with radio read meters, installing 700 adapters on meters allowing them to be read by radio, removing 100 inactive meters and upgrading the meter reading software and equipment.<sup>9</sup> As a result of these projects, Estill District No. 1 reported it saw a decrease in its unaccounted-for water loss from 31.89 percent in January of 2023 to 22.11 percent in July of 2023.<sup>10</sup>

On August 31, 2023, Estill District No. 1 requested approval for certain expenditures from the water loss surcharge fund and requested that the surcharge be permitted to continue until December 31, 2025.<sup>11</sup> Estill District No. 1 proposed to use the surcharge proceeds for an intensive 33-month program designed to systematically locate and repair existing leaks, identify and repair or replace sections of the District's distribution system prone to water leaks, and make other systemic improvements to enhance the district's ability to locate and repair leaks quickly.<sup>12</sup> Estill District No. 1 presented a projection of proposed surcharge expenditures,<sup>13</sup> and stated that, if billing of the surcharge were allowed to end on December 31, 2025, the amount collected to that date would allow the district to implement the second phase of its water loss control plan

---

<sup>8</sup> Motion for Authorization at 12.

<sup>9</sup> Motion for Authorization at 6–7.

<sup>10</sup> Motion for Authorization at 8.

<sup>11</sup> Motion for Authorization at 1.

<sup>12</sup> Motion for Authorization at 8–12.

<sup>13</sup> Motion for Authorization, Exhibit 12.

and allow for sufficient time to assess the plan's effectiveness and to make necessary corrections.<sup>14</sup>

On December 13, 2023, the Commission entered an Order granting certain expenditures from the surcharge account and stated that the status and continuing need of the water loss surcharge would be reviewed in Case No. 2023-00371.<sup>15</sup> After review of the status of the water loss surcharge in Case No. 2023-00371, the Staff Report did not identify a necessity for the surcharge to be continued after the requested date and recommended that the Commission grant Estill District No. 1's motion to terminate the surcharge.<sup>16</sup> By Order issued on August 30, 2024, in Case No. 2023-00371, the Commission found that Estill District No. 1's water loss surcharge should terminate on December 31, 2025.<sup>17</sup>

IT IS THEREFORE ORDERED that:

1. The Commission's finding in Case No. 2023-00371 that Estill District No. 1 shall terminate collection of the water loss surcharge on or before the billing period ended December 31, 2025, is incorporated here.

2. All other provisions and filing requirements from the Commission's March 24, 2020 Order in this proceeding remain in effect until termination of the water loss surcharge, and Estill District No. 1 has received approval for expenditure of all of the water loss surcharge funds.

---

<sup>14</sup> Motion for Authorization at 13.

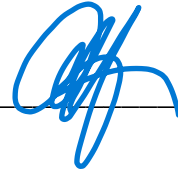
<sup>15</sup> Order (Ky. PSC Dec. 13, 2023).

<sup>16</sup> Case No. 2023-00371, Commission Staff Report at 6.

<sup>17</sup> Case No. 2023-00371, (Ky. PSC Aug. 30, 2024), Order at 29.

PUBLIC SERVICE COMMISSION

Chairman



Vice Chairman

Commissioner



ATTEST:



Executive Director

\*Estill County Water District #1  
76 Cedar Grove Road  
Irvine, KY 40336

\*Audrea Miller  
Office Manager  
Estill County Water District #1  
76 Cedar Grove Road  
Irvine, KY 40336

\*Gerald E Wuetcher  
Attorney at Law  
STOLL KEENON OGDEN PLLC  
300 West Vine Street  
Suite 2100  
Lexington, KENTUCKY 40507-1801