

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC GRAVES COUNTY WATER	)	
DISTRICT'S UNACCOUNTED-FOR WATER LOSS	)	CASE NO.
REDUCTION PLAN, SURCHARGE, AND	)	2019-00347
MONITORING	)	

ORDER

Graves County Water District (Graves District) filed its annual report for the review period of October 1, 2022, through September 30, 2023, on April 19, 2024. As part of that report, Graves District requested that no changes be made to the Water Loss Surcharge at this time.<sup>1</sup>

Graves District also filed a motion on May 25, 2023, to permit the filing of quarterly reports on the amount of collected surcharge proceeds, to accept for filing a cumulative report on surcharge proceeds collected since October 2019, and to permit a transfer of funds from the surcharge account for overpayments to that account.<sup>2</sup>

BACKGROUND

On September 30, 2019, the Commission initiated this proceeding to monitor Graves District's unaccounted for water-for water loss surcharge proceeds collections and expenses. The Commission authorized Graves District to collect a monthly

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<sup>1</sup> Annual Progress Report of Graves District's Water Loss Detection and Repair Program (October 1, 2022–September 30, 2020) (2023 Annual Progress Report) (filed Apr. 19, 2024).

<sup>2</sup> Motion to Amend the Commission's Order of December 27, 2022, Accept Cumulative Report of Collected Surcharge Proceeds, and Authorize the Transfer of Funds from Surcharge Account to General Fund (Motion to Amend) (filed May 25, 2023).

surcharge of \$5 per customer, for 72 months for a total of \$1,721,600 to fund Graves District's water loss detection and repair program.<sup>3</sup> Among the requirements established by the Commission in this proceeding, Graves District must file an annual schedule of estimated and actual progress of the water loss detection and repair program, and estimated and actual expenditures made with the surcharge proceeds, so that the Commission can evaluate whether adjustments to the program or surcharge are needed.<sup>4</sup>

By Order dated February 4, 2021, the Commission accepted Graves District's first annual progress report, found no changes to the program were necessary, and ordered the next report to be filed on January 4, 2022.<sup>5</sup>

In December of 2021, Graves County was impacted by a series of tornados that caused significant damage, including damage to Graves District's managing entity, Mayfield Electric and Water Systems (MEWS). As a result, Graves District requested temporary suspension of its monthly reporting requirement.<sup>6</sup> By Order dated December 29, 2021, the Commission denied the suspension of the reporting requirement, but granted Graves District an extension of time to file its November 2021 through January 2022 monthly reports and its annual progress report.<sup>7</sup>

By Order issued December 27, 2022, the Commission further directed Graves District to begin reporting its surcharge billings, collections, and deposits on a specific

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<sup>3</sup> Case No. 2018-00429, *Application of Graves County Water District for an Alternative Rate Adjustment* (Ky. PSC Sept. 30, 2019), final Order.

<sup>4</sup> Order (Ky. PSC Sept. 30, 2019) at ordering paragraph 12.

<sup>5</sup> Order (Ky. PSC Feb. 4, 2022) at ordering paragraph 2.

<sup>6</sup> Motion for Extension (filed Dec. 20, 2021) at 2–3.

<sup>7</sup> Order (Ky. PSC Dec. 29, 2021) at 3.

form, to include monthly surcharge billings, collections, and deposits and to calculate the difference between surcharge billings and collections and between collections and deposits to the surcharge account.<sup>8</sup> Graves District was also ordered to file its next annual progress report on or before March 1, 2023.<sup>9</sup>

### DISCUSSION

Graves District filed its Annual Report for the report period of October 1, 2022 to September 30, 2023 (2023 Annual Report) on April 19, 2024.<sup>10</sup> The 2023 Annual Report stated that, during the review period, Graves District had increased the number of man hours dedicated to leak detection by 5.9 percent and increased the total spending on leak detection by 9 percent compared to the prior review period, and it added an additional Dedicated Metering Area(DMA).<sup>11</sup> Graves District acknowledged that, despite this, its water loss increased from 27.67 percent to 35.51 percent. However, Graves District explained that a significant portion of the water loss during the review period was the result of unique events that are not likely to recur.<sup>12</sup> Graves District stated that it believes the Water Loss Detection and Repair Program's current goals are achievable without significant modifications to the program, thus, Graves District asked the Commission to make no adjustments to the surcharge amount.<sup>13</sup>

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<sup>8</sup> Order (Ky. PSC Dec. 27, 2022) at ordering paragraph 2.

<sup>9</sup> Order (Ky. PSC Dec. 27, 2022) at ordering paragraph 3.

<sup>10</sup> 2023 Annual Progress Report.

<sup>11</sup> 2023 Annual Progress Report at 3

<sup>12</sup> 2023 Annual Progress Report at 3

<sup>13</sup> 2023 Annual Progress Report at 2.

The Commission finds that the 2023 Annual Report should be accepted. Graves District has continued progress towards implementing its water loss prevention and detection plan,<sup>14</sup> and the Commission further finds that the request for the surcharge to remain unchanged, should also be granted. While past Orders, as mentioned above, allowed for an extension until April 1 of the subsequent reporting year to file its annual progress report, the Commission would note that there was no specific motion made for an extension for the 2023 Annual Report, and even if Graves District believed a deadline of April 1 had been established, it failed to file its annual progress report until April 19, 2024. The Commission would caution that all reporting requirements should be timely in the future including the September 30 due date of the Annual Report as required by the September 30, 2019 Order.<sup>15</sup>

In the May 25, 2023 motion, Graves District also requested the Commission allow it to file its monthly report on a quarterly basis, to provide the Commission with the most accurate information.<sup>16</sup> Graves District further requested to transfer \$1,690 from its water loss surcharge fund to its general fund to reimburse the amount Graves District paid from the general fund to MEWS for the overpayment of the estimated surcharge collected, and authorization to make any such future payment as required due to any future overpayment.<sup>17</sup>

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<sup>14</sup> Case No. 2018-00429, Sept. 30, 2019 final Order. The Commission approved Graves District's water loss prevention and detection plan.

<sup>15</sup> Order (Ky. PSC Sept. 30, 2019) at ordering paragraph 12.

<sup>16</sup> Motion to Amend at 2–3.

<sup>17</sup> Motion to Amend at 4.

Graves District explained that MEWS manages and operates Graves District's water distribution system under an operation and management agreement by which MEWS performs all Graves District's billing, collection and accounting functions.<sup>18</sup> Graves District stated that due to limitations in MEWS's accounting system, MEWS cannot easily determine the number of accounts that fail to pay their bill, including the surcharge; therefore, MEWS deposits into Graves District's surcharge account monthly an amount equal to surcharge billings, instead of the actual collected surcharge proceeds, for the prior month.<sup>19</sup> This results in an overpayment when any Graves District customer fails to make his or her monthly payment, resulting in an adjustment every three months after MEWS reviews Graves District's billing and collection activities, and makes adjustments to accurate billing for its services.<sup>20</sup> As a result, Graves District proposed to update the reports required in the Commission's December 27, 2022 Order to a quarterly format.<sup>21</sup>

Due to Graves District's billing arrangement with MEWS and the necessary adjustments for billing and collection activities, the Commission finds that Graves District's motion to allow the transfer of \$1,690 from the water loss surcharge funds account to the general funds account, and to authorize transfers to cover any future overpayment reimbursements made to MEWS for the difference in billed versus collected amounts, should be granted. However, the Commission notes that Graves District has

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<sup>18</sup> Motion to Amend at 2.

<sup>19</sup> Motion to Amend at 2.

<sup>20</sup> Motion to Amend at 2.

<sup>21</sup> Motion to Amend at 2-3.

been able to continue filing its surcharge report and water loss report on a monthly basis; therefore, the Commission finds Graves District should continue to file these reports on a monthly basis. In order to provide accurate information and account for the billing arrangement with MEWS, Graves District should clearly document any transfers referenced above to MEWS in its monthly reports, along with documentation to show the calculation of the difference between the billed and collected amount from MEWS.

IT IS THEREFORE ORDERED:

1. Graves District's motion to accept its 2023 Annual Report for the report period of October 1, 2022, to September 30, 2023, filed on April 19, 2024, is granted.
2. Graves District's motion for approval to file surcharge reports and water loss reports on a quarterly basis is denied. Graves District shall continue to file its surcharge reports and water loss reports on a monthly basis as required in the Commission's Orders issued September 30, 2019, and December 27, 2022.
3. Graves District's motion to leave the surcharge unchanged is granted.
4. Graves District's motion to allow the transfer of \$1,690 from the water loss surcharge funds account to the general funds account, and to authorize transfers to cover any future overpayment reimbursements made to MEWS for the difference in billed versus collected amounts is granted.
5. Graves District shall clearly document and provide any transfers as set out in ordering paragraph 4 in its monthly filings.

PUBLIC SERVICE COMMISSION

  
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Chairman

  
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Commissioner

  
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Commissioner



ATTEST:

  
\_\_\_\_\_  
Executive Director

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