

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF EAST LOGAN)	2020-00220
WATER DISTRICT, INC.)	

ORDER

On July 7, 2020, East Logan Water District (East Logan District) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹ By Order dated July 30, 2020, the Commission approved a decrease in East Logan District's rates by a purchased water adjustment factor of (\$0.82) per 1,000 gallons, but the case was left open to allow the Commission to investigate and address East Logan District's almost 50 percent increase in unaccounted-for water loss since 2015.² Commission Staff issued one round of discovery on October 6, 2020, and East Logan District filed responses on October 23, 2020. Based on the filed responses and East Logan District's annual reports and audits filed on the Commission's website, the Commission makes several findings of fact as discussed below.

Water Loss Reduction Plan. In response to Staff's First Request for Information (Staff's First Request), East Logan District provided a copy of its most recent water loss control plan dated October 2, 2006.³

¹ KRS 278.015; 807 KAR 5:068.

² Final Order (Ky. PSC July 30, 2020) at 5.

³ East Logan District's Response to Staff's First Request (filed Oct. 23, 2020), Item 5.

In the plan, East Logan District states that it has a telemetry system that allows the monitoring and control of its tanks and pump stations. With regard to customer meters, the plan states that East Logan District is testing and replacing, in accordance with Commission regulations, all meters on an annual basis.⁴ The reduction plan additionally states that smaller customer meters are on a written replacement rotation plan that specifies that all meters are replaced on a 10-year rotation.⁵ The reduction plan also states that East Logan District will monitor unmetered water use such as fire department use and line flushing.⁶

In addition to providing the water loss control plan, East Logan District stated that it would consult with Kentucky Rural Water Association (KRWA) or obtain the assistance of an outside leak detection firm to survey large portions of their system for leaks.⁷ The record does not reflect whether East Logan District followed through on this action. East Logan District also states that its personnel had received training to find and repair leaks within East Logan District's system prior to obtaining outside assistance from any leak detection firm.⁸ The Commission notes that even if East Logan District's personnel at the time the water loss control plan did receive formal training, it would have been rendered ineffective due to the high turnover of personnel since 2015.⁹

⁴ *Id.*, Attachment at 2.

⁵ *Id.*

⁶ *Id.* at 3.

⁷ *Id.*

⁸ *Id.*

⁹ Letter from East Logan Water District to Public Service Commission dated August 15, 2020, at 1.

Excessive Operator Turnover. In its letter to the Commission dated August 15, 2020, East Logan District stated that it has experienced significant issues with operator turnover since 2015.¹⁰ More specifically, East Logan District has employed five different Class II Distribution operators since 2015, of which none have overlapped with the other during that period.¹¹ East Logan District also stated that there is currently an operator on staff that provides guidance and signs any necessary forms, but did not elaborate any further as to the duties and responsibilities of the operator or his current salary.¹²

Lack of Adequate Leak Detection Protocols. East Logan District does not have written procedures for how employees complete logs for flushing and estimated water loss from repairs of leaks other than forms that have been used to create water loss reports. The general manager stated that at times it could not be guaranteed everything was accounted for.¹³ Additionally, East Logan District does not have any employees dedicated to leak detection. East Logan District stated that it has requested KRWA provide it with training on the use of flow meters in leak detection, but as of the date of the responses to Staff's First Request, this had not yet occurred.¹⁴

No Policy Regarding Water Theft. East Logan District currently has no written policy regarding water theft, but rather stated that when theft is suspected, East Logan

¹⁰ *Id.*

¹¹ East Logan District's Response to Staff's First Request (filed Oct. 23, 2020), Item 2.

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.*, Item 3.

District contacts the police to report the incident, and then works in tandem with the police to investigate.¹⁵

Capital Improvement Plan. East Logan District does not have a written annual or long term capital improvement plan.¹⁶ The Commission is concerned that with the high turnover of East Logan District's employees, combined with the lack of any written plans to perform retirements and replacements, East Logan District could lead itself to financial problems in the future. An examination of East Logan District's current financial situation was performed by Staff based on annual reports and audits and determined that East Logan District is currently on sound financial footing, but its high water loss and the apparent lack of future plans to rectify the situation greatly concerns the Commission. From the information provided in the responses, East Logan District appears to be operating on a reactive basis, rather than a proactive approach, which is further evidenced by the trend in water loss over the last five years.

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that:

1. East Logan District's water loss control plan is outdated and should be updated.
2. East Logan District does not have adequate written leak detection protocols or enough staff to implement them properly and should be required at a minimum to update its leak detection policy to current industry standards.

¹⁵ *Id.*, Item 15.

¹⁶ *Id.*, Item 7.

3. East Logan District has no policy regarding water theft and should be required to create a policy.

4. East Logan District has no capital improvement plan and should be required to create such a plan within a reasonable period.

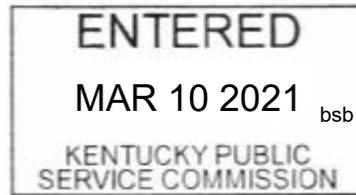
5. As a result of Staff discovery a new proceeding to investigate East Logan District's operational and financial status should be opened.

IT IS THEREFORE ORDERED that:

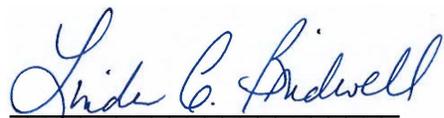
1. A new proceeding investigating East Logan District's operational and financial status will be opened and will be assigned Case No. 2021-00063, *Electronic Investigation into East Logan District, Inc. Water Loss*.

2. This case is closed and removed from the Commission's docket.

By the Commission



ATTEST:


Executive Director

Case No. 2020-00220

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