

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC HYDEN-LESLIE WATER	)	
DISTRICT'S UNACCOUNTED-FOR WATER LOSS	)	CASE NO.
REDUCTION PLAN, SURCHARGE AND	)	2020-00340
MONITORING	)	

ORDER

This matter arises upon Hyden-Leslie Water District's (Hyden-Leslie District) motion filed January 10, 2025 (Motion) to disburse funds from its water loss reduction plan surcharge.

On November 6, 2020, the Commission established this proceeding to monitor the collection and expenditure of an unaccounted-for water loss reduction plan surcharge. In the November 6, 2020 Order, the Commission prohibited the use of the surcharge proceeds for reimbursement of unaccounted-for water loss reduction expenses without prior Commission authorization.<sup>1</sup> The Commission also ordered Hyden-Leslie District to file "a monthly activity report that includes a statement of monthly surcharge billings and collections; a monthly surcharge bank statement; a list of each payment from the account, its payee, and a description of the purpose; and invoices supporting each payment."<sup>2</sup>

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<sup>1</sup> Order (Ky. PSC Nov. 6, 2020) at 4, ordering paragraph 7.

<sup>2</sup> Order (Ky. PSC Nov. 6, 2020) at 3, ordering paragraph 5.

Hyden-Leslie District has a history of significant water loss, which can cause financial distress to a utility. In Case No. 2020-00141,<sup>3</sup> the Commission approved a monthly surcharge of \$1.53 per active meter for 48 months, or until \$263,124 had been assessed, whichever occurs first, to fund Hyden-Leslie District's unaccounted-for water loss reduction efforts.<sup>4</sup>

This proceeding was subsequently opened to monitor Hyden-Leslie District's collection and expenditures of the water loss prevention surcharge to ensure that the surcharge was used solely to improve Hyden-Leslie District's efforts to reduce water loss.

On March 20, 2021, Hyden-Leslie District filed a proposed Qualified Infrastructure Improvement Plan (QIIP). In that filing, Hyden-Leslie District outlined proposed projects, including the establishment of a zone metering system; replacement of mechanical meters with ultrasonic meters that are part of a radio read or advanced meter infrastructure system; the replacement of existing pumps with variable frequency drive pumps; and the replacement of distribution mains that have experienced significant number of breaks or leaks.<sup>5</sup>

On November 7, 2024, Hyden-Leslie District filed a notice of discontinuance of its water loss surcharge, which stated it would cease billing the Water Loss Reduction Surcharge beginning with bills issued in December 2024.<sup>6</sup> By Order issued January 16, 2025, the Commission approved the discontinuance of the water loss surcharge and

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<sup>3</sup> Case No. 2020-00141, *Electronic Application of Hyden-Leslie Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020).

<sup>4</sup> Case No. 2020-00141, Nov. 6, 2020 Order at 11-12, 24.

<sup>5</sup> Hyden-Leslie District's QIIP (filed Mar. 20, 2021).

<sup>6</sup> Hyden-Leslie District's Notice of Discontinuance of Surcharge Billing (filed Nov. 7, 2024).

directed Hyden-Leslie District to continue compliance with all filing requirements until it has received approval for expenditure of all of the water loss surcharge funds.<sup>7</sup>

### DISCUSSION AND FINDINGS

Hyden-Leslie District's Motion requested approval to expend Water Loss Surcharge Funds (Surcharge Funds) to purchase a portable ultrasonic flow meter for \$7,154, and the purchase of approximately 764 water meters and related meter accessories and services in the amount of \$259,100.<sup>8</sup>

Hyden-Leslie District requested approval to purchase a portable ultrasonic flow meter that can be temporarily installed in any area within Hyden-Leslie District's distribution system to determine water flow rate.<sup>9</sup> Hyden-Leslie District stated that when an area has a higher-than-normal flow rate, it can then install the portable meter in various locations throughout that area to assist in identifying the leaks within the system.<sup>10</sup> Hyden-Leslie District further stated it does not currently own a portable flow meter and the proposed purchase will enhance the ability to locate leaks within its distribution system.<sup>11</sup>

Hyden-Leslie District also requested approval to use the remaining surcharge funds to purchase as many water meters as possible.<sup>12</sup> Hyden-Leslie District

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<sup>7</sup> Order (Ky. PSC Jan. 16, 2025).

<sup>8</sup> Motion at 6-7.

<sup>9</sup> Motion at 6.

<sup>10</sup> Motion at 6.

<sup>11</sup> Motion at 6.

<sup>12</sup> Motion at 6.

acknowledged it is currently out of compliance with its meter testing.<sup>13</sup> Hyden-Leslie further stated that approximately 2,600 meters of its current 3,600 mechanical meters in service have not been tested for accuracy within the last ten years.<sup>14</sup>

In its Motion, Hyden-Leslie District outlined its proposed future Phase 1 and Phase 2 Meter Replacement Projects (collectively, Meter Replacement Projects), which involves the purchase and installation of 3,650 ultrasonic meters.<sup>15</sup> The estimated total cost of the Meter Replacement Projects is \$3,745,000, and Hyden-Leslie District stated funding has not yet been obtained for the Meter Replacement Projects.<sup>16</sup> Hyden-Leslie District stated it believes the most effective use of the remaining surcharge funds is the immediate purchase of approximately 764 Kamstrup flowIQ® 2200 (ultrasonic) meters, and once Hyden-Leslie District has obtained funding for its Meter Replacement Projects, it will replace its remaining meters with the same Kamstrup flowIQ® 2200 meters.<sup>17</sup> Hyden-Leslie District argued the ultrasonic meters are needed to increase accuracy, improve water loss detection and prevention, and create labor savings with the conversion from manual-read meters to radio-read meters.<sup>18</sup> Hyden-Leslie District also stated that the proposed purchase will significantly reduce the number of untested meters in use,

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<sup>13</sup> Motion at 6, Exhibit D (Commission Staff's Inspection Report from 2024 found the Hyden-Leslie District in violation of 807 KAR 5:066, Section 16(1), which provides that a one inch or smaller meter must be tested for accuracy at least every ten years).

<sup>14</sup> Motion at 6.

<sup>15</sup> Motion at 7.

<sup>16</sup> Motion at 7.

<sup>17</sup> Motion at 7-9.

<sup>18</sup> Motion at 7, 10.

representing a major step towards Hyden-Leslie District's goal of the total replacement of its meter inventory.<sup>19</sup>

Hyden-Leslie District provided documentation of the estimated cost of each meter at \$320.27, totaling \$244,686 for 764 meters.<sup>20</sup> Hyden-Leslie District also provided that an additional \$14,548 will be required for accessories, computer software and set up fees for the meters.<sup>21</sup> Hyden-Leslie District stated its employees will remove the existing meters and install the purchased meters, with no surcharge funds to be used for that work.<sup>22</sup>

The Commission finds that Hyden-Leslie District's Motion requesting approval to expend Surcharge Funds to purchase a portable ultrasonic flow meter for \$7,154 should be granted as it will assist in identifying locations of water loss. The Commission further finds that Hyden-Leslie District's request for approval to expend surcharge funds for the portable flow meter and 764 meters and related meter accessories and services, should be granted. Hyden-Leslie District sought Commission permission prior to expending funds from the surcharge account, submitted quotes for the expenses, provided an explanation of how the portable flow meter and water meter replacements are necessary in its continued efforts to decrease water loss. While Hyden-Leslie District has claimed the new meters are a positive step towards compliance with Commission testing requirements, Hyden-Leslie has failed to outline any plan, other than the proposed Meter

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<sup>19</sup> Motion at 10.

<sup>20</sup> Motion at 9-10, Exhibit G.

<sup>21</sup> Motion at 9-10, Exhibit G.

<sup>22</sup> Motion at 10.

Replacement Projects, to bring Hyden-Leslie District into compliance with testing regulations and has not yet obtained funding for the Meter Replacement Projects. The Commission recommends that Hyden-Leslie District explore all potential avenues and timely continue its efforts towards compliance with testing regulations and would caution that continued failure to comply with testing regulations could result in an investigation and civil penalties pursuant to KRS 278.990.

IT IS THEREFORE ORDERED:


1. Hyden-Leslie District's request for approval to disburse funds from the water loss surcharge, for the purchase of a portable flow meter in the amount of \$7,154, and 764 meters and related meter accessories and services in the amount of \$259,100 as detailed in its Motion, is granted.

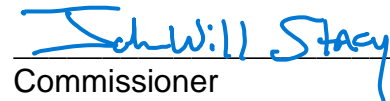
2. All filing requirements from the Commission's November 6, 2020 Order in this proceeding shall remain in effect until Hyden-Leslie District has received approval for expenditure of all of the water loss surcharge funds and has exhausted all surcharge funds.

3. Upon expenditure of all water loss surcharge funds, Hyden-Leslie District shall file notice with the Commission that all surcharge funds are exhausted.

PUBLIC SERVICE COMMISSION

  
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Chairman

  
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Commissioner

  
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Commissioner

ATTEST:

   
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Executive Director

ENTERED  
JAN 30 2025 AH  
KENTUCKY PUBLIC  
SERVICE COMMISSION

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