

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTH	)	CASE NO.
WOODFORD WATER DISTRICT FOR A RATE	)	2022-00035
ADJUSTMENT PURSUANT TO 807 KAR 5:076	)	

ORDER

On August 7, 2025, South Woodford Water District (South Woodford District) filed its response to Commission Staff's Seventh Request for Information.¹ In South Woodford District's response, South Woodford District requested to be relieved of its duty in complying with Ordering paragraphs 6 and 7 of the final Order² in this case that was entered on January 17, 2023.³

BACKGROUND

On March 17, 2022, South Woodford Water District (South Woodford District) filed its application with the Commission requesting to adjust its water rates pursuant to 807 KAR 5:076, as well as requesting approval to implement a water loss recovery surcharge of \$3.87 per customer per month to help lower system water loss, which was 29.63 percent for the 2020 test year. On January 17, 2023, the Commission entered an Order that granted South Woodford District a rate increase, and the Commission further

¹ South Woodford District's Response to Staff's Seventh Request for Information (filed Sept. 7, 2025).

² South Woodford District's Response to Staff's Seventh Request for Information, SWWD_-_PSC_Response_-_Signed.pdf (filed Sept. 7, 2025) Item 2.

³ Final Order (Ky PSC Jan. 17, 2023).

stated that it would not address the Commission Staff's recommended Water Loss Reduction surcharge of \$3.87 per meter per month ⁴ until South Woodford District complied with several requirements. Those requirements were:

(1) obtain the services of an outside independent consultant to identify potential firms interested in providing distribution system maintenance to South Woodford District; assist in preparing a request for proposals (RFP); issue the RFPs to solicit bids from identified firms; and analyze the bids received (i.e., costs and bidder's qualifications); identify the top responses to the RFPs; and document the consultant's analysis;⁵

(2) South Woodford District shall submit to the Commission a written report that discusses the results of the RFP solicitation for the contract distribution maintenance, the report shall include a detailed analysis supporting the decision;⁶ and

(3) This case shall remain open until South Woodford District submits its revised, executed management contract.⁷

Staff issued three requests for information subsequent to the final Order in this matter. In the seventh request issued July 25, 2025, Staff requested updated information on South Woodford District's compliance with ordering paragraphs 6 and 7 of that Order. South Woodford District stated that it hired an outside consultant, HMB to identify potential firms interested in providing distribution system maintenance, assist in preparing a Request for Interest and Qualifications (RFIQ), and issue the RFIQ.⁸ South Woodford

⁴ Final Order (Ky. PSC Jan. 17, 2023) at 19.

⁵ Final Order (Ky. PSC Jan. 17, 2023), Ordering paragraph 6.

⁶ Final Order (Ky. PSC Jan. 17, 2023), Ordering paragraph 7.

⁷ Final Order (Ky. PSC Jan. 17, 2023), Ordering paragraph 8.

⁸ South Woodford District's Response to Staff's Seventh Request for Information, SWWD_-_PSC_Response_-_Signed.pdf (filed Sept. 7, 2025), Item 1.

District stated that Gatewood Water Service was the only response received to the RFIQ.⁹ South Woodford District stated there are not many firms or contractors willing to work in South Woodford District's area, and therefore, South Woodford District requested to be relieved of the duty to comply with ordering paragraphs 6 and 7 of the final Order.¹⁰

Unaccounted-For Water Loss

South Woodford District reported a water loss of 29.63 percent in its 2020 Annual Report.¹¹ The 2020 Annual Report is used in this analysis because it serves as the test year for the underlying rate case.¹² Commission regulation 807 KAR 5:066, Section 6(3), states that for ratemaking purposes, a utility's water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations. The table below shows that the 2020 total annual cost of water loss to South Woodford District was \$155,818 while the annual cost of water loss in excess of 15 percent is \$76,935.¹³

⁹ South Woodford District's Response to Staff's Seventh Request for Information (filed Sept. 7, 2025), Item 2.

¹⁰ South Woodford District's Response to Staff's Seventh Request for Information (filed Sept. 7, 2025), Item 2.

¹¹ *Annual Report of South Woodford Water District to the Public Service Commission for the Year Ended December 31, 2020* at 57.

¹² Application, ARF Form-1 at 3.

¹³ Application, Schedule of Adjusted Operations at 15.

Total Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 492,989	\$ 32,896	\$ 525,885
Water Loss Percent	29.6296%	29.6296%	29.6296%
Total Water Loss	<u>\$ 146,071</u>	<u>\$ 9,747</u>	<u>\$ 155,818</u>

Disallowed Water Loss	Purchased Water	Purchased Power	Total
Pro Forma Purchases	\$ 492,989	\$ 32,896	\$ 525,885
Water Loss in Excess of 15%	14.6296%	14.6296%	14.6296%
Disallowed Water Loss	<u>\$ 72,122</u>	<u>\$ 4,813</u>	<u>\$ 76,935</u>

South Woodford District's water loss percentage for 2020 through 2024 is presented in the table below. Water loss averaged 29.3656 percent from 2020 through 2023. The Commission notes that the 2024 water loss of 7.6748 percent may be incorrect due to the large decline compared to the previous four years without sufficient explanation for the reduction.¹⁴

Year	2020	2021	2022	2023	2024
Water Loss Percentage	29.6296%	32.9239%	31.9363%	22.9725%	7.6748%

Water Loss Surcharge

The Commission Staff's Report filed on September 23, 2022, recommended granting South Woodford District's Water Loss Reduction Surcharge at the amount of \$3.87 per active meter per month for 48 months.¹⁵ The surcharge would produce

¹⁴ *Annual Report of South Woodford District to the Public Service Commission for the Year Ended December 31, 2020* at 57; *Annual Report of South Woodford Water District to the Public Service Commission for the Year Ended December 31, 2021* at 57; *Annual Report of South Woodford District to the Public Service Commission for the Year Ended December 31, 2022* at 57; *Annual Report of South Woodford District to the Public Service Commission for the Year Ended December 31, 2023* at 57; *Annual Report of South Woodford Water District to the Public Service Commission for the Year Ended December 31, 2024* at 57.

¹⁵ Commission Staff's Report (Ky. PSC Sept. 13, 2022) at 9.

approximately \$76,935 annually, and \$307,740 in total collections over the 48-month period.

DISCUSSION AND FINDINGS

Based on the evidence, the Commission grants South Woodford District's request to be relieved of certain conditions set forth in the final Order in this matter. The Commission finds that the request to waive ordering paragraphs 6 and 7 of the final Order is reasonable considering the difficulty in finding contractors willing to provide service in South Woodford District's area, and that South Woodford District did hire a third party to issue and review the RFIQ. The Commission, on its own motion, further finds that ordering paragraph 8 of the final Order should also be waived considering the circumstances.

The Commission finds that a monthly surcharge as recommended in Commission Staff's Report is a reasonable means for South Woodford District to recover the cost for its water leak detection efforts and repairs to reduce the increased expense and lost revenue from unaccounted-for water loss. Utilizing the \$76,935 disallowed water loss, the Commission finds that a monthly water loss reduction surcharge of \$3.87 per active meter over 48 months, or until \$307,740 has been assessed, whichever occurs first, should be approved subject to the following conditions:

1. Within 120 days of the date of service of this Order, South Woodford District should file into the record of Case No. 2025-00295, a Qualified Infrastructure Improvement Plan (QIIP), including a comprehensive unaccounted-for water loss reduction plan that establishes priorities and a time schedule for eliminating each source

of unaccounted-for water loss and provides a detailed spending plan for the proceeds of a surcharge.

2. South Woodford District shall deposit surcharge collections in a separate interest-bearing account.

3. On the 15th day of each month for 48 months from the date of service of this Order or until all surcharge proceeds are expended, South Woodford District should file into the record of Case No. 2025-00295,¹⁶ a monthly activity report that includes a statement of monthly surcharge billings and collections using the format in the Surcharge Reporting form located on the Commission's website, a monthly surcharge bank statement, and a list of all payments made for the month from the surcharge account that includes the following for each payment: the payee, a description of the purpose, and the supporting invoice.

4. On the 15th day of each month for 48 months from the date of service of this Order or until all surcharge proceeds are expended, South Woodford District should file a monthly water loss report, using the format in the Water Use & Loss Calculations form located on the Commission's website, into the record of Case No. 2025-00295.

5. South Woodford District should not use any surcharge proceeds for reimbursement of unaccounted-for water loss reduction expenses without prior Commission authorization.

6. South Woodford District should file all requests to use surcharge proceeds in the record of Case No. 2025-00295. A request shall include a complete description of

¹⁶ See Case No. 2025-00295, *Electronic South Woodford Water District Unaccounted-For Water Loss Reduction Plan, Surcharge, And Monitoring*.

the equipment, project, or service for which approval is sought; bids, invoices, or price quotes as applicable; and a statement describing how the proposed purchase, project, or service is related to the QIIP and the goal of reducing unaccounted-for water loss.

7. South Woodford District should consider all surcharge collections as contributions and should account for them in the manner that the Uniform System of Accounts for Class A and B Water Districts and Associations prescribes.

8. South Woodford District should debit monthly billings for the surcharge to customers' accounts received and credit the contribution account.

9. When South Woodford District collects the surcharge from the customers, it should debit special funds and credit the customer account.

10. No later than April 30 of each year, South Woodford District should file in Case No. 2025-00295, a report of surcharge activity and water loss improvement progress based on the preceding year ended December 31 with reported annual surcharge billings and expenditures reflecting the amounts reported for surcharge activity in the financial and statistical Annual Report filed with the Commission and South Woodford District's audited financial statements. Cumulative surcharge billings and expenditures shall also be reported. A schedule of the estimated and actual progress of the program, actual expenditures made with surcharge proceeds, and encumbered amounts of future surcharge proceeds for the purpose of evaluating whether adjustments to the program or to the surcharge amount shall be provided.

11. South Woodford District should respond to any requests for information propounded by Commission Staff, by the date set forth in the request, as a result of the required filings regarding the surcharge as provided in those requests.

12. South Woodford District's failure to comply with any conditions attached to its assessment of the surcharge should result in termination of the surcharge and the refund of collected surcharge proceeds disbursed on expenses or projects outside the scope of the expenses and projects approved by the Commission.

IT IS THEREFORE ORDERED that:

1. South Woodford District's request is granted.
2. South Woodford District shall be relieved of its duty in complying with ordering paragraphs 6, 7, and 8 from the January 17, 2023, final Order.
3. South Woodford District is authorized to collect a monthly water loss reduction surcharge of \$3.87 per active meter over 48 months, or until \$307,740 has been assessed, whichever occurs first is.
4. Within 20 days of the date of service of this Order, South Woodford District shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.
5. The Commission shall open a separate proceeding, Case No. 2025-00295 to monitor the surcharge proceeds collection and expenses subject to the following conditions:
 - a. Within 120 days of the date of service of this Order, South Woodford District shall file into the record of Case No. 2025-00295 a QIIP, including a comprehensive unaccounted-for water loss reduction plan that establishes priorities and a time schedule for eliminating each source of unaccounted-for water loss and provides a detailed spending plan for the proceeds of a surcharge.

b. South Woodford District shall deposit surcharge collections in a separate interest-bearing account.

c. On the 15th day of each month, for 48 months from the date of this Order or until all surcharge proceeds are expended, South Woodford District shall file into the record of Case No. 2025-00295 a monthly activity report that includes a statement of monthly surcharge billings and collections using the format in the Surcharge Reporting form located on the Commission's website, a monthly surcharge bank statement, and a list of all payments made for the month from the surcharge account that includes the following for each payment: the payee, a description of the purpose, and the supporting invoice.

d. On the 15th day of each month for 48 months from the date of service of this Order or until all surcharge proceeds are expended, South Woodford District shall file into the record of Case No. 2025-00295 a monthly water loss report, using the format in the Water Use & Loss Calculations form located on the Commission's website, with the Commission.

e. South Woodford District shall not use any surcharge proceeds for reimbursement of unaccounted-for water loss reduction expenses without prior Commission authorization.

f. South Woodford District shall file all requests to use surcharge proceeds in the record of Case No. 2025-00295. A request shall include a complete description of the equipment, project, or service for which approval is sought; bids, invoices, or price quotes as applicable; and a statement describing how the proposed

purchase, project, or service is related to the qualified infrastructure improvement plan and the goal of reducing unaccounted-for water loss.

g. South Woodford District shall consider all surcharge collections as contributions and shall account for them in the manner that the Uniform System of Accounts for Class A and B Water Districts and Associations prescribes.

h. South Woodford District shall debit monthly billings for the surcharge to customers' accounts received and credit the contribution account.

i. When South Woodford District collects the surcharge from the customers, it shall debit special funds and credit the customer account.

j. No later than April 30 of each year, South Woodford District shall file in Case No. 2025-00295, a report of surcharge activity and water loss improvement progress based on the preceding year ended December 31 with reported annual surcharge billings and expenditures reflecting the amounts reported for surcharge activity in the financial and statistical Annual Report filed with the Commission and South Woodford District's audited financial statements. Cumulative surcharge billings and expenditures shall also be reported. A schedule of the estimated and actual progress of the program, actual expenditures made with surcharge proceeds, and encumbered amounts of future surcharge proceeds for the purpose of evaluating whether adjustments to the program or to the surcharge amount shall be provided.

k. South Woodford District shall respond to any requests for information propounded by Commission Staff, by the date set forth in the request, as a result of the required filings regarding the surcharge as provided in those requests.

I. South Woodford District's failure to comply with any conditions attached to its assessment of the surcharge shall result in termination of the surcharge and the refund of collected surcharge proceeds disbursed on expenses or projects outside the scope of expenses and projects approved by the Commission.

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

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PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:


Executive Director



Case No. 2022-00035

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