

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC HENDERSON COUNTY WATER)	
DISTRICT UNACCOUNTED FOR WATER LOSS)	CASE NO.
REDUCTION PLAN, SURCHARGE AND)	2023-00333
MONITORING)	

ORDER

The Commission, on its own motion, initiates this proceeding for the purpose of monitoring Henderson County Water District’s (Henderson District) unaccounted-for water loss reduction plan surcharge, which was approved in Case No. 2023-00101.¹ Information provided by Henderson District in its past five Annual Reports filed with the Commission reflect the following²:

Year	Reported Percentage Water Loss	Purchased Water and Power	Cost of Water Loss in Excess of 15%	Total Cost of Water Loss
2018	27.5189%	\$ 1,563,321	\$ 195,711	\$ 430,209
2019	26.3071%	1,519,643	171,828	399,774
2020	22.5565%	1,466,038	110,781	330,687
2021	24.2780%	1,456,123	135,099	353,518
2022	29.0060%	1,828,060	256,038	530,247

In order to address Henderson District’s excessive unaccounted-for water loss, the Commission ordered Henderson District to assess a monthly Water Loss Reduction Surcharge of \$1.87 per active meter for 48 months, or until \$584,220 has been assessed,

¹ Case No. 2023-00101, *Electronic Application of Henderson County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076*.

² *Annual Reports of Henderson District to the Public Service Commission for the years ending December 31, 2018, 2019, 2020, 2021, and 2022.*

whichever occurs first, and that a review of the necessity to continue the surcharge beyond the 48-month period be conducted before its expiration. Consistent with the findings in Case No 2023-00101, the Commission finds that:

1. Within 120 days of the date of service of this Order, Henderson District should file with the Commission a qualified infrastructure improvement plan, 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. Henderson District should 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, Henderson District should file with the Commission a monthly activity report that includes a statement of monthly surcharge billings and collections using the format in the Surcharge Reporting form,³ 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.

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, Henderson District should file a monthly water loss report with the Commission.⁴

³ The Surcharge Reporting form can be found at <https://psc.ky.gov/Home/UtilForms> under the Water tab.

⁴ The Water Use & Loss Calculations form can be found at <https://psc.ky.gov/Home/UtilForms> under the Water tab.”

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

6. Henderson District should file requests to use surcharge proceeds into the record of this proceeding. The request should 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.

7. Henderson District should 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.

8. Henderson District should debit monthly billings for the surcharge to customers' accounts receivable and credit the contribution account.

9. When Henderson 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, Henderson District should file in this case a report of surcharge activity and water loss improvement progress. based on the preceding year ended December 31 with reported surcharge billings and expenditures reflecting the amounts reported for surcharge activity in the financial and statistical Annual Report filed with the Commission and Henderson District's audited financial statements. Cumulative surcharge billings and expenditures over the life of the surcharge shall also be included, as well as a schedule of the estimated and actual progress of the water loss

detection and repair program. This report shall include 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. Henderson District should respond to any requests for information propounded by Commission Staff according to the date set forth in the request.

12. Henderson District's failure to comply with any conditions attached to its assessment of the surcharge will result in termination of the surcharge and the refund of all surcharge proceeds previously collected.

IT IS THEREFORE ORDERED that:

1. This case is opened to monitor Henderson District's Water Loss Reduction Surcharge proceeds and collections.

2. The record of Case No. 2023-00101 is incorporated by reference in this proceeding.

3. Within 120 days of the date of service of this Order, Henderson District shall file with the Commission a qualified infrastructure improvement plan, 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.

4. Henderson District shall deposit surcharge collections in a separate interest-bearing account.

5. 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, Henderson District shall file with the Commission a monthly activity report that includes a statement of monthly surcharge

billings and collections using the Surcharge Reporting form,⁵ 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.

6. 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, Henderson District shall file a monthly water loss report⁶ with the Commission.

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

8. Henderson District shall file all requests to use surcharge proceeds in the record of this proceeding. 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.

9. Henderson 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.

10. Henderson District shall debit monthly billings for the surcharge to customers' accounts receivable and credit the contribution account.

⁵ The Surcharge Reporting form can be found at <https://psc.ky.gov/Home/UtilForms> under the Water tab.

⁶ The Water Use & Loss Calculations form can be found at <https://psc.ky.gov/Home/UtilForms> under the Water tab.


11. When Henderson District collects the surcharge from the customers, it shall debit special funds and credit the customer account.

12. No later than April 30 of each year, Henderson District shall file, in the record of this proceeding, 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 Henderson District audited financial statements. Cumulative surcharge billings and expenditures shall also be reported. A schedule of the estimated and actual progress of the water loss detection and repair 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.


13. Henderson District shall respond to any requests for information propounded by Commission Staff as provided in those requests.

14. Henderson 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 all surcharge proceeds previously collected.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
DEC 13 2023
KENTUCKY PUBLIC SERVICE COMMISSION ^{rCS}

ATTEST:


Executive Director

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