

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC MOUNTAIN WATER DISTRICT)	
UNACCOUNTED-FOR WATER LOSS)	CASE NO.
REDUCTION PLAN, SURCHARGE AND)	2023-00351
MONITORING)	

ORDER

By Order issued on October 31, 2023,¹ the Commission approved an unaccounted-for water loss reduction surcharge for Mountain Water District (Mountain District) and ordered Mountain District to file a qualified infrastructure improvement plan (QIIP) with the Commission. The Commission also ordered that Mountain District shall not use any surcharge proceeds without prior authorization from the Commission.² The Commission opened this proceeding to monitor Mountain District's surcharge billings, collections, deposits, expenditures, and unaccounted-for water loss. On February 28, 2024, Mountain District filed a Notice of Compliance which included a QIIP, and on December 2, 2024, Mountain District filed a motion to amend the QIIP and requested authorization to use water loss surcharge funds.

¹ Case No. 2022-00366, *Electronic Application of Mountain Water District for a General Adjustment of Water Rates* (Ky. PSC Oct. 31, 2023), Order.

² Case No. 2022-00366, Oct. 31, 2023 Order.

LEGAL STANDARD

The Commission approved a water loss reduction surcharge of \$1.72 per active meter for 48 months, or until \$341,402 has been assessed, whichever occurs first.³ The total amount to be collected was later corrected from \$341,402 to \$1,365,608 by Commission Order.⁴ Pursuant to Commission regulation 807 KAR 5:066, Section 6(3), for ratemaking purposes, a utility's unaccounted-for water loss shall not exceed 15 percent of the total water produced or purchased, excluding water consumed by a utility in its own operations.

Mountain District was ordered to file a QIIP with the Commission that contained a comprehensive unaccounted-for water loss reduction plan that establishes priorities, a time schedule for eliminating each source of unaccounted-for water loss and provides a detailed spending plan for the proceeds of the surcharge.⁵ Mountain District was also ordered to not use any surcharge proceeds for reimbursement of unaccounted-for water loss reduction expenses without prior Commission authorization, and all requests to use surcharge proceeds shall include a complete description of the equipment, project, or services 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.⁶

³ Case No. 2022-00366, Oct. 31, 2023 Order at 34.

⁴ Case No. 2022-00366, *Electronic Application of Mountain Water District for a General Adjustment of Water Rates* (Ky. PSC Nov. 29, 2023), ordering paragraph.

⁵ Case No. 2023-00351, Order, Oct. 31, 2023, ordering paragraph 3.

⁶ Case No. 2023-00351, Order, Oct. 31, 2023, ordering paragraphs 7 and 8.

DISCUSSION AND FINDINGS

Mountain District filed its QIIP on February 28, 2024. The QIIP provided an outline for the proposed projects, the year in which the projects are to be complete, and estimated costs.⁷ Mountain District stated that it would not start work on any project during the first year of the surcharge to allow for sufficient accumulation of funds.⁸ Mountain District stated in year two it would complete a water main replacement at Burning Fork at an estimated cost of \$252,500, and start the process of acquiring easements and pavement replacement which would continue into year three at an estimated cost of \$29,500.⁹ In year three, Mountain District stated it would replace the water main near US 460 (Oasis Pawn Shop) at an estimated cost of \$308,700.¹⁰ In year four, Mountain District stated it would install a water tank telemetry system at a cost of \$301,140.¹¹ In year five, Mountain District stated it would complete three projects: (1) install a telemetry system at a booster pump station at an estimated cost of \$64,500, (2) replace aging booster pump stations at an estimated cost of \$205,000, and (3) replace aging PRV stations at an estimated cost of \$80,000.¹² Mountain District also indicated that it would be receiving funding for other projects from the American Rescue Plan Act (ARPA) and Kentucky Infrastructure Authority.¹³

⁷ Mountain District's Notice of Compliance (Notice of Compliance) (filed on Feb, 28, 2024), Exhibit A.

⁸Notice of Compliance, Exhibit A at 1.

⁹ Notice of Compliance, Exhibit A at 1.

¹⁰ Notice of Compliance, Exhibit A at 1.

¹¹ Notice of Compliance, Exhibit A at 1.

¹² Notice of Compliance, Exhibit A at 1.

¹³ Notice of Compliance at 2.

On December 2, 2024, Mountain District filed a motion to amend its QIIP, and to seek authorization to use surcharge funds for the three new projects it sought to add to the QIIP.¹⁴ Mountain District stated that it discovered the QIIP, as originally filed, included two water loss reduction projects, the water storage telemetry and the booster pump telemetry. Mountain District intended to fund the water storage telemetry and the booster pump telemetry projects through ARPA funds; thus, those projects needed to be removed.¹⁵

Mountain District stated that the initial budget for the ARPA funded projects was sufficient for telemetry projects, but there were funds remaining after completing those projects.¹⁶ Mountain District stated it was able to use the remaining funds to begin the booster pump station replacement project and that the funds will fully cover that project; thus, Mountain District is seeking to remove that item from the QIIP as well.¹⁷

Mountain District also requested to expand its QIIP to include three new projects in 2025 (QIIP Year 2): (1) purchasing new leak detection equipment; (2) adding two new full-time staff employees to the daytime leak detection crew; and (3) acquiring three trucks, an excavator, and a trailer to haul to the excavator.¹⁸ Two of the trucks would be used by the new daytime leak detection employees while the third truck would be used to tow the excavator.¹⁹

¹⁴ Mountain District's Motion to Amend QIIP (Motion to Amend) (filed Dec. 2, 2024).

¹⁵ Motion to Amend QIIP at 2.

¹⁶ Motion to Amend QIIP at 2.

¹⁷ Motion to Amend QIIP at 2.

¹⁸ Motion to Amend QIIP at 3.

¹⁹ Motion to Amend QIIP at 3.

As part of the additional projects for 2025, Mountain District asserted that its current leak detection equipment is aging, in need of repair, and should be replaced with more efficient, modern models.²⁰ Mountain District provided documents that the total cost of new leak detection equipment would be \$100,676.²¹

For the second project, Mountain District stated it needs the two additional employees for its daytime leak detection crew as its current staffing is inadequate to properly address its water loss reduction efforts.²² Mountain District stated that the nighttime water loss reduction crew consists of five employees, as compared to two daytime employees, and that it is unable to assign any existing staff to the daytime crew as those employees are occupied with other necessary operational duties.²³ Mountain District stated the new employees will increase its efficiency in identifying and repairing sources of water loss.²⁴ Mountain District estimated that the total cost of the two employees would be \$45,240 per employee per year,²⁵ and that it intends to use surcharge funds to cover the cost of the employees during QIIP years 2 through 5, so long as funds remain available to cover wages and benefits of the two new employees.²⁶ Mountain District stated that, once funds are depleted, it intends to retain the new

²⁰ Motion to Amend QIIP at 3.

²¹ Motion to Amend QIIP, Attachment B; Motion to Amend QIIP at 3, Attachment B.

²² Motion to Amend QIIP at 4.

²³ Motion to Amend QIIP at 4.

²⁴ Motion to Amend QIIP at 3.

²⁵ Motion to Amend QIIP at 5.

²⁶ Motion to Amend QIIP at 4.

employees, and it will fund the positions with money saved from existing staff retirement and by filing a rate case which will include the two employees' wages and benefits.²⁷

Mountain District stated it needs the three trucks and excavation equipment for the use of the two new employees and to provide the daytime crew access to a tow vehicle for the new excavation equipment.²⁸ Furthermore, Mountain District stated that its current fleet is just enough to serve its existing employees.²⁹ The two additional trucks, which are half ton pickup trucks with extended cabs, are necessary for the two new employees as no other vehicles are available for their use, and the vehicles are required to provide reliable, adequate transportation to locate and repair water leaks.³⁰ Mountain District estimated the total cost of the two vehicles, combined, to be \$80,000.³¹

Mountain District is also requesting excavation equipment including a compact excavator, a trailer to haul the excavator, and a one ton four-wheel drive truck for the use of the daytime crew. The nighttime crew already has an excavator and tow vehicle, but Mountain District states that, due to the size of its territory, the nighttime crew often leaves the equipment in locations that are unsuitable for the daytimes crew's use, leaving the daytime crew relying on area crews to respond to leak repairs. Mountain District stated that this arrangement decreases efficiency and prohibits the daytime leak detection crew from repairing leaks in a timely fashion.³² Mountain District estimated the cost of the

²⁷ Motion to Amend QIIP at 5.

²⁸ Motion to Amend QIIP at 5.

²⁹ Motion to Amend QIIP at 6.

³⁰ Motion to Amend QIIP at 6.

³¹ Motion to Amend QIIP at 7.

³² Motion to Amend QIIP at 6.

compact excavator to be \$52,000, the cost of the one ton four-wheel drive truck to be \$55,000, and the cost of the trailer to be \$7,000 for a total of \$114,000.³³

Mountain District also proposed a timeline change for the main water line replacements, which included starting the Burning Fork project in 2026 (QIIP Year 3) instead of 2025 and beginning the US 460/Oasis Pawn Shop project in 2027 (QIIP Year 4) instead of 2026.³⁴

Mountain District requested that, to the extent that the Commission has sufficient information to approve the expenditures for the three new proposed projects for 2025 (QIIP Year 2) at this time, no further motion would be necessary to make those expenditures, and it will file invoices for each expenditure within 30 days from the date of purchase.³⁵

According to Mountain District's most recent monthly filing, Mountain District currently has \$298,034.54 available in its water loss surcharge account.³⁶

The Commission finds that the proposed QIIP, as amended, filed by Mountain District satisfies the requirements set out in the Final Order of Case No. 2022-00366,³⁷ and the opening Order of this proceeding.

The Commission further finds that the request for the Commission to authorize the expenditures listed in QIIP Year 2 should be granted, in part, and denied, in part. The

³³ Motion to Amend QIIP at 7.

³⁴ Motion to Amend QIIP at 8.

³⁵ Motion to Amend QIIP at 8.

³⁶ Mountain Districts Surcharge Report for December 2024 (filed Jan. 27, 2025), Surcharge Deposit Summary.

³⁷ Case No. 2022-00366, Oct. 31, 2023 Order.

Commission finds that the hiring of the two new employees at a total cost of \$45,240 per employee per year, the purchase of the two pick-up trucks for use of by the new employees at a total cost of \$80,000, and the purchase of the one ton four-wheel drive truck, trailer, and compact excavator for a total cost of \$114,000, should be authorized. Mountain District has sufficient funds in its water loss surcharge account to pay for the expenses, and the expenditures will assist in achieving the goal of the water loss surcharge to reduce unaccounted for water loss.

The Commission finds that the request to authorize the purchase of the leak detection equipment at an estimated cost of \$100,676 should be deferred for further discovery. It is unclear if Mountain District will have sufficient funds to immediately purchase the equipment. The Commission requires additional information to fully review the requested expenditure, and to assist in the review process, Mountain District should answer Commission Staff's Second Request for Information, attached as an Appendix to this Order.

IT IS THEREFORE ORDERED that:

1. The proposed QIIP, as amended, filed by Mountain District satisfies the requirements set out in the Final Order of Case No. 2022-00366,³⁸ and the opening Order of this proceeding.
2. Mountain District is authorized to use water loss surcharge funds to pay the wages and benefits of the two new employees for the daytime leak detection crew for a total cost amount not to exceed \$45,240 per employee per year.

³⁸ Case No. 2022-00366, *Electronic Application of Mountain Water District for a General Adjustment of Water Rates* (Ky. PSC Oct. 31, 2023), Order.

3. Mountain District shall file an application for a general rate adjustment based on its most recent annual report on file prior to the exhaustion of water loss surcharge funds. Mountain District shall consider the statements made in the amended QIIP in the filing.

4. Mountain District is authorized to use water loss surcharge funds for the purchase of two half ton pickup trucks as described in its motion filed on December 2, 2024, at a total cost not to exceed \$80,000.

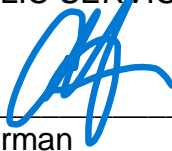
5. Mountain District is authorized to use water loss surcharge funds for the purchase of a one ton truck, trailer, and compact excavator as described in its motion filed on December 2, 2024, at a total cost not to exceed \$114,000.

6. Mountain District shall provide invoices or other proof of purchase and cost of the authorized expenditures within 30 days of expending the surcharge funds. For the two new employees, Mountain District shall file documentation as to the salary and benefits for each employee within 30 days of the initial hiring date and then subsequently thereafter by Jan. 30th of each year.

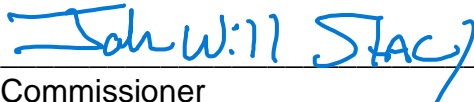
7. Mountain District's request for any additional expenditures is denied for further information.

8. Mountain District shall respond to Commission Staff's Second Request for Information attached as an Appendix to this Order.

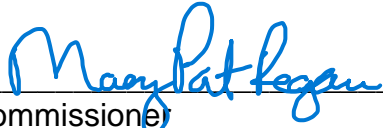
PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

ATTEST:



Executive Director



APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00351 DATED FEB 21 2025

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO MOUNTAIN WATER DISTRICT

Mountain Water District (Mountain District), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on March 14, 2025. The Commission directs Mountain District to the Commission's July 22, 2021, Order in Case No. 2020-00085³⁹ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Mountain District shall make timely amendment to any prior response if Mountain District obtains information that indicates the response was incorrect or incomplete when

³⁹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

made or, though correct and complete when made, is now incorrect or incomplete in any material respect.

For any request to which Mountain District fails or refuses to furnish all or part of the requested information, Mountain District shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied and scanned material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Mountain District shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Provide a list of the current leak detection equipment owned by Mountain District for which Mountain District is seeking to replace and provide the expected remaining useful life of each item.
2. State whether there will be sufficient funds in the surcharge account to purchase the leak detection equipment after the other authorized expenditures.
3. Explain the need for the requested quantity of each piece of leak detection equipment.

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