

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTHERN)	
WATER & SEWER DISTRICT FOR APPROVAL)	CASE NO.
OF AN I.T. SECURITY CONTRACT WITH)	2022-00002
TECHNOLOGY PROCESS MANAGEMENT)	
PURSUANT TO KRS 278.300)	

ORDER

On January 4, 2022,¹ Southern Water and Sewer District (Southern District) filed an application requesting the Commission’s approval to enter a contract for information technology (IT) services. There are no intervenors in this proceeding. Southern District responded to two rounds of discovery.² The record is complete, and this matter is before the Commission on the evidentiary record.

THE PROPOSED AGREEMENT

Southern District seeks Commission approval to enter into a service agreement with United Systems & Software, Inc. (United), a provider of Technology Process Management (TPM) platform that encompasses network support services, security, and

¹ Southern District tendered an application on January 3, 2022. By letter dated January 4, 2022, the Commission rejected the application for filing deficiencies. The deficiencies were subsequently cured and the application is deemed filed on January 4, 2022.

² Southern District’s Response to Commission Staff’s First Request for Information (Response to Staff’s First Request) (filed Feb. 4, 2022), and Southern District’s Response to Commission Staff’s Second Request for Information (filed Feb. 17, 2022).

networking services.³ The proposed agreement is for a 60-month term⁴ and will automatically renew at the end of the term for 12 months unless Southern District affirmatively terminates the agreement.⁵ United will supply Southern District with a server, four workstation computers, four monitors, and software.⁶ Additionally, United will provide user account management; security patch management; software license reporting; client network configuration management; disk space, partition, and usage management; workstation monitoring; software deployment; end-user remote control; management reporting; system inventory reporting; and serve to coordinate services with Southern District's other third-party vendors.⁷ Southern will pay United \$1,200 per month for these services and the use of the hardware and software.⁸ United will maintain ownership of the hardware at the termination of the contract.⁹ Southern District stated that it needed to improve its current IT system.¹⁰ Southern District stated that United has been providing it with software since 2017. Because of this long-standing relationship, Southern District expects United will smoothly and efficiently integrate the new equipment, software, and service into Southern District's existing computer system.¹¹ Southern District did not

³ Technology Process Management Contract (Contract) (filed Jan. 3, 2022) at unnumbered page 9.

⁴ *Id.*

⁵ *Id.*

⁶ Application, paragraph 6; Contract at unnumbered page 6–8.

⁷ Contract at unnumbered page 5–6.

⁸ *Id.* at unnumbered page 14.

⁹ Southern District's Response to Staff's First Request, Item 3b.

¹⁰ Application, paragraph 6.

¹¹ *Id.*

solicit bids for IT service from other providers.¹² Southern District stated that United had waived the \$5,000 “onboarding fee” it charges new clients.¹³ Southern District represented that the proposed agreement is in the public’s interest and is intended to accomplish the purpose of strengthening the security and efficiency of its IT system.¹⁴ Southern District argued strengthening its IT system will improve the financial condition of the district.¹⁵

This agreement requires Commission approval because it obligates Southern District to make payments to United for a period greater than two years. No utility may issue any securities or evidence of indebtedness without prior Commission approval,¹⁶ except for notes issued by a utility for a proper purpose and not in violation of law, payable at a period of not more than two years.¹⁷ Here, Southern District is obligated to pay United \$1,200 per month for 60 months (five years). Southern District can only terminate this obligation prior to the expiration of the term if United fails to perform.¹⁸ Because of the obligation to pay and the length of the term, this service contract is evidence of indebtedness subject to Commission review.

LEGAL STANDARD

¹² Southern District’s Response to Staff’s First Request, Item 2.

¹³ Application, paragraph 9, and Southern District’s Response to Staff’s First Request, Item 1.

¹⁴ Application, paragraph 10.

¹⁵ *Id.*

¹⁶ KRS 278.300(1).

¹⁷ KRS 278.300(8).

¹⁸ Southern District’s Response to Staff’s First Request, Item 3d.

The Commission evaluates requests for financing using the criteria found in KRS 278.300(3), which are that the issue or assumption be for some lawful object within the corporate purpose of the utility; is necessary and appropriate for, or consistent with the proper performance by the utility of its service to the public; will not impair its ability to perform that service; is reasonably necessary and appropriate for such a purpose.

DISCUSSION

For the reasons stated below, the Commission finds that the proposed service agreement is for the lawful object of enabling Southern District to fulfill its corporate purpose of providing adequate, efficient, and reasonable water service to the public and shall be approved.

The corporate purpose of the Southern District is to provide water service to the public. Southern District must provide adequate, efficient, and reasonable service.¹⁹ In order to accomplish this, Southern District must maintain records, communicate with its customers, and properly bill for its services. Southern District also must keep its records and customer information secure. Southern District understandably requires computer hardware, software, and the services of an individual or entity with the requisite knowledge to maintain the computer system and keep the utility's records secure from cyber-attack.

Because Southern District will utilize the service provided for in the proposed service agreement to maintain accurate records, communicate with its customers, the bill for its services, and keep its records secure from cyber-attack, the Commission finds the proposed agreement is necessary, appropriate for and consistent with the proper

¹⁹ KRS 278.030(2).

performance of Southern District's service to the public. The Commission further finds that the proposed agreement will not impair Southern District's ability to perform its service and is reasonably necessary and appropriate for the purpose of providing water service to the public.

However, the Commission is concerned that Southern District did not solicit bids for this service from other vendors. The provision of IT service is not a unique or novel personal service. Many businesses offer this type of service, and Southern District should have compared the offerings of other vendors to the services and terms offered by United. For this reason, the Commission finds that Southern District shall develop a written policy concerning the seeking of bids for projects and purchases that are not an emergency and which can reasonably be expected to represent a significant expenditure.

The Commission anticipates that construction projects of more than \$10,000 may constitute a significant expenditure for Southern District and that purchases of more than \$1,000 may also constitute a significant expenditure. Southern District shall develop a written policy concerning the seeking of bids for projects and purchases that are not an emergency and which can reasonably be expected to represent a significant expenditure for Southern District. Southern District shall notify the Commission, by letter to the Executive Director, within 20 days of the adoption of the written policy. Southern District is cautioned that the adoption of a written policy on seeking bids for significant expenditures in no way removes Southern District's obligation to seek Commission approval before issuing evidence of indebtedness as provided in KRS 278.300.

IT IS THEREFORE ORDERED that:

1. The proposed service agreement between Southern District and United is approved.

2. Southern District shall develop a written policy concerning the seeking of bids for projects and purchases that are not an emergency and which can reasonably be expected to represent a significant expenditure for Southern District.

3. Southern District shall notify the Commission, by letter to the Executive Director, within 20 days of the adoption of the written policy.

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

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By the Commission

ENTERED
MAR 03 2022 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Nancy Vinsel for
Executive Director

Case No. 2022-00002

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