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## **NEWS RELEASE**

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### **PSC Denies Rate Increase to Southern Water District** *Floyd County utility was unable to provide accurate financial data*

**FRANKFORT, Ky. (Jan. 31, 2019)** – The Kentucky Public Service Commission (PSC) has denied a request by Southern Water District to increase rates after the Floyd County utility was unable to provide accurate records related to its billing and revenue.

In an order issued today, the PSC said “that it cannot reasonably rely on the information” provided by Southern Water and therefore cannot grant the rate increase.

Southern Water in July 2018 requested to raise rates by about 33 percent. A PSC staff analysis determined that a slightly higher rate increase of nearly 38 percent could be justified, but cautioned that the analysis was based not on actual financial records, but on assumptions and estimates provided by Southern Water.

Most notably, Southern Water lost a number of financial records when it switched billing systems and failed to archive the records from the previous system. That made it impossible to verify key portions of the utility’s application, the PSC said.

Furthermore, during subsequent efforts by the PSC to obtain reliable information, Southern Water “demonstrated a lack of candor and a failure to properly provide documentation,” the PSC said in its order. The utility was unable to explain how it arrived at its estimates and conceded that the amounts provided had not been verified, according to the PSC.

Kentucky law requires that a utility seeking a rate increase provide at least one full year of financial data. Southern Water was able to provide only a single month of unverifiable records that it extrapolated to a full year, the PSC said, making it impossible to accurately determine the utility’s financial situation.

In today’s order, the PSC noted concerns about Southern Water’s financial and operational management.

Evidence regarding Southern Water’s management practices was taken at two hearings held by the PSC in January. The PSC did not address the management issues in today’s order denying the rate increase.

However, in a related order issued yesterday, the PSC stated that it is considering initiating one or more investigations into Southern Water’s governance and management.

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The only other party to the case was the Kentucky Office of Attorney General.

Today's order and other records in the case are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The case number is 2018-00230.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,100 gas, water, sewer, electric and telecommunication utilities operating in Kentucky.

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