NEWS RELEASE

PSC OKs New Meters, Lower Rates for Southern Water

District’s total residential bill will decline by $4.11 per month

FRANKFORT, Ky. (Nov. 7, 2019) – The Kentucky Public Service Commission (PSC) has ordered Southern Water District to immediately purchase and begin installation of new meters throughout its system.

In orders issued today, the PSC approved a request by Southern Water for authority to purchase new meters, but told the district not to wait until it receives anticipated federal funding to pay for the meter project. Instead, the PSC ordered Southern Water to acquire and install the new meters as soon as possible.

The PSC also set new rates for Southern Water. The flat monthly residential rate of $58.82, set on an interim basis in June, is reduced to $49.46 per month, with an accompanying $5.25 monthly surcharge to pay for the new meters, for a total of $54.71 per month.

As each residential customer receives a new meter, their base rate will change to a monthly customer charge of $10.45, with a consumption charge of $11.20 per 1,000 gallons for the first 2,000 gallons and a charge of $8.61 for each 1,000 gallons thereafter. For a typical customer using 4,000 gallons per month, the total base bill will come to $50.07, for a total of $55.32 when the surcharge is included.

Purchasing and installing the new meters will cost about $1.3 million. The meters will have radio transmitters that allow them to be read automatically. Southern Water said it will take about 90 calendar days to install the meters.

In the orders issued today, the PSC noted that Southern Water is unable to account for nearly two-thirds of the water it produces or purchases for its approximately 5,400 customers in Floyd and Knott counties. Much of the water loss is due to leaks in the system, but a substantial portion is due to meter issues.

Testimony in a 2018 rate case filed by Southern Water revealed that the utility had failed to perform required meter testing for at least a decade, that many meters were recording usage below the actual amount and that some meters were recording no usage at all.

The PSC subsequently denied Southern Water’s request for a rate increase, saying that the district had failed to provide the information needed to determine whether an increase was necessary. The PSC also expressed concerns over the district’s management practices.

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Southern Water’s entire board of commissioners resigned following January 2019 PSC hearings in the 2018 rate case. A new board was appointed in February and contracted in March with a management firm to run the district’s day-to-day operations. Southern Water’s former general manager resigned in May, after the PSC opened an investigation into his conduct.

The current rate case was filed on April 19. Following a May 9 hearing, the PSC set the interim rate on June 6, stating in its order that the district was in immediate need of additional revenue but that the absence of accurate meter data made a flat rate – based on assumption of monthly usage of 4,000 gallons – the only option.

In today’s order, the PSC states that the lack of accurate usage and financial information was problematic in the current case. Southern Water’s water usage data was deemed “woefully inadequate” by PSC staff and the staff was unable to perform routine rate calculations “due to Southern (Water’s) inability to explain and provide data concerning operations and maintenance expenses.”

PSC staff sought and used other information to determine Southern Water’s revenue requirements and to establish rates.

In today’s rate case order, the PSC said “there is a financial urgency to replacing the meters as soon as possible,” because it will both provide reliable customer usage data and allow customers to be billed an amount that reflects their water consumption. Customers whose monthly usage in the first 12 months after receiving a new meter averages less than 4,000 gallons will receive a refund based on how much they paid under the flat rate.

“Therefore, the sooner the new meters are installed, the sooner the refund mechanism will be activated,” the PSC said.

The surcharge to pay for the meters will remain in place for five years or until the new meters are paid for, whichever comes first. Today’s order includes detailed requirements for Southern Water to plan and execute the meter replacement program and to account for the money collected through the surcharge. The PSC will open a new case to monitor the utility’s progress.

In addition, the PSC ordered Southern Water to file a new rate application within 90 days of the one-year anniversary of the completion of the meter replacement program. The new rates could then be established based upon a year of reliable water usage data and spending records.

Once the $1.5 million in federal funding – which will come through the Abandoned Mine Lands Pilot Fund program – is received, it will be redirected to meet Southern Water’s other infrastructure needs, thus avoiding a subsequent increase in rates to pay for that infrastructure replacement.

The PSC stated in today’s order that Southern Water’s very high rate of water loss “is a direct result of years of willful mismanagement and neglect by the previous manager, Dean Hall,” and the previous water board, who “failed to take any action to address aging infrastructure.”

In addition to the meter problems, and “despite repeated assertions” from Hall and the previous board that Southern Water had developed a plan to reduce water loss, “there is no evidence that a water loss reduction plan was created, much less implemented,” the PSC said.

The PSC said it appreciated that Southern Water’s new board and management company made it their first priority to address water loss through better leak detection and the replacement of all meters in the system.

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The only other party to the rate case was the Kentucky Office of Attorney General. No other parties participated in the case seeking authorization of the new meters.

A video of the rate case hearing and records in both cases, as well as in the 2018 rate case, are available on the PSC website, psc.ky.gov. The rate case number is 2019-00131. The meter system case is 2019-00328. The 2018 rate 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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