

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTHERN)	
WATER AND SEWER DISTRICT FOR AN)	CASE NO.
ALTERNATIVE RATE ADJUSTMENT PURSUANT)	2024-00251
TO 807 KAR 5:076)	

ORDER

On December 26, 2024,¹ Southern Water & Sewer District (Southern District) filed its application with the Commission requesting an adjustment to its water service rates pursuant to 807 KAR 5:076. Southern District's last base rate increase, also filed pursuant to the alternative rate filing procedure, was in Case No. 2022-00099.² Since that matter, Southern District has only adjusted its rates pursuant to an emergency relief filing pursuant to KRS 278.170.³

In its application, Southern District's requested rates that would increase its base rate revenue by \$489,325, or 15.23 percent, to pro forma present rate water revenues.⁴ However, in Southern District's response to Staff's Second Request for Information

¹ Southern District tendered its application on September 25, 2024. By letter dated September 27, 2024, the Commission found Southern District's application deficient. By Order dated October 11, 2024, the Commission rejected the application for use of an incorrect test year and ordered Southern District to file an amended application using the historical test year of 2023. The deficiencies were subsequently cured, and the application was deemed filed on December 26, 2024.

² Case No. 2022-00099, *Electronic Application of Southern Water and Sewer District for an Alternative Rate Adjustment* (Ky. PSC Dec. 20, 2022).

³ Case No. 2022-00300, *Electronic Application of Southern Water and Sewer District for Emergency Relief Pursuant to KRS 278.170* (Ky. PSC Sep. 1, 2022).

⁴ Cover letter and Alternative Rate Filing application, ARF_Application_2023_Test_Year.pdf, Attachment 4, Revenue Requirements Table.

(Staff's Second Request), it submitted a modified rate study, including a corrected billing analysis, which reflected a revised revenue increase of \$185,529, or 5.28 percent instead of its application proposed amount.⁵ Since Southern District did not amend its application, the adjustments based on the corrected billing analysis are incorporated into Commission Staff's (Staff) adjustments rather than in Southern District's application adjustments in the Pro Forma Operating Statement later in this document.

To ensure the orderly review of the application, the Commission established a procedural schedule by Order dated January 16, 2025.⁶ During the pendency of the case, Southern District experienced flooding that extensively damaged its distribution system. This contributed to delays in filing and incomplete information provided by Southern District in response to Staff's requests for information. As such, the Commission issued an Order on April 23, 2025, modifying the procedural schedule as well as requesting additional information.⁷ Southern District responded to three requests for information from Staff and made three supplemental filings.⁸ Southern District noted in its response to Commission Staff's First Request for Information (Staff's First Request) that, while Southern District had worked diligently to prepare responses, it had significant challenges that resulted from recent flooding. It further stated that it had been challenged by a

⁵ Southern District's Response to Staff's Second Request, Item 3, 3_Rate_Study_TY_2023_with_Corrected_Billing Analysis.

⁶ Order (Ky. PSC Jan. 16, 2025).

⁷ Amended Procedural Schedule (Ky. PSC Apr. 23, 2025).

⁸ Southern District's Response to Staff's First Request (filed Feb. 25, 2025), with Supplements filed on Mar. 4, 2025, and Mar. 11, 2025. Southern District's Response to Commission Staff's Second Request (filed Apr. 1, 2025) with a supplement filed Apr. 8, 2025. Southern District's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed May 8, 2025) and a supplement filed May 9, 2025.

disruption to access to its accounting records due to the failure of a file server at its accountant's office.⁹

Staff issued its Commission Staff Report (Staff's Report) on June 16, 2025,¹⁰ summarizing its findings and recommendations regarding Southern District's requested rate adjustment. In its Staff's Report, Staff found that Southern District's adjusted test-year operations support an overall revenue requirement of \$4,206,136 and that a \$765,782 revenue increase, or 23.22 percent, to pro forma present rate revenues was necessary to generate the Overall Revenue Requirement.¹¹ In the absence of a cost of service study (COSS), Staff allocated its recommended revenue increase evenly across all customer classes to calculate its recommended water rates.

On June 24, 2025, Southern District filed its response to Staff's Report and provided four comments.¹² First, Southern District stated it did not agree with Staff's removal of labor expenses from nonrecurring charges but did not wish to contest the adjustment in this case.¹³ Second, Southern District stated it would notify the Floyd County Fiscal Court of the need to authorize commissioners' salaries and requested that the commissioners' salaries be restored to the revenue requirement.¹⁴ Third, Southern District stated it concurred with the remainder of findings in Staff's Report.¹⁵ Fourth,

⁹ Southern District's Response to Staff's First Request, Read_First_Response_to_RFI_1.pdf.

¹⁰ Commission Staff's Report (Ky. PSC June 16, 2025).

¹¹ Commission Staff's Report at 7.

¹² Southern District's Response to Commission Staff's Report (filed June 24, 2025).

¹³ Southern District's Response to Commission Staff's Report, paragraph 1.

¹⁴ Southern District's Response to Commission Staff's Report, paragraph 2.

¹⁵ Southern District's Response to Commission Staff's Report, paragraph 3.

Southern District waived its right to an informal conference or hearing in this case.¹⁶ The case now stands submitted for a decision by the Commission.

LEGAL STANDARD

Alternative rate adjustment proceedings, such as this one, are governed by Commission regulation 807 KAR 5:076, which establishes a simplified process for small utilities to use to request rate adjustments, with the process designed to be less costly to the utility and the utility ratepayers. The Commission's standard of review of a utility's request for a rate increase is well established. In accordance with KRS 278.030 and case law, the utility is allowed to charge its customers "only fair, just and reasonable rates."¹⁷ Further, the utility bears the burden of proof to show that the proposed rate increase is just and reasonable under KRS 278.190(3).

BACKGROUND

Southern District is a water utility organized pursuant to KRS Chapter 74 that owns and operates a distribution system through which it provides retail water service to approximately 5,210 residential customers and 205 commercial customers, that reside in Floyd County, Kentucky.¹⁸

¹⁶ Southern District's Response to Commission Staff's Report, paragraph 4.

¹⁷ *City of Covington v. Public Service Commission*, 313 S.W.2d 391 (Ky. 1958); and *Public Service Comm'n v. Dewitt Water District*, 720 S.W.2d 725 (Ky. 1986).

¹⁸ *Annual Report of Southern Water and Sewer District, Inc. to the Public Service Commission for the Calendar Year Ended December 31, 2023* (2023 Annual Report) at 12 and 49.

UNACCOUNTED-FOR WATER LOSS

Southern District produces approximately 75 percent of its water¹⁹ and purchases the remainder from the city of Pikeville and Prestonsburg City's Utilities Commission.²⁰ In its 2023 Annual Report, Southern District reported a water loss of 56.6897 percent.²¹ The Commission also notes that Southern District's water loss was 57.4307 percent²² and 54.7978 percent,²³ in 2022 and 2021, respectively. Commission regulation 807 KAR 5:066, Section 6(3), states that for ratemaking purposes, a utility's water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations.²⁴ The table below shows that the 2023 total annual cost of water loss to Southern District is \$605,311, while the annual cost of water loss in excess of 15 percent is \$445,147.

Description	Purchased Water	Purchased Power	Purchased Chemicals	Total
Pro Forma Purchases	\$ 391,835	\$ 412,500	\$ 263,427	\$ 1,067,762
Water Loss Percent	56.6897%	56.6897%	56.6897%	56.6897%
Total	\$ 222,130	\$ 233,845	\$ 149,336	\$ 605,311

Disallowed Water Loss

Description	Purchased Water	Purchased Power	Purchased Chemicals	Total
Pro Forma Purchases	\$ 391,835	\$ 412,500	\$ 263,427	\$ 1,067,762
Water Loss Percent in Excess of 15%	41.6897%	41.6897%	41.6897%	41.6897%
Total	\$ 163,355	\$ 171,970	\$ 109,822	\$ 445,147

¹⁹ 2023 Annual Report at 57.

²⁰ 2023 Annual Report at 54.

²¹ 2023 Annual Report at 57.

²² *Annual Report of Southern Water and Sewer District, Inc. to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 57.

²³ *Annual Report of Southern Water and Sewer District, Inc. to the Public Service Commission for the Calendar Year Ended December 31, 2021* (2021 Annual Report) at 57.

²⁴ Title 807 Chapter 5 Regulation 066 • Kentucky Administrative Regulations • Legislative Research Commission, 807 KAR 5:066, Section 6(3).

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss.²⁵ In recognition of its excessive water loss, in its application Southern District requested a Water Loss Reduction Surcharge of \$6.83 per customer per month.²⁶ Southern District was previously approved for a \$5.25 per customer per month Meter Replacement Surcharge in Case No 2019-00131.²⁷ It subsequently replaced meters and made other small capital investments with those surcharge proceeds.²⁸ Collection of that surcharge was discontinued in January 2025.²⁹ Southern District's proposed Water Loss Reduction Surcharge will be further discussed in the Water Loss Surcharge section below.

TEST PERIOD

The calendar year ended December 31, 2023, was used as the test year to determine the reasonableness of Southern District's proposed water rates as required by 807 KAR 5:076, Section 9.

²⁵ See *generally* Commission Final Orders for Rate Applications from 2017-present for language explaining the greater emphasis on encouraging efforts to reduce water loss and including the approximate amount of money the lost water represented to the utility. Case No. 2017-00176, *Electronic Application of Estill County Water District No. 1 for Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec. 20, 2017), Order at 4.

²⁶ Remediated ARF Application, ARF-Application_2023_Test_Year.pdf (filed Dec. 26, 2024), Attachment 1, Customer Notice, at 8.

²⁷ Case 2019-00131, *Application of Southern Water and Sewer District for an Alternative Rate Adjustment* (Ky. PSC Nov. 7, 2019), Order at 13, ordering paragraph 4.

²⁸ Case 2020-00121, *Electronic Southern Water & Sewer District Meter Replacement Surcharge Monitoring* (Ky. PSC Jan. 31, 2024) Order, (Ky. PSC Aug. 4, 2023) Order, and (Ky. PSC Mar. 17, 2021) Order.

²⁹ Southern District's Response to Staff's Second Request, Item 2, 2_Board_Minutes_2025, at 2, January 27, 2024, meeting, Item D.

SUMMARY OF REVENUE AND EXPENSES

Staff's Report summarizes Southern District's pro forma income statement as follows:

Description	Commission Staff's Report		
	Test Year Operations	Pro Forma Adjustments	Pro Forma Operations
Operating Revenues	\$ 3,494,967	\$ (89,688)	\$ 3,405,279
Operating Expenses	5,015,085	(1,377,069)	3,638,016
Total Operating Income	<u>\$ (1,520,118)</u>	<u>\$ 1,287,381</u>	<u>\$ (232,737)</u>

REVIEW OF COMMISSION STAFF'S RECOMMENDATIONS

In its application, Southern District proposed adjustments to its revenues and expenses to reflect current and expected operating conditions. Staff calculated a different revenue requirement based on additional pro forma adjustments.³⁰ The Commission finds that the recommendations contained in the Staff's Report should be approved without further modifications or adjustments. The following is the Commission's complete pro forma.

³⁰ Commission Staff's Report at 7.

PRO FORMA OPERATING STATEMENT

Description	Test Year	Southern Water District Application Adjustments	Commission Staff Adjustments	Total Adjustments	Commission Staff's Pro Forma	Commission Approved Pro- Forma
Operating Revenues						
Metered Retail Sales	\$ 3,262,150	\$ (158,990)	\$ 303,894	\$ 144,904		
			(211,269)	(211,269)	\$ 3,195,785	\$ 3,195,785
Sales for Resale	109,767		(8,265)	(8,265)	101,502	101,502
Forfeited Discounts	89,107				89,107	89,107
Miscellaneous Service Revenues	33,943		(15,058)	(15,058)	18,885	18,885
Total Operating Revenues	3,494,967	(158,990)	69,302	(89,688)	3,405,279	3,405,279
Operation and Maintenance						
Salaries and Wages - Employees	739,852		45,304	45,304		
			111,277	111,277		
			(4,950)	(4,950)	891,483	891,483
Salaries and Wages - Officers	18,000		(18,000)	(18,000)	-	-
Employee Benefits - Medical	201,573		58,809	58,809		
			(67,945)	(67,945)	192,437	192,437
Purchased Water	401,919	(167,559)	4,204	(163,355)		
			(5,732)	(5,732)		
			(4,352)	(4,352)	228,480	228,480
Purchased Power	406,768	(169,580)	(2,390)	(171,970)		
			5,732	5,732	240,530	240,530
Chemicals	263,427	(109,822)		(109,822)	153,605	153,605
Materials and Supplies	274,202		(11,550)	(11,550)	262,652	262,652
Contractual Services (5 items)	393,494			0	393,494	393,494
Rents	8,428			0	8,428	8,428
Transportation Expenses	106,424			0	106,424	106,424
Insurance (3 items)	100,342			0	100,342	100,342
Advertising Expense	5,645			0	5,645	5,645
Bad Debt	1,142,457	(989,985)	(56,244)	(1,046,229)	96,228	96,228
Miscellaneous	25,595			0	25,595	25,595
Total	4,088,126	(1,436,946)	54,163	(1,382,783)	2,705,343	2,705,343
Amortization	2,460			0	2,460	2,460
Depreciation Expense	864,145	(45,586)		(45,586)		
			388	388		
			38,934	38,934	857,881	857,881
Taxes Other Than Income	60,354		11,978	11,978	72,332	72,332
Total Operating Expenses	5,015,085	(1,482,532)	105,463	(1,377,069)	3,638,016	3,638,016
Net Operating Income	(1,520,118)	1,323,542	(36,161)	1,287,381	(232,737)	(232,737)
Interest Income	-		6,540	6,540	6,540	6,540
Nonutility Income - Third Party Billing / Collections	-		14,373	14,373		
			14,162	14,162	28,535	28,535
Income Available to Service Debt	\$ (1,520,118)	\$ 1,323,542	\$ (1,086)	\$ 1,322,456	\$ (197,662)	\$ (197,662)

Metered Revenues. In its application, Southern District proposed an adjustment to decrease Metered Retail Sales by \$158,990.³¹ In its response to Staff's Second Request, Southern District submitted a revised billing analysis, a revised Schedule of Adjusted Operations (SAO) and proposed an adjustment to increase Metered Retail Sales by \$144,904.³² Staff reviewed Southern District's revised billing analysis and disagreed with its adjustment because Southern District did not use the water sales amount of \$3,262,150 that is reported in its 2023 Annual Report.³³ Staff made an adjustment to decrease Metered Retail Sales by \$211,269 to reflect the correct pro forma Metered Retail Sales of \$3,195,785. The net effect of Southern District and Staff's adjustments reduced Metered Retail Sales by \$66,365. Staff recommended that the Commission accept the adjustment because the amount met the ratemaking criteria of being known and measurable.³⁴

The Commission finds Staff's recommendations are reasonable and should be approved because the adjustment reflects verifiable usage and revenue data that were evaluated and normalized using the information provided in the record.

Southern Water's revised billing analysis reflected revenue from sales for resale of \$101,502,³⁵ resulting in a decrease of \$8,265 to test year sales for resale. Staff

³¹ ARF_Application_2023_Test_Year.pdf, Attachment 4, Schedule of Adjusted Operation, Adjustment A.

³² Southern District's Response to Staff's Second Request, Item 10b, 3_Rate_Study_TY_2023_with_Corrected_Billing_Analysis.xlsx.

³³ 2023 Annual Report, at 49.

³⁴ Commission Staff's Report, at 16–17.

³⁵ Southern District's Response to Staff's Third Request, Item 3

recommended that the Commission accept the adjustment because the amount meets the ratemaking criteria of being known and measurable.³⁶

The Commission finds Staff's recommendations are reasonable and should be approved because the adjustment reflects verifiable usage and revenue data that were evaluated and normalized using the information provided in the record.

Miscellaneous Service Revenues. Southern District reported Miscellaneous Service Revenues of \$33,943.³⁷ Commission Staff reviewed the 2023 general ledger and made three adjustments. Commission Staff removed \$2,071 in tap fees that were recorded in account number 47103, Tap Fees, which should have been recorded as contributed capital.³⁸ Staff removed \$31,872 for an insurance reimbursement that will not recur,³⁹ and Staff added \$18,885 for nonrecurring charges improperly classified in the general ledger. The adjustments, which net to a decrease of \$15,058, are shown in the table below. Staff recommended that the Commission accept the total adjustment because the amount meets the ratemaking criteria of being known and measurable.⁴⁰

The Commission finds that recording revenues in the proper account is reasonable and consistent with regulatory accounting principles set forth in The Uniform System of Accounts for Class A/B Water Systems (USoA).⁴¹

³⁶ Commission Staff's Report at 16–17.

³⁷ ARF_Application_2023_Test_Year.pdf, Attachment 4, Schedule of Adjusted Operation.

³⁸ Southern District's Response to Staff's First Request, Item 1a, 1a_General_Ledger_2023.xlsx, account 471003 Tap Fees.

³⁹ Southern District's Response to Staff's Second Request, Item 11b.

⁴⁰ Commission Staff's Report at 17–18.

⁴¹ USoA Water Operating Revenues Accounts, at 120. Water Sales and Other Water Revenues, Accounts 470 Forfeited Discounts, 471 Miscellaneous Service Revenues, and 474 Other Water Revenues.

Description	Test	Utility Adjustments	Commission Staff Adjustments	Pro Forma
Tap Fees	\$ 2,071	\$ -	\$ (2,071)	\$ -
Other Income	31,872	-	(31,872)	-
Non-Recurring Charges	-	-	18,885	18,885
Total	<u>\$ 33,943</u>	<u>\$ -</u>	<u>\$ (15,058)</u>	<u>\$ 18,885</u>

Salaries and Wages – Employees. Southern District did not propose any adjustments to salaries and wages. Staff reviewed 2023 and 2024 wages and hours⁴² and noted that the 2024 amounts were higher than 2023. Southern District stated that 2024 was indicative of recurring operations⁴³ and that its full staffing is 25 full-time and no part-time employees.⁴⁴ Commission Staff made two adjustments. Commission Staff increased wages by \$45,304 to reflect 2024 wage rates, hours and changes in employee turnover compared to the test year.⁴⁵ Commission Staff increased wages by \$111,277 based on average 2024 pay rates, to normalize straight time hours to reflect 25 full-time positions at 2,080 annual hours each. A walk forward of test-year wages to calculated pro forma wages is shown in the *Wage Adjustments* table below. The *Average 2024 Straight Time Wage Rate* table below provides details on how Staff derived the average hourly rate. Staff noted that Southern District’s board voted in December 2023 to cease

⁴² Southern District’s Amended Responses to Staff’s First Request, Item 4, 4_Employee_Earnings_2023.xlsx; also 4_Employee_Earnings_2024.xlsx.

⁴³ Southern District’s Supplemental Response to Staff’s Second Request, Item 6.

⁴⁴ Southern District’s Response to Staff’s Second Request, Item 5.

⁴⁵ Southern District’s Amended Response to Staff’s First Request, Item 4, 4_Employee_Earnings_2024.xlsx.

annual merit raises until resolution of the rate case.⁴⁶ Southern District stated that its “board anticipates reinstating general wage increases as soon as funding is made available. Southern District is aware that it is not able to compete with many other employers on the basis of salary/pay alone but Southern must keep their rates of pay reasonable in order to attract and retain quality employees.”⁴⁷ Since Southern District’s board remained uncommitted to an increase for 2025, Staff did not include an adjustment to reflect a salary increase in the pro forma. Staff recommended the Commission accept the Commission Staff’s adjustments because the amount meets the ratemaking criteria of being known and measurable.⁴⁸

The Commission finds Staff’s recommendation reasonable and approves the adjustment because the amount meets the ratemaking criteria of being known and measurable.

Wage Adjustments

Description	Amount
Test Year Wages	\$ 739,852
Adjust to 2024 Hours / Wage Rate Mix	45,304
Normalize Wages to 25 Employees at 2,080 Hours Each at Average Straight Time Rate	111,277
Total Wages	896,433
Capitalize Tap Fee Labor	(4,950)
Pro Forma Wages	\$ 891,483

⁴⁶ Southern District’s Response to Staff’s First Request, Item 10, 10_Board_Minutes_2023.pdf, at 29, Item I.

⁴⁷ Southern District’s Response to Staff’s Second Request, Item 8c.

⁴⁸ Commission Staff’s Report at 18–20.

Average 2024 Straight Time Wage Rate

Straight Time Categories	2024 Hours	2024 Wages
Wages	42,857.46	\$ 663,283.41
Sick	16.00	263.36
Holiday	1,840.00	28,318.49
Personal	96.00	1,583.47
Total 2024 Actual	44,809.46	693,448.73
Adjust Hours for 25 Full Time Employees at Average Wage Rate at 2,080 Hours Each	7,190.54	111,277.00
Pro Forma	52,000.00	\$ 804,725.73
Average Straight Time Rate (2024 Wages Divided by 2024 Hours)		\$ 15.48

Costs Related to Meter Installation. During the test year, Southern District reported \$2,071 in Tap On Fees.⁴⁹ The Uniform System of Accounts for Class A/B Water Systems (USoA) requires that these costs be capitalized as Utility Plant in Service and depreciated over their estimated useful lives.⁵⁰ During the test year, Southern District installed 22 new water connections.⁵¹ Applying the current tariff rate of \$750 per connection, Staff calculated \$16,500 of Tap Fee expenditures, the cost of which was not capitalized.⁵² Staff calculated a decrease of \$4,950 (D1) to Salaries and Wages – Employees Expense and a decrease of \$11,550 (D2) to Materials and Supplies as shown in the table below. Commission Staff also increased depreciation expense by \$388 (D3).

⁴⁹ Southern District's Response to Staff's First Request, Item 1b, 1b_Trial_Balance_2023.xlsx, Account 47103 Tap fees.

⁵⁰ USoA, Accounting Instruction 19 and 33.

⁵¹ Southern District's Amended Response to Staff's First Request, Item 20a.

⁵² Southern District's Amended Response to Staff's First Request, Items 20b and 20c.

Description	Percent	Dollars	Ref
Salaries and Wages	30.0%	\$ 4,950	(D1)
Materials	70.0%	11,550	(D2)
Total		<u>\$ 16,500</u>	
NARUC Service Life / Depreciation	42.50	<u>\$ 388</u>	(D3)

Staff recommended the Commission accept Staff's proposed adjustments to decrease Salaries and Wages – Employees by \$4,950 and decrease Materials and Supplies by \$11,550 because it reflects the proper accounting for water connection expenses according to the USoA.⁵³

The Commission finds Staff's recommendation reasonable and approves the adjustment because it reflects the proper regulatory accounting practices.

Salaries and Wages – Officers. Southern District has five commissioners who are each paid \$6,000 per year.⁵⁴ It reported \$18,000 in test-year wages and proposed no adjustments. Staff verified appointments by the Floyd County Fiscal Court⁵⁵ as well as training records.⁵⁶ However, Staff could not verify proper pay authorization. Southern District stated “[t]here are no fiscal court minutes showing authorization for the board members to receive compensation. That was done here by Former Management.”⁵⁷ Southern District also provided an email exchange with a Floyd County Fiscal Court representative which stated, in part, “[t]he biggest challenge I see is that Judge Williams

⁵³ USoA, Accounting Instruction 19 and 33. Commission Staff's Report, at 20–21.

⁵⁴ Southern District's Response to Staff's First Request, Item 11, 11_Commissioners.pdf.

⁵⁵ Southern Districts Response to Staff's First Request, Item 11a, 11a_Fiscal_Court.pdf; Southern Districts Response to Staff's Second Request, Item 3, 3_Fiscal_Court_Minutes.pdf.

⁵⁶ Southern Districts Response to Staff's First Request, Item 11b, 11b_Commissioner_Training.pdf.

⁵⁷ Southern District's Response to Staff's Third Request, Item 19.

didn't think we would have had such a resolution because the Fiscal Court does not control what the water company does. He thought it was Southern Water's decision to provide that compensation. It is no different than any other water company."⁵⁸ KRS 74.020(6) states that "[e]ach commissioner shall receive an annual salary of not more than thirty-six hundred dollars (\$3,600)" and that

[A]ny such amount the salary shall be fixed by the county judges/executive with the approval of the fiscal court; in multicounty districts, it shall be fixed by the agreement between the county judges/executive with the approval of their fiscal courts. In fixing and approving the salary of the commissioners, the county judge/executive and the fiscal court shall take into consideration the financial condition of the district and its ability to meet its obligations as they mature.

Staff reduced pro forma officer salaries by the \$18,000 test year amount because of Southern District's unauthorized officer compensation as required by KRS 74.020(6).⁵⁹ Staff recommended that Southern District request the Floyd County Fiscal Court to update its authorization of Southern District Commissioner compensation amounts as soon as possible.⁶⁰ Staff further recommended that Southern District request the Floyd

⁵⁸ Southern District's Response to Staff's Third Request, Item 19, 19_Commissioner_Compensation.pdf.

⁵⁹ KRS 74.020(6); Each commissioner shall receive an annual salary of not more than thirty-six hundred dollars (\$3,600), which shall be paid out of the water district fund, except that beginning January 1, 1999, and subject to subsection (9) of this section, each commissioner who completes during an educational year a minimum of six (6) instructional hours of water district management training approved by the Public Service Commission may receive an annual salary of not more than six thousand dollars (\$6,000) to be paid out of the water district fund. An educational year shall begin on January 1 and end on the following December 31. In the case of single-county districts, which shall be deemed to include districts described in subsection (1)(c) of this section, the salary shall be fixed by the county judges/executive with the approval of the fiscal court; in multicounty districts, it shall be fixed by the agreement between the county judges/executive with the approval of their fiscal courts. In fixing and approving the salary of the commissioners, the county judge/executive and the fiscal court shall take into consideration the financial condition of the district and its ability to meet its obligations as they mature.

⁶⁰ Commission Staff's Report, at 22–23.

County Fiscal Court to include Southern District Commissioner compensation authorization in Fiscal Court minutes upon the appointment or reappointment of each future Southern District commissioner.⁶¹ Staff recommended that the Commission deny recovery of Southern District's commissioner compensation due to the absence of authorization by the Floyd County Fiscal Court.⁶²

Although Southern District stated it would notify the Floyd County Fiscal Court of the need to authorize salaries, the appropriate documents have not been filed in the case record, and therefore, the Commission finds Staff's original recommendation that the Commission deny recovery of Southern District's commissioner compensation is reasonable and should be approved as it is consistent with KRS 74.020(6).

Employee Benefits. Southern District proposed no adjustments to employee benefits. Staff made two adjustments which resulted in a net decrease of \$9,136 as described below. Southern District provided dental, vision, life, and medical insurance to its employees.⁶³ Employee contributions were required in varying amounts, depending on the coverage classification, for medical insurance coverage.⁶⁴ Southern District also facilitated various supplemental insurance coverages where it pays the invoices, but

⁶¹ Commission Staff's Report at 23.

⁶² Commission Staff's Report at 23.

⁶³ Southern District's Response to Staff's Second Request, Item 1a.

⁶⁴ Southern District's Response to Staff's Third Request, Item 3.

employees paid 100 percent of the premium.⁶⁵ A 401k plan was available to each employee that matches half of employee contributions up to three percent.⁶⁶

The Commission continues to place greater emphasis on evaluating employees' total compensation packages, including benefit programs, for market and geographic competitiveness to ensure the development of a fair, just and reasonable rate. The Commission has found that, in most cases, 100 percent of employer-funded health care fails to meet those criteria.⁶⁷ Southern District stated its employees' contribution is based on coverage class, with Employee Only plans contributing \$25 biweekly, employee/spouse and employee/children contributing \$50 biweekly, and family plans requiring \$75 contributions biweekly.⁶⁸ This resulted in average employee contribution of 5.89 percent to medical insurance.

Southern District's employee contribution is below the national average as published in the 2024 Bureau of Labor Statistics Study (BLS Study) on employee contributions.⁶⁹ Southern District did not provide sufficient evidence or comparative information in the record to support variance from the averages contained in a nationally recognized survey. Therefore, Staff recommended an adjustment to the average

⁶⁵ Southern District's Response to Staff's Second Request, Item 1a.

⁶⁶ Southern District's Response to Staff's Second Request, Item 1a.

⁶⁷ Case No. 2020-00167, Electronic Application of Ohio County Water District for an Alternative Rate Adjustment (Ky. PSC Dec. 3, 2020); Case No. 2020-00296, Electronic Application of Allen County Water District for an Alternative Rate Adjustment (Ky. PSC Feb. 3, 2021).

⁶⁸ Southern District's Response to Staff's Third Request, Item 3.

⁶⁹ U.S. Bureau of Labor Statistics, Share of Premiums Paid by Employer and Employee for Single Coverage, March 2023 <https://www.bls.gov/news.release/ebs2.t03.htm>, U.S. Bureau of Labor Statistics, Share of Premiums Paid by Employer and Employee for Family Coverage, March 2024 <https://www.bls.gov/news.release/ebs2.t04.htm>.

employee contributions for private industry workers of 20 percent for single coverage and 32 percent for family coverage provided by the BLS study.⁷⁰ Similarly, Southern District does not require employee contributions for dental insurance, which is lower than the recommended average employee contribution, as calculated in the Willis Benchmarking Survey of 60 percent for the national average for an employee's contribution to dental insurance.⁷¹

Staff made two adjustments for a net expense decrease of \$9,136 and a pro forma amount of \$192,437. Staff increased expense by \$58,809 to \$271,957 to reflect aggregate changes in the costs of insurance programs from the 2023 test year to 2025 costs.⁷² The effect of employee turnover throughout the test year to 2025 is a component of this adjustment as well. Staff decreased expenses by \$67,495 to (\$79,520) to reflect adjustments for employee contribution amounts based on the BLS Study and the Willis Benchmarking Survey. The adjustments described above resulted in a pro forma yearly benefit cost of \$192,437 as shown in the tables below. Staff recommended the Commission accept Staff's adjustments because the amounts are known and measurable, are consistent with Commission precedent, and match the information

⁷⁰ U.S. Bureau of Labor Statistics, Share of Premiums Paid by Employer and Employee for Single Coverage, March 2023 <https://www.bls.gov/news.release/ebs2.t03.htm>, U.S. Bureau of Labor Statistics, Share of Premiums Paid by Employer and Employee for Family Coverage, March 2024 <https://www.bls.gov/news.release/ebs2.t04.htm>.

⁷¹ See Case No. 2017-00263, Electronic Application of Kentucky Frontier Gas, LLC for Alternative Rate Adjustment (Ky. PSC Dec. 22, 2017), Order at 9–10; and The Willis Benchmarking Survey, 2015, at 62-63. (https://www.willis.com/Documents/publications/Services/Employee_Benefits/20151230_2015WillisBenefitsBenchmarkingSurveyReport.pdf).

⁷² Southern District's Response to Staff's Third Request, Item 2b, KLG_Health_Trust_2025; Item 2c, Dental_and_Vision_2025; Item 2c, Dental_and_Vision_2025.

provided in the case record.⁷³ The Commission finds that Staff's adjustments should be approved because the amounts are known and measurable and match the information provided in the case record.

Employee Benefits Summary

Benefit	Test Year	Adjustments	Pro Forma
Health	\$ 190,807	\$ 63,866	\$ 254,673
Dental	7,062	814	7,876
Life	9,099	(7,971)	1,128
401K	6,180	2,100	8,280
Net Cost Impact	<u>213,148</u>	<u>58,809</u>	<u>271,957</u>
 <i>Pro Forma Employee Contributions</i>			
BLS Adjustment	(11,575)	(61,497)	(73,072)
Dental, Vision, Life Adjustmen	na	(6,448)	(6,448)
Net	<u>(11,575)</u>	<u>(67,945)</u>	<u>(79,520)</u>
Total	<u>\$ 201,573</u>	<u>\$ (9,136)</u>	<u>\$ 192,437</u>

Type of Premium	Number of Employees	Sample 2025 Premium	Monthly Employeee W/H \$	Employee W/H %	Total Annual Premium	Annual Employee W/H	Net Cost	Employee Contribution BLS %	Calculated Employee W/H
<i>Medical Coverage</i>									
Employee (EMP)	7	\$ 835.54	50.00	5.98%	\$ 70,185	\$ (4,200)	\$ 65,985	20%	\$ 14,037
Employee / Child or Children (E)	2	1,503.97	100.00	6.65%	36,095	(2,400)	33,695	32%	11,550
Employee / Spouse (ESP)	4	1,754.64	100.00	5.70%	84,223	(4,800)	79,423	32%	26,951
Family (FAM)	2	2,673.72	150.00	5.61%	64,169	(3,600)	60,569	32%	20,534
Total Participants	<u>15</u>			5.89%	254,673	(15,000)	239,673	29%	73,072
BLS Adjustment						(58,072)	(58,072)		(15,000)
Net Medical Insurance					<u>\$ 254,673</u>	<u>\$ (73,072)</u>	<u>\$ 181,601</u>		<u>\$ 58,072</u>
 <i>Other Benefits</i>									
Delta Dental (Dental)		532.42	0.00	0%	6,389	0	6,389	60%	3,833
Delta Dental (Vision)		123.92	0.00	0%	1,487	0	1,487	100%	1,487
Life		94.03	0.00	0%	1,128	0	1,128	100%	1,128
401K (used 2024)		690.00	0.00	0%	8,280	0	8,280	-	0
Sub-total Other Benefits					<u>17,284</u>	<u>0</u>	<u>17,284</u>		<u>6,448</u>
Net Adjustment to Pro Forma Employee Contribution						<u>(6,448)</u>	<u>(6,448)</u>		
<i>Net Other Benefits</i>					<u>17,284</u>	<u>(6,448)</u>	<u>10,836</u>		<u>6,448</u>
Total					<u>\$ 271,957</u>	<u>\$ (79,520)</u>	<u>\$ 192,437</u>		<u>\$ 64,520</u>

⁷³ Commission Staff's Report, at 23–26.

Purchased Water. Southern District proposed no adjustments to the cost of purchased water. Staff reviewed the information submitted and made two adjustments as shown in the table below. Staff reclassified \$5,372 from Purchased Water (decrease) to Purchased Power (increase) for an American Electric Power (AEP) invoice that Southern District erroneously posted to general ledger account 60002, Water Purchases.⁷⁴ Staff also decreased the Purchased Water cost by \$4,532 to adjust the general ledger to the purchase quantities provided at the current cost.

Description	Knott County Water District	Pikeville	Prestonsburg	Total	Ref
Gallons	7,290,100	160,369,000	1,823,500	169,482,600	
Current Purchase Rate	\$ 3.2700	\$ 2.2600	\$ 3.050	\$ 2.3119	
Pro Forma Cost	<u>\$ 23,839</u>	<u>\$ 362,434</u>	<u>\$ 5,562</u>	<u>\$ 391,835</u>	
Test Year Purchase Cost				(401,919)	
Decrease in Purchase Cost				<u>\$ (10,084)</u>	(G)
<i>Adjustments</i>					
Reclass AEP to Purchased Power Adjustment				\$ (5,732)	(G1)
				(4,352)	(G2)
Total				<u>\$ (10,084)</u>	

Staff recommended the Commission accept Staff's adjustments to decrease Purchase Water Expense and to increase Purchased Power Expense by \$5,732 to ensure that expenses are recorded in the proper accounts.⁷⁵

The Commission finds Staff's recommendation is reasonable and approves the adjustment to ensure that expenses are recorded using proper regulatory accounting principles.

⁷⁴ Southern District's Response to Staff's First Request, Item 1a, 1a_General_Ledger_2023.xlsx, Account 60002 Purchased Water, row 11,620.

⁷⁵ USoA, Purchased Water account 610. Commission Staff's Report at 26–27.

Purchased Power. In its application, Southern District proposed no adjustments to the Purchased Power expense. Staff made one adjustment to increase the expense by \$5,732 for the reclassification adjustment described in Purchased Water, above.

The Commission finds Staff's recommendation is reasonable and approves the adjustment to Purchased Power to ensure that expenses are recorded using proper regulatory accounting principles.⁷⁶

Excess Water Loss. In its application, Southern District proposed adjustments to decrease Purchased Water Expense by \$167,559, Purchased Power Expense by \$169,580 and Chemicals Expense by \$109,822⁷⁷ to reflect the disallowance of water loss expenses in excess of 15 percent. During the test year, Southern District reported water loss of 56.6897 percent.⁷⁸ Commission regulation 807 KAR 5:066, Section 6(3), states that, for ratemaking purposes, expenses for water loss in excess of 15 percent shall not be included for ratemaking purposes.⁷⁹ Commission Staff agreed with Southern District's methodology, however, the disallowed amounts changed as a result of the cost adjustments described in the Purchased Water and Purchased Power sections above. Disallowed Purchased Water Expense decreased by \$4,204 as a result of the total \$10,084 cost adjustment decreases. Disallowed Purchased Power Expense increased by \$2,390 as a result of the \$5,732 cost adjustment increase.

⁷⁶ USoA, Purchased Power account 615.

⁷⁷ Remediated Application, ARF_Application_2023_Test_Year.pdf, Attachment 4, Schedule of Adjusted Operations, Adjustment B.

⁷⁸ 2023 Annual Water Report at 57.

⁷⁹ 807 KAR 5:066 (Water), Section 6(3) (Water Supply Measurement).

Description	Purchased Water	Purchased Power	Purchased Chemicals	Total
Pro Forma Purchases	\$ 391,835	\$ 412,500	\$ 263,427	\$ 1,067,762
Water Loss Percent	56.6897%	56.6897%	56.6897%	56.6897%
Total	\$ 222,130	\$ 233,845	\$ 149,336	\$ 605,311

Disallowed Water Loss

Description	Purchased Water	Purchased Power	Purchased Chemicals	Total
Pro Forma Purchases	\$ 391,835	\$ 412,500	\$ 263,427	\$ 1,067,762
Water Loss Percent in Excess of 15%	41.6897%	41.6897%	41.6897%	41.6897%
Total	163,355	171,970	109,822	445,147
Southern District Pro Forma Adjustments ()	(167,559)	(169,580)	(109,822)	(446,961)
Commission Staff (Decrease) / Increase to Southern District Proposed Adjustment	\$ (4,204)	\$ 2,390	\$ -	\$ (1,814)

Staff recommended the Commission accept the adjustments to reduce pro forma expenses by \$445,147 for costs of water loss that are in excess of 15 percent because they reflect the application of 807 KAR 5:066, Section 6(3).⁸⁰

The Commission finds Staff's adjustments are reasonable and approves the adjustments because it is supported by the evidence of purchase water, purchase power and chemical expense provided in the case record exceeding the 15 percent water loss threshold.

Bad Debt Expense. Southern District proposed an adjustment to decrease Bad Debt Expense by \$989,985⁸¹ to \$152,472⁸² to reflect a one-time nonrecurring entry to account for accumulation of account balances from prior years that became

⁸⁰ Commission Staff's Report, at 27–28.

⁸¹ Remediated Application, ARF_Application_2023_Test_Year.pdf, Attachment 4, Schedule of Adjusted Operations, Adjustment D.

⁸² Remediated Application, ARF_Application_2023_Test_Year.pdf, Attachment 4, Schedule of Adjusted Operations.

uncollectible.⁸³ Southern District stated that it reached that amount based upon its accountant's professional judgment.⁸⁴ Southern District stated that a written policy did not exist for when a balance became uncollectible,⁸⁵ but that after individual account reviews and attempts to contact customers, an unpaid balance was adjusted to bad debt expense after 90 days with no payment.⁸⁶ Staff noted that Southern District reported gross accounts receivable in its general ledger at the functional level for Water (account number 14101), Garbage (account number 14102), Sewer (account number 14103), and Surcharge (account number 14109) billings.⁸⁷ Southern District's provision for uncollectible accounts was reported in account number 14509 with no distinction of functional component.⁸⁸ Bad debts expense decreased from Southern District's adjusted test-year amount of \$152,472⁸⁹ in 2023 to \$85,390 in 2024.⁹⁰ The provision for uncollectible accounts, a credit balance, decreased from (\$301,272) as of December 31, 2023, to (\$264,960) as of December 31, 2024. Southern District's write-off practices described above suggested that the amount applied to a reduction in the Provision for

⁸³ Remediated Application, ARF_Application_2023_Test_Year.pdf, Attachment 4, Schedule of Adjusted Operations, References, Adjustment D.

⁸⁴ Southern District's Response to Staff's Second Request, Item 17b.

⁸⁵ Remediated Application, ARF_Application_2023_Test_Year.pdf, Attachment 4, Schedule of Adjusted Operations, References, Adjustment D.

⁸⁶ Southern District's Response to Staff's Second Request, Item 17a.

⁸⁷ Southern District's Response to Staff's First Request, Item 1a, 1a_General_Ledger_2023.xlsx.

⁸⁸ Southern District's Response to Staff's First Request, Item 1a, 1a_General_Ledger_2023.xlsx.

⁸⁹ Remediated Application, ARF_Application_2023_Test_Year.pdf, Attachment 4, Schedule of Adjusted Operations.

⁹⁰ Southern District's Amended Responses to Staff's First Request, Item 1a, S_1a_General_Ledger_2024.xls, account 76002 Bad Debt Expense.

Uncollectible Accounts represents 2023 revenue that was written off in 2024, and that the reported \$85,390 bad debt expense in 2024 represents 2024 revenue that was written off during 2024. Based on Southern District's write-off practice statements and the general ledger activity for 2023 and 2024, Commission Staff concluded that Southern District likely reported an excess Provision for Uncollectible Accounts as of both December 31, 2023, and December 31, 2024, as its uncollectible reserve balance should not be greater than one fourth (approximately 90 days) of its asserted bad debt amount of \$152,472.

However, based on the information in the record, Staff failed to reach a conclusion about a reasonable level of current period uncollectible revenues.⁹¹ Given that the Commission recommends, in general, that utilities file for rate adjustments at least every three to five years,⁹² Staff recommended a pro forma amount for bad debts based on an average of the net of three years of Southern District's proposed pro forma bad debt expense of \$152,472 less the Provision for Uncollectible Accounts as of December 31, 2024, as shown in the table below.⁹³ This resulted in an additional reduction of \$56,244 for a total pro forma reduction of \$1,046,229 as shown in the table below.

⁹¹ Commission Staff's Report at 30.

⁹² Case No. 2024-00164, *Electronic Purchased Water Adjustment Filing of U. S. 60 Water District* (Ky. PSC June 27, 2024). Case No. 2024-00154, *Electronic Purchased Water Adjustment Filing of West Shelby Water District* (Ky. PSC June 17, 2024).

⁹³ Commission Staff's Report, at 29–31.

Description	Amount
Dec 31, 2024 Provision for Uncollectible Accounts	\$ (264,960)
<i>Southern District's Pro Forma Bad Debt Expense</i>	
2025	152,472
2026	152,472
2027	152,472
Net Reserve Impact	192,456
Divisor (Years 2026, 2027)	2
Commission Staff Pro Forma	96,228
Southern District Pro Forma ()	(152,472)
Commission Staff Adjustment	(56,244)
Southern District Adjustment	(989,985)
Total Pro Forma Adjustment	<u>\$ (1,046,229)</u>

The Commission finds that Staff's pro forma adjustment to reduce bad debt expense by \$1,046,229 to reach a pro forma bad debt expense of \$96,228 is approved because the method used to reach the pro forma expense reflects a reasonable methodology to use until Southern District's next recommend alternative rate filing. The Commission also finds that Southern District should improve its receivables management practices to reduce its losses from bad debts.

Depreciation Expense. In its application, Southern District proposed an adjustment to decrease Depreciation Expense by \$45,586⁹⁴ to adjust depreciation lives to the midpoint of the recommended Average Service Life ranges from the NARUC

⁹⁴ Remediated Application, ARF_Application_2023_Test_Year.pdf, Attachment 4, Schedule of Adjusted Operations, Adjustment C.

publication titled “Depreciation Practices for small Utilities”.⁹⁵ Staff reviewed Southern District’s proposed adjustment and agreed that it was reasonable.⁹⁶

However, Southern District failed to propose any adjustments for assets placed in service subsequent to the test year. Staff made two additional adjustments. Staff increased depreciation by \$4,388 to reflect depreciation on tap-fee costs described in the Costs Related to Meter Installations that were not capitalized by Southern District. Also, Staff reviewed Southern District’s 2024 depreciation schedule⁹⁷ and identified fourteen assets with a cost of \$1,891,702 that were placed in service during 2024. Commission Staff calculated an additional \$38,934 in depreciation based on the NARUC depreciation lives for the fourteen assets as shown in the table below.

Asset No.	Description	Date	Cost	Book Life	2024 Deprec	NARUC Life Mid-point	Commission Staff Calculated Depreciation	NARUC Life Range	NARUC Acct Number
<i>Assets Placed in Service During 2024</i>									
453	Trailer - PJ Trailer	01/08/24	\$ 8,300	7.00	\$ 1,163	7.00	\$ 1,186	7	392
452	Transmission	01/18/24	4,755	7.00	648	7.00	679	7	392
449	Chevy Truck	02/20/24	28,500	7.00	3,515	7.00	4,071	7	392
451	Tablets PC	02/21/24	4,445	5.00	765	5.00	889	5	n/a
450	Hydrants 2	03/15/24	9,267	50.00	148	30.00	309	40 - 60	348
455	Wayland To Lackey Lines	04/01/24	1,463,414	50.00	21,991	62.50	23,415	50 - 75	343
445	Easement - S Ray Slone	04/16/24	907	0.00	0	0.00	0	0	n/a
446	Easement- Vernon K Slone	04/16/24	721	0.00	0	0.00	0	0	n/a
456	2024 Media Change	06/19/24	80,387	50.00	861	30.00	2,680	25 - 35	332
443	Meters RG3	06/30/24	13,639	50.00	138	37.50	364	35 - 40	346
444	Pump Station	07/02/24	75,618	50.00	756	37.50	2,016	35 - 40	321
454	2024 Fema Lines	07/03/24	192,640	50.00	1,916	62.50	3,082	50 - 75	343
447	Pump (Dyna Pump)	12/05/24	5,860	50.00	9	37.50	156	35 - 40	321
448	Fencing	12/12/24	3,250	10.00	18	37.50	87	35 - 40	390
Total			<u>\$ 1,891,702</u>		<u>\$ 1,891,702</u>		<u>\$ 38,934</u>		

The Commission finds that Staff’s proposed adjustments to Southern District’s Depreciation Expense should be accepted as the adjustments recognize previously

⁹⁵ Remediated Application, ARF_Application_2023_Test_Year.pdf, Attachment 4, Schedule of Adjusted Operations, References, Adjustment C.

⁹⁶ Commission Staff’s Report at 32.

⁹⁷ Southern District's Response to Staff's Third Request, Item 8, 8_Depreciation_2024.pdf.

omitted depreciable assets placed in service in 2024, were based on the NARUC study discussed above, and the amounts are known and measurable.

Taxes other Than Income. Staff calculated an \$11,978 increase in Taxes other Than Income based on the increased wages, calculated in the wages and salaries section, as shown in the table below.

Description	Amount
Wage Adjustments (Ref C1, C2)	\$ 156,581
Social Security Rate	0.0765
Total	<u>\$ 11,978</u>

Staff recommended the Commission accept the Staff's adjustment because the amount is known and measurable.⁹⁸

The Commission finds Staff's recommendation is reasonable because the amount is known and measurable and approves the adjustment.

Interest Income. Southern District failed to report its interest income in the test year SAO but properly reduced its calculated Total Revenue Requirement by \$6,540 when it calculated its Revenue Required from Water Sales. Commission Staff made a \$6,540 increase Interest Income in the Pro Forma SAO. There was no revenue impact from Commission Staff's adjustment. Instead, the adjustment was made to include that amount in the Pro Forma SAO.

Nonutility Income – Third Party Billing and Collections. Southern District provides monthly wastewater billing and bill collection services to Prestonsburg City's Utilities Commission and provides monthly garbage fee billing and bill collection s services to the

⁹⁸ Commission Staff's Report at 33.

Floyd County Fiscal Court.⁹⁹ Southern District retains three percent of collections for performing the services.¹⁰⁰ Southern District failed to report nonutility income in its test year in the SAO, but it reduced its calculated Total Revenue Requirement by \$14,373 for the income.¹⁰¹ Staff reviewed Southern District's 2023 general ledger¹⁰² and determined that Southern District failed to adjust its income to reflect 3 percent of billings. Staff increased nonutility income by \$14,162 to reflect the proper amount of income as shown in the table below. Staff recommended the Commission accept the proposed adjustment because the amount is known and measurable.¹⁰³ As the amount is known and measurable, the Commission finds Staff's recommendation is reasonable and approves the adjustment.

⁹⁹ Southern District's Response to Staff's Third Request, Item 22a.

¹⁰⁰ Southern District's Response to Staff's Third Request, Item 22a.

¹⁰¹ Application, ARF_Application_2023_Test_Year.pdf, Attachment 1.

¹⁰² Southern District's Response to Staff's First Request, Item 1a, 1a_General_Ledger_2023.xlsx.

¹⁰³ Commission Staff's Report at 33–34.

Description	General Ledger Account No.	Test Year	Commission Staff Calculation	Adjustment
<i>Sewer Billings fbo Prestonsburg</i>				
Metered Sales - Residential Sewer	46150	\$ 67,487	\$ 67,487	\$ -
Metered Sales - Business Sewer	46151	32,434	32,434	0
PCUC Sewer Payments (3% of collections)	60003	(111,085)	(96,923)	14,162
Sub-total		(11,164)	2,998	14,162
<i>Trash Collection Fees fbo Floyd Fiscal Court</i>				
Garbage Sales Revenue	47402	851,249	851,249	0
Solid Waste Payments (3% of collections)	60001	(825,712)	(825,712)	0
Sub-total		25,537	25,537	0
Net Income		\$ 14,373	\$ 28,535	\$ 14,162
<i>Combined Billings and Collections</i>				
Collections		951,170	951,170	-
Payments		(936,797)	(922,635)	14,162
Net (Income)		\$ 14,373	\$ 28,535	\$ 14,162
Income As Percent of Collections		1.5%	3.0%	

OVERALL REVENUE REQUIREMENT

Southern District calculated its proposed revenue requirement based on the Debt Service Coverage (DSC) method. Staff recommended using the Operating Ratio (OR) method to determine Southern District's revenue requirement as described below.¹⁰⁴ This method will provide \$181,116 more cash flow annually to Southern District, which Staff views as critical given Southern District's high percentage of water loss.

The Commission utilizes the DSC and OR methods when evaluating a utility's revenue requirement. The Commission has historically applied the DSC method to calculate the Overall Revenue Requirement of water districts and water associations.¹⁰⁵ This method allows for recovery of (1) cash-related pro forma operating expenses; (2)

¹⁰⁴ Commission Staff's Report at 35.

¹⁰⁵ Case No. 2022-00124, *Electronic Application of Elkhorn Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Oct. 24, 2022). Case No. 2021-00475, *Electronic Application of Carroll County Water District #1 for an Adjustment of Rates Pursuant to 807 KAR 5:076* (Ky. PSC June 28, 2022).

recovery of depreciation expense, a non-cash item, to provide working capital;¹⁰⁶ (3) the average annual principal and interest payments on all long-term debts; and (4) working capital that is in addition to depreciation expense. The Commission applies the OR method¹⁰⁷ when there is no basis for a rate of return determination, the cost of the utility has largely been funded through contributions, or there is little or no outstanding long-term debt. The Commission finds Commission Staff's recommendation to use the Operating Ratio Method is reasonable because it will provide Southern District with more working capital.

A comparison of the revenue requirement utilizing Southern District's application and Staff's calculations applied to the OR method is shown in the table below.

¹⁰⁶ The Kentucky Supreme Court has held that the Commission must permit a water district to recover its depreciation expense through its rates for service to provide internal funds for renewing and replacing assets. See *Public Serv. Comm'n of Kentucky v. Dewitt Water Dist.*, 720 S.W.2d 725, 728 (Ky. 1986). Although a water district's lenders require that a small portion of the depreciation funds be deposited annually into a debt reserve/depreciation fund until the account's balance accumulates to a required threshold, neither the Commission nor the Court requires that revenues collected for depreciation be accounted for separately from the water district's general funds or that depreciation funds be used only for asset renewal and replacement. The Commission has recognized that the working capital provided through recovery of depreciation expense may be used for purposes other than renewal and replacement of assets. See Case No. 2012-00309, *Application of Southern Water and Sewer District for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC Dec. 21, 2012).

¹⁰⁷ Operating Ratio is defined as the ratio of expenses, including depreciation and taxes, to gross revenues. It is illustrated by the following equation:

$$\text{Operating Ratio} = \frac{\text{Operating Expenses} + \text{Depreciation} + \text{Taxes}}{\text{Gross Revenues}}$$

Description	Southern Water District	Commission Staff
Pro Forma Operating Expenses	\$ 3,532,554	\$ 3,638,016
Divided by: Operating Ratio	88%	88%
Subtotal	4,014,266	4,134,109
Plus: Interest Expense	65,215	72,027
Total Revenue Requirement	4,079,481	4,206,136
Other Revenue ()	(137,423)	(136,527)
Interest Income ()	(6,540)	(6,540)
Revenue Required From Rates	3,935,518	4,063,069
Revenue from Sales at Present Rates ()	(3,212,927)	(3,297,287)
Required Revenue Increase / (Decrease)	\$ 722,591	\$ 765,782
Percentage Increase / (Decrease)	22.49%	23.22%
Operating Ratio More / (Less) Than Debt Service Coverage	\$ 233,266	\$ 181,116
Percentage Increase from DSC Method	7.26%	5.49%

RATE DESIGN

Southern District proposed to increase its monthly retail water service rates by approximately 15.23 percent across the board based on the amount requested in its application.¹⁰⁸ Southern District's response to Staff's Second Request included a correction for an error in its application which reduced the percentage increase to 5.28 percent from its application 15.23 percent.¹⁰⁹ Southern District has not performed a cost-

¹⁰⁸ Application, ARF_Application_2023_Test_Year.pdf, Attachment 1, Customer Notice.

¹⁰⁹ Southern District's Response to Staff's Second Request, Item 10b; Item 3, 3_Rate_Study_TY_2023_with_Corrected_Billing Analysis, SAO Tab, Revenue Requirements table.

of service study (COSS). Southern District stated that it did not complete a COSS at this time as there have been no material changes in the water system.¹¹⁰

The Commission has previously found that the allocation of a revenue increase evenly across the board to a utility's rate design is appropriate when there has been no evidence entered into the record demonstrating that this method is unreasonable and in the absence of a COSS.¹¹¹ Finding no such evidence in this case, Staff followed the method previously accepted by the Commission and allocated the \$765,782 revenue increase evenly across the board to Southern District's monthly retail water service rates.¹¹²

The rates, which are set forth in Appendix B to this report, are based upon the revenue requirement, as calculated by Staff and approved by the Commission, and will produce sufficient revenues from water sales to recover the \$4,063,069 Revenue Required from Rates. The rates will increase a typical residential customer's monthly base rate water bill from \$54.55 to \$67.22, an increase of \$12.67, or approximately 23.23 percent.¹¹³ Including the effects of the elimination of the Water Meter Replacement Surcharge of \$5.25 per customer per month and the addition of the water loss surcharge of \$6.83 per customer per month, the average bill of \$68.80 would result in an increase of \$14.25, or approximately 26.12 percent. A comparison of the rates is shown in the table below.

¹¹⁰ Southern District's Response to Staff's First Request, Item 22.

¹¹¹ Case No. 2021-00218, *Electronic Application of Madison County Utilities District for an Alternative Rate Adjustment* (Ky. PSC Jan. 5, 2022).

¹¹² Commission Staff's Report at 8.

¹¹³ Application, ARF_Application_2023_Test_Year.pdf, Attachment 1, Customer Notice.

Rate Per 4,000 Gallons

Description	Notes	Tariff (08/22/2023)	Southern District Application Notice	Commission Staff Calculation
Base Rate (4,000 gallons)		\$ 54.55	\$ 62.86	\$ 67.22
Meter Replacement Surcharge	(1)	5.25	5.25	0.00
Water Loss Reduction Surcharge		0.00	6.83	6.83
Total Cost Per Customer Per Month		\$ 59.80	\$ 74.94	\$ 74.05

Base Rate Increase v. Tariff	15.23%	23.23%
Base Rate Increase (Commission Staff) v. Application		6.94%
Total v. Tariff	25.32%	23.83%
Total (Commission Staff) v. Application		-1.19%

(1) Meter Replacement Surcharge billing was discontinued January 2025 but remains in the tariff.

Nonrecurring Charges. Southern District provided updated cost justification information for the Nonrecurring Charges.¹¹⁴ The Commission has previously found that, because district personnel are paid during regular business hours, estimated additional regular business hour labor costs previously included in determining the amount of Nonrecurring Charges should be eliminated.¹¹⁵ These costs were removed from Southern District's Nonrecurring Charges in Case No. 2022-00099.¹¹⁶ The cost justification information shown in Appendix A, reflects cost updates to those amounts since the labor costs were removed. Commission Staff could not determine where Southern District reported nonrecurring charge revenue in its SAO during the test year.

¹¹⁴ Southern District's Amended Response to Staff's First Request, Item 27, 27_Nonrecurring_Charges_Cost_Justifications.pdf.

¹¹⁵ Case No. 2023-00299, *Electronic Application of Magoffin County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 24, 2024); Case No. 2023-00284, *Electronic Application of Montgomery County Water District No. 1 for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 5, 2024); Case No. 2023-00258, *Electronic Application of Kirksville Water Association, Inc. for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 3, 2024); and Case No. 2023-00220, *Electronic Application of East Casey County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC May 21, 2024).

¹¹⁶ Case 2022-00099, *Electronic Application of Southern Water and Sewer District for an Alternative Rate Adjustment* (Ky. PSC Dec. 20, 2022), at 10–11, ordering paragraph 4 and Appendix A.

Southern District stated that there was an issue with the software in 2023 that did not group Nonrecurring Charges.¹¹⁷ Staff calculated that Southern District should have recovered \$26,910 in Nonrecurring Charges during the test year based upon the occurrences provided and the current charges.¹¹⁸ The table below reflects the revisions to Nonrecurring Charges as well as the components of the pro forma nonrecurring charge revenue of \$18,885, which is reported in pro forma Miscellaneous Service Revenues in the SAO. Staff recommended that the Commission accept Southern District's proposed adjustments for the charges mentioned above, as Southern District supported these with the cost justification provided,¹¹⁹ and the amounts meet the ratemaking criteria of being known and measurable. The cost justification information, also shown in Appendix A, was provided by Southern District and supports Staff's adjustments to the Nonrecurring Charges.

¹¹⁷ Southern District's Supplemental Response to Staff's Second Request, Item 13a.

¹¹⁸ Commission Staff's Report at 9.

¹¹⁹ Southern District's Amended Response to Staff's First Request, Item 27, Nonrecurring Charge Cost Justifications.

Description	Occurrences	Current Charge	Revised Charge	Adjustment	Pro Forma
Connection/Turn-On Charge	806	\$20.00	\$11.00	\$ (7,254)	\$ 8,866
Connection/Turn-On Charge (After Hours)	0	\$88.00	\$84.00	-	-
Meter Relocation Charge	2	Actual Cost	Actual Cost	-	560
Meter Re-Read Charge	0	\$20.00	\$11.00	-	-
Meter Test Charge	0	\$50.00	\$81.00	-	-
Reconnection Charge	480	\$20.00	\$11.00	(4,320)	5,280
Reconnection Charge (After Hours)	0	\$88.00	\$99.00	-	-
Returned Check Charge	63	\$10.00	\$15.00	315	945
Service Call/Investigation	0	\$20.00	\$11.00	-	-
Service Call/Investigation (After Hours)	0	\$88.00	\$84.00	-	-
Disconnection Charge (New Charge)	294	\$0.00	\$11.00	<u>\$ 3,234</u>	3,234
Pro Forma					18,885
Test Year					26,910
Adjustment				<u>\$ (8,025)</u>	

The Commission finds that Staff’s recommendations to remove regular business hour nonrecurring labor expenses are not only consistent with recent Commission decisions excluding labor expenses resulting from work occurring during normal business hours from also being recovered through nonrecurring charges but also supported by the record. Expenses attributed to Nonrecurring Charges must be directly related to the actual additional cost incurred to provide the service. Labor expenses incurred during normal business hours are generally already recovered in customer rates as a day-to-day cost of maintaining a system. Here, Southern District did not provide sufficient evidence to allocate those already incurred and recovered labor expenses, such as the connection and reconnection of a meter during normal working hours, to a nonrecurring service.

In response to Staff’s First Request, Southern District indicated there were 294 instances of a “disconnect charge” with revenues totaling \$5,880 from this charge.¹²⁰ Upon review of the record, staff was neither able to locate the “disconnect charge” in the

¹²⁰ Southern District’s Response to Staff’s First Request, Item 26.

current tariff,¹²¹ nor Southern District's customer notice issued due to this application.¹²² In its response to Staff's Second Request, Southern District described the disconnect charge as a new charge and provided cost justification for the charge.¹²³ Staff's Third Request asked Southern District to explain when the charge was first implemented and the specific Commission Order approving the tariff. In response, Southern District clarified that the disconnect charge was first assessed on October 4, 2022, but stated that there was no tariff or case number where the Commission approved the charge.¹²⁴

Regarding the "disconnect charge" Staff made two recommendations. Regarding Southern District's request to implement a new nonrecurring "disconnect charge," Staff recommended that the Commission accept Southern District's request to add the new charge to the tariff and accept the proposed charge amount of \$11.00 as the cost justification provided supports this amount.¹²⁵

Regarding Southern District's apparent implementation of a disconnect charge prior to such a charge being approved in its tariff, KRS 278.160 is relevant. Specifically, KRS 278.160(2) states in relevant part that

no utility shall charge, demand, collect, or receive from any person a greater or less compensation for any service rendered or to be rendered than that prescribed in its filed schedules, and no person shall receive any service from any utility for a compensation greater or less than that prescribed in such schedules.

¹²¹ P.S.C. Ky. 1, 2nd Revised Sheet No. 5 (issued Jan. 20, 2023), effective Dec. 20, 2022.

¹²² Cover letter and Alternative Rate Filing application, ARF_Application_2023_Test_Year.pdf, Attachment 1, Customer Notice.

¹²³ Southern District's Response to Staff's Second Request, Item 13c.

¹²⁴ Southern District's Response to Staff's Third Request, Item 13.

¹²⁵ Commission Staff's Report at 11.

Consequently, Staff recommended that the Commission open an investigation to address Southern District's assessment of an unapproved nonrecurring charge since approximately October 2022.¹²⁶

For the reasons described above, the Commission finds that Southern District's request to add the new "disconnect charge" to its tariff at an amount of \$11.00 per occurrence should be accepted as reasonable. The Commission further finds that an investigation should be initiated into Southern District's failure to comply with the provisions of KRS 278.160 as a result of the imposition and collection of a nonrecurring charge not reflected in its tariff. To facilitate the efficient administration of the investigation, once established, the administrative record of this case should be incorporated by reference into the record of the investigation.

In addition to its nonrecurring charges, Southern District provided updated cost justification sheets for its Meter Tap-On Fees for its 3/4-inch meters, 1-inch meters, and proposed a new Tap-On Fee for 2-inch meters.¹²⁷ The updated cost justification sheets support a tap-on fee of \$1,548 for its 3/4-inch meters, an increase from the current fee of \$750, \$1,885 for its 1-inch meters, an increase from the current fee of \$850, and \$5,500 for its 2-inch meters.¹²⁸

¹²⁶ Commission Staff's Report at 11.

¹²⁷ Southern District's Response to Staff's First Request, Item 27, 27_Tap_Fee_Cost_Justification.pdf.

¹²⁸ Southern District's Response to Staff's First Request, Item 27, 27_Tap_Fee_Cost_Justification.pdf.

Staff reviewed the cost justification sheets¹²⁹ provided by Southern District and recommended an increase in its Meter Tap-On Fee for 3/4-inch meter sizes, 1-inch meter sizes, and the new charge for 2-inch meter sizes, as the revised cost justification supports a higher cost.¹³⁰ The Commission finds that Staff's recommendation to increase Southern District's Meter Tap-On Fee(s) should be accepted as reasonable because the increased fees are supported by Southern District's cost justification submitted to the record.

Pursuant to the findings above, the Commission finds that the revised Nonrecurring Charges set forth in Appendix A to this Order are reasonable.

WATER LOSS SURCHARGE

Staff's Report recommended the Commission approve Southern District's proposed Water Loss Reduction Surcharge of \$6.83 per customer per month for 60 months, or until \$2,209,232 has been assessed to help lower the system's excessive unaccounted-for water loss. The surcharge would produce approximately \$441,846 annually, and \$2,209,232 in total collections over the period.¹³¹

The annual surcharge collection reflects the amount disallowed for excessive water loss pursuant to 807 KAR 5:066, Section 6(3). The use of a surcharge is consistent with prior Commission action in cases involving water utilities with excessive unaccounted-for water loss. In establishing water-loss surcharges, the Commission recognized that utilities must incur expenses to comply with the 15 percent line-loss limitation set forth in 807 KAR 5:066, Section 6(3), that could severely restrict cash flow

¹²⁹ Southern District's Response to Staff's First Request, Item 27, 27_Tap_Fee_Cost_Justification.pdf.

¹³⁰ Commission Staff's Report at 12.

¹³¹ Commission Staff's Report at 13.

and could impair a water utility's ability to take the necessary action to focus on its leak detection and repair. Using a surcharge to fund a water utility's water loss reduction efforts allows the Commission to place strict controls governing the surcharge proceeds to ensure their effective use, public acceptance of the surcharge and public confidence in the water utility's use of those funds. In its November 2019 report titled *Confronting the Problems Plaguing Kentucky's Water Utilities: An Investigative Report*, which was fully incorporated in the final Order in Case No. 2019-00041, Appendix L, the Commission recommended more frequent rate cases and pursuing qualified infrastructure improvement surcharges, the proceeds of which will be devoted exclusively to infrastructure improvement and replacement.¹³²

In its Staff Report, Staff recommended limiting the use of the funds to (1) an overall infrastructure evaluation including preparation of a professionally developed 15-to-20-year capital plan that prioritizes water loss initiatives, and (2) partial funding of the capital plan, including first year debt service for the highest priority projects.¹³³ Staff also recommended that Southern District be required to retain a professional engineering firm, solicited through a competitive request for qualifications and proposals process.¹³⁴

In Staff's Report, the water loss surcharge was calculated with a disallowed water loss of \$445,147 as shown in the table below.¹³⁵

¹³² Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC Nov. 22, 2019), Appendix L, *Confronting the Problems Plaguing Kentucky's Water Utilities: An Investigative Report by the Kentucky Public Service Commission November 2019* at 24–25.

¹³³ Commission Staff's Report at 15.

¹³⁴ Commission Staff's Report at 15.

¹³⁵ Commission Staff's Report at 28.

Description	Purchased Water	Purchased Power	Purchased Chemicals	Total
Pro Forma Purchases	\$ 391,835	\$ 412,500	\$ 263,427	\$ 1,067,762
Water Loss Percent	56.6897%	56.6897%	56.6897%	56.6897%
Total	\$ 222,130	\$ 233,845	\$ 149,336	\$ 605,311

Disallowed Water Loss

Description	Purchased Water	Purchased Power	Purchased Chemicals	Total
Pro Forma Purchases	\$ 391,835	\$ 412,500	\$ 263,427	\$ 1,067,762
Water Loss Percent in Excess of 15%	41.6897%	41.6897%	41.6897%	41.6897%
Total	\$ 163,355	\$ 171,970	\$ 109,822	\$ 445,147

The Commission finds that a monthly surcharge is a reasonable means for Southern District to recover the cost for long-term investment in its infrastructure, prioritizing the most effective improvements in infrastructure, for Southern District to accumulate funds to partially fund long-term efforts to reduce excess water loss. Given the test year \$445,147 disallowed water loss, the Commission finds that a monthly water loss reduction surcharge of \$6.83 per customer over 60 months, or until \$2,209,232 has been assessed, whichever occurs first is reasonable. The Commission notes high water loss requires immediate planning and long-term investment in infrastructure. As such, the Commission approves the surcharge, subject to the conditions that will be provided in the opening Order of Case No. 2025-00232, which will be established to monitor the surcharge proceeds collection and expenses.

FINANCIAL STABILITY

In Staff's Report, Staff recommended Southern District be required to file an alternative rate filing pursuant to 807 KAR 5:076 no later than September 30, 2027, using 2026 as the test year.¹³⁶ Staff's Report stated this would provide the Commission with a

¹³⁶ Commission Staff's Report at 38.

more in-depth oversight of Southern District's financial performance, liquidity, management and governance practices than can be achieved by just reviewing annual reports.¹³⁷ Accordingly, the Commission finds it reasonable that Southern District should file an application for a general adjustment of its rates, pursuant to Section 16 of 807 KAR 5:001; an alternative rate adjustment, pursuant to 807 KAR 5:076; or a motion, including detailed information demonstrating Southern District's financial stability, seeking relief from its filing obligation, no later than September 30, 2027 using 2026 as the test year.

SUMMARY

After consideration of the evidence of record and being otherwise sufficiently advised, the Commission finds that the recommendations contained in the Staff's Report are supported by the evidence of record and are reasonable. By applying the Operating Ratio (OR) method, as accepted by the Commission, Staff found that Southern District's required revenue from water sales is \$4,063,069 to meet the Overall Revenue Requirement of \$4,206,136, and that a \$765,782 revenue increase, or 23.22 percent, to pro forma present rate revenues is necessary to generate the Overall Revenue Requirement. The Commission further finds that the \$6.83 per customer per month water loss surcharge is supported by the evidence of record and is reasonable.

IT IS THEREFORE ORDERED that:

1. The recommendations contained in the Staff's Report, are adopted and incorporated by reference into this Order as if fully set out herein.
2. The water service rates proposed by Southern District are denied.

¹³⁷ Commission Staff's Report at 38.

3. The water service rates set forth in Appendix B to this Order are approved for service rendered by Southern District on or after the date of this Order.

4. Within 20 days of the date of service of this Order, Southern District shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and their effective date, and stating that the rates and charges were authorized by this Order.


5. The Commission shall open a separate proceeding, Case No. 2025-00232, to monitor the water loss surcharge proceeds collection and expenses. Southern District shall be subject to the conditions set forth in the Opening Order in Case 2025-00232 and failure to comply may result in an investigation and penalties subject to KRS 278.990.

6. The Commission shall open a separate proceeding, Case No. 2025-00233, to investigate the alleged violation of Southern District's assessment of an unapproved nonrecurring charge since approximately October 2022.


7. Southern District shall file an application seeking either a general adjustment of its rates, pursuant to Section 16 of 807 KAR 5:001, or an alternative rate adjustment, pursuant to 807 KAR 5:076; or, in the alternative, a motion, including detailed information demonstrating Southern District's financial stability, seeking relief from its rate filing obligation, no later than September 30, 2027, using 2026 as the test year.

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


PUBLIC SERVICE COMMISSION



Chairman



Commissioner

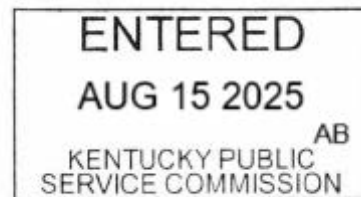


Commissioner

ATTEST:



Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00251 DATED AUG 15 2025

* Denotes Rounding

Nonrecurring Charges Adjustments

Connection/Turn-On Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$ -	
Field Labor	\$ -	\$ -	
Office Supplies	\$ -	\$ -	
Office Labor	\$ 12.16	\$ -	
Transportation	\$ 11.00	\$ 11.00	
Misc.	\$ -	\$ -	
Total Revised Charge*	\$ 23.16	\$ 11.00	
Current Rate	\$20.00		

Connection/Turn-On Charge (After Hours)			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$ -	
Field Labor	\$ 72.99	\$ 72.99	
Office Supplies	\$ -	\$ -	
Office Labor	\$ 6.08	\$ -	
Transportation	\$ 11.00	\$ 11.00	
Misc.	\$ -	\$ -	
Total Revised Charge*	\$ 90.07	\$ 84.00	
Current Rate	\$88.00		

Meter Relocation Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$ -	
Field Labor	\$ -	\$ -	
Office Supplies	\$ -	\$ -	
Office Labor	\$ -	\$ -	
Transportation	\$ -	\$ -	
Misc.	\$ -	\$ -	
Total Revised Charge*	Actual Cost	Actual Cost	
Current Rate	Actual Cost		

Meter Re-read Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$ -	
Field Labor	\$ -	\$ -	
Office Supplies	\$ -	\$ -	
Office Labor	\$ 12.16	\$ -	
Transportation	\$ 11.00	\$ 11.00	
Misc.	\$ -	\$ -	
Total Revised Charge	\$ 23.16	\$ 11.00	
Current Rate	\$20.00		

Meter Test Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ 50.00	\$ 50.00	
Field Labor	\$ 72.99	\$ -	
Office Supplies	\$ 5.00	\$ 5.00	
Office Labor	\$ -	\$ -	
Transportation	\$ 11.00	\$ 11.00	
Misc.	\$ 15.00	\$ 15.00	
Total Revised Charge	\$ 153.99	\$ 81.00	
Current Rate	\$ 50.00		

Reconnection Charge			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$ -	
Field Labor	\$ -	\$ -	
Office Supplies	\$ -	\$ -	
Office Labor	\$ 12.16	\$ -	
Transportation	\$ 11.00	\$ 11.00	
Misc. (Bank Charge)	\$ -	\$ -	
Total Revised Charge	\$ 23.16	\$ 11.00	
Current Rate	\$ 20.00		

Reconnection Charge (After Hours)			
	Utility Revised Charge	Staff Revised Charge	
Field Materials	\$ -	\$ -	
Field Labor	\$ 72.99	\$ 72.99	
Office Supplies	\$ 15.00	\$ 15.00	
Office Labor	\$ 6.08	\$ -	
Transportation	\$ 11.00	\$ 11.00	
Misc.	\$ -	\$ -	
Total Revised Charge*	\$ 105.07	\$ 99.00	
Current Rate	\$ 88.00		

Returned Check Charge				
	Utility Revised Charge		Staff Revised Charge	
Field Materials	\$	-	\$	-
Field Labor	\$	-	\$	-
Office Supplies	\$	15.00	\$	15.00
Office Labor	\$	12.16	\$	-
Transportation	\$	-	\$	-
Misc.	\$	-	\$	-
Total Revised Charge*	\$	27.16	\$	15.00

Current Rate \$ 10.00

Service Call/Investigation Charge				
	Utility Revised Charge		Staff Revised Charge	
Field Materials	\$	-	\$	-
Field Labor	\$	-	\$	-
Office Supplies	\$	-	\$	-
Office Labor	\$	12.16	\$	-
Transportation	\$	11.00	\$	11.00
Misc.	\$	-	\$	-
Total Revised Charge*	\$	23.16	\$	11.00

Current Rate \$ 20.00

Service Call/Investigation Charge (After Hours)				
	Utility Revised Charge		Staff Revised Charge	
Field Materials	\$	-	\$	-
Field Labor	\$	72.99	\$	72.99
Office Supplies	\$	-	\$	-
Office Labor	\$	6.08	\$	-
Transportation	\$	11.00	\$	11.00
Misc.	\$	-	\$	-
Total Revised Charge	\$	90.07	\$	84.00

Current Rate \$ 88.00

Disconnection Charge (New Charge)				
	Utility Revised Charge		Staff Revised Charge	
Field Materials	\$	-	\$	-
Field Labor	\$	24.33	\$	-
Office Supplies	\$	-	\$	-
Office Labor	\$	12.16	\$	-
Transportation	\$	11.00	\$	11.00
Misc.	\$	-	\$	-
Total Revised Charge	\$	47.49	\$	11.00

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00251 DATED AUG 15 2025

The following rates and charges are prescribed for the customers in the area served by Southern Water and Sewer District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

Customer Charge	\$14.04	Minimum Bill
First 2,000 gallons	0.01503	per gallon
All Over 2,000 gallons	0.01156	per gallon
Wholesale Rate	0.00595	per gallon

Nonrecurring Charges

Connection/Turn-on Charge	\$11.00
Connection/Turn-on Charge	\$84.00
Meter Re-read Charge	\$11.00
Meter Test Charge	\$81.00
Reconnection Charge	\$61.00
Reconnection Charge	\$99.00
Returned Check Charge	\$15.00
Service Call/Investigation	\$11.00
Service Call/Investigation	\$84.00
Disconnection Charge	\$11.00
Tap On Fee – 3/4-Inch Meter	\$1,548.00
Tap On Fee – 3/4 x 5/8-Inch Meter	\$1,885.00
Tap On Fee – 2-Inch Meter	\$5,500.00

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