

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC SOUTHERN WATER & SEWER)	
DISTRICT UNACCOUNTED-FOR WATER LOSS)	CASE NO.
REDUCTION PLAN, SURCHARGE AND)	2025-00232
MONITORING)	

ORDER

The Commission, on its own motion, initiates this proceeding for the purpose of monitoring Southern Water and Sewer District’s (Southern District) unaccounted-for water loss reduction plan surcharge, approved in Case No. 2024-00251.¹ Information provided by Southern District in its past five Annual Reports filed with the Commission reflect the following:²

Year	Reported Water Loss Percentage	Water Production Expenses	Total Cost of Water Loss	Cost of Water Loss in Excess of 15%
2023	56.6897%	\$ 1,072,114	\$ 607,778	\$ 446,961
2022	57.4307%	1,108,503	636,621	470,346
2021	54.7978%	975,818	534,727	388,354
2020	57.8104%	1,195,000	690,834	511,584
2019	N/A	908,203	-	-

¹ Case No. 2024-00251, *Electronic Application of Southern Water and Sewer District For An Alternative Rate Adjustment Pursuant To 807 KAR 5:076* (Ky. PSC Aug. 15, 2025), final Order.

² *Annual Reports of Southern District to the Public Service Commission for the Year Ending December 31, 2019; Annual Reports of Southern District to the Public Service Commission for the Year Ending December 31, 2020; Annual Reports of Southern District to the Public Service Commission for the Year Ending December 31, 2021; Annual Reports of Southern District to the Public Service Commission for the Year Ending December 31, 2022; and Annual Reports of Southern District to the Public Service Commission for the Year Ending December 31, 2023.*

In Case No, 2019-00131,³ the Commission discussed ongoing issues resulting from Southern District's excessive water loss.⁴ In the November 7, 2019 Order, Southern District was ordered to charge a flat rate to its customers due to inaccurate meters throughout its system which meant it was unable to determine water loss in 2019, as shown in the chart above.⁵ In order to address the failing meters, the Order also authorized Southern District to assess a surcharge of \$5.25 per customer per month for 60 months or until the cost of new meters was recovered, whichever occurred first.⁶ Collection of this surcharge was discontinued in January 2025.⁷

In Case 2024-00251, in order to address Southern District's excessive unaccounted-for water loss, the Commission ordered Southern District to assess a monthly Water Loss Reduction Surcharge of \$6.83 per active meter for 60 months, or until \$2,209,232 has been assessed, whichever occurs first, and that a review of the necessity to continue the surcharge beyond the 60-month period be conducted before its expiration.⁸ The Commission also ordered that funds be limited for the purpose to (1) develop 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.

³ See Case No. 2019-00131, *Application of Southern Water and Sewer District for an Alternative Rate Adjustment*.

⁴ Case No. 2019-00131, Nov. 7, 2019 Order.

⁵ Case No. 2019-00131, Nov. 7, 2019 Order at 9.

⁶ Case No. 2019-00131, Nov. 7, 2019 Order, ordering paragraph 4.

⁷ Case No. 2024-00251, Apr. 1, 2025 Southern District's Response to Staff's Second Request, Item 2, *2_Board_Minutes_2025*, at 2, Jan. 27, 2024 meeting, Item D.

⁸ Case No. 2024-00251, Aug. 15, 2025 final Order at 42–45, ordering paragraph 5.

Consistent with the findings in Case No 2024-00251, the Commission finds that:

Project Execution

1. Southern District should only use surcharge proceeds for costs related to develop of the capital plan described below, and for initial debt service payments for the projects executed in furtherance of the capital plan. The surcharge should not be used for any other purposes, such as, funding operating expenses or small capital expenditures incurred for water loss mitigation, such as acoustical devices or trucks.

2. Within 150 days of the date of service of this Order, Southern District should file into the record of Case No. 2025-00232, documentation of a proposal selection process to procure a professional engineering firm for the purpose of developing a 15–20-year capital plan (capital plan) that prioritizes water loss initiatives.

3. Within 240 days of the filing of the engineering procurement selection in Item #2, Southern District should file the capital plan into the record of Case No. 2025-00232.

4. Once the capital plan has been approved by the Commission, Southern District should file a plan of execution, verified by its Board of Commissioners, approving the district to move forward according to the capital plan, as well as its Board of Commissioners' authorization to request a Certificate of Public Convenience and Necessity (CPCN) and financing, if applicable.

5. Southern District should file applications for a CPCN and financing, if applicable, for the projects once the capital plan and timeline have been approved by the Commission.

Surcharge Administration and Reporting

6. Southern District should not use any surcharge proceeds without prior Commission authorization

7. Southern District should deposit surcharge collections in a separate interest-bearing account.

8. On the 15th day of each month for 60 months from the date of service of this Order or until all surcharge proceeds are expended, Southern District should file into the record of Case No. 2025-00232, a monthly activity report that includes a statement of monthly surcharge billings and collections using the format in the Surcharge Reporting form located on the Commission's website, a monthly surcharge bank statement, and a list of all payments made for the month from the surcharge account that includes the following for each payment: the payee, a description of the purpose (and CPCN case number, if applicable), and the supporting invoices.

9. On the 15th day of each month for 60 months from the date of service of this Order or until all surcharge proceeds are expended, Southern District should file a monthly water loss report, using the format in the Water Use & Loss Calculations form located on the Commission's website, into the record of Case No. 2025-00232.

10. Southern District should file all requests to use surcharge proceeds in the record of Case No. 2025-00232. The requests shall be filed separately, labeled accordingly, and include a complete description of the equipment, project, or service for which approval is sought; bids, invoices, and/or price quotes as applicable; and a statement describing how the proposed purchase, project, or service is related to the professionally developed capital plan.

11. Southern District should consider all surcharge collections as contributions and should account for them in the manner that the Uniform System of Accounts for Class A and B Water Districts and Associations prescribes.

12. Southern District should debit monthly billings for the surcharge to customers' accounts receivable and credit the contribution account.

13. When Southern District collects the surcharge from the customers, it should debit the surcharge cash account and credit the customer account.

14. No later than April 30 of each year, Southern District should file in Case No. 2025-00232, a report of surcharge activity and water loss improvement progress based on the preceding year ended December 31 with reported annual surcharge billings and expenditures reflecting the amounts reported for surcharge activity in the financial and statistical Annual Report filed with the Commission and Southern District's audited financial statements. Cumulative surcharge billings and expenditures shall also be reported. A schedule of the estimated and actual progress of the program, actual expenditures made with surcharge proceeds, and encumbered amounts of future surcharge proceeds for the purpose of evaluating whether adjustments to the program or to the surcharge amount shall be provided.

15. Southern District should respond to any requests for information propounded by Commission Staff, by the date set forth in the request, as a result of the required filings regarding the surcharge as provided in those requests.

16. Southern District's failure to comply with any conditions attached to its assessment of the surcharge should result in termination of the surcharge and the refund

of collected surcharge proceeds disbursed on projects outside the scope of the expenses and projects approved by the Commission.

IT IS THEREFORE ORDERED that:

1. This case is opened to monitor Southern District's Water Loss Reduction Surcharge proceeds and collections.

2. The record of Case No. 2024-00251 is incorporated by reference in this proceeding.

3. Southern District shall only use surcharge proceeds for costs related to develop of the capital plan described below, and for initial debt service payments for the projects executed in furtherance of the capital plan. The surcharge shall not be used for any other means, such as, funding operating expenses or small capital expenditures incurred for water loss mitigation, such as acoustical devices or trucks.

4. Within 150 days of the date of service of this Order, Southern District shall file into the record of Case No. 2025-00232, documentation of a proposal selection process to procure a professional engineering firm for the purpose of developing a 15–20-year capital plan (capital plan) that prioritizes water loss initiatives.

5. Within 240 days of the filing of the engineering procurement selection in Item #2, Southern District shall file the capital plan into the record of Case No. 2025-00232.

6. Once the capital plan has been approved by the Commission, Southern District shall file a plan of execution, verified by its Board of Commissioners, approving the district to move forward according to the capital plan, as well as Board of

Commissioner's authorizations to request a Certificate of Public Convenience and Necessity (CPCN) and financing, if applicable.

7. Southern District shall file applications for a CPCN and financing, if applicable, for the projects once the capital plan and timeline have been approved by the Commission.

8. Southern District shall not use any surcharge proceeds without prior Commission authorization

9. Southern District shall deposit surcharge collections in a separate interest-bearing account.

10. On the 15th day of each month for 60 months from the date of service of this Order or until all surcharge proceeds are expended, Southern District shall file into the record of Case No. 2025-00232, a monthly activity report that includes a statement of monthly surcharge billings and collections using the format in the Surcharge Reporting form located on the Commission's website, a monthly surcharge bank statement, and a list of all payments made for the month from the surcharge account that includes the following for each payment: the payee, a description of the purpose (and CPCN case number, if applicable), and the supporting invoices.

11. On the 15th day of each month for 60 months from the date of service of this Order or until all surcharge proceeds are expended, Southern District shall file a monthly water loss report, using the format in the Water Use & Loss Calculations form located on the Commission's website, into the record of Case No. 2025-00232.

12. Southern District shall file all requests to use surcharge proceeds in the record of Case No. 2025-00232. The requests shall be filed separately, labeled

accordingly, and include a complete description of the equipment, project, or service for which approval is sought; bids, invoices, or price quotes as applicable; and a statement describing how the proposed purchase, project, or service is related to the professionally developed capital plan.

13. Southern District shall consider all surcharge collections as contributions and shall account for them in the manner that the Uniform System of Accounts for Class A and B Water Districts and Associations prescribes.

14. Southern District shall debit monthly billings for the surcharge to customers' accounts receivable and credit the contribution account.

15. When Southern District collects the surcharge from the customers, it shall debit the surcharge cash account and credit the customer account.

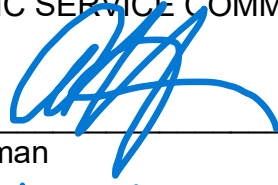
16. No later than April 30 of each year, Southern District shall file in Case No. 2025-00232, a report of surcharge activity and water loss improvement progress based on the preceding year ended December 31 with reported annual surcharge billings and expenditures reflecting the amounts reported for surcharge activity in the financial and statistical Annual Report filed with the Commission and Southern District's audited financial statements. Cumulative surcharge billings and expenditures shall also be reported. A schedule of the estimated and actual progress of the program, actual expenditures made with surcharge proceeds, and encumbered amounts of future surcharge proceeds for the purpose of evaluating whether adjustments to the program or to the surcharge amount shall be provided.

17. Southern District shall respond to any requests for information propounded by Commission Staff, by the date set forth in the request, as a result of the required filings regarding the surcharge as provided in those requests.

18. Southern District's failure to comply with any conditions attached to its assessment of the surcharge may result in termination of the surcharge, the refund of collected surcharge proceeds disbursed on projects outside the scope of the expenses and projects approved by the Commission, and any other available remedy the Commission find to be appropriate.

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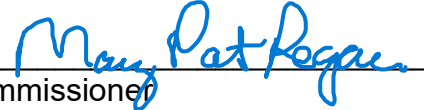
PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

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