

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

ELECTRONIC SOUTHERN WATER &)	
SEWER DISTRICT’S UNACCOUNTED-)	CASE NO.
FOR WATER LOSS REDUCTION PLAN,)	2025-232
SURCHARGE & MONITORING)	

**ANNUAL REPORT PERIOD
FROM OCTOBER TO DECEMBER 2025**

INTRODUCTION

This annual report will discuss Southern Water and Sewer District’s (hereinafter “Southern”) unaccounted-for water loss reduction plan surcharge activity and water loss improvement progress during the time period of October through the end of December 2025.

MONTHLY WATER LOSS

During the relevant time period, October 2025 through the end of the 2025, Southern’s unaccounted water loss rate averaged 57.26%. Southern is cognizant that this rate of water loss is unacceptable and is attempting to undertake serious steps to reduce the rate of water loss throughout their water distribution system.

In October 2025, Southern's water loss percentage was 57.09%. The November 2025 water loss percentage totaled 57.84%. Finally, in December 2025 Southern's water loss rate was 56.85%.

Southern attributes the high rate of unaccounted-for water loss to several factors; theft of water services, leaks in the distribution system, mountainous terrain of the service area and faulty water meters.

Southern feels as though many individuals throughout our system have illegal water hook-ups. These unaccounted-for hook-ups in our distribution system have been in place for years if not decades and are extremely difficult to detect. In the past few years, Southern has discovered some of these illegal hookups and has forwarded this theft of services violations to the appropriate authorities.

Water leaks throughout Southern's distribution system account for a significant portion of the high unaccounted-for water loss rate. Much of Southern's infrastructure is aging and in need of repair and/or replacement. Additionally, the mountainous terrain of Southern's service area makes our distribution system difficult to maintain.

Finally, Southern places much of blame for the high-water loss rate on the recently purchased and installed RG3 water meters. Several years ago, Southern was made aware that their water meters were not providing accurate data regarding the amount of water consumed by their customers. Many of these water meters had not been tested for accuracy pursuant to PSC regulations and a significant portion of these meters did not

accurately reflect the full amount of water being consumed or were zero read meters. These old meters resulted in much of the water being consumed by our customers not being fully billed and/or collected by the Utility. Additionally, these faulty meters were incapable of providing Southern with accurate data regarding water usage and thus hindered data collection that could be used to pinpoint and address water leaks throughout the water distribution system.

Southern attempted to resolve this meter problem by replacing these old inaccurate meters with new water meters. This project was intended to assist the Utility in accurately collecting all water data produced and consumed by Southern's customers.

Although Southern successfully replaced all of their water meters with new RG3 meters, the goals of this project were not met. These new meters started exhibiting issues with functionality and accuracy soon after they were installed. Many of these meters did not function and required Southern to remove said faulty meters from service and mail them back to the manufacturer for warranty repair. Due to the high number of defective RG3 meters, Southern was forced to estimate several customers' water bills which lead to lost revenue and inaccurate data collection for leak detection purposes. Southern continues to experience issues with these RG3 meters and is not confident with the data provided by these water meters.

WATER LOSS SURCHARGE

The KY PSC approved a monthly water loss reduction surcharge of \$6.83 per active meter to address Southern's excessive unaccounted-for water loss in Case 2024-251. This surcharge was for the purpose of developing an overall infrastructure evaluation including the preparation of a professionally developed 15-to-20-year capital plan that prioritizes water loss initiatives and to partially fund said capital plan. The water loss surcharge funds were ordered to be used only for costs related to developing a capital plan for the purposes of reducing water loss and for the initial debt service payments to implement said capital plan.

In October of 2025, Southern billed its customers a total of \$36,402.32 for the water loss surcharge and collected \$33,013.13. During November of 2025, Southern billed \$34,745.40 and collected \$33,302.41 for said surcharge. In December of 2025, Southern billed \$36,690.76 and collected \$35,466.72. During the relevant period, Southern averaged billing their entire customers \$35,946.16 and collected an average of \$33,927.42 each month.

As of the end of 2025, the water loss surcharge bank account totaled \$90,838.24. Southern has not used any funds generated by the water loss surcharge. Prior to expending any of said funds, Southern will seek permission from the KY PSC.

CAPITAL PLAN

Pursuant to the August 15, 2025, Order in this case, Southern has used the proposed selection process, outlined in said Order, to procure Bell Engineering to assist in developing a 15-20 year capital plan that prior prioritizes water loss initiatives.

Bell Engineering has recently started gathering data from Southern in order to develop this capital plan. Southern is currently collaborating with Bell Engineering to provide the engineering firm with all relevant data needed to formulate this capital plan.

The 15–20-year capital plan that prioritizes water loss initiatives will be filed into this case by August 15, 2025.

CONCLUSION

Southern respectfully requests that the water loss reduction plan surcharge continue at least until the PSC reviews the next annual report in this case.

CERTIFICATION

These responses are true and accurate to the best of preparer's knowledge, information and belief formed after reasonable inquiry.

Respectfully Submitted on April 29, 2026 by;

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