

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
PSC CASE 2025-00232

**IN RE MATTER OF: ELECTRONIC SOUTHERN WATER AND SEWER
DISTRICT UNACCOUNTED FOR WATER LOSS REDUCTION PLAN,
SURCHARGE & MONITORING**

MOTION TO APPROVE BELL ENGINEERING CONTRACT

Comes Southern Water and Sewer District (“Southern Water”), by and through counsel, and provides the Public Service Commission with a Motion to Approve the contractual agreement between Southern Water and Bell Engineering. This motion is filed in compliance with the PSC order filed on August 15, 2025, in case 2025-00232, as part of the 15-20 year capital plan that prioritizes water loss initiatives.

Southern Water presented the attached contract with Bell Engineering, *see Exhibit 1*, to the Board of Directors for their approval on Monday, June 22, 2026. The Board approved the contract and Chairman, Donnie Daniels, signed the contract on June 22, 2026. As mentioned in the contract, numerical paragraph 1.01 B., “[Bell Engineering] shall begin within 30 days of approval of the Contract by the Public Service Commission, all work shall be completed thereafter within a period of 24 months.”

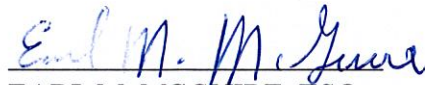
In an effort to prioritize the water loss issue, Bell Engineering will work in five (5) phases to improve water loss as detailed in the Scope of Services in the contractual agreement, *see Exhibit 1A*.

Surcharge proceeds shall be used as payment towards Bell Engineering according to the completion of each phase as mentioned in the Proposed Project Scope and Budget, *see numerical*

paragraph 2.02 A.1. of the contractual agreement and Exhibit 1B. All uses of the surcharge proceeds shall be reported in the monthly Surcharge Activity Report in compliance of numerical paragraph 10 of the PSC order filed on August 15, 2025, in case 2025-00232.

WHEREFORE, counsel moves the Public Service Commission for the approval of the contractual agreement between Southern Water and Bell Engineering. Upon approval from the PSC, Bell Engineering shall begin work within thirty (30) days. Additionally, Southern Water shall use surcharge proceeds as payment towards Bell Engineering upon their completion of each phase.

Respectfully Submitted by:



EARL M. MCGUIRE, ESQ.

Attorney at Law

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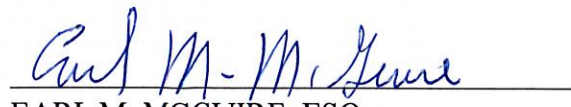
Prestonsburg, KY 41653

(606) 889-2201

Counsel for Southern Water & Sewer District

CERTIFICATION

These responses are true and accurate to the best of preparer's knowledge, information and belief formed after reasonable inquiry. Filed on this ____ day of June 2026.



EARL M. MCGUIRE, ESQ.

Counsel for Southern Water & Sewer District

SHORT FORM OF AGREEMENT BETWEEN OWNER AND ENGINEER FOR PROFESSIONAL SERVICES

THIS IS AN AGREEMENT effective as of _____ ("Effective Date") between Southern Water and Sewer District ("Owner") and Bell Engineering ("Engineer").

Owner's Project, of which Engineer's services under this Agreement are a part, is generally identified as follows: Water Loss Reduction, Capital Improvement Plan (CIP) ("Project").

Engineer's services under this Agreement are generally identified as follows: _____
See Exhibit A ("Services").

Owner and Engineer further agree as follows:

1.01 *Basic Agreement and Period of Service*

- A. Engineer shall provide or furnish the Services set forth in this Agreement. If authorized by Owner, or if required because of changes in the Project, Engineer shall furnish services in addition to those set forth above ("Additional Services").
- B. Work shall begin within 30 days of approval of the Contract by the Public Service Commission, all work shall be completed thereafter within a period of 24 months. Extensions will only be granted with approval of the Board.
- C. If, through no fault of Engineer, such periods of time or dates are changed, or the orderly and continuous progress of Engineer's Services is impaired, or Engineer's Services are delayed or suspended, then the time for completion of Engineer's Services, and the rates and amounts of Engineer's compensation, shall be adjusted equitably.

2.01 *Payment Procedures*

- A. *Invoices:* Engineer shall prepare invoices in accordance with its standard invoicing practices and submit the invoices to Owner on a monthly basis. Invoices are due and payable within 50 days of receipt. If Owner fails to make any payment due Engineer for Services, Additional Services, and expenses within 50 days after receipt of Engineer's invoice, then (1) the amounts due Engineer will be increased at the rate of 1.0% per month (or the maximum rate of interest permitted by law, if less) from said thirtieth day, and (2) in addition Engineer may, after giving seven days written notice to Owner, suspend Services under this Agreement until Engineer has been paid in full all amounts due for Services, Additional Services, expenses, and other related charges. Owner waives any and all claims against Engineer for any such suspension.

- B. *Payment:* As compensation for Engineer providing or furnishing Services and Additional Services, Owner shall pay Engineer as set forth in Paragraphs 2.01, 2.02 (Services), and 2.03 (Additional Services). If Owner disputes an invoice, either as to amount or entitlement, then Owner shall promptly advise Engineer in writing of the specific basis for doing so, may withhold only that portion so disputed, and must pay the undisputed portion. Owner shall utilize funds from its water loss reduction surcharges, as mandated by the Public Service Commission, to pay Engineer.

2.02 *Basis of Payment—Phases*

- A. Owner shall pay Engineer for Services as follows:

1. Payment shall be disbursed based upon phase completion, following the Proposed Project Scope and Budget, see Exhibit B.
2. In addition to the Lump Sum amount, reimbursement for the following expenses: None.

- B. The portion of the compensation amount billed monthly for Engineer's Services will be based upon Engineer's estimate of the percentage of the total Services actually completed during the billing period.

- 2.03 *Additional Services:* For Additional Services, Owner shall pay Engineer an amount equal to the cumulative hours charged in providing the Additional Services by each class of Engineer's employees, times standard hourly rates for each applicable billing class; plus reimbursement of expenses incurred in connection with providing the Additional Services and Engineer's consultants' charges, if any. Engineer's standard hourly rates are attached as Appendix 1. Examples of additional services that may be required include, but are not limited to, the following: 1) Attendance at public service commission hearings, 2) attendance at other public hearings, 3) preparation of additional documents, 4) additional exhibits, and/or 5) preparation of a Capital Improvements Plan for the sanitary sewer assets.

3.01 *Termination*

- A. The obligation to continue performance under this Agreement may be terminated:

1. For cause,

- a. By either party upon 30 days written notice in the event of substantial failure by the other party to perform in accordance with the Agreement's terms through no fault of the terminating party. Failure to pay Engineer for its services is a substantial failure to perform and a basis for termination.

- b. By Engineer:

- 1) upon seven days written notice if Owner demands that Engineer furnish or perform services contrary to Engineer's responsibilities as a licensed professional; or
- 2) upon seven days written notice if the Engineer's Services are delayed for more than 90 days for reasons beyond Engineer's control, or as the result of the presence at the Site of undisclosed Constituents of Concern, as set forth in Paragraph 5.01.l.

- c. Engineer shall have no liability to Owner on account of a termination for cause by Engineer.

- d. Notwithstanding the foregoing, this Agreement will not terminate as a result of a substantial failure under Paragraph 3.01.A.1.a if the party receiving such notice begins, within seven days of receipt of such notice, to correct its substantial failure to perform and proceeds diligently to cure such failure within no more than 30 days of receipt of notice; provided, however, that if and to the extent such substantial failure cannot be reasonably cured within such 30 day period, and if such party has diligently attempted to cure the same and thereafter continues diligently to cure the same, then the cure period provided for herein shall extend up to, but in no case more than, 60 days after the date of receipt of the notice.

2. For convenience, by Owner effective upon Engineer's receipt of written notice from Owner.

- B. In the event of any termination under Paragraph 3.01, Engineer will be entitled to invoice Owner and to receive full payment for all Services and Additional Services performed or furnished in accordance with this Agreement, plus reimbursement of expenses incurred through the effective date of termination in connection with providing the Services and Additional Services, and Engineer's consultants' charges, if any.

4.01 *Successors, Assigns, and Beneficiaries*

- A. Owner and Engineer are hereby bound and the successors, executors, administrators, and legal representatives of Owner and Engineer (and to the extent permitted by Paragraph 4.01.B the assigns of Owner and Engineer) are hereby bound to the other party to this Agreement and to the successors, executors, administrators, and legal representatives (and said assigns) of such other party, in respect of all covenants, agreements, and obligations of this Agreement.
- B. Neither Owner nor Engineer may assign, sublet, or transfer any rights under or interest (including, but without limitation, money that is due or may become due) in this Agreement without the written consent of the other party, except to the extent that any assignment, subletting, or transfer is mandated by law. Unless specifically stated to the contrary in any written consent to an assignment, no assignment will release or discharge the assignor from any duty or responsibility under this Agreement.
- C. Unless expressly provided otherwise, nothing in this Agreement shall be construed to create, impose, or give rise to any duty owed by Owner or Engineer to any Constructor, other third-party individual or entity, or to any surety for or employee of any of them. All duties and responsibilities undertaken pursuant to this Agreement will be for the sole and exclusive benefit of Owner and Engineer and not for the benefit of any other party.

5.01 *General Considerations*

- A. The standard of care for all professional engineering and related services performed or furnished by Engineer under this Agreement will be the care and skill ordinarily used by members of the subject profession practicing under similar circumstances at the same time and in the same locality. Engineer makes no warranties, express or implied, under this Agreement or otherwise, in connection with any services performed or furnished by Engineer. Subject to the foregoing standard of care, Engineer and its consultants may use or rely upon design elements and information ordinarily or customarily furnished by others, including, but not limited to, specialty contractors, manufacturers, suppliers, and the publishers of technical standards.

- B. Engineer shall not at any time supervise, direct, control, or have authority over any Constructor's work, nor shall Engineer have authority over or be responsible for the means, methods, techniques, sequences, or procedures of construction selected or used by any Constructor, or the safety precautions and programs Incident thereto, for security or safety at the Project site, nor for any failure of a Constructor to comply with laws and regulations applicable to such Constructor's furnishing and performing of its work. Engineer shall not be responsible for the acts or omissions of any Constructor.
- C. Engineer neither guarantees the performance of any Constructor nor assumes responsibility for any Constructor's failure to furnish and perform its work.
- D. Engineer's opinions (if any) of probable construction cost are to be made on the basis of Engineer's experience, qualifications, and general familiarity with the construction industry. However, because Engineer has no control over the cost of labor, materials, equipment, or services furnished by others, or over contractors' methods of determining prices, or over competitive bidding or market conditions, Engineer cannot and does not guarantee that proposals, bids, or actual construction cost will not vary from opinions of probable construction cost prepared by Engineer. If Owner requires greater assurance as to probable construction cost, then Owner agrees to obtain an independent cost estimate.
- E. Engineer shall not be responsible for any decision made regarding the construction contract requirements, or any application, interpretation, clarification, or modification of the construction contract documents other than those made by Engineer or its consultants.
- F. All documents prepared or furnished by Engineer are instruments of service, and Engineer retains an ownership and property interest (including the copyright and the right of reuse) in such documents, whether or not the Project is completed. Owner shall have a limited license to use the documents on the Project, extensions of the Project, and for related uses of the Owner, subject to receipt by Engineer of full payment due and owing for all Services and Additional Services relating to preparation of the documents and subject to the following limitations:
 - 1. Owner acknowledges that such documents are not intended or represented to be suitable for use on the Project unless completed by Engineer, or for use or reuse by Owner or others on extensions of the Project, on any other project, or for any other use or purpose, without written verification or adaptation by Engineer;
 - 2. any such use or reuse, or any modification of the documents, without written verification, completion, or adaptation by Engineer, as appropriate for the specific purpose intended, will be at Owner's sole risk and without liability or legal exposure to Engineer or to its officers, directors, members, partners, agents, employees, and consultants;
 - 3. Owner shall indemnify and hold harmless Engineer and its officers, directors, members, partners, agents, employees, and consultants from all claims, damages, losses, and expenses, including attorneys' fees, arising out of or resulting from any use, reuse, or modification of the documents without written verification, completion, or adaptation by Engineer; and
 - 4. such limited license to Owner shall not create any rights in third parties.

- G. Owner and Engineer may transmit, and shall accept, Project-related correspondence, documents, text, data, drawings, information, and graphics, in electronic media or digital format, either directly, or through access to a secure Project website, in accordance with a mutually agreeable protocol.
- H. To the fullest extent permitted by law, Owner and Engineer (1) waive against each other, and the other's employees, officers, directors, members, agents, insurers, partners, and consultants, any and all claims for or entitlement to special, incidental, indirect, or consequential damages arising out of, resulting from, or in any way related to this Agreement or the Project, and (2) agree that Engineer's total liability to Owner under this Agreement shall be limited to \$250,000.
- I. The parties acknowledge that Engineer's Services do not include any services related to unknown or undisclosed Constituents of Concern. If Engineer or any other party encounters, uncovers, or reveals an unknown or undisclosed Constituent of Concern, then Engineer may, at its option and without liability for consequential or any other damages, suspend performance of Services on the portion of the Project affected thereby until such portion of the Project is no longer affected, or terminate this Agreement for cause if it is not practical to continue providing Services.
- J. Owner and Engineer agree to negotiate each dispute between them in good faith during the 30 days after notice of dispute. If negotiations are unsuccessful in resolving the dispute, then the dispute shall be mediated. If mediation is unsuccessful, then the parties may exercise their rights at law.
- K. This Agreement is to be governed by the law of the state in which the Project is located.
- L. Engineer's Services and Additional Services do not include: (1) serving as a "municipal advisor" for purposes of the registration requirements of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (2010) or the municipal advisor registration rules issued by the Securities and Exchange Commission; (2) advising Owner, or any municipal entity or other person or entity, regarding municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, or other similar matters concerning such products or issuances; (3) providing surety bonding or insurance-related advice, recommendations, counseling, or research, or enforcement of construction insurance or surety bonding requirements; or (4) providing legal advice or representation.

6.01 Total Agreement

- A. This Agreement (including any expressly incorporated attachments), constitutes the entire agreement between Owner and Engineer and supersedes all prior written or oral understandings. This Agreement may only be amended, supplemented, modified, or canceled by a duly executed written instrument.

Definitions

- B. *Constructor*—Any person or entity (not including the Engineer, its employees, agents, representatives, and consultants), performing or supporting construction activities relating to the Project, including but not limited to contractors, subcontractors, suppliers, Owner's work forces, utility companies, construction managers, testing firms, shippers, and truckers, and the employees, agents, and representatives of any or all of them.
- C. *Constituent of Concern*—Asbestos, petroleum, radioactive material, polychlorinated biphenyls (PCBs), hazardous waste, and any substance, product, waste, or other material of any nature whatsoever that is or

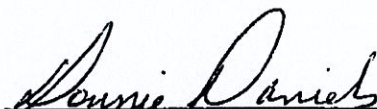
becomes listed, regulated, or addressed pursuant to (a) the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§9601 et seq. ("CERCLA"); (b) the Hazardous Materials Transportation Act, 49 U.S.C. §§5101 et seq.; (c) the Resource Conservation and Recovery Act, 42 U.S.C. §§6901 et seq. ("RCRA"); (d) the Toxic Substances Control Act, 15 U.S.C. §§2601 et seq.; (e) the Clean Water Act, 33 U.S.C. §§1251 et seq.; (f) the Clean Air Act, 42 U.S.C. §§7401 et seq.; or (g) any other federal, State, or local statute, law, rule, regulation, ordinance, resolution, code, order, or decree regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous, toxic, or dangerous waste, substance, or material.

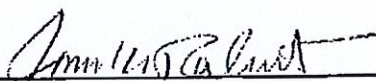
Attachments: Appendix 1, Engineer's Standard Hourly Rates
Exhibit A, Scope of Services
Exhibit B, Project Budget

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, the Effective Date of which is indicated on page 1.

OWNER: SOUTHERN WATER AND SEWER DISTRICT

ENGINEER: BELL ENGINEERING

By: 
Print name: Donnie Daniels
Title: Chairman
Date Signed: 6/22/26

By: 
Print name: James K. Roberts, P.E., PLS
Title: Executive Vice President
Date Signed: 05/27/26

Engineer License or Firm's Certificate No. (if required):

15736

State of: Kentucky

Address for Owner's receipt of notices:

245 KY 680

McDowell, Kentucky 41647

Address for Engineer's receipt of notices:

2480 Fortune Drive

Suite 350

Lexington, Kentucky 40509

This is **Appendix 1, Engineer's Standard Hourly Rates**, referred to in and part of the Short Form of Agreement between Owner and Engineer for Professional Services dated _____.

Engineer's Standard Hourly Rates

A. Standard Hourly Rates

1. Standard Hourly Rates are set forth in this Appendix 1 and include salaries and wages paid to personnel in each billing class plus the cost of customary and statutory benefits, general and administrative overhead, non-project operating costs, and operating margin or profit.
2. The Standard Hourly Rates apply only as specified in Paragraphs 2.01, 2.02, and 2.03, and are subject to annual review and adjustment.

B. Schedule of Hourly Rates

Principal V	\$282	Designer/Planner IV	\$152
Principal IV	\$276	Designer/Planner III	\$125
Principal III	\$270	Designer/Planner II	\$123
Principal II	\$262	Designer/Planner I	\$114
Principal I	\$254	Engineering Tech II	\$97
Senior Associate	\$216	Engineering Tech I	\$94
Associate III	\$227	Inspector III	\$117
Associate II	\$195	Inspector II	\$107
Engineer VI	\$211	Inspector I	\$97
Engineer V	\$203	Draftsman III	\$89
Engineer IV	\$195	Accountant/Economist III	\$221
Engineer III	\$163	Accountant/Economist II	\$159
Engineer II	\$146	Accountant/Economist I	\$114
Engineer I	\$130	Admin Assistant III	\$129
Landscape Architect IV	\$227	Admin Assistant II	\$110
Landscape Architect III	\$195	Admin Assistant I	\$67
Landscape Architect II	\$143	Secretary III	\$91
Landscape Architect I	\$94		

Appendix 1, Standard Hourly Rates Schedule.

EJCDC® E-520, Short Form of Agreement Between Owner and Engineer for Professional Services.
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This is Exhibit A, Scope of Services, referred to in and part of the Short Form of Agreement between Owner and Engineer for Professional Services dated _____.

**WATER UTILITY CAPITAL IMPROVEMENT PLAN (CIP)
FOR THE
SOUTHERN WATER AND SEWER DISTRICT
APRIL 2026**

Basic Scope of Services of Services to be performed are as follows:

PHASE I

1. District will provide the following data:
 - a) Total number of service lines for each quadrant.
 - b) Percentage of gallons lost in service line leaks for each quadrant.
 - c) Percentage and gallons lost in main line breaks for each quadrant.
 - d) Booster pump station run time, gpm and/or master meter reading and electrical cost.
2. Engineer to review data included in Phase I, Item 1 and provide the following:
 - a) Provide an annual replacement schedule for service line and main line replacement for each quadrant.
 - b) Project the proposed schedule in reduced water loss percentage for each quadrant annually.
 - c) Quantify the reduced water loss percentage into cost savings for each quadrant.
 - d) Prioritize and prepare an opinion of probable cost for service line replacement, main line replacement, zone metering and telemetry installation in strategic locations in each quadrant to specifically combat water loss.

If District is unable to provide data by quadrant, analysis will be performed over the system as a whole.

PHASE II

1. District will provide the following data:
 - a) A priority ranking of system wide water storage tanks for replacement.
 - b) A priority ranking and implementation of a water storage tank maintenance program for system wide repairs.
 - c) A priority ranking of booster pump stations system wide for total replacement.
 - d) A priority ranking of booster pump stations system wide for internal rehabilitation.
 - e) A priority ranking of pressure regulation valves system wide for total replacement.
 - f) A priority ranking of pressure regulation valves system wide for internal replacement.
 - g) A priority list for telemetry systems in areas of no service.

Exhibit A, Scope of Services.

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EXHIBIT

1A

- h) A priority list for the water treatment plant (WTP) upgrades.
- i) A priority list of line locations that may be taken out of service with hydraulic modifications.

2. Engineer to review the data included in Phase I, Item 2 and provide the following:

- a) An annual replacement schedule for each item listed.
- b) An opinion of probable cost for the annual replacement schedule for each Infrastructure item listed.

PHASE III

1. Engineer will provide the following services:

- a) Engineer will address current DOW/PSC regulatory compliance requirements and anticipated future regulatory concerns system wide.
- b) Engineer will review the District's Corrective Action Plan (CAP) with Division of Water concerning TTHM's. Upon review Engineer shall provide alternatives to address any corrective measures to maintain compliance.

PHASE IV

1. Engineer will evaluate water distribution and water treatment plant to minimize supplemental purchases from other entities. The District will provide three locations for evaluation along with potential to upgrade treatment plant.

PHASE V

1. Engineer will provide the following services:

- a) Engineer will identify multiple sources of funding, with emphasis on the opportunity to receive grant funds or surcharging.
- b) Engineer will lay out a plan to move forward to secure funding.

Additional Services Additional services associated with the Southern Water Sanitary Sewer System would be performed by Engineer **ONLY** with the written consent of the District at a negotiated scope and fee.

EXHIBIT B**PROPOSED PROJECT SCOPE & BUDGET****SOUTHERN WATER & SEWER DISTRICT
Water Loss Reduction - Capital Improvements Plan
April 15, 2026**

SCOPE OF SERVICE		TOTAL LABOR
ENGINEERING SERVICES		
Phase I - Loss Prevention in Mainline, Service Lines and Meters		
1	Kickoff - Project Timeline Discussion	\$3,750.00
2	Review SWSD Provided Data	\$8,800.00
3	Provide Annual Replacement Schedule for Service Line & Main Line Replacement for Each Quadrant	\$14,600.00
4	Quantify the Reduced Water Loss Percentage into Cost Savings Annually for Each Quadrant	\$12,600.00
5	Prioritize & Estimate Cost for Service Line Replacement, Main Line Replacement, Zone Metering & Telemetry Installation in Strategic Locations in Each Quadrant to Specifically Combat Water Loss	\$13,750.00
6	Develop a Hydraulic Model of the SWSD Water Distribution System (Line Sizes 3" and Larger)	\$48,350.00
Subtotal Phase I		\$99,650.00
Phase II - Replacement / Rehabilitation of Tanks, Pump Stations, PRV's, Treatment Facilities & Telemetry		
1	Review SWSD Provided Data	\$4,850.00
2	Provide Annual Replacement Schedule for Each Infrastructure Item Identified	\$7,500.00
3	Provide an OPPC for the Annual Replacement Schedule for Each Infrastructure Item	\$11,250.00
Subtotal Phase II		\$23,600.00
Phase III - Regulatory Compliance & Corrective Measures		
1	Address Current DOW/PSC Regulatory Compliance Requirements and Future Regulatory Concerns	\$6,300.00
2	Review CIP with DOW Concerning TTHM's. Provide Alternatives to Address Corrective Measures to Maintain Compliance	\$6,750.00
Subtotal Phase III		\$13,050.00
Phase IV - Minimization of Supplemental Water Purchases from Other Entities		
1	Firm Will Evaluate Water distribution and Water Treatment Plant to Minimize Supplemental Water Purchases from Other Entities. The District Will Provide three locations for evaluation along with potential upgrade to water treatment Plant	\$13,500.00
Subtotal Phase IV		\$13,500.00
Phase V - Funding Options		
1	Firm Will Assist w/Identify Sources of Funding, with Emphasis on the Opportunity to Receive Grant/Surcharges	\$3,750.00
2	Firm to lay out a plan to move forward to acquire funding	\$2,800.00
Subtotal Phase V		\$6,550.00
TOTAL ENGINEERING		\$ 156,350.00

Note: Scope of Work and Fee do not include evaluation of the sewer system.

EXHIBIT**1B**