

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 and Sewer District (Southern District) filed an application with the Commission, pursuant to 807 KAR 5:076, requesting an adjustment to its water rates.² The Commission established a procedural schedule by Order dated January 16, 2025, that, among other things, requires Commission Staff to file with the Commission and serve upon all parties of record a written report (Commission Staff's Report) containing its findings and recommendations regarding Southern District's requested water rate adjustment, no later than May 7, 2025. On March 18, 2025, Commission Staff issued a Second Request for Information (Staff's Second Request), with a required response date no later than April 1, 2025.³ Southern District filed partial

¹ Southern District initially tendered its application on September 24, 2024, but was rejected by Order on October 11, 2024 for failure to use the correct test year. Southern District filed its Remediated ARF Application using 2023 Test Year on December 26, 2024, which was accepted and deemed filed on that date.

² Pursuant to 807 KAR 5:076, Section 7(2), if the Commission has not issued an order after six months from the date an alternative rate filing, the application is deemed filed and the utility may place the proposed rates into effect, subject to refund, pending the Commission's order upon filing written notice with the Commission of its intent to do so. Otherwise, an applicant using the alternative rate filing procedure may not place the proposed rates into effect until the Commission has issued an order approving the rates. 807 KAR 5:076, Section 7(1).

³ Commission Staff's Second Request for Information to Southern Water and Sewer District (issued Mar. 18, 2025).

responses to Staff's Second Request on April 1, 2025, but failed to respond to all requests for information. Southern District stated in response to multiple requests that it would provide further information by April 8, 2025. On April 8, 2025, Southern District filed additional responses to Staff's Second Request.⁴

Due to the delay in filing by Southern District, as well as the incomplete information provided by Southern District in response to Staff's requests for information, the Commission, on its own motion, finds that the procedural schedule established on January 16, 2025, should be amended to provide for an additional request for information for Staff to obtain further information necessary to review Southern District's submission and prepare the Commission Staff's Report. Commission Staff's Third Request for Information (Staff's Third Request) is attached to this Order as an Appendix. Southern District shall file its responses to Staff's Third Request on or before May 8, 2025. The Commission further finds that the date for filing the Commission Staff's Report should be extended to June 18, 2025.

After Commission Staff's Report is filed on or before the amended deadline of June 18, 2025, Southern District will have 14 days to file a written response to Commission Staff's Report.⁵ If Southern District does not file written objections to a finding contained in Commission Staff's Report within 14 days after the date of the filing of Commission Staff's Report, it shall be deemed a waiver of all objections to that finding.⁶

⁴ Southern District's Response to Staff's Second Request (filed Apr. 8, 2025).

⁵ 807 KAR 5:076, Section 11(3)(a).

⁶ 807 KAR 5:076, Section 11(3)(c).

IT IS THEREFORE ORDERED that:

1. The procedural schedule established on January 16, 2025, is amended.
2. Southern District shall respond to Staff's Third Request for Information, attached here as an Appendix, on or before May 8, 2025.
3. Commission Staff's Report shall be filed no later than June 18, 2025.
4. Southern District shall file its written response, if any, to Commission Staff's Report within 14 days of the filing of the Commission Staff's Report.
5. All provisions of the Commission's January 16, 2025 Order that are in conflict with the provisions of this Order are vacated, and all other provisions not in conflict with the provisions of this Order shall remain in effect.

PUBLIC SERVICE COMMISSION

Chairman



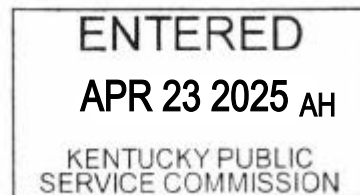
Vice Chairman

Commissioner



ATTEST:


Executive Director



APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00251 DATED APR 23 2025

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION TO SOUTHERN WATER AND SEWER DISTRICT

Southern Water and Sewer District (Southern District), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on May 8, 2025. The Commission directs Southern District to the Commission's July 22, 2021, Order in Case No. 2020-00085⁷ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Southern District shall make timely amendment to any prior response if Southern District obtains information that indicates the response was incorrect or incomplete when

⁷ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

For any request to which Southern District fails or refuses to furnish all or part of the requested information, Southern District shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied and scanned material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Southern District shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Southern District's supplemental response to Commission Staff's Second Request for Information (Staff's Second Request) filed on April 8, 2025 (Supplemental Response to Staff's Second Request), 1b_KLC_Health_and_Life_2023-2024.pdf. Define references to ESP, EMP, and ECH listed in the tier column. If other tier abbreviations exist that are not listed on the invoice, define those also.

2. Provide copies of the following invoices:
 - a. Kentucky Local Government Health Trust premium detail for last invoice recorded in December 2024.
 - b. Kentucky Local Government Health Trust premium detail for last invoice recorded in 2025.

- c. Invoice for 2025 dental coverage.
- d. Invoice for 2025 vision coverage.
- e. Invoice for 2025 for Piopac.

3. Refer to Southern District's response to Staff's Second Request filed on April 1, 2025 (Response to Staff's Second Request), Item 1a, which discusses benefits. Southern District's response on unnumbered page 3 of 14 states in part "Southern District pays 100% for medical, life, dental, and vision insurance for each employee through Anthem." The response is not clear whether the employer contribution is 100% for the single employee coverage tier only or whether the employer contribution is also 100% for other coverage tiers. State the medical premium contribution that employees are required to contribute for each coverage and coverage tier offered other than for the employee only.

4. Refer to Southern District's Amended response to Commission Staff's First Request for Information filed on March 4, 2025 (Amended Response to First Request), 4_Employee_Earnings_2023.xlsx. Identify and describe all benefits and products that are encompassed in the description "Medical Insurance" that reflects a year-to-date withholding amount of \$11,575 for all employees.

5. Refer to Southern District's response to Staff's First Request, 10_Board_Minutes_2023.pdf at unnumbered page 26 of 30, Item "E." Also refer to Southern District's response to Staff's Second Request, Item #9b. Item E states "Motion to give all employees that have been here for 12 months a safety performance bonus of \$300 each and the employees that have been here less than a year \$150 each was made

by Mr. Dawson, seconded by Mr. Roberts, all in favor.” In Item #9b Southern District’s response states

Whether to issue and the amount of safety performance bonuses are decisions made by the Board near the end of each calendar year. Said bonuses are based upon both individual performance of each employee as documented in a yearly performance reviews. Many factors are considered in determining the amount of these bonuses including; years of service at Southern, any training/certifications earned recently, attendance, attitude, and overall job performance.

While Southern District’s response does refer to years of service, the response also notes several other factors. Explain the discrepancy between the bonus eligibility criteria described Southern District’s Item #9b response as compared to the board minutes indicating that bonuses were to be based solely on years of service.

6. Refer to Southern District's response to Staff’s Second Request, Item 7. Also refer to Southern District's Amended response to Staff’s First Request, 4_Employee_Earnings_2023.xlsx. Southern District stated “The reason that there are only two commissioners in the general ledger account for payroll is that those two wanted to have income taxes withheld from their checks. The other three commissioners did not want taxes withheld from their checks, so their checks were in the Commissioner's fee account.”

a. Confirm that matching payments for FICA – Social Security and FICA - Medicare were made by Southern District for commissioner pay that was reported as wages.

b. State whether matching payments for FICA - Social Security and FICA - Medicare were made by Southern District for commissioner pay that was not reported as wages.

7. Refer to Southern District's response to Staff's Second Request, 9_Water_Purchases_Corrected.xlsx, a portion of which is shown in the chart below. Refer also to the chart below, portions of which Commission Staff added the per thousand-gallon column and totals for reference.

a. Explain why the December quantity differs significantly from other months. If the quantity is determined to be incorrect, submit a revised file.

b. Explain why the average cost per thousand gallons for each month except December is \$2.26 while December is \$1.30 per thousand gallons.

Month	Gallons	Amount	Per 1,000 Gal
January	14,577,000	\$32,944.02	\$2.26
February	13,487,000	\$30,480.62	\$2.26
March	16,653,000	\$37,635.78	\$2.26
April	13,586,000	\$30,704.36	\$2.26
May	14,628,000	\$33,059.28	\$2.26
June	10,708,000	\$24,200.08	\$2.26
July	11,919,000	\$26,936.94	\$2.26
August	13,950,000	\$31,527.00	\$2.26
September	13,940,000	\$31,504.40	\$2.26
October	11,103,000	\$25,092.78	\$2.26
November	12,544,000	\$28,349.44	\$2.26
December	20,605,846	\$26,742.58	\$1.30
Total	167,700,846	\$359,177.28	

8. Refer to Southern District's response to Staff's First Request, 15_Depreciation_Schedule_2023.pdf . Provide the same schedule for 2024.

9. Refer to Southern District's response to Staff's First Request, 16_Depreciation.xlsx. Also refer to Southern District's Amended response to Staff's First Request, S_1a_General_Ledger_2024.xls (2024 General Ledger), Account 16201 "Construction in Progress". The depreciation spreadsheet reflects several assets' capitalized and "placed in service" amount totaling \$155,261.10 as shown below.

Asset Number	Date Acquired	Asset Description 1	Funding Source	Convention	Cost
453	1/8/2024	TRAILER - PJ TRAILER	EKSAFE	Half-Year	8,300.00
452	1/18/2024	VEH REPAIRS - TRANSMISSION	GENERAL	Half-Year	4,754.84
449	2/20/2024	CHEVY TRUCK	EKSAFE	Half-Year	28,500.00
451	2/21/2024	TABLETS PC	GENERAL	Half-Year	4,444.86
450	3/15/2024	HYDRANTS 2	GENERAL	Half-Year	9,266.94
445	4/16/2024	EASEMENT - S RAY SLONE	GENERAL	Half-Year	907.07
446	4/16/2024	EASEMENT - VERNON K SLONE	GENERAL	Half-Year	720.88
443	6/30/2024	METERS RG3	GENERAL	Half-Year	13,638.89
444	7/2/2024	PUMP STATION	EKSAFE	Half-Year	75,617.62
447	12/5/2024	PUMP (DYNA PUMP)	GENERAL	Half-Year	5,860.00
448	12/12/2024	FENCING	GENERAL	Half-Year	3,250.00
		Total For year ended 12-31-24			155,261.10

The 2024 General Ledger reflects December 31, 2024 journal entries that total \$1,736,440.45 to reclassify construction in progress as shown below.

Date	Reference	Description	Current Amount
12/31/24	23	TO RECLASS ASPHALT	(3,875.00)
12/31/24	24	TO RECLASS CIP	(192,640.00)
12/31/24	24	TO RECLASS CIP	(1,463,413.90)
12/31/24	24	TO RECLASS CIP	(80,386.55)
	Total		<u><u>(1,736,440.45)</u></u>

a. Explain why the amounts transferred out of construction in progress in the general ledger differ by \$1,581,179 from the amount indicated in the depreciation schedule and are not included in the depreciation spreadsheet.

b. Provide the details of the difference including asset number, description, cost, date placed in service, and NARUC depreciation life.

10. Refer to Southern District's current tariff on file with the Commission. Specifically refer to item J, Customer Relations, 2 Partial Payment Plans on Original Sheet No. 19 with an effective date of September 13, 2002.

a. State how many customers are making partial payments under a formally documented agreement plan and provide the total balance owed for this group as of December 31, 2024, or the most recent month end date available.

b. State how many customers are making partial payments that are **not** under a formally documented agreement plan and provide the total balance owed for this group as of December 31, 2024, or the most recent month end date available.

11. Describe Southern District's policy for how partial payments are allocated to a customer receivable if a customer is billed for more than just water service (i.e. sewer, garbage, other items). Confirm that customers do not have discretion over how a partial payment is allocated to the components of the balance owed. If not confirmed, explain how the allocation process works.

12. Refer to Southern District's response to Staff's Second Request, Item 13b which relates to late fees and the number of occurrences. Southern District reported total late fees of \$89,035.35 for 3,401 occurrences. Commission Staff calculated an average fee per occurrence of \$26.18 based on Southern District's response. Southern District stated that its calculated late fee for the average residential customer is \$5.46. Commission Staff calculates that, based on 3,401 occurrences and Southern District's average penalty of \$5.46, total late fees should have been in the range of \$18,569. A summary of these amounts is shown in the table below. Explain why the Average Per Occurrence (C) of \$26.18 is 48 percent (H) of Southern District's calculated average bill (G).

Description	Reference	Amount
Reported Late Fees	A	\$ 89,035.35
Reported Occurrences	B	3,401
Average Late Fee Per Occurrence	$C = A / B$	\$ 26.18
Calculated Average Late Fee	D	\$ 5.46
Commission Staff Calculated Late Fees Based on Average Fee	$E = B \times D$	\$ 18,569.46
Calculated vs. Reported Late Fees	$F = E - A$	\$ (70,465.89)
Southern District's Calculated Average Bill	G	\$ 54.55
Average Late Fee Per Occurrence as Percent of Southern District's Calculated Average Bill	$H = C / G$	48.0%

13. Refer to Southern District's response to Staff's Second Request, Item 13c, which relates to a Disconnect Charge. Southern District stated the Disconnect Charge is a new charge but also stated, in Staff's First Request, Item 26, that there were 294 occurrences of this charge during the test year. Explain the discrepancy between these two statements. Include in this response the following information: when this charge was first implemented and the approved tariff or case number and specific cite to the Commission Order approving the charge.

14. Refer to Southern District's response to Staff's Second Request, Items 10a and 10b which references water sold statistics.

a. Describe the review and reconciliation process that Southern District utilizes to ensure that amounts reported are both accurate and consistent between the Annual Report and other case filings with the Commission.

b. Identify the employee position, and the personnel assigned to that position, responsible for preparing water statistics for each required filing.

c. Identify the employee position and the personnel assigned to that position, responsible for reviewing and approving water statistics for each required filing.

15. Refer to Southern District's response to Staff's Second Request, Item 12.

a. Provide documentation from the Floyd County Fiscal Court, other than the check, that explains the purpose of the funds.

b. Provide documentation from the Floyd County Fiscal Court that establishes that the funds are not required to be repaid.

16. Refer to Southern District's response to Staff's First Request for Information, 10_Board_Minutes_2023.pdf (2023 Board Minutes) and 10_Board_Minutes_2024.pdf (2024 Board Minutes). The 2023 Board Minutes refers to a line of credit on unnumbered pages 2, 5, and 26 of 30. The 2024 Board Minutes refers to a line of credit on unnumbered page 4 of 36.

a. Provide a copy of the executed line of credit documents that appear to be with Peoples Bancorp referred to in the 2023 Board Minutes and the 2024 Board Minutes.

b. State the purpose of the line of credit.

c. State whether a balance existed on December 31, 2023; on December 31, 2024; and on March 31, 2025, and if so, provide the general ledger account number where loan activity is reported.

d. State whether any funds have been drawn against the line of credit and subsequently repaid.

17. Refer to Southern District's Amended response to Staff's First Request, 14_Audit_2023.pdf (2023 Audited Financial Statements). Also refer to 2023 General

Ledger, account number 17832, Peoples Bank – EKSAFE, and account number 27101, N/P - EKSAFE. Also refer to 2023 Board Minutes (Nov 28, Item D).

a. The November 28, 2023 Board Minutes at unnumbered page 26 of 30 refers to "...a copy of the agreement concerning the EKSAFE funds that were received...". Provide a copy of the executed loan documents for the EKSAFE.

b. Provide a copy of the 2023 Board minutes that authorize execution of the loan.

c. The 2023 Board Minutes state that there is a 20 year payback. Designate in the executed documents the timeline to repay the loan. Designate in the loan documents where the repayment timeline is established.

d. The 2023 Board Minutes state that the loan will be converted to a grant. Designate the provisions in the loan documents the language that establishes conversion of the loan to a grant.

e. Provide a list of amounts disbursed from the loan proceeds during 2023 and designate whether each amount was for capital expenditures or operating expenses that are included in the 2023 test year. If expenses incurred during 2023 were reimbursed, state the category of the expense and why the amounts should not be removed as a pro forma adjustment in the Schedule of Adjusted Operations.

f. State the amount of loan proceeds, if any, that will be repaid with funds that are pending receipt from the Federal Emergency Management Agency (FEMA).

18. Refer to Southern District's response to Staff's Second Request, 2_Board_Minutes_2025.pdf.

a. The January 27, 2025 minutes, Item G at unnumbered 2 of 8 states “The bank balance was presented by Lucy Howell. After discussion of accounts payable the decision was made to move \$50,000.00 from the EK Safe account and move to the general account to help with accounts payable.” Describe in detail whether the use of the funds was to pay for expenditures that were in response to the 2022 FEMA events or mitigate liquidity issues that are unrelated to the 2022 FEMA events.

b. The February 24, 2025 minutes, Item G at unnumbered 2 of 8 states “The bank balances and outstanding bills were presented by Lucy Howell, after discussion the decision was made to move \$67,000.00 from the EKsafe account into the general account.” Describe in detail whether the use of the funds was to pay for expenditures that were in response to the 2022 FEMA events or mitigate liquidity issues that are unrelated to the 2022 FEMA events.

c. The March 24, 2025 minutes, Item G at unnumbered 2 of 8 states “The bank balances and outstanding bills were presented by Lucy Howell. After discussion and all questions answered, the decision was made to transfer \$70,000 from the EK Safe money to help pay for extra expenses for supplies during the recent flooding.” Describe in detail the extent to which funds were used to pay for the mid-February 2025 flooding versus to mitigate liquidity issues that are unrelated to the 2022 FEMA events or the mid-February 2025 flooding.

19. Refer to Southern Water District’s Supplemental response to Staff’s Second Request, Item 3, 3_Fiscal_Court_Minutes.pdf. Although Southern Water District provided the Fiscal Court minutes detailing the appointment of the members of the Board, it did not provide any fiscal court minutes showing authorization for the board members to receive

any compensation. Provide the Fiscal Court minutes showing authorization for compensation for board members.

20. Refer to the proposed rates in Southern District's Remediated ARF Application, Attachment 3. Southern District requested a monthly water loss reduction surcharge of \$6.83.

a. Provide the proposed time period for the surcharge to be billed and the total amount to be collected via the surcharge.

b. Provide a list of projects that Southern District anticipates funding with the surcharge. Designate whether each project is considered a capital expenditure or an operating expense and provide the estimated number of percentage points that water loss is expected to be reduced by each project.

21. Refer to Southern District's Additional Amended Response to Staff's First Request, 16c_Capital_Projects.xlsx.

a. Describe each project in detail. For projects that refer to Ky Rt 979 and KY Rt 680, provide the number of feet expected to be installed, whether the project is for new service or to replace existing lines, and, if replacement, provide the type of material that is being replaced and the approximate age of the lines.

b. Provide the Project Profile number from the Kentucky Infrastructure Authority Water Resource Information System for each project.

c. If a project is expected to reduce water loss, provide the estimated number of percentage points that water loss will be reduced by each project.

d. State whether any of the listed projects are anticipated to be funded with the proposed water loss surcharge.

22. Refer to the 2023 General Ledger and the table below.

Account Description	12/31/23 Adjusted Balance
46150 Metered Sales - Residential Sewer	(67,487.06)
46151 Metered Sales - Business Sewer	(32,433.74)
47402 Garbage Sales Revenue	(851,249.00)
60001 Solid Waste Payments	825,711.53
60003 PCUC Sewer Payments	111,085.02

a. Provide copies of the agreements with PCUC and the party on behalf of which Southern District collects Garbage Sales payments and disburses solid waste payments. If written agreements are not available, describe the terms of each agreement including the amount that Southern District is compensated for performing the underlying billing and collection function.

b. Designate where Southern District's income from the billing and collection activities is reported in its revenue request.

c. Describe Southern District's obligation to the parties if a customer is either late with a payment or the balance is written off entirely.

*Ariel Baker
Kentucky Rural Water Association
Post Office Box 1424
1151 Old Porter Pike
Bowling Green, KY 42102-1424

*Robert K. Miller
Straightline Kentucky LLC
113 North Birchwood Ave.
Louisville, KY 40206

*Southern Water & Sewer District
245 Kentucky Route 680
P. O. Box 610
McDowell, KY 41647

*Randy Conley
UMG Project Manager
Southern Water & Sewer District
245 Kentucky Route 680
P. O. Box 610
McDowell, KY 41647

*Steven P. Bailey
Attorney
Bailey Law Office, P.S.C.
181 East Court Street
Prestonsburg, KY 41653