

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

On June 24, 2026, Southern Water & Sewer District (Southern District) filed a motion to approve a contract with Bell Engineering.¹ For the reasons discussed below, the Commission finds that the motion should be granted, with the conditions discussed below.

BACKGROUND

By Order issued August 15, 2025, the Commission initiated this proceeding for the purpose of monitoring Southern District's unaccounted-for water loss reduction plan surcharge, approved in Case No. 2024-00251.² In Case No. 2024-00251, the Commission ordered that the surcharge 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

¹ Southern District's Motion to Approve Contract (Motion) (filed June 24, 2026).

² 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.

³ Case No. 2024-00251, Aug. 15, 2025 final Order at 39.

The Commission's August 15, 2025 opening Order in this proceeding required Southern District to file, within 150 days, documentation of a proposal selection process to procure a professional engineering firm for the purpose of developing a 15–20-year capital plan that prioritizes water loss initiatives.⁴ On January 15, 2026, Southern District filed its notice of selection process to procure professional engineering firm.⁵ Southern District was further required to file the capital plan into the record within 240 days of the filing of the engineering procurement selection.⁶

DISCUSSION AND FINDINGS

Southern District's motion requested approval of a proposed contractual agreement (contract) between Southern District and Bell Engineering (Bell) to create the required capital plan for the district.⁷ Southern District stated its Board of Directors approved the contract on June 22, 2026.⁸

Southern District stated that, pursuant to the proposed contract, Bell will work in five phases to improve water loss.⁹ These five phases include the following components of the capital plan: (1) loss prevention in main line, services lines and meters; (2) replacement/rehabilitation of tanks, pump stations, treatment facilities and telemetry; (3) regulatory compliance and corrective measures; (4) minimization of supplemental water

⁴ Opening Order (Ky. PSC Aug. 15, 2025) at 6, ordering paragraph 4.

⁵ Notice of Selection Process to Procure Professional Engineering Firm (filed Jan. 15, 2026).

⁶ Order (Ky. PSC Aug. 15, 2025) at 6, ordering paragraph 5.

⁷ Motion at 1.

⁸ Motion at 1.

⁹ Motion at 1.

purchases from other entities; and (5) funding options.¹⁰ Southern District further stated that surcharge proceeds shall be used as payment towards the contract with Bell upon completion of each phase and the use of surcharge proceeds shall be reported in the monthly Surcharge Activity Report.¹¹

The contract provided that "[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."¹² The Commission acknowledges the contracted work is to be performed over the course of five phases by Bell. However, the Commission's opening Order required Southern District to provide a comprehensive capital plan within 240 days of filing its procurement process.¹³ The Commission finds that Southern District must still comply with providing a comprehensive plan within the same 240 days that will include an overview of all phases and anticipated work to be completed by Bell. The Commission further finds that Southern District shall provide updates to the Commission with further details of the five phases, as each phase is completed by Bell. The Commission would also remind Southern District that the surcharge was granted to partially fund the cost for long-term investment in its infrastructure, prioritizing the most effective improvements in infrastructure, and long-term efforts to reduce excess water loss.¹⁴ The Commission finds that these updates shall

¹⁰ Motion at 10-12, Exhibits 1A and 1B.

¹¹ Motion at 1-2.

¹² Motion at 3, Exhibit 1

¹³ Order (Ky. PSC Aug. 15, 2025) at 6, ordering paragraph 5.

¹⁴ Case No. 2024-00251, Aug. 15, 2025 final Order at 40.

provide explanation of how any further details or plans provided by Bell will further the objective of water loss mitigation.

The 'Scope of Services' section of the contract provided that "[a]dditional 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."¹⁵ The water loss surcharge is intended for work on the water system, and the Commission finds that any potential sanitary sewer work is expressly excluded from surcharge reimbursement.

The 'General Considerations' section of the contract includes provisions regarding civil liability. The Commission finds that any potential civil liability arising from this agreement is expressly excluded from surcharge reimbursement.

The contract provides the total amount of \$156,350 for Bell's services.¹⁶ The Commission finds that Southern District is approved to expend \$156,350 for the contractual services specifically discussed in the contract and as approved herein. Southern District shall file proof of all expenditures made related to the contract in its monthly filings. The Commission further finds that Southern District must seek approval from the Commission to use surcharge funds for any expenses for services from Bell exceeding the original contract amount.

IT IS THEREFORE ORDERED that:

1. Southern District's motion is granted.

¹⁵ Motion at 11, Exhibit 1A.

¹⁶ Motion at 12, Exhibit 1B.

2. Southern District shall provide updates upon the completion of each individual phase of the five phases of work to be completed by Bell.

3. Southern District shall not be granted any surcharge reimbursement for any sanitary sewer work as referenced in the contract.

4. Southern District shall not be granted any surcharge reimbursement for any potential civil liability arising from this agreement.

5. Southern District is approved to expend \$156,350 from the surcharge fund for the contractual services specifically provided in the contract approved herein.

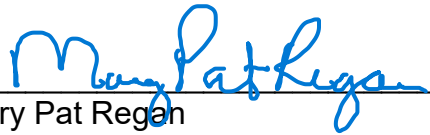
6. Southern District must seek approval from the Commission for any expenses for services from Bell exceeding the original contract amount as approved herein.

Entered on this 21st day of August, 2026.

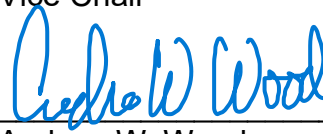
PUBLIC SERVICE COMMISSION



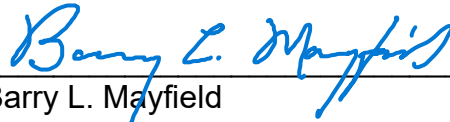
Angie Hatton
Chair



Mary Pat Regan
Vice Chair



Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

ATTEST:



Justin McNeil
Executive Director

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