

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION INTO SOUTHERN	)	
WATER & SEWER DISTRICT AND ITS	)	
INDIVIDUAL COMMISSIONERS (BOB	)	CASE NO.
SHEPHERD, DONNIE DANIELS, RICK ROBERTS,	)	2025-00233
STEVE DAWSON, AND LESLIE BYRON SCOTT)	)	
FOR ALLEGED ASSESSMENT OF AN	)	
UNAPPROVED RATE	)	

ORDER

On August 15, 2025, the Commission initiated this investigation for an alleged assessment of an unapproved rate in violation of KRS 278.160. Southern Water & Sewer District (Southern District) and all named individual Commissioners filed responses to the allegations on September 1, 2025,¹ and September 2, 2025.² Southern District filed its responses to Commission Staff's First Request for Information on October 14, 2025.³ In response to the Commission's procedural schedule issued April 21, 2026, Southern District waived its right to a hearing and requested this matter be decided on the record.⁴ This matter is now ripe for a decision.

¹ Southern District's Response to the Allegations (Southern District's Response); Rick Robert's Response; Leslie Byron Scott's Response; Steve Dawson's Response, Bob Shepherd's Response (filed Sept. 1, 2025);

² Randy Conley's Response; Donnie Daniels's Response (filed Sept. 2, 2025).

³ Southern District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Oct. 14, 2025).

⁴ Response to Procedural Schedule (filed May 14, 2026).

LEGAL STANDARD

Under KRS 278.990, the Commission has the authority to assess civil penalties, not to exceed \$2,500 for each offense, against a utility and against any officer, agent, or employee of a utility who willfully violates any provisions of KRS Chapter 278, Commission regulations, or Orders. Pursuant to KRS 74.025, the Commission can utilize certain removal procedures to remove any water commissioner of a water district from office for good cause, including incompetency, neglect of duty, gross immorality, or nonfeasance, misfeasance, or malfeasance.

KRS 278.160(2) prohibits a utility from charging, demanding, collecting, or receiving from any person a greater or lesser compensation for service rendered than that prescribed in the utility's filed rate schedule.

DISCUSSION

In Case No. 2024-00251,⁵ the Commission discovered that Southern District was assessing a “disconnect charge” which was not approved by the Commission or included in Southern District's tariff.⁶ Southern District did not provide evidence that the disconnection charge was reflected in its tariff at that time,⁷ nor that it requested such a charge in its rate application in that case.⁸ Southern District clarified that the

⁵ Case No. 2024-00251, *Electronic Application of Southern Water and Sewer District for an Alternative Rate Adjustment Pursuant to 807 KAR 5:076*.

⁶ Case No. 2024-00251, Feb. 25, 2025 Southern District's Response to Commission Staff's First Request for Information, Item 26.

⁷ P.S.C. Ky. 1, 2nd Revised Sheet No. 5 (issued Jan. 20, 2023), effective Dec. 20, 2022.

⁸ Case No. 2024-00251, Dec 26, 2024 Cover letter and Alternative Rate Filing Application, Attachment 1, Customer Notice.

disconnection charge was first assessed on October 4, 2022, and confirmed there is no tariff or case number where the Commission approved the charge.⁹

There is no dispute that Southern District assessed an unapproved “disconnect” charge. While Southern District plainly stated it did not dispute the factual allegation that the “disconnect/turn-off” charge was not included in its tariff, it further stated that it did take issue with any allegation(s) that Southern District willfully aided and abetted in any violation(s) of any law, specifically including a violation of KRS 278.160.¹⁰ Southern District stated the subject of instituting a “disconnect” charge was not brought to the attention of the Board of Commissioners and/or Southern District’s attorney at any time prior to this action, and pointed to U.M.G. as being responsible for the daily operations of Southern District and any factual information regarding the “disconnect” charge.¹¹

The individual Commissioners’ responses collectively claimed they were unaware that Southern District was assessing charges unapproved by the Commission to its customers.¹² Included in the Commissioners’ responses was the assertion that during the board meeting on August 25, 2025, Mr. Randy Conley, Manager for Southern District, admitted to the entire Board of Commissioners that he took it upon himself to implement the charge as a Service Fee when a delinquent customer bill deemed it necessary for a water meter disconnect, and that Mr. Conley instructed office personnel to assess the

⁹ Case No. 2024-00251, May 8, 2025 Southern District’s Response to Commission Staff’s Third Request for Information, Item 13.

¹⁰ Southern District’s Response at 1.

¹¹ Southern District’s Response at 1.

¹² Rick Roberts’s Response at 1; Leslie Byron Scott’s Response at 1; Steve Dawson’s Response at 1; Bob Shepherd’s Response at 1; Donnie Daniels’s Response at 1.

charge accordingly.¹³ Southern District indicated that all individual Commissioners were scheduled to attend training at either the October 2025 or December 2025 Commission training.¹⁴

Manager Randy Conley's initial response stated he was operating under the impression that a "Disconnect" and "Reconnect" to a delinquent customer was considered the same as a "Service Call," which he believed allowable per the tariff.¹⁵ Mr. Conley directed the office employees to charge a "service call" for disconnections and reconnection of delinquent customers.¹⁶ Mr. Conley stated he did not consult Southern District's Board when making this decision, and at the time this decision was made, he was still acclimating to his position and was learning many rules and regulations.¹⁷ Mr. Conley stated he enrolled in the Utility Management Institute course taught by Kentucky Rural Water Association and planned to complete it by the end of 2025.¹⁸ Mr. Conley asserted that, moving forward, he would ensure Southern District complies with the directives of the Commission, and will no longer charge a "Service Call" for such actions.¹⁹

Based upon the case record and Southern District's admission, the Commission finds that Southern District assessed a charge that was unapproved by the Commission

¹³ Rick Roberts's Response at 1.

¹⁴ Southern District's Response to Staff's First Request, Item 1.

¹⁵ Randy Conley's Response at 1.

¹⁶ Randy Conley's Response at 1.

¹⁷ Randy Conley's Response at 1.

¹⁸ Randy Conley's Response at 1.

¹⁹ Randy Conley's Response at 1.

and therefore violated KRS 278.160. The Commission finds that the violations were willful and breached Southern District's Commissioners' and Manager's duty to operate the utility in accordance with statutes in KRS Chapters 74 and 278, Commission regulations, and Commission Orders. KRS 74.070(2) states that "[t]he business and affairs of the water district shall be managed under the direction and oversight of its commission." Southern District's Commissioners' responsibility includes ensuring that personnel have appropriate training and knowledge for their positions, but especially for a manager of the utility. Instead of taking responsibility for the error, Southern District excused the failure to comply with its statutory and regulatory duty by attributing the district's daily functions and knowledge of the particular charge on its manager.

With the finding of a willful violation of KRS 278.160 and 807 KAR 5:068, the Commission finds that Southern District Commissioners and Manager should be assessed a civil penalty of \$250 each, in accordance with KRS 278.990(1). However, the Commission will suspend the civil penalty conditioned upon Southern District's Commissioners and Manager attending six hours of certified water management training approved by the Commission within one year from the issuance of this Order and providing documentation of that training no later than November 30, 2027. While the Commission commends the individual Commissioners and Manager for scheduling training last year, the Commission finds that additional training will assist Southern District's Commissioners and Manager to carry out their statutory duties.

Southern District provided the total number of occurrences of the “disconnect charge” being assessed from 2022 through 2025, with revenues totaling \$12,374.²⁰ The Commission finds that Southern District should refund the \$12,374 collected in violation of KRS 278.160 to the customers who were assessed the unapproved charge. The Commission further finds that a gradual refund period of six months is the most efficacious way to return the revenues because it balances the financial impact on the utility with the importance of timely refunding customers the amount collected for the unapproved disconnect charge. Within 15 days of fully refunding the revenues, Southern District shall file with the Commission a summary report with documentation illustrating the amount returned, any funds that it was unable to return, and how Southern District proposes to account for any amounts it was unable to return.

IT IS THEREFORE ORDERED that:

1. Southern District’s Commissioners and Manager are assessed a civil penalty of \$250 each, which are suspended conditioned upon Southern District’s Commissioners and Manager attending six hours of certified water management training within one year from the issuance of this Order.

²⁰ Southern District’s Response to Staff’s First Request for Information, Item 4.

Year	Active		Inactive		Total		Active %
	Occurrences	Dollars	Occurrences	Dollars	Occurrences	Dollars	
2022	21	\$ 840	15	\$ 600	36	\$ 1,440	58%
2023	100	4,000	47	1,880	147	5,880	68%
2024	65	2,600	17	680	82	3,280	79%
2025	62	1,494	7	280	69	1,774	90%
Total	248	\$ 8,934	86	\$ 3,440	334	\$ 12,374	74%

2. Southern District Commissioners and Manager shall file written notice no later than November 30, 2027, that they attended six hours of certified water management training within one year from the issuance of this Order.

3. Beginning with the next billing month after the date of this Order, Southern District shall refund \$12,374 to the customers who were assessed the charge over a period of six months.

4. Within 15 days of refunding the revenues from the unapproved disconnect charge, Southern District shall file with the Commission a summary report with documentation illustrating the amount of revenues returned, and how Southern District proposes to account for any amounts it was unable to return.

5. All filings made pursuant to these ordering paragraphs shall be made in the post-case correspondence file in this proceeding and shall include the case number.

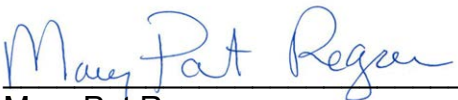
6. This case is closed and removed from the Commission's docket.

Entered on this 25th day of September, 2026.

PUBLIC SERVICE COMMISSION



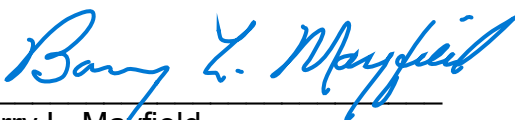
Angie Hatton
Chair



Mary Pat Regan
Vice Chair



Andrew W. Wood
Commissioner



Barry L. Mayfield
Commissioner

ATTEST:



Justin McNeil
Executive Director

Service List for Case 2025-00233

* 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

* Honorable Earl M McGuire
Attorney at Law
McGuire Law Office
132 South Lake Drive
P.O. Box 1746
Prestonsburg, KY 41653

* 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