

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HARDIN COUNTY WATER)
DISTRICT NO. 1 FOR EXTENSION OF) CASE NO. 2011-00009
DEVIATION FROM 807 KAR 5:066, SECTION)
16, PERIODIC TEST SCHEDULE)

ORDER

On October 14, 2005, the Commission granted Hardin County Water District (“Hardin District”) permission to deviate from 807 KAR 5:066, Section 16(1), and to suspend until December 31, 2010 testing of one-inch and smaller meters (“small meters”) that the water district is replacing with new automated meter reading (“AMR”) meters.¹ 807 KAR 5:066, Section 16(1), requires a water utility to periodically test small meters so that no meter remains in service without testing for a period longer than 10 years. Hardin District now requests leave to continue its suspension of testing until December 31, 2013.²

Having considered the request and being otherwise sufficiently advised, the Commission finds that:

1. On October 14, 2005, the Commission permitted Hardin District to suspend until the December 31, 2010 testing of small meters that the water district is

¹ Case No. 2005-00225, *Application of Hardin County Water District No. 1 for Approval of Deviation from Administrative Regulation 807 KAR 5:041, Section 15, Periodic Test Schedule* (Ky. PSC Oct. 14, 2005).

² Letter from Jim Bruce, General Manger, Hardin County Water District No. 1, to Jeff Derouen, Executive Director, Public Service Commission (Jan. 3, 2011). The Commission will treat this request as an application.

replacing with new AMR meters.

2. Table 1 sets forth Hardin District's progress regarding the replacement of its small non-AMR meters.

Year	AMR Meters Installed in Current Yr	Total AMR Meters Installed	Non-AMR Meters in Service Tested Within 10 Years	Non-AMR Meters in Service Not Tested Within 10 Years	Non- AMR Meters As Percentage of Total Meters
2006	1880	2746	5570	1633	72.0
2007	189	2935	5239	1775	70.5
2008	1225	4160	5983	1823	58.0
2009	972	5132	2627	2190	48.4
2010	58	5190	2636	2123	48.0

3. As of January 3, 2011, Hardin District had replaced only 5,190 of its 9,949 small meters with AMR meters. Approximately 4,759 small meters remain to be replaced.³

4. After the Commission authorized Hardin District to deviate from 807 KAR 5:066, Section 16(1), Hardin District experienced problems with its planned replacement of existing water meters. The installed AMR meters initially had a read collection rate⁴ that ranged between 80 and 85 percent. The utility was able to collect meter readings in a usable manner no more than 85 percent of the time. This relatively low read collection rate reduced the savings achieved from the meters' installation. Hardin District, therefore, limited its new meter installations until meter vendors resolved the problem and raised the read collection rate to acceptable levels.

³ *Id.* Hardin District originally reported that a total of 9,868 AMR meters would be installed. Of this number, 9,348 new meters would be installed and 520 meters would be retrofitted. Letter from Jim Bruce, General Manger, Hardin County Water District No. 1, to James A. Welch, Director of Engineering, Public Service Commission (Jun. 9, 2005).

⁴ Read collection rate refers to the frequency of accurate AMR readings.

5. While delaying its installation of AMR meters, Hardin District did not resume testing of its small non-AMR meters.

6. Hardin District is not currently in compliance with 807 KAR 5:066, Section 16(1), which requires a water utility to periodically test small meters so that no meter remains in service without testing for a period longer than 10 years.

7. Since its initial plan to replace all existing small meters with AMR meters, Hardin District has revised its plans regarding the direct provision of water service to certain mobile home and trailer parks within its territory.⁵ This revision required Hardin District to purchase and install an additional 1,200 small meters.⁶

8. Hardin District estimates the cost of replacing its remaining small meters with AMR meters is \$728,000.

9. Hardin District lacks sufficient funds to complete the replacement of its remaining non-AMR small meters within one year.

10. Hardin District is currently installing new AMR small meters at new locations and plans to purchase and install an additional 132 AMR small meters each month for the next 36 months to complete its meter change-out program.

11. Hardin District estimated that, if the requested extension is granted, some existing non-AMR small meters may remain in service for as long as 18 years without testing.

⁵ See Case No. 2009-00113, *Application of Hardin County Water District No. 1 to Modify Water Utility Tariff of Master Meters for Billing Multi-unit Residential Properties* (Ky. PSC Oct. 22, 2010); Case No. 2007-00461, *Hardin County Water District No. 1's Proposed Tariff Allowing The Use of Master Meters In Manufactured Housing Communities* (Ky. PSC Aug. 14, 2008).

⁶ Letter from Jim Bruce, General Manger, Hardin County Water District No. 1, to Jeff Derouen, Executive Director, Public Service Commission (Jan. 3, 2011).

12. Hardin District estimated that a savings of \$83,200, or \$8.90 per meter, would result from suspension of its obligation to test 9,348 meters.⁷

13. For the calendar year ending December 31, 2010, Hardin District reported water loss of 9.92 percent.⁸

14. The purpose of Commission's meter testing regulation is to protect the integrity of and promote public confidence in a utility's billing system. Without the accurate measurement of water consumption and accurate customer billing, customers will lack confidence in the fairness of utility bills.

15. Continued unconditional suspension of testing requirements will not produce sufficient savings to justify the potential loss of public confidence in Hardin District's billing.

16. Hardin District should be permitted to continue to deviate from the requirements of 807 KAR 5:066, Section 16(1), until December 31, 2013, only on the condition that, upon its removal of a small meter that has been in service without testing for a period of 10 years or more, Hardin District shall test the meter for compliance with the accuracy standards set forth in 807 KAR 5:066, Section 15.

17. Hardin District's compliance with this condition will ensure that small non-AMR meters are replaced in an economic and efficient manner while protecting customers' interest in accurate billing.

⁷ Case No. 2005-00225, Application at 1. ($\$83,200 \div 9,348 \text{ meters} = \8.90 per meter.)

⁸ *Annual Report of Hardin County Water District No. 1 to the Public Service Commission of Kentucky for the Calendar Year Ended December 31, 2010* at 30. 807 KAR 5:066, Section 6(3), provides that "for rate making purposes a utility's unaccounted-for water loss shall not exceed fifteen (15) percent of total water produced and purchased, excluding water used by a utility in its own operations."

18. Hardin District should report to the Commission semi-annually on the progress of its AMR meter installations, to include but not be limited to, the number of new AMR meters installed, number of non-AMR small meters remaining in service, number of existing small meters that have not been tested within 10 years and remain in service, the percentage of Hardin District's small meters that are non-AMR meters remaining to be replaced, and the results of any tests performed on removed small meters that had not been tested for 10 years or longer.

IT IS THEREFORE ORDERED that:

1. Hardin District's request for an extension is granted in part and denied in part.

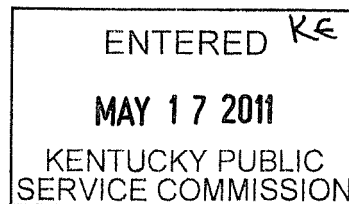
2. Hardin District is permitted until December 31, 2013 to deviate from 807 KAR 5:066, Section 16(1), on the condition that, upon its replacement of a small meter that has been in service without testing for a period of 10 years or more with an AMR meter, Hardin District shall test the removed meter for compliance with the accuracy standards set forth in 807 KAR 5:066, Section 15. If a meter does not meet the prescribed accuracy standards, Hardin District shall proceed as provided for in 807 KAR 5:006, Section 10(2).

3. On or before September 30 and March 31 of each year until 2014, Hardin District shall file with the Commission a written report on the progress of its AMR meter installations, to include but not be limited to, the number of new AMR meters installed, number of non-AMR small meters remaining in service, number of existing small meters that are older than 10 years and remain in service, the percentage of Hardin District's small meters that are non-AMR meters remaining to be replaced, and the results of any

tests performed on removed small meters that had not been tested for 10 years or longer.

Nothing contained in this Order shall limit the Commission's authority to review the authorized deviation while the deviation remains in effect.

By the Commission



ATTEST:

Executive Director

A handwritten signature in black ink, written over a horizontal line. The signature is highly stylized and cursive.

Jim Bruce
General Manager
Hardin County Water District #1
1400 Rogersville Road
Radcliff, KY 40159-0489