

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF INTENT OF KENTUCKY-AMERICAN)
WATER COMPANY TO FILE AN APPLICATION) CASE NO. 94-197
FOR AN INCREASE IN RATES)

O R D E R

On November 29, 1994, Kentucky-American Water Company ("Kentucky-American"), the Lexington-Fayette Urban County Government, the Attorney General's Utility and Rate Intervention Division, and Chetan Talwalker, parties to this proceeding, filed a Stipulation and Recommendation ("Stipulation") proposing to conclude the case with various agreed conditions. The Commission in an Order entered January 25, 1995 accepted the conditions of the Stipulation with the exception of the underground leak adjustment policy. On January 30, 1995, the parties filed a petition to either withdraw from the Stipulation or be granted rehearing on the underground leak detection policy. Subsequently on February 9, 1995, the parties filed another petition amending their request for rehearing on the underground leak detection policy.

In the original leak detection policy, the parties proposed to relieve residential customers of 75 percent of the charge for water resulting from undetected underground leaks. The Commission found this policy contrary to KRS 278.160, which prohibits a utility from charging, collecting, or receiving from any person less compensation for service rendered than prescribed in its tariffs and further in violation of KRS 278.170, which prohibits any

unreasonable preference or advantage to any person. Moreover, the Commission stated that the proposed leak policy would not encourage wise use of water.

The parties in the February 9, 1995 petition offered a different approach to the underground leak adjustment policy. First, the parties identified certain costs of water lost in undetected leaks and the trip charges associated with the repair. These costs were then divided by the projected number of leaks to arrive at a cost per 1,000 gallons of water lost. Second, the policy was extended to commercial customers. The parties in the February 9, 1995 petition stated that industrial customers were not included as none had reported any undetected leaks and as monthly billing promoted more current detection.

The figures derived for the underground leak adjustment set forth in the February 9 petition appear low. However, the revised policy is more compatible with the statutory requirements of KRS 278.160 and 278.170 and having been presented as a stipulation of the parties, should be approved as a temporary measure pending review in Kentucky-American's next rate case.

IT IS THEREFORE ORDERED that:


1. The amended petition for rehearing filed by the parties is granted.
2. Ordering Paragraph 3 of the Commission's January 25, 1995 Order is vacated.

3. The underground leak adjustment policy set forth in Kentucky-American's proposed tariff, filed on February 9, 1995, in Appendix A is hereby adopted and approved.

4. Kentucky-American shall file a revised tariff setting forth the rate and conditions contained in Appendix A within 30 days from the date of this Order.

Done at Frankfort, Kentucky, this 15th day of February, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:



Executive Director

KENTUCKY-AMERICAN WATER COMPANY

P.S.C. KY. NO. 6
ORIGINAL SHEET NO. 63

HIDDEN LEAK ADJUSTMENT RATE TARIFF

Applicable

Applicable to customers in the City of Lexington, Fayette County, Kentucky, and contiguous territory thereto.

Availability of Service

Available for Residential and Commercial customers.

Rates

A charge of \$.4118 per 1000 gallons will be applied to all water usage determined to be the result of a hidden underground leak.

Terms and Conditions

A hidden underground leak is defined as a leak in the customer service line between the meter and the premises. Hidden underground leak adjustments will be granted to residential and commercial customers. The customer must provide a plumber's statement or list of materials showing that the leak has been repaired. After verification of repairs by the Water Company, the bill will be adjusted by comparing the usage during the leak billing period to the average usage for the past six billing periods. A reasonable estimate will be used in cases when six prior periods of information do not exist. The excess usage will be billed at the rate specified above. During the lifetime of a water service line only two leak adjustments will be permitted. Each adjustment may cover a maximum of two billing periods. Before a third adjustment can be considered, the entire water service line from the meter box to the premises must be replaced. Plastic pipe for repair of underground water service lines must be certified to withstand a working pressure of 160 pounds per square inch or greater.

Issued: _____

Effective: _____

Issued By: _____

R. W. Mundy, Vice President
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