

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTHERN	)	
WATER & SEWER DISTRICT FOR A CERTIFICATE	)	CASE NO.
OF PUBLIC CONVENIENCE AND NECESSITY TO	)	2019-00328
INSTALL AUTOMATIC METER READING METERS	)	

ORDER

On September 6, 2019, Southern Water and Sewer District (Southern District) tendered an application for a Certificate of Public Convenience and Necessity (CPCN) to install an automatic meter reading (AMR) meter system. By letter dated September 12, 2019, Southern District was informed that its application did not meet the minimum filing requirements. Southern District subsequently cured the filing deficiencies, and its application was deemed filed on September 19, 2019. Southern District responded to two rounds of discovery. Southern District has not requested a hearing. The Attorney General filed a motion to intervene on November 1, 2019, which is granted in this Order. The record for this case is complete, and the matter stands ready for a decision.

PROPOSED AMR METER PROJECT

Southern District proposes to purchase and install AMR meters from RG3 Meter Company (RG3). The proposal includes the installation of 5,600 AMR meters and associated appurtenances at a cost of approximately \$1,291,750.<sup>1</sup> Southern District has not finalized financing for the meters but has applied for a loan from Government Capital

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<sup>1</sup> Amended Application at paragraph 6 and Exhibit 1.

Corporation.<sup>2</sup> Southern District states that it will file an application requesting Commission approval for the financing once it receives the final loan proposal.<sup>3</sup>

Southern District states that the AMR meter installation is expected to be completed within 90 calendar days, barring any weather delays.<sup>4</sup> The AMR meters will be installed by Meter Installation Group (MIG), which is owned by the same parent as RG3.<sup>5</sup> MIG will have at least two crews installing the meters, with an average of 94 AMR meters installed per working day.<sup>6</sup>

Southern District selected RG3 after receiving bids from seven meter companies in response to a request for proposal.<sup>7</sup> Southern District states that the factors for selecting RG3 included RG3's experience, warranty, cost, proven technology, and power output.<sup>8</sup> In regard to the power output, Southern District explains that RG3's AMR meters' power output, which is twice as much as other bidders' products, allows for better reading in cast iron lids and deep meter pits that are full of water, and that Southern District confirmed the performance of RG3 meters with three other Kentucky water utilities.<sup>9</sup>

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<sup>2</sup> Southern District Response to Commission Staff's First Request for Information (Response to Staff's First Request), Item 2.

<sup>3</sup> *Id.*

<sup>4</sup> Southern District's Response to Commission Staff's Second Request for Information (Response to Staff's Second Request), Item 1.

<sup>5</sup> *Id.* at Item 3.

<sup>6</sup> *Id.* at Item 1.

<sup>7</sup> Response to Staff's First Request, Item 1, Exhibit 1.

<sup>8</sup> Response to Staff's Second Request, Item 4.

<sup>9</sup> *Id.*

Southern District further explains that, with the affiliate relationship between RG3 and MIG, there is one vendor that warranties both installation and the meters.<sup>10</sup>

Southern District asserts that the AMR meters are necessary for a uniform, efficient, and modern metering system that will significantly reduce water loss given that Southern District's current meters are aged and have not been tested for accuracy in over ten years.<sup>11</sup>

### DISCUSSION AND FINDINGS

The Commission raised its concerns regarding Southern District's high water loss percentage, past management's failure to test meters,<sup>12</sup> and the need for new meters in Southern District's alternative rate filing (ARF) case, Case No. 2019-00131.<sup>13</sup> Because of the high number of meters that registered zero water usage and lack of financial ability to replace its aged, malfunctioning meters, the Commission approved an interim flat rate.<sup>14</sup> The interim flat rate was conditioned upon Southern District obtaining proposals to replace the system's meters.<sup>15</sup> In the final Order in Case No. 2019-00131, the

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<sup>10</sup> *Id.*

<sup>11</sup> Amended Application at paragraphs 5 and 9.

<sup>12</sup> Southern District's previous board members all resigned in February 2019, and its previous general manager resigned in April 2019. Its current board was appointed in February 2019. Southern District contracted with its current management company in March 2019. Under the previous board and general manager, Southern District did not test meters as required by 807 KAR 5:066, Section 16.

<sup>13</sup> Case No. 2019-00131, *Application of Southern Water and Sewer District for an Alternative Rate Adjustment* (Ky. PSC June 6, 2019).

<sup>14</sup> *Id.* at 6.

<sup>15</sup> *Id.*

Commission approved, among other things, a meter replacement surcharge to fund the purchase and installation of new meters.<sup>16</sup>

Regarding the Attorney General's motion to intervene, the Commission did not establish a procedural schedule, and, although the motion was filed approximately two months after Southern District submitted the application, the Attorney General's motion is timely filed. However, Southern District demonstrated the need for new meters, which will not result in wasteful duplication of existing facilities, and the record for this case is complete. As we note in the final Order in Case No. 2019-00131, there is a financial urgency to replace current meters as soon as possible because each residential customer will be moved from the flat monthly rate to a volumetric rate when a new meter is installed at that customer's location.<sup>17</sup> Additionally, customers will receive a refund of any over collection if their average usage in the 12 months after new meters are installed is less than 4,000 gallons. Therefore, the sooner the new meters are installed, the sooner the volumetric rates and refund mechanism will be activated.

Having reviewed the record and being sufficiently advised, the Commission finds that:

1. The proposed construction will not result in wasteful duplication of existing facilities.
2. The proposed construction does not conflict with any existing certificates or service of any other utility operating in the area.

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<sup>16</sup> *Id.*, final Order (Ky. PSC Nov. 7, 2019).

<sup>17</sup> *Id.*

3. Public convenience and necessity require the proposed construction, which will allow Southern District to continue providing reliable and adequate water service to its customers.

IT IS THEREFORE ORDERED that:

1. Southern District is granted a CPCN for the proposed project as submitted.

2. The Attorney General's motion to intervene is granted.

3. Southern District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

4. Southern District shall file with the Commission documentation of the total costs of this project, including the cost of construction and other capitalized costs (e.g., engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Construction costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

5. Southern District shall file a certified statement that the construction has been satisfactorily completed in accordance with the Commission's grant of a CPCN for this project when 50 percent of the meters are installed. Each certified statement shall be filed within 60 days of satisfying the reporting threshold.

6. Southern District shall notify the Commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

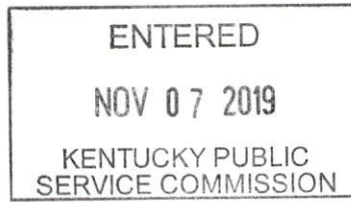
7. Any documents filed in the future pursuant to ordering paragraphs 3, 4, and 5 shall reference this case number and shall be retained in the post-case correspondence file.

8. The Executive Director is delegated authority to grant reasonable extensions of time for filing any documents required by this Order upon Southern District's showing of good cause for such extension.

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

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By the Commission



ATTEST:

  
Executive Director

\*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, KENTUCKY 41653