

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF KENTUCKY-)	
AMERICAN WATER COMPANY'S ALLEGED)	CASE NO.
VIOLATION OF A TARIFF AND COMMISSION)	2022-00299
REGULATIONS REGARDING METERS AND)	
MONITORING CUSTOMER USAGE)	

ORDER

The Commission, on its own motion, establishes this proceeding, pursuant to KRS 278.260, to conduct a formal investigation into Kentucky-American Water Company's (Kentucky-American) acts and practices relating to its service or any service in connection therewith, including, but not limited to, Kentucky-American's obligation to provide adequate, efficient and reasonable service¹ and its compliance with 807 KAR 5:006, Section 7, and Kentucky-American's tariff.

LEGAL STANDARD

Kentucky-American is a utility as defined in KRS 278.010(3)(d). Pursuant to KRS 278.040(2), the Commission has jurisdiction over the regulation of the rates and services of utilities within the state. The Commission's regulation of rates and services ensures that utilities furnish adequate, efficient and reasonable service.² KRS 278.040(3) permits the Commission to adopt regulations to implement the provisions of KRS Chapter 278. Additionally, KRS 278.260 allows the Commission to undertake an investigation of

¹ KRS 278.030(2).

² KRS 278.030(2).

a utility's services, or any service in connection therewith, on its own motion. KRS 278.990 authorizes the Commission 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 upon a finding by the Commission that the utility and its officers, agents, or employees who willfully violate any provision of KRS 278, Commission regulations, or Orders.

The Commission promulgated regulations related to billing and meter reading in 807 KAR 5:006, Section 7. Specifically, 807 KAR 5:006, Section 7(1)(a)(3) requires a bill that is sent to a customer include the present and last preceding meter reading. 807 KAR 5:006, Section 7(1)(a)(12) requires a utility to state on the bill whether the bill is estimated or calculated. Commission regulation 807 KAR 5:006, Section 7(5) prescribes the frequency of meter reading by a utility. Meters must be read at least quarterly.³ Each customer meter must be read manually at least once per calendar year.⁴ If a utility, due to reasons outside of its control, cannot read a meter in accordance with the regulations the utility must keep a record of the dates and times the attempts were made and the reason the meter could not be read.⁵

Each utility is required to file with the Commission a schedule of all rates and conditions for service.⁶ Kentucky-American Tariff Sheet 12, 6.1(b) states, "All Meters, except detector devices and/or fire service line Meters, will be installed, maintained, and replaced by; and at the expense of the Company...." Kentucky-American Tariff Sheet 13,

³ 807 KAR 5:006, Section 7(5)(a).

⁴ 807 KAR 5:006, Section 7(5)(b).

⁵ 807 KAR 5:006, Section 7(5)(d).

⁶ KRS 278.160.

6.1(j) details the monitoring of customer usage. The tariff requires Kentucky-American to collect usage information of each customer and compare the usage to the historical usage of that customer. If it appears there is an unusual deviation, Kentucky-American is required to notify the customer to determine source or cause for the unusual usage.⁷

DISCUSSION

Kentucky-American is a wholly owned subsidiary of American Water Works Company, Inc. (American Water) that distributes and sells water to approximately 136,000 customers in Bourbon, Clark, Fayette, Franklin, Gallatin, Grant, Harrison, Jackson, Jessamine, Nicholas, Owen, Rockcastle, Scott, and Woodford counties.⁸ In 2013, Kentucky-American transitioned to an automatic meter read (AMR) system.⁹ Meters are read remotely when Kentucky-American vehicles drive by and the Meter Interface Unit (MIU) transmits usage information to Kentucky-American radio receivers.¹⁰ Kentucky American can then collect and analyze the data to generate customer bills and create work orders if there are issues with the meters.¹¹

⁷ Kentucky-American Water Company Tariff Sheet, 13, 6.1(j).

⁸ *Annual Report of Kentucky-American Water Company to the Public Service Commission for the Year Ending December 2021* (2021 Annual Report) at 54.

⁹ Case No. 2016-00394, *Electronic Kentucky-American Water Company's Request for Permission to Deviate From 807 KAR 5:006, Section 26(6)(B)* (Ky. PSC Dec. 12, 2017), Order at 2.

¹⁰ Case No. 2016-00394, Dec. 12, 2017 Order at 3.

¹¹ Case No. 2016-00394, Dec. 12, 2017 Order at 3.

Kentucky-American's meters and metering practices have been the subject of multiple cases at the Commission.¹² Additionally, the Commission's informal complaint system reflects the same issues with Kentucky-American's metering practices. Of particular concern, is that Kentucky-American's AMR meters with MIU are not transmitting data to the radio receivers. When the usage is not transmitted to the radio receivers, that customer receives a bill based on estimated usage. In some cases, customers have received and are receiving estimated bills for several months or years, raising concerns that Kentucky-American is in violation of 807 KAR 5:006, Section 7(5)(b) which requires Kentucky-American to read customer meters manually at least once each calendar year.

Kentucky-American's Tariff Sheet No. 13, 6.1(j) requires Kentucky-American to monitor a customer's usage and compare the monthly use to prior months. If there is a large deviation in a monthly amount from the historical usage, Kentucky-American is required to notify the customer to determine why there is a deviation in usage. In Case No. 2020-00033, the Commission found Kentucky-American did not notify a customer about unusually high usage and noted that Kentucky-American is a large enough company, with sufficient resources, to provide a high level of customer service to prevent the company from violating its tariff to the detriment of ratepayers.¹³ The Commission

¹² See Case No. 2019-00373, *Needham Betz Thoroughbreds, Inc. v. Kentucky-American Water Company*; Case No. 2019-00259, *Lowell Dewayne Shepherd v. Kentucky-American Water Company*; Case No. 2019-00093, *Earl D. Ison, Jr. and Brenda C. Ison v. Kentucky-American Water Company*; Case No. 2019-00016, *William Ellis Bollinger III v. Kentucky-American Water Company*; Case No. 2017-00452, *Roger W. Parry v. Kentucky-American Water Company*.

¹³ Case No. 2020-0033, *Robert D. Hobdy v. Kentucky-American Water Company* (Ky. PSC June 10, 2022), Order at 7.

has noted that it would be opening an investigation into Kentucky-American's metering practices.¹⁴

The Commission finds that these prior cases and issues from informal complaints necessitate opening this proceeding to investigate Kentucky-American's meter practices to ensure that Kentucky-American is providing adequate, efficient and reliable service as required by KRS 278.030(2) and that its practices or acts are not unreasonable, unsafe or insufficient.

The Commission further finds that the Attorney General of the Commonwealth of the Kentucky, by and through the Office of Rate Intervention (Attorney General) should be served a copy of this Order. The Commission finds that any interested person should file a motion to intervene within 30 days of the date of service of this Order.

In order to gather information necessary to determine if Kentucky-American is in violation of KRS 278.030(2), 807 KAR 5:006, Section 7, and its own tariff provisions, a request for information is attached in Appendix A of this Order.

IT IS THEREFORE ORDERED that:

1. This proceeding is established to investigate whether Kentucky-American is in violation of KRS Chapter 278.030(2), 807 KAR 5:006, Section 7, its tariff or any other provision of KRS Chapter 278 or 807 KAR Chapter 5.
2. The Executive Director shall serve a copy of this Order on the Attorney General.
3. Motions to intervene shall be filed within 30 days of service of this Order.

¹⁴ See Case No. 2019-00133, *Bent Tree Condominium Association v. Kentucky-American Water Company*, (Ky. PSC June 30, 2022), Order at 8.

4. Pursuant to 807 KAR 5:001, Section 8(9), within seven days of service of this Order, Kentucky-American, shall file a written statement with the Commission that:

a. Certifies that it, or its agent, possesses the facilities to receive electronic transmissions; and

b. Sets forth the electronic mail address to which all electronic notices and messages related to this proceeding shall be served.

5. Any party filing documents with the Commission shall serve a copy of those documents upon all other parties. Unless otherwise ordered by the Commission, the procedures set forth in 807 KAR 5:001, Section 8, related to the service and electronic filing of papers shall be followed in this proceeding.

6. The Commission directs the parties to the Commission's July 22, 2021 Order in Case No. 2020-00085¹⁵ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

7. Kentucky-American shall file responses to the information requests set forth in the Appendix no later than 45 days from the service of this Order.

8. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.


¹⁵ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

PUBLIC SERVICE COMMISSION



Chairman

Vice Chairman



Commissioner



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00299 DATED SEP 27 2022

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO KENTUCKY-AMERICAN WATER COMPANY

Kentucky-American Water Company (Kentucky-American), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested is due 45 days from service of this Order. The Commission directs Kentucky-American to the Commission's July 22, 2021 Order in Case No. 2020-00085¹⁶ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kentucky-American shall make timely amendment to any prior response if Kentucky-American obtains information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any

¹⁶ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

request to which Kentucky-American fails or refuses to furnish all or part of the requested information, Kentucky-American shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Kentucky-American shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Provide a copy of all reports prepared by Kentucky-American regarding consecutive estimated meter reads between January 2018 and the date of service of this Order.

2. Provide a report with the following information for each month from January 2018 through August 2022:

- a. Number of residential customers billed.
- b. Percentage of residential customers with an estimated read.
- c. Newly reported consecutive estimated readings.
- d. Re-occurring consecutive estimated readings.
- e. Total number of meters replaced during the month.

3. For each estimated customer billing between January 2018 and August 2022, provide the reason for the estimated reading.

4. For each estimated customer billing between January 2018 and August 2022 due to failure of the MIU to transmit data to the radio read receiver, or a zero usage, provide the date and time an attempt was made to manually read the meter and the reason the utility was unable to read the meter.

5. Describe the steps taken by Kentucky-American since January 2018 to address the issue of the MIUs not transmitting usage data.

6. Describe the steps taken by Kentucky-American since January 2018 to manage the number of consecutive meter estimates.

7. Describe the steps taken by Kentucky-American since January 2018 to obtain accurate meter readings when usage data was not transmitted to Kentucky-American radio receivers during the meter reading process.

8. How many employee positions were dedicated to meter maintenance each month between January 2018 and August 2022 to mitigate the issue of MIU failure to transmit usage data to radio receivers. Describe in specific detail the responsibilities of each position.

9. Provide a report with the number of service orders originated to investigate the failure of MIUs to transmit usage to radio receivers on a monthly basis between January 2018 and August 2022.

a. Provide the number of service orders for which the work was completed.

b. Provide the number of service orders that expired before the work was completed.

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Lexington, KY 40502

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