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August 8, 2017

PARTIES OF RECORD

Re: Case No. 2014-00267

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum please do so within five days of receipt of this letter.

If you have any questions, please contact Brittany Koenig, Commission Staff Attorney, at 502-782-2591.

Sincerely,

A handwritten signature in blue ink, appearing to read "John S. Lyons".

John S. Lyons
Acting Executive Director

BHK/ph

Attachments

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2014-00267

FROM: Brittany Koenig, Staff Attorney

DATE: July 31, 2017

RE: Informal Conference of July 31, 2017

Pursuant to Commission Staff's Notice of Informal Conference ("IC") filed into the record on July 25, 2017, an IC was held in this matter on July 31, 2017. A representative of Cannonsburg Water District ("Cannonsburg") and State Representative Kevin Sinnette, counsel for Cannonsburg, participated in the conference with Commission Staff ("Staff"). A copy of the attendance roster is attached.

Staff Attorney Brittany Koenig began the meeting by advising representatives of Cannonsburg that notes would be taken during the conference and that Staff would prepare and enter into the record a memorandum regarding the conference. Ms. Koenig further advised that the parties would have five days after the memorandum is entered into the record to file comments on the memorandum.

Ms. Koenig began by explaining that she had conferred with Staff Attorney John Park on the history of this case and she would be taking over for him.

Cannonsburg began by updating on the service of two malfunctioning flow meters that CI Thornburg was on site to repair on July 14, 2017. The two master meters were performing well in test mode. Timothy Webb discussed the district's plan to move forward in two phases, spending money on leak detection prior to spending money on replacing pipes. Cannonsburg proposed addressing zone metering in the first phase and in the second phase replacing residential meters.

Mr. Webb discussed the fact that of its 3900 customers, 2200 meters were replaced through a RD project. Cannonsburg discussed the issue of finishing out the system already installed and how they would go about the process of requesting a bid for the particular meters through a "sole source" exception under the Kentucky Procurement guidelines.

Cannonsburg brought a coverage map of its water system, and identified for Staff the location of the master meters installed as part of its Commission-approved water loss detection plan, including the two meters under repair. Cannonsburg identified locations on its system map where it would like to install additional master meters. Cannonsburg estimated that 13 or more additional meters were needed to identify line leaks and prioritize them for repair or line replacement. Cannonsburg stated that it

needed to verify line location in some areas before it could propose a detailed plan. Mr. Webb noted a theft issue in mobile home parks and staff suggested some possible methods to guard against that particular type of water loss.

Additionally, Cannonsburg noted it had concerns that some water loss was occurring at their purchase points where the city of Ashland has not tested its meters. Cannonsburg referenced attending KWRA training and becoming aware that Cannonsburg could object to the rates that the city of Ashland imposed upon them. It was noted that the attorney for Cannonsburg represents the city of Ashland as well and there may be a conflict of interest.

Staff noted that Cannonsburg must obtain Commission approval before spending surcharge funds on additional meters. Cannonsburg plans to apply for a CPCN in the next couple of months for the two-phased plan to install zone metering and install 800 residential meters. Staff suggested Cannonsburg attempt to bid out the purchase of materials for the project, even if the particular meters were from a sole source and make a good faith attempt to provide comparable information in its application. Staff stated that Cannonsburg should provide as much detail in support of its application for CPCN as possible, including support as to how the replacement of meters is directly related to line loss. Replacement of meters in the normal course of maintenance would not be related to line loss, unless it is shown that the meters are faulty.

Mr. Webb stated that he was not aware of prior requests to use surcharge funds for meter replacement and Staff referred Cannonsburg to the record and a June 17, 2015 Surcharge Activity Report, which includes a reference to using the surcharge money to replace five of eight large meters. Additionally, an IC was held on July 13, 2015, and the July 21, 2015 memo mentions Cannonsburg's intention to use surcharge funds to replace large meters and a July 21, 2015 response explains that Cannonsburg will not file a motion to request surcharge funds to replace the large meters.

Cannonsburg requested that Staff schedule another informal conference to help the district develop a plan to refine its water loss detection plan and review its CPCN materials. Staff stated it would schedule another informal conference in eight weeks.

There being no further business, the informal conference adjourned.

Attachment

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