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David L. Armstrong
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Vice Chairman

Daniel E. Logsdon, Jr.
Commissioner

May 18, 2015

PARTIES OF RECORD

Re: Case No. 2015-00037

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 Jonathan Beyer, Staff Attorney, at 502/782-2581.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

Enclosures

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File – Case No. 2015-00037

FROM: Jonathan Beyer, Staff Attorney

DATE: May 18, 2015

RE: Informal Conference of May 13, 2015

Pursuant to an April 27, 2015 Commission Order, an informal conference call was held in this matter on May 15, 2015. A list of attendees is attached.

Beginning the conference, counsel for U.S. 60 Water District (“U.S. 60”) stated that while U.S. 60 does not have any additional water storage standpipes that have a similar construction to the Waddy standpipe, however, North Shelby Water District, which is jointly operated with U.S. 60 does have one such standpipe. That standpipe has been drained, inspected and found to be in better condition than the Waddy standpipe, however, as its condition is deficient it is slated for removal in the near future. Counsel further stated that the two remaining standpipes on U.S. 60’s system are of a welded construction that is not susceptible to the type of corrosion that lead to the failure of the Waddy standpipe. Counsel indicated that both of those standpipes had been slated for removal upon construction of a new 750,000 gallon storage tank. However, due to the loss of the Waddy standpipe, one of the two remaining standpipes will be retained for an indefinite period. The other standpipe is scheduled to be removed from service imminently. The structure will be decommissioned and removed shortly thereafter.

U.S. 60’s engineer, Sandy Broughman described the construction of the Waddy standpipe and explained that the new construction method for glass lined standpipes helps to alleviate the issues the Waddy standpipe experienced. He also noted that new standpipes are constructed with a preinstalled cathodic protection system. He stated that a passive cathodic protection system could have been installed on the Waddy tank for approximately \$3,000. An active system would have required up to \$20,000.

Staff questioned why no action was taken after the Liquid Engineering inspection was conducted in light of the comments made in the inspection video. U.S. 60 staff stated that they relied upon the inspector’s verbal comments and report and that the tank inspection videos are not always viewed. U.S. 60 manager, David Hedges stated that the district planned on inspecting the tank again in 2014 and that the Liquid Engineering inspector did not express any reservations with this inspection schedule. U.S. 60 staff contended that the inspector always recommends cathodic protection.

U.S. 60 personnel stated that in the future all tank inspections will be conducted by either a diver or draining of the tank. As the cost to drain a tank is approximately

\$5,000 and a remote video camera is approximately \$2,000, U.S. 60 asserted that it would not be reasonable to require all tanks to be internally inspected on an annual basis. Counsel asserted his belief that U.S. 60 complied with its inspection obligations through externally inspecting the Waddy tank on a yearly basis. U.S. 60 personnel further noted that there are numerous glass lined standpipes throughout the Commonwealth and that the Commission should direct that those standpipes should be inspected as soon as practicable.

The parties further discussed the allegations raised in this case. A settlement in principle was reached wherein U.S. 60 agreed that it would internally inspect its three existing water storage facilities within six months of resolution of this matter and will provide the inspection reports to the Commission thereafter. U.S. 60 further agreed to a monetary penalty in the amount of \$1,500.

Finding that no party had any further questions, the conference was adjourned.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

U.S. 60 WATER DISTRICT ALLEGED FAILURE TO) CASE NO.
COMPLY WITH 807 KAR 5:006, SECTION 26, 27) 2015-00037
AND 807 KAR 5:066, SECTION 7)

May 13, 2015

Please sign in:

NAME	REPRESENTING
<u>Jonathan Bayer</u>	<u>PSC</u>
<u>Susan Pennell</u>	<u>PSC</u>
<u>GEORGE W. WAKIM</u>	<u>PSC</u>
<u>Sam Reid</u>	<u>PSC</u>
<u>Garry Broughman</u>	<u>U.S. 60</u>
<u>David Hedges</u>	<u>U.S. 60</u>
<u>William Eggen</u>	<u>U.S. 60</u>
<u>[Signature]</u>	<u>U.S. 60 water</u>
<u>Don Prather</u>	<u>US 60 Water</u>
<u>Molly Katen</u>	<u>PSC</u>
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*David Hedges
Manager
U. S. 60 Water District of Shelby and Franklin
P. O. Box 97
Bagdad, KY 40003

*Honorable Donald T Prather
Mathis, Riggs & Prather, P.S.C. Attorneys at Law
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