

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC COMMISSION

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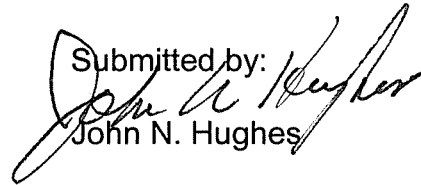
In the Matter Of:

APPLICATION OF NORTHERN KENTUCKY)
WATER DISTRICT FOR AUTHORITY TO)
ISSUE REVENUES BONDS,)
FOR APPROVAL OF) 2005-00148
FINANCING, FOR APPROVAL OF)
CONSTRUCTION, AND FOR ADJUSTMENT)
IN WATER RATES)

**NORTHERN KENTUCKY WATER DISTRICT'S RESPONSE TO THE
COMMISSION STAFF'S INFORMATION REQUEST,
DATED 10-17-2006**

Northern Kentucky Water District, by counsel, submits the attached responses to the Order of October 17, 2006.

Submitted by:



John N. Hughes

Attorney for Northern Kentucky
Water District.

Certificate of Service:

A copy of this response was delivered to the Attorney General's Office, 1024 Capital Center Dr., Frankfort, KY 40601 on October 31, 2006.



John N Hughes

Q1a. List each municipal water system that NKWD has acquired and that had customers whose water meters are located inside a building.

A1a. Witness: Bragg

RESPONSE: NKWD has acquired through mergers and acquisitions the following systems that had customers whose water meters were located inside a building:

1. The City of Covington
2. The City of Highland Heights
3. The City of Silver Grove
4. The City of Dayton
5. The City of Bellevue
6. The City of Fort Thomas
7. The City of Newport

Q1b. For each municipal water system listed above, state the number of customers who receive water service through meters located inside a building and the date when NKWD acquired the system.

A1b. Witness: Lofland/Bragg

RESPONSE:

Systems Purchased	Number of Customers	Date of Acquisition
City of Covington	562	12/13/77
City of Highland Hgts. / Silver Grove	313	1980's
City of Dayton	1,410	9/15/55
City of Bellevue	2,161	9/15/55
City of Fort Thomas	3,943	9/15/55
City of Newport	4,153	4/16/2002

12,542

Q1c. Provide all rules, municipal ordinances, written policies, and contracts that discuss each municipal water system's policies regarding the location of meters inside a customer's building and a customer's responsibilities and obligations toward the maintenance of that meter and the service line that connects the water utility's distribution line to the meter.

A1c. Witness: Bragg

RESPONSE: The NKWD is not aware of any rules, municipal ordinances, written policies, and contracts that discuss each municipal water system's policies regarding the location of meters inside a customer's building.

Q2a. Describe the circumstances under which an opportunity to move a customer's meter exists.

A2a. Witness: Harrison

RESPONSE: The NKWD will normally move a customer's meter outside into a new setting when the curb stop or shutoff valve at the customer's point of service near the right-of-way needs to be replaced or repaired. A significant portion of the expense to move a meter outside involves the labor necessary to excavate for the new setting. The District tries to take advantage of this savings when moving meters outside. Additionally, the District moves meters outside during main replacement projects and main rehabilitation projects that involve service line replacement or establishing temporary service during the project. Meters are also moved outside when access for change-outs is difficult or safety hazards exist inside the customer's premise. Customers may also request meters to be moved outside.

Q2b. State who is responsible for the cost related to relocating the water meter when NKWD relocates it to the customer's property line or curb.

A2b. Witness: Harrison

RESPONSE: Typically, NKWD bears the cost for relocating the water meter from the customer's premise to an outside location because it is beneficial for the District to have the meter moved outside. The District does have the ability to charge the customer for meter relocations in Section X (1.) of its Tariff if the customer requests that the meter be relocated/moved outside. However, due to the benefit to the District for moving meters outside, the customer has typically not been billed.

Q2c. Provide all of NKWD's written policies and procedures that relate to the practice discussed above.

A2c. Witness: Harrison

RESPONSE: NKWD's internal written practice is as follows:

"CRITERIA FOR MOVING METERS OUTSIDE

The following are reasons the District will move meters from an inside setting to an outside meter vault without charge to the customer:

1. If it is unsafe to read or make necessary repairs to the meter.
2. If the District has been unable to read the meter for a (1) year period and the Billing Department requests that the meter be moved.
3. If the District is unable to turn the water off at the curb stop to make repairs or for non-payment.
4. The District reserves the right to move any meter outside for any reason deemed necessary by District supervisors or above.

In all other cases the customer will pay the re-location charge per the District Invoice Billing Policy. If the District for maintenance purposes initiates any re-location, then this fee may be waived. Fee will not exceed the cost of a new service in any case.”

Q2d. If no written policy or procedure relating to the practices discussed above exists, describe how NKWD determines that a customer’s water meter should be relocated and the procedures that it uses to make the relocation.

A2d. Witness: Harrison

RESPONSE: See A2c.

Q2e. State the total number of meters that were originally located within a building that NKWD has relocated since January 1, 1995.

A2e. Witness: Harrison

RESPONSE: NKWD has relocated approximately 1,946 meters that were originally located within a building since January 1, 1996. NKWD does not have records for 1995.

Q2f. State for each calendar year since January 1, 1995, the number of meters that were originally located within a building that NKWD has relocated.

A2f. Witness: Harrison

RESPONSE: Meters that were moved outside since January 1, 1996 by year are as follows:

1996-41
1997-46
1998-144
1999-132
2000-132
2001-108
2002-128
2003-300
2004-273
2005-414
2006-228

Q3. Provide a breakdown of NKWD's average cost, which NKWD estimates at \$500, to relocate a water meter from inside a building to the customer's property line or curb.

A3. Witness: Harrison

RESPONSE: The breakdown of NKWD's average cost estimate of \$500 includes:

Labor-\$277

Materials-\$100

Contractors-\$59

Equipment-\$63

It is important to note that this is an average for all meter move-outs tracked since 1996. A bid for moving 154 meters outside in 2005, utilizing contractual services, resulted in an average cost of \$679 per move out.

Q4a. Identify the party (e.g., customer, utility) who owns the meter.

A4a. Witness: Harrison

RESPONSE: The Northern Kentucky Water District owns the meter.

Q4b. Identify the party who is responsible for the maintenance of the water meter. Explain why.

A4b. Witness: Harrison

RESPONSE: The NKWD is responsible for the maintenance of the water meter to help ensure its accurate operation to measure customer usage.

Q4c. Identify the party who is responsible for the installation of the water meter. Explain why.

A4c. Witness: Harrison

RESPONSE: The customer pays for the cost of the meter as part of the NKWD tap/new service fee. The meter is typically installed by the District to help ensure its accurate operation. NKWD typically pays for the cost of replacement meters.

Q5. State whether NKWD currently installs any meters in a customer's building. If yes, describe the conditions under which NKWD makes such installation.

A5. Witness: Harrison

RESPONSE: Yes, NKWD currently installs meters in a customer's building. These meters are predominately installed during replacement during routine meter testing for change outs. However, in rare instances, where there is no available installation space between the sidewalk and the customer's building for large meter installations that would require a meter pit, such as in more urban locations, the District will allow the meter to be located in buildings. There are probably less than 5 of these installations annually.

Q6. Administrative Regulation 807 KAR 5:066, Section 1(6), defines “service connection” as “the line from the main to the customer’s point of service” and “include(s) the pipe fittings and valves necessary to make the connection.” State whether NKWD is proposing to amend this definition to “the line from the main to the customer’s point of service at the boundary line of the customer’s property.” Explain.

A6. Witness: Harrison

RESPONSE: No. The District is not proposing to rewrite any regulation. The District is requesting an interpretation of the regulation to the effect that the District is not responsible for the maintenance and replacement of the service line from the main through the customer’s property and into the building, simply because the meter is installed inside the building being served. An interpretation to the contrary would inappropriately separate the normal relationship between ownership and maintenance responsibility, since the customers or property owners, and not the District, installed such lines. If the regulation does require such responsibility on the part of a utility, Northern requests a deviation pursuant to 807 KAR 5:066, section 18.

807 KAR 5:066(12)(2) defines the customer’s responsibility as furnishing and installing the pipe to make the connection from the point of service to the place of consumption. The point of service is the outlet of the meter, which in the case of a meter installed inside a building is also the point of consumption. **807 KAR 5:066(12)(1)(b) states that in areas having well defined streets and roads the customer’s point of service shall be located near the right of way or property line.** It is apparent that the intention of the regulation is to have the meter near the main with a service line extending from the meter to the building. The District is then responsible for the tap from the main to the meter and the customer is responsible for the service line from the meter to the building. The Commission’s order could be interpreted to mean that the connection from the main to the meter inside the building is part of the service connection and the cost of that portion of piping would be included in the determination of the tap fee allowed by KRS 278.0152.

The District is simply seeking consistency for all customers. In those situations where the meter is located inside the building, the District should be responsible only for that portion of service line from the tap to the normal point of service as currently defined in the regulation, i.e. that point near the right of way or property line. The customer would, then, be responsible for the portion of the line from the property line to the meter, just as all other customers, whose meters are not located inside the building.

Q7. Administrative Regulation 807 KAR 5:066, Section 1(7), defines “service line” as “the water line from the point of service to the place of consumption.” State whether NKWD is proposing to revise this definition to “the water line from the boundary of the customer’s property to the inlet side of the meter and from the outlet side of the meter to the place of consumption.” Explain.

A7. Witness: Harrison

RESPONSE: No. The District is not proposing to rewrite any regulation. The District is requesting an interpretation of the regulation to the effect that the District is not responsible for the maintenance and replacement of the service line from the main through the customer’s property and into the building, simply because the meter is installed inside the building being served. If the regulation does require such responsibility on the part of a utility, Northern requests a deviation pursuant to 807 KAR 5:066, section 18.

As discussed in Response 6, the District is simply seeking to make the definitions of these terms consistent for all customers. The interpretation that the District believes should apply would be that the service line extends from the point of service *as defined in 807 KAR 5:066(12)(6)(b)* to the point of consumption. This would make the responsibility for all customers the same as far as the ownership and maintenance of the service line.

807:KAR 5:066 (12)(2) says that the customer **shall** keep in good repair the service line from “the point of service to the place of consumption.” Obviously, the regulation contemplates that the customer not the utility maintains the service line. 807 KAR 5:066(12)(1)(b) says “point of service **shall** be located as near the customer’s property line as possible” Because both of these sections contain the mandatory “shall”, it is apparent that the intent of the regulation is for the customer to install, own, repair or replace the service line from the property line to the meter. Conversely, the regulation intends that the utility not have that responsibility. This interpretation is consistent with the provisions in 807 KAR 5:022(17) relating to the installation, location of and maintenance of gas service lines. In prior cases, the Commission granted gas companies a deviation from the regulation so that they, not the customer, would own and maintain the service line. See for example, Case No. 890041, order of August 17, 1989, involving Delta Gas Company.

Northern is seeking clarification of the regulation to the effect that the customer, in fact, owns, and therefore has maintenance responsibility for, the portion of the line defined as the “service line.” If the interpretation contained in the Order is applied, there is no “service line”, as such, because the connection from the main to the meter would be part of the tap and meter set required of 807 KAR 5:066(12)(1).

Q8. At page 3 of its Petition for Rehearing, NKWD states that it “has no easement or other authorization to enter the customer’s property or building to maintain or replace the service line.” Explain why Administrative Regulation 807 KAR 5:066, Section 19, does not provide such authority.

A8. Witness: Harrison

RESPONSE: By virtue of 807 KAR 5:006, Section 19, the District does have “access” to a customer’s premises for the purpose of installing, reading, replacing or maintaining *property owned by the District*, but, in the vast majority of cases, the District does not own the service line located on a customer’s premises. In most cases where meters were installed inside a building or home, the service line was installed by the customer and is owned by the customer. Consequently, 807 KAR 5:006, Section 19 does not give the District any authority to maintain or replace such service lines. Even the Public Service Commission’s Order of April 28, 2006 does not say that the District owns such service lines; it simply states that the District has “responsibility” for them. More to the District’s point is the fact that if the District did own such lines, it does not possess any easement or other authority for the presence of the lines on the customer’s premises. Section 19 of 807 KAR 5:006 simply grants access to utility personnel and not an easement or any other real property right.

Q9. Describe how NKWD currently performs meter readings for those customers whose meters are located inside a building.

A9. Witness: Lofland

RESPONSE: NKWD uses a Sensus “touch-read” technology to gather meter readings. Staff (meter-readers) can touch a receptacle located either on the lid of a meter crock for an outside meter setting or can touch the reading equipment to a receptacle located on the actual structure if the meter is located within. The information is then down-loaded into the Districts Customer Information System to start the billing process.

Q10. Describe all maintenance activities that NKWD has performed on customer service connections since January 1, 2003 in those instances where the meter is located inside the customer premises.

A10. Witness: Lofland

RESPONSE: NKWD does not make repairs on customer service lines unless responsible for contributing to damage the line may have incurred. If, for example, during a routine meter change-out a gate-valve drips (leaks) after staff used it so the meter could be removed, NKWD will contract a licensed plumber to effect repairs.

Q11. Identify the total cost of repairs that NKWD has made since January 1, 2003 for repairs to facilities damaged by leaking service lines that connect to customer meters located inside a customer's premises.

A11. Witness: Lofland

RESPONSE: NKWD does not make repairs to facilities damaged by a leaking customer service line. NKWD has record of approximately \$2,100 spent for repairs to customer service lines or apertures possibly damaged by NKWD staff.

Q12. For each calendar year since December 31, 2002, state the number of service line replacements that NKWD has made and the total cost of these replacements.

A12. Witness: Harrison

RESPONSE: NKWD has not replaced any service lines from the shut off valve located near the right-of-way to the customer's premise during this period. NKWD has replaced approximately 1030 service lines from the mainline to the service cut off during this period at a total cost of \$1,001,621.

Q13. Describe the actions that NKWD generally takes before acquiring a municipal water system to ascertain the type, quality, and workmanship of the municipal system's water mains.

A13. Witness: Harrison

RESPONSE: NKWD normally reviews available main break reports and has discussions with municipal system employees about the general condition, type and installation practices of the municipal water system prior to acquiring the municipal water system. Some plan and mapping information for water mains may be available. However, repair and condition records are normally minimal or not available.

Q14. State whether at the time NKWD acquired the municipal water systems that are now part of the water district's water system, NKWD possessed or retained the necessary means to determine the type, quality, and workmanship of the municipal system's water mains.

A14. Witness: Harrison

RESPONSE: NKWD did not maintain the necessary, reasonable means to determine the type, quality and workmanship of the municipal system's water mains due to minimal or no available information or records about these facilities.

Q16. Describe NKWD'S policy regarding its responsibilities toward and those of customers with meters inside a customer's building prior to the filing of NKWD's proposed tariff. Provide all written policies and procedures that NKWD followed prior to the filing of its proposed tariff in this proceeding.

A16. Witness: Harrison

RESPONSE: NKWD's prior Commission approved Tariff stated under Section XIII-A Service Line Maintenance "The District shall be responsible for the service line from the main line to the edge of the public right-of-way or edge of easement. The District will install or maintain a means of shut-off at this point." The customer therefore had the responsibility for the service line from the right-of-way to and through its premise.

Q17. State whether NKWD currently allows water meters to be placed inside of buildings. If yes, describe the circumstances under which this practice is permitted.

A17. Witness: Harrison

RESPONSE: Yes, NKWD currently water meters to be placed inside a customer's building. These meters are predominately placed during replacement during routine meter testing for change outs. However, in rare circumstances where there is no right-of-way between the sidewalk and the customer's building such as in congested, urban locations, the District will allow the meter to be placed in buildings. There are probably less than 5 of these placements annually.

Q18a. State whether NKWD has ever permitted water meters to be placed inside of buildings.

A18a. Witness: Harrison

RESPONSE: Please refer to answer 18a.

Q18b. If NKWD has previously permitted water meters to be placed inside of buildings, state the time period during which it permitted this practice and state the reasons why NKWD no longer permits the practice.

A18b. Witness: Harrison

RESPONSE: Please refer to answer 18a.

Q19. At pages 3 and 4 of its Petition for Rehearing, NKWD states: "It also has no means of determining if there is a leak inside the building on the inlet side of the meter, so it is possible a leak could go undetected for a period of time, causing damage to the interior of the structure"

Q19a. State whether such an event has ever occurred.

A19a. Witness: Lofland

RESPONSE: Yes, this has occurred. NKWD does not make repairs on the customer service line so no records are available.

Q19b. If such has occurred, state the number of times that this event has occurred, the date of each occurrence, and the estimated quantity of water lost as a result of the leak. Describe how the leak was discovered and the corrective actions that NKWD took in response.

A19b. Witness: Lofland

RESPONSE: NKWD has no record of this type of event. This type of occurrence would be reported to the District through customer contact as a request to shut off the water service. NKWD would respond by disconnecting the water service so that the customer could affect repairs.