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Mark David Goss
Chairman

John W. Clay
Commissioner

July 31, 2007

CERTIFICATE OF SERVICE

RE: Case No. 2007-00198
Kentucky-American Water Company aka Kentucky American Water

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on July 31, 2007.

Executive Director

BOD/tw
Enclosure



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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY-AMERICAN WATER COMPANY'S)
REQUEST FOR PERMISSION TO DEVIATE) CASE NO.
FROM 807 KAR 5:066, SECTION 16(1)) 2007-00198

O R D E R

On May 4, 2007, Kentucky-American Water Company ("Kentucky-American") applied to the Commission for a one-year extension of the Pilot Sampling Plan ("Plan"), which the Commission had approved in an Order entered on September 30, 1997.¹ Kentucky-American had, before that Order, kept its water meters in place for only 10 years. In the interest of determining whether or not meters older than 10 years are accurate, Kentucky-American has asked for a one-year extension of the Plan, which includes a deviation from the requirements of Administrative Regulation 807 KAR 5:066, Section 16(1), until December 31, 2008.

Administrative Regulation 807 KAR 5:066, Section 16(1), requires that "Each utility shall test periodically all water meters so that no meter will remain in service without test for a period longer than specified. . . ." The testing interval that is required

¹ Case No. 1996-00569, The Application of Kentucky-American Water Company for Permission to Deviate from the Requirements of 807 KAR 5:066, Section 16(1), of the Commission's Rules (Ky. PSC September 30, 1997). The Commission's Order of September 30, 1997 required that Kentucky-American file an annual report of its meter testing results as set out in the Pilot Sampling Plan.

for 5/8-inch meters, the only size meter that is part of the Plan, is 10 years. In order to determine whether meters older than 10 years are accurate, Kentucky-American proposed testing those meters as to their accuracy by a sample pilot program, rather than by the regulatory requirement of testing all such meters once they reach the 10-year mark.²

The approved Plan was implemented in 1999 with 200 meters that had been installed in 1988, selected in a random fashion from a meter report for those meters of that age, being tested. With the exception of the year 2003, for each year between 1999 and 2007, 200 additional meters were added to the Plan and tested in the same fashion. Based upon the testing results reflected in Kentucky-American's 2007 annual report, Kentucky-American has concluded that meters older than 15 years are not sufficiently accurate. Given the program's 15-year goal, Kentucky-American states that it will not test the 16- or 17-year-old meters further.³

According to Kentucky-American's 2007 Annual Report, for each of the years 2004, 2005, 2006, and 2007, 200 meters were tested as they reached the 15-year mark and proved accurate by the standard established in the above-referenced Order. In order to complete the Plan requirements, one year of additional testing is needed for meters of this age. Given the expiration of the Plan's authorization on December 31, 2007, Kentucky-American has requested a one-year extension in order to provide time

² Id.

³ Kentucky-American's 2007 Annual Report is filed as part of Kentucky-American's Request for Extension of the Plan in this case.

to test the remaining 200 meters that have reached the 15-year mark. No other meters will be tested as part of the requested extension.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that:

1. Kentucky-American's request to extend the Plan in order to test the final set of 200 meters that have reached the 15-year mark should be approved for one additional year until December 31, 2008.

2. Kentucky-American should continue to adhere to all other requirements in the Commission's Order of September 30, 1997 in Case No. 1996-00569, which established the Plan.

IT IS THEREFORE ORDERED that:

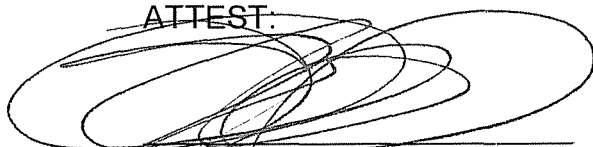
1. Kentucky-American is granted a one-year extension of the Plan to December 31, 2008, in order for it to test the final set of 200 15-year-old meters for one additional year.

2. Kentucky-American shall continue to comply with all other requirements of the Plan, as spelled out in the Commission's Order of September 30, 1997 in Case No. 1996-00569, during this one-year extension.

Done at Frankfort, Kentucky, this 31st day of July, 2007.

By the Commission

ATTEST:



Executive Director