

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

MADISON COUNTY UTILITY DISTRICT)	
REQUEST FOR APPROVAL TO DEVIATE)	CASE NO.
FROM ADMINISTRATIVE REGULATION 807)	2009-00213
KAR 5:066, SECTION 16, PERIODIC TESTS)	

APPLICATION OF MADISON COUNTY)	
UTILITIES DISTRICT FOR AN INCREASE IN)	CASE NO.
NONRECURRING CHARGES)	2009-00214

APPLICATION OF THE MADISON COUNTY)	
UTILITIES DISTRICT FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY TO)	CASE NO.
PURCHASE AN AUTOMATED METER)	2009-00272
READING SYSTEM AND APPROVAL OF)	
FINANCING FOR AUTOMATED METER)	
READING SYSTEM)	

O R D E R

Anticipating that it would replace its small meters with Automated Meter Reading (“AMR”) meters, Madison County Utilities District (“Madison District”) filed several cases with the Commission. On June 10, 2009, Madison District requested permission to deviate from 807 KAR 5:066, Section 16, which requires that no meter remain in service longer than a specified period without having been tested for accuracy. On August 13, 2009, Madison District filed a request to increase certain nonrecurring charges, one of which was for a service connection that included the increased cost of the new meters. On August 19, 2009, Madison District filed an application for a Certificate of Public

Convenience and Necessity to purchase an automated meter reading system and for approval of financing for that system.

Because each of these cases involves common elements, the Commission finds that the cases should be consolidated and jointly considered. Documents filed by any party that relate to the issues of these cases should reference Case No. 2009-00272. Each case shall remain on the Commission's docket until a final Order is issued in Case No. 2009-00272.

Madison District seeks Commission approval for financing the upgrade of its metering system. KRS 278.300 requires utilities to obtain Commission approval prior to issuing any securities or evidences of indebtedness. In order to obtain approval, the utility must demonstrate that "the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service." The Commission must rule on an application for approval of issuing any securities or evidences of indebtedness within 60 days after the application is filed, but it may continue the application for longer than that 60-day period for good cause.

The initial 60-day period in this case ends on October 19, 2009; however, additional information is needed prior to the issuance of an informed decision by the Commission. The bond issuance directly relates to purchasing AMR meters and equipment, for which Madison District is also seeking a Certificate of Public Convenience and Necessity. If the Commission denies Madison District's application for a Certificate, the purchase of the meters would not be lawful and issuance of bonds

could not be justified. The Appendix to this Order requests additional information that will assist the Commission in determining whether the Certificate and issuance of bonds should be approved. Because the Commission has not completed its investigation of this matter, we find good cause to continue the Commission's deadline, pursuant to KRS 278.300(2).

IT IS THEREFORE ORDERED that:

1. The above-styled cases shall be consolidated by the Commission, and all documents that are filed relating to these issues shall be filed in Case No. 2009-00272.

2. Case Nos. 2009-00213 and 2009-00214 shall remain open during the pendency of Case No. 2009-00272. A final Order shall be filed in the record of each case to signify the closing of each case.

3. Madison District's application for authorization to incur indebtedness is continued beyond the initial 60-day period specified in KRS 278.300(2).

4. Madison District shall, no later than November 2, 2009, file with the Commission the original and 10 copies of the information listed in the Appendix, with a copy to all parties of record.

a. Responses to requests for information shall be appropriately bound, tabbed, and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided.

b. 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 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.

c. Any party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

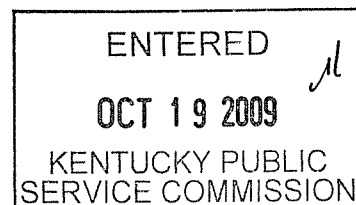
d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. Responses that include personal or sensitive information, such as social security numbers, account numbers, and personal electronic mail addresses, should be redacted to protect the privacy interests pertaining to that information.

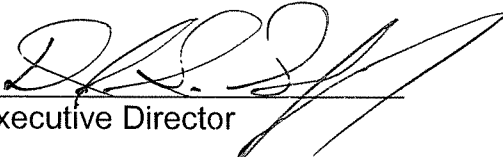
5. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

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

By the Commission



ATTEST:


Executive Director

Case No. 2009-00213
Case No. 2009-00214
Case No. 2009-00272

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NOS. 2009-00213, 2009-00214, AND 2009-00272 DATED OCT 19 2009

1. Explain and provide a detailed cost analysis of the redundant costs to your customers as stated in your letter dated June 4, 2009.
2. Explain and provide a cost breakdown of the \$385,000 additional cost to the utility as stated in your letter dated June 4, 2009.
3. State how many meters in your system are older than 10 years and should have already been tested in accordance with 807 KAR 5:066, Section 16.
4. State how many meters in your system are 10 years old and will require testing this year.
5. State how many meters Madison District plans to replace with AMR meters each year.
6. Provide a narrative explanation of Madison District's decision to install the 2,940 radio-read meters. Include in the explanation all factors leading to Madison District's decision, including financial, safety, reliability, and operational reasons.
7. According to its application, Madison District plans to replace 2,940 of its existing meters with the AMR meters. If the existing meters are not fully depreciated, explain how Madison District intends to recover its undepreciated meter investment.
8. Given that Madison District is providing water service to over 10,000 customers and is proposing to purchase only 2,940 radio-read meters, provide Madison District's schedule for the replacement of all its existing meters with radio-read meters,

the anticipated total cost of the replacement project, and a detailed financing plan for future replacement of the remaining meters with radio-read meters.

9. State whether Madison District has previously purchased radio-read meters. If so, identify the number of radio-read meters Madison District has already installed in its system, the dates the meters were installed, the cost of the meter installations, and the manner in which Madison District financed the radio-read meters.

10. Provide the following additional details of the expected cost of Madison District's radio-read meter replacement program: a breakdown between labor costs and the cost of materials and the costs of the required annual customer premise meter inspections. Provide all supporting calculations.

11. Has Madison District performed a cost justification analysis of the proposed radio-read meter system?

a. If yes, provide the results of the analysis and all assumptions used.

b. If no, explain whether a cost justification analysis will be performed and, if so, when. If a cost justification analysis will not be performed, explain why an analysis will not be performed.

12. Explain whether Madison District expects that the radio-read meter replacement program will cause Madison District to increase rates sooner than would be required if the radio-read program were not in place. If the need for a rate increase is expedited by the radio-read meter program, provide an estimate of the impact upon the need for a rate increase.

13. Explain whether Madison District plans to use a competitive bidding process when purchasing the necessary radio-read equipment. Include in the explanation a discussion of the bidding process to be used.

14. Provide Madison District's best estimate of the annual cost of meter reading, meter turn-ons and turn-offs, depreciation expense, and any other expenses that will be eliminated with the implementation of its radio-read program. Include all labor savings (including employee benefits), mileage or vehicle savings, and other savings expected through elimination of monthly meter readings at the customers' premises. Provide all calculations and workpapers needed to derive the estimated annual cost and documentation to support the estimated depreciation lives.

15. In response to the Commission's July 27, 2009 deficiency letter, Madison District provided the estimated cost of operation after the AMR meters are installed. Provide copies of all workpapers, assumptions, and calculations used by Madison District in estimating the impact the installation of the AMR meters will have on its operations.

16. a. If Madison District encounters a problem with a radio-read meter, will the unit be repaired or replaced?

b. If the radio-read meter can be repaired, provide a cost estimate of the repair. Include copies of all workpapers, assumptions, and calculations used to derive the estimate.

c. State whether the radio-read meters will have a manufacturer's warranty. Provide any warranty that the manufacturer has on the radio-read meters.

17. Provide a copy of the contract between Madison District and the bank(s) or financial institution(s) providing the credit card/debit card service.

18. State whether any of the agreements between Madison District and its credit/debit card service providers restrict or prohibit Madison District's right to assess a fee to persons using a credit card/debit card to pay for services from Madison District.

19. If the response to item 18 is yes, explain why Madison District is proposing a credit card/debit card processing charge.

20. Madison District proposes a flat rate fee for the credit card/debit card service, but information provided in the application states that Madison District is not charged a flat fee by the credit card/debit card service provider. Explain why a flat rate fee should be considered fair, just, or reasonable for the customers who seek to utilize this service.

21. Madison District has provided information regarding the credit card/debit card service charges for the 12-month period ending April 2009. Explain how Madison District arrived at a fee of \$2.00 using the information that has been provided. Additionally, explain why a customer using the credit card/debit card service being provided should not pay the exact fee associated with their charge and not a flat rate fee.

James Carr
Chairman
Madison County Utility District
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