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June 17, 2014

Donald Prather  
Mathis, Riggs & Prather, P.S.C.  
500 Main Street, Suite 5  
Shelbyville, KY 40065

Re: Case No. 2013-00027

Dear Mr. Prather:

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 concerning the March 19, 2013 Informal Conference, 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 black ink, appearing to read "Jeff Derouen".

Jeff Derouen  
Executive Director

Attachments

**INTRA-AGENCY MEMORANDUM**

**KENTUCKY PUBLIC SERVICE COMMISSION**

**TO:** Case File – Case No. 2013-00027

**FROM:**  Jonathan Beyer, Staff Attorney

**DATE:** June 17, 2014

**RE:** Informal Conference of March 19, 2013

On March 19, 2013, Commission Staff held a telephonic conference call in this matter for the purpose of discussing the response of North Shelby Water Company (“North Shelby”) to Commission Staffs’ information request. Participating in the conference call was:

Donald Prather	- Mathis, Riggs & Prather, P.S.C.
David Hedges	- North Shelby Water Company
Jerry Ruble	- North Shelby Water Company
Jonathan Beyer	- Commission Staff
Daniel Hinton	- Commission Staff
Brent Kirtley	- Commission Staff
Sam Reid	- Commission Staff
Gerald Wuetcher	- Commission Staff

Beginning the conference, Commission Staff inquired as to whether North Shelby intended its hydrants to serve as fire hydrants or merely as flush hydrants. Mr. Prather stated that it intended to create a technical distinction through providing a certain fire flow rate, yet not outright provide fire protection services. Previously, North Shelby only installed hydrants for flushing purposes due to an inability to guarantee flow rates. However, Mr. Prather stated that the Shelby County Judge/Executive verbally encouraged North Shelby to remove the limiting language from its tariff, so as to officially provide hydrants for fire usage.

Commission Staff next noted that North Shelby’s proposed tariff states that inspection of fire hydrants is the sole duty of the regional fire departments. Staff questioned whether North Shelby had ever proposed a written contract to the fire departments to contractually establish their respective duties regarding maintenance and inspections. Mr. Prather stated that a written contract had never been proposed.

Mr. Prather asserted that it would be duplicative for North Shelby to conduct the inspections in addition to the fire departments. He stated that the fire departments preferred to inspect the hydrants so as to locate the hydrants, train firefighters in their operations, ensure the hydrants are not obscured and test flow rates for ISO ratings. He stated that the departments desired North Shelby’s authorization for inspection

duties so as to make use of the company's easements as many hydrants are on private property. He noted that several fire chiefs had voiced concerns regarding hydrants that had been obscured by vegetation and fences installed by property owners. Through the use of North Shelby's easements, the departments are empowered to remedy the obscuring conditions.

Mr. Prather further stated that fire departments generally inform North Shelby of the area to be inspected shortly prior to the testing. The departments notify North Shelby as to any deficiencies with the inspected fire hydrants, but do not presently provide North Shelby with the data from the testing. Upon the notification of any issue, North Shelby performs repairs. No set schedule for inspections is provided by the fire departments or devised by North Shelby. North Shelby regularly greases the cap threads and exercises the hydrant valves, but does not have a regular fire hydrant maintenance program. The region's fire departments paint the hydrants according to their flow rates and North Shelby requires hydrants with flow rates less than 250 gallons per minute to be painted solid black.

North Shelby deems its core function to be the provision of potable water to its customers. Fire hydrants are considered to have a different function and North Shelby believes that to charge its entire customer base for a benefit derived only by certain customers would be unfair. Therefore, while it believes most departments would be willing to sign contracts, it has not contracted with the fire departments for inspection services to avoid possible fees assessed by the departments. Mr. Prather asserted that customers receive significant home insurance discounts if they live within 1,000 feet of a fire hydrant and 5 miles of a fire department. The majority of individuals near fire hydrants are receiving this benefit. Those customers further from hydrants receive a more modest benefit through the use of the fire hydrants for water shuttle services in bringing water to fires.

Staff stated that it has concerns regarding the shifting of maintenance duties to the fire departments as a matter of public policy. Staff questioned whether the departments would share the flow rate and testing data to North Shelby if requested, because such data would inform North Shelby as to the specific hydrants inspected and allow it to identify hydrants needing future inspection. Mr. Prather positively responded that he believed all fire departments would be willing to share the data. Finally, Mr. Prather stated that North Shelby would distribute its proposed tariff to all fire departments operating in its service territory for comment. North Shelby will advise the Commission within 60 days of any comments it receives.

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