

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO FEES FOR FIRE
PROTECTION SERVICES

) ADMINISTRATIVE
) CASE NO. 385

O R D E R

On October 2, 2000, the Kentucky Association of Fire Chiefs (“KAFC”) submitted a written request¹ for a formal investigation into “the practice of water utilities imposing so-called standby fees for private fire protection.” In its request KAFC asserted that the current pricing practices of several water utilities in the Commonwealth, specifically stand-by fees, discourage the installation of sprinkler systems and other private fire protection measures. Such pricing practices, it further asserts, force water utilities to make significant infrastructure investments and incur significant maintenance costs that could otherwise be avoided through the promotion of sprinkler systems.

Having reviewed the request and the rate schedules of water utilities subject to our jurisdiction, we find that, pursuant to KRS 278.260(1), a formal investigation should be initiated to investigate fire protection services that water utilities provide and the fees charged for such services. The Commission has not previously addressed this issue on an industry-wide basis. This investigation will allow the Commission to collect

¹ This request and several of the exhibits as received by the Commission are appended to this Order as Appendix A. For purposes of economy, the Commission has not appended all of the exhibits. These are available for public inspection at the Commission’s offices. Requests for an unabridged edition of the request should be directed to the Commission’s Executive Director.

information regarding fire protection services, to catalog and examine the present practices of water utilities with regard to these services, to identify any deficiencies with these practices and the extent, if any, to which these deficiencies require the Commission to develop uniform standards. The ultimate goal of our review is to ensure that utility practices are not discouraging or preventing reasonable, cost-effective means of fire protection services.²

IT IS THEREFORE ORDERED that:

1. This proceeding is opened to investigate fire protection services that water utilities provide and the fees charged for such services.

2. All utilities³ that provide water service to the public are made parties to this proceeding.

3. KAFC is made a party to this proceeding. Within 20 days of the date of this Order, KAFC shall cause its legal counsel to file an entry of appearance in this proceeding.

4. All water utilities shall file with the Commission, within 60 days of the date of this Order, the original and 8 copies of its response to the questions set forth in Appendix B. Each response should be placed in a bound volume with each item tabbed. When a number of sheets are required for a response, each sheet should be

² To the extent that the Commission finds during the course of our investigation that a water utility may be engaging in unreasonable, unsafe or unjustly discriminatory practices, we will more closely examine those practices in a separate proceeding.

³ The term "utilities" applies only to those entities that meet the definition of "utility" as set forth in KRS 278.010(3) and does not include municipalities or municipally owned entities.

appropriately indexed, for example Item 1(a), Sheet 2 of 6. Careful attention shall be given to copied material to ensure its legibility.

5. KAFC shall file with the Commission, within 60 days of the date of this Order, the original and 8 copies of its responses to the questions set forth in Appendix C. Each response should be placed in a bound volume with each item tabbed. When a number of sheets are required for a response, each sheet should be appropriately indexed, for example Item 1(a), Sheet 2 of 6. Careful attention shall be given to copied material to ensure its legibility.

Done at Frankfort, Kentucky, this 22nd day of December, 2000.

By the Commission

ATTEST:


Executive Director

APPENDIX A

AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN ADMINISTRATIVE CASE NO. 385 DATED
DECEMBER 22, 2000

APPENDIX B

AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN ADMINISTRATIVE CASE NO. 385 DATED DECEMBER 22, 2000

1. Does the water utility provide fire protection service¹?
2. For each calendar year since 1995, state the amount of water (in gallons) used for fire protection or fire fighting services and the percentage of the utility's total water production that this use represents.
3. For each calendar year since 1995, state the cost of water used for fire protection or fire fighting services in total dollars.
4. Describe the types of utility facilities (e.g., fire hydrants) that are designated for public fire protection.
5.
 - a. How many public fire hydrants² are connected to the water utility's distribution mains?
 - b. How many private fire hydrants³ are connected to the water utility's distribution mains?

¹ For purposes of this Order, "fire protection service" includes permitting the installation of public or private fire hydrants or permitting local fire fighting entities to withdraw water from the water distribution system at no cost or at a reduced cost.

² For purposes of this Order, "public fire hydrants" are fire hydrants that meet the requirements of Administrative Regulation 807 KAR 5:066, Section 10(2)(b), and are maintained and operated at no cost by the water utility, or whose maintenance and operation costs are assumed and paid by a governmental entity (e.g., municipality, fire district, county government).

³ For purposes of this Order, "private fire hydrants" are fire hydrants that meet the requirements of Administrative Regulation 807 KAR 5:066, Section 10(2)(b), are installed at the request and expense of private customers and whose operation and maintenance expenses are charged to private customers.

c. How many private sprinkler systems are connected to the water utility's distribution system?

6. How does the water utility measure the amount of water

- a. provided to a private fire hydrant?
- b. provided to a private sprinkler system?
- c. provided to a municipal, county, fire district and volunteer fire departments through public fire hydrants?

7. If private sprinkler systems are connected to the water utility's distribution system,

- a. Is their water usage metered?
- b. If their water usage is metered, what type of metering device or arrangement is used?

8. a. What is the rate that the water utility assesses for water service to:

- (1) Public fire hydrants?
- (2) Private fire hydrants?
- (3) Private sprinkler systems?

b. If any of the rates listed in response to Item 8(a) are the result of special contracts, provide a copy of each special contract.

c. Explain how each rate listed in response to Item 8(a) was derived. State all assumptions that were used to derive the rate.

9. List and describe each incident since 1985 where the utility provided unusually large amounts of water to a fire department for fire fighting purposes. For purposes of this question, "unusually large amounts of water" means that the water

utility provided water at fire flow rates (250 gallons of water per minute) for greater than four consecutive hours. For each incident, state the effect that the provision of such service had on the utility's financial condition and on the quality of service provided to its customers.

10. How much water storage capacity, in the water utility's opinion, must be reserved to support the use of fire hydrants?

11. How much water storage capacity, in the water utility's opinion, must be reserved to support the use of private sprinkler systems?

12. What is the minimum size for a water main to which a fire hydrant should be connected?

13. What is the minimum size for a water main to which a private sprinkler system should be connected?

14. a. If the water utility requires or uses a meter to measure the water usage of a private fire protection system,

(1) For each meter size that the water utility uses with a private fire protection system,

(a) State the average cost of installation of a private fire protection system.

(b) Provide a breakdown of the average cost of installation by major cost components.

(2) State the average monthly usage of such systems.

(3) Identify the actions that the water utility must take to operate and maintain a private fire protection system. For each action listed, state the annual cost to the water utility to perform.

b. If the water utility does not require or use a meter to measure the water usage of a private fire protection system,

(1) (a) State the average cost of installation of a private fire protection system.

(b) Provide a breakdown of the average cost of installation by major cost components.

(2) Identify the actions that the water utility must take to operate and maintain a private fire protection system. For each action listed, state the annual cost to the water utility to perform.

15. What costs, if any, would your water utility incur with the connection of private fire protection systems to its water distribution system?

16. Should private fire protection service rates be based upon the cost of such service without any subsidization from general customers? Explain.

17. a. What benefits may result to the utility from its installation of public fire hydrants?

b. What benefits may result to the public from the utility's installation of public fire hydrants?

18. a. What benefits result to the public from the installation and use of private sprinkler systems?

b. What benefits result to the utility from the installation and use of private sprinkler systems by customers on its water distribution system?

19. a. Does the utility currently assess a fee for water service even if the customer has no water usage during the billing period? If yes, describe how this fee is determined.

20. Does the utility charge fire departments operating within its service area for the placement, operation or maintenance of fire hydrants?

21. a. Does the utility assess a fee or charge to the fire departments operating within its service area for water used for fire fighting or fire training purposes?

b. If yes,

(a) State the fee or charge.

(b) Explain how the fee or charge was determined.

(c) State whether the fee or charge is set forth in the utility's filed rate schedules.

c. If no, state whether the utility's filed rate schedules require the fire department to maintain estimates of the amount of water used for fire protection and training, and to report this water usage to the utility on a regular basis.

22. Who should bear the cost of water used for fire protection purposes (e.g., all utility customers, owner of property where fire occurs, the fire department)? Why?

23. What actions does the water utility take on a periodic basis to ensure that all fire hydrants are connected to water distribution mains that are capable of handling fire flows? How often are these actions taken?

24.
 - a. What are the water utility's policies regarding the placement of fire hydrants?
 - b. What studies or analyses does the water utility conduct prior to ruling upon requests for fire hydrants?
 - c. Under what circumstances will the water utility install a fire hydrant?

APPENDIX C

AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN ADMINISTRATIVE CASE NO. 385 DATED DECEMBER 22, 2000

1. Is it KAFC's position that the rates that a water utility charges for water service to fire hydrants and private sprinkler systems should be cost-based?
2. a. Is it KAFC's position that the rates that a water utility charges for water service to fire hydrants and private sprinkler systems should be subsidized by general ratepayers?
 - b. If KAFC believes that general ratepayers should subsidize charges for water service to fire hydrants and private sprinkler systems, explain why such subsidization is fair and equitable to general ratepayers.
3. How should fire protection rates be designed?
4. Identify the studies, analyses, or publications that the Commission should consider or follow when designing fire protection rates.
5. In those instances where a water utility must replace and enlarge its existing water mains to have adequately sized mains capable of providing fire protection service, who should bear the cost of the main replacement and enlargement? Why?
6. In those instances where a water utility must construct system improvements (e.g., additional storage capacity, larger water mains) to meet the additional demands that fire protection service will place upon its water distribution system, who should bear the cost of such system improvements? Why?

7. What is the appropriate size of water main to support a private sprinkler system? If the water main size will vary according to the type of sprinkler system, list the appropriate size of water main for each type of sprinkler system.

8. What is the appropriate size of water main to support a fire hydrant?

9. Should the water usage of a public or private fire hydrant or a private sprinkler system be metered and billed? Explain.

10. a. Do KAFCC's member fire departments have the ability to notify the serving water utility during a fire event?

b. Is it standard practice of KAFCC's member fire departments to make such notification?

11. a. When reporting or documenting fire events, in which they are involved, do KAFCC's member fire departments report on their use of water withdrawn from water utility systems in the course of such events?

b. Is it practical for fire departments to estimate the amount of water withdrawn from a water utility's distribution system during the course of a fire event? Explain.

12. Provide the studies, analyses, or publications that support KAFCC's statement that "sprinklers promise a 90% reduction in the quantity of water necessary for firefighting."

13. In his letter of October 2, 2000, Gerry H. Brown states that fire departments and water utilities are "the two primary organizations with fire control responsibilities." Provide the statutory or decisional law basis for the proposition that a water utility has fire control responsibilities.

14. Provide all studies that KAFC has conducted or commissioned on the fees charged by Kentucky water utilities for private sprinkler systems. For each study submitted, identify who conducted the study and the time period during which the study was conducted.

15. KRS 278.170(3) permits a water utility to provide free or reduced rate water service to fire fighting organizations for fire protection and training provided, inter alia, such organizations report their estimated water usage for such purposes on a periodic basis to the water utilities that provide the water. What actions has KAFC taken to ensure that its member fire departments comply with these conditions?