

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

| | | |
|---|---|----------------------------|
| ELECTRONIC INVESTIGATION INTO THE |) | |
| EXCESSIVE WATER LOSS BY KENTUCKY'S |) | CASE NO. 2019-00041 |
| JURISDICTIONAL WATER UTILITIES |) | |

MOTION TO DISMISS

Kentucky-American Water Company (“KAW”), by counsel, moves the Public Service Commission (“Commission”) to enter an Order dismissing KAW from this proceeding for two reasons: (1) KAW’s water loss is far below 35 percent, and a plain reading of the Commission’s regulations and Commission precedent require that the Commission consider water loss on a utility-wide basis, and (2) KAW already has a plan in place to address water loss in its Southern Division. In support of this Motion, KAW states as follows:

1. On March 12, 2019, the Commission initiated an investigation “to review the excessive water loss by Kentucky’s jurisdictional water utilities that report over 35 percent water loss in their annual reports on file with the Commission.”¹ The Commission included KAW as a party to this proceeding, but stated that the investigation was “only for the former Eastern Rockcastle Water Association, Inc.”²

2. KAW should be dismissed from this proceeding because KAW’s system-wide unaccounted-for water loss is less than 20 percent, far below the 35 percent threshold the Commission identified in its Order. A plain reading of the Commission’s regulations and Order require the Commission to calculate unaccounted-for water loss on a total-utility basis. 807 KAR 5:066 Section 6(3) states that for ratemaking purposes, a utility’s unaccounted-for water

¹ Order at 1 (Ky. PSC Mar. 12, 2019).

² *Id.* at Appendix A.

loss should not exceed 15% of “total water produced and purchased, excluding water used by a utility in its own operations.” The Commission’s Order in this investigation references this regulation and further cites a case defining unaccounted-for water loss as including the “total” amount of water produced and purchased by the utility. The regulations and Order do not contemplate the calculation of unaccounted-for water loss for only a portion of a utility’s system.

3. Commission precedent also supports calculating unaccounted-for water loss on a system-wide basis. In a purchased water adjustment case, a utility proposed to use different unaccounted-for water loss percentages for portions of the utility’s water system that were physically separated.³ The Commission disagreed and required the utility to use the overall unaccounted-for water loss percentage for all portions of its system to determine the total allowable gallons upon which the purchased water adjustment is calculated.⁴

4. To the extent that KAW was named a party in this investigation because of the unaccounted-for water loss of the former Eastern Rockcastle Water Association, Inc. (“ERWA”), ERWA is no longer a separate entity. In Case No. 2017-00383, KAW and ERWA jointly requested approval of KAW’s acquisition of ERWA’s assets and authorization for KAW to provide water service to ERWA’s customers, which the Commission approved.⁵ The transaction between KAW and ERWA closed on February 28, 2018.⁶ After that point, ERWA no longer existed as a stand-alone water provider and instead the former ERWA customers became KAW customers within the overall KAW system.

³ *Purchased Water Adjustment of Spears Water Company*, Case No. 89-281, Order (Ky. PSC Oct. 25, 1989).

⁴ *Id.* at 2.

⁵ *Electronic Verified Joint Application of Eastern Rockcastle Water Association, Inc. and Kentucky-American Water Company for the Transfer of Control and Assets*, Case No. 2017-00383, Order (Ky. PSC Jan. 19, 2018).

⁶ *Electronic Verified Joint Application of Eastern Rockcastle Water Association, Inc. and Kentucky-American Water Company for the Transfer of Control and Assets*, Case No. 2017-00383, Letter from Ingram to Pinson (Ky. PSC Mar. 6, 2018).

5. KAW's participation in this proceeding is also unnecessary because KAW already has a plan in place to address the unaccounted-for water loss associated with the former ERWA system. This plan was provided to and accepted by the Commission in a letter from KAW dated March 18, 2019 in response to a periodic inspection of KAW's Southern Division on February 6, 2019. The letter and plan are attached as Exhibit 1.

6. Dismissing KAW from this proceeding follows the Commission's regulations and precedent and would save KAW from expending unnecessary resources to respond to discovery and participate in this proceeding. To avoid the costly preparation of responses to discovery that may be irrelevant if KAW is dismissed from this proceeding, KAW respectfully requests that the Commission issue an Order on this Motion prior to the due date of the Commission Staff's initial requests for information on April 12, 2019. In the Commission does not issue an Order on this Motion by April 12, 2019, KAW requests the Commission relieve it of the obligation to respond to the Commission Staff's initial requests for information until it rules on this Motion.

WHEREFORE, Kentucky-American Water Company respectfully requests that the Commission enter an Order dismissing Kentucky-American Water Company from this proceeding by April 12, 2019 or relieve Kentucky-American Water Company of the obligation to respond to the Commission Staff's initial requests for information until it rules on this Motion.


Date: April 2, 2019

Respectfully submitted,

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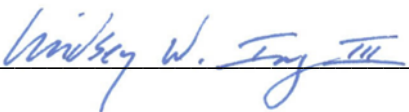
By: 

Lindsey W. Ingram III
Monica H. Braun

CERTIFICATE

This certifies that Kentucky-American Water Company's electronic filing is a true and accurate copy of the documents to be filed in paper medium with the exception of documents for which confidential treatment is sought; that the electronic filing has been transmitted to the Commission on April 2, 2019; that a paper copy of the filing will be delivered to the Commission within two business days of the electronic filing; and that no party has been excused from participation by electronic means.

STOLL KEENON OGDEN PLLC

By: 

Attorneys for Kentucky-American Water Company

March 18, 2019

Commonwealth of Kentucky
Public Service Commission
Attn: Erin Donges
211 Sower Blvd
P.O. Box 615
Frankfort, KY 40602-0615

RECEIVED

MAR 18 2019

PUBLIC SERVICE
COMMISSION

**Re: Periodic Water Inspection
KAWC (Southern Division) Water System
Rockcastle County, KY**

Dear Ms. Donges:

The Public Service Commission performed a periodic inspection of Kentucky American Water's ("KAW") Eastern Rockcastle water system in its Southern Division on February 6, 2019. This letter addresses the deficiencies noted during the inspection.

Deficiency 1: Utility does not meet the minimum storage capacity as required by 807 KAR 5:066, Section 4(4).

Response 1: KAW has begun the process of negotiating a contract revision with the three water suppliers for KAW's Southern Division. These contracts will have provisions for supplying KAW's system with KAW's average daily needs and increasing that supply under emergency conditions with the expectation these contracts will be in place by the end of the second quarter of 2019. This additional available capacity, when added to KAW's existing storage capacity, will satisfy the minimum requirements in 807 KAR 5:006, Section 4(4).

Deficiency 2: Utility does not have pressure charts that show a continuous 24-hour pressure recording for one week per month as required by 807 KAR 5:066, Section 5(2).

Response 2: KAW installed a pressure sensor and chart recorder at the Sand Hill Bladder tank site on the week of 2-11-19. The installed unit records system pressure on the discharge side of the tank continuously. The hard copies of weekly charts will be maintained at the system office. This sensor and chart recorder will satisfy the requirements of 807 KAR 5:066, Section 5(2).

Meter-setter mounted pressure loggers will be installed in other areas of the system by the end of April 2019. The data from these devices will be downloaded monthly and digital records will be kept on system shared drive. Other pressure recorders and various monitoring equipment will be installed later in 2019 with the installation of SCADA throughout KAW's Eastern Rockcastle system as referenced on page 16 of the PSC inspection report dated February 18, 2019.

Deficiency 3: The Utility is failing to operate its facilities so as to provide adequate and safe service to its customers as required by 807 KAR 5:066, Section 7, due to water loss exceeding 15 percent. (2019-44%)

Response 3: Attached is an updated version of the 2019 NRW Reduction Plan for KAW's Southern Division. The goal is to reduce NRW levels, beginning with five primary tasks. This is a living document, updated as progress is made in each of the tasks areas. The following is more information related to each task:


- Task 1 - We will continue to monitor the areas we currently have in place and refine them with sub areas as needed.
- Task 2 – Resources have been identified for sounding of creek crossings have begun.
- Task 3 – Resources for manual sounding are same as for Task 2 and have begun concurrently.
- Task 4 – Resources have been identified for elimination of theft. Pending available scheduling of contract maintenance crews, this task should begin in April.
- Task 5 – One fire department currently submits regular usage reports. A meeting between a KAW representative and a second fire department, not currently submitting usage reports, took place the week of March 4. Fire usage for 2018 and 2019 year to date have now been provided.
- Task 6 – Engagement with water providers for copies of their most recent master meter certification will begin by April.

KAW will submit a monthly water loss report for its entire operations which will include water loss data specific to its Southern Division on or about the first of each month beginning in April, 2019.

Finally, with respect to Deficiency No. 3, KAW disagrees with the statement that water loss in KAW's Southern Division results in a "fail [ure] to operate its facilities so as to provide adequate and safe service to its customers." KAW, in fact, does provide adequate and safe service to its customers in its Southern Division. Water loss exceeding 15% does not equate to a failure to provide adequate and safe service. Additionally, KAW disagrees with the statement that "The Utility purchased \$57,153 of water that cannot be recovered for rate making purposes." We would be interested to review the data used to make that calculation. KAW believes that unaccounted-for water levels as set forth at 807 KAR 5:066, Section 6, refer to utility-wide unaccounted-for water, not just within a specific geographic division a utility may have. Additionally, that particular regulation also states that "an alternate level of reasonable unaccounted-for water may be established" upon application by a utility. This particular subject has been addressed in discovery in the pending base rate case at the Commission (Case No. 2018-00358).

If you have questions or need additional information, you may contact me at kevin.rogers@amwater.com or 859-268-6324.

Regards,



Kevin Rogers
Vice President of Operations
Kentucky American Water

Enclosure: 2019 NRW Reduction Plan – KAW Southern Division

Scope of 2019 NRW Reduction Activities
KAW – Southern Division System

A. Background

Kentucky American Water has established a goal of reducing NRW volume levels as measured against a three year rolling average. This proposal establishes what activities must take place in 2019 to support the reduction of NRW in order that the yearly goal might be achievable.

B. Scope of Activities

Various leak detection methods and tools will be utilized to monitor the system for leakage and account for known, unbilled usage. Active acoustic methods of sounding will be employed for surveying purposes. This method is the most labor intensive but is very effective on all types of iron and AC piping materials and will be the primary approach utilized in surveying for leakage along with visual inspections to accommodate for the vast amount of PVC pipe in the system.

1. Task Number 1 - District Metering Areas, We will continue to monitor the areas we currently have in place and refine them with sub areas as needed. This information will identify the volume of NRW by area and allow better prioritization of our NRW reduction activities.
2. Task Number 2 - Sounding of Creek and River Crossings, Locations where main lines cross creeks will be inspected for leakage by manual sounding and visible inspections. Leaks that occur in or near creeks could go unnoticed without periodic investigations of these areas.
3. Task Number 3 - Manual Sounding of Distribution System, The hydrant and valve approach will be utilized to leak sound all of the distribution system in 2019.
4. Task Number 4 - Eliminating Potential Theft of Service, Inactive meter settings located in sparsely populated areas will be identified and retired to eliminate the potential for theft of service.
5. Task Number 5 - Fire Department Usage, Educational communication will be generated to re-affirm with the departments that water is to be used for firefighting purposes only. Each department will be visited by KAW personnel in 2019.
6. Task Number 6 - Master Meter Assessment, Water providers for the system will be engaged to confirm that meters are being tested by certified testers and performed annually.

Scope of 2019 NRW Reduction Activities
KAW – Southern Division System

C. Schedule

The dates provided in the schedule below represent the targets by which leak detection activities will be managed. These targets are contingent upon having the proposed level of staffing, necessary to complete all of the program objectives.

| Task # | Task | Start Date | 50% Complete | 75% Complete | 100% Complete |
|--------|--|------------------|--------------|--------------|---------------|
| 1 | District Metering Areas | Ongoing | | | |
| 2 | Creek Crossing & River Crossing Sounding (7) | 3/1/19 | | | |
| 3 | Manual Sounding of System | 3/1/19 | | | |
| 4 | Inactive Service Retirement (10) | 2/18/19 | | | |
| 5 | Fire Department Engagement | 2/4/19 | | | 3/8/19 |
| 6 | Master Meter Assessment | *To be scheduled | | | |

D. Other Requirements

An increase in staffing will be required to perform all the tasks noted in this proposal. **One** additional person from the Field Operations area will be required to assist in executing the manual survey work as well as special project assignments to meet the monthly and annual NRW operational targets. KAW is actively recruiting a position specifically assigned for this be a shared role with also some North Middletown duties.

E. Other Considerations

- Continue close monitoring of flushing activities to better manage losses.
- Work to further reduce the time it takes to repair leaks.
- Have employees continue to be on the lookout for leaks during everyday activities.
- Promote community awareness regarding what constitutes unauthorized usage.
- Partner with local law enforcement agencies to provide assistance in dealing with habitual theft occurrences.