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December 20, 2010

## PARTIES OF RECORD

Re: Case No. 2009-00253

Attached is a copy of the 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 informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Virginia Gregg at 502/564-3940, Extension 407.

Sincerely,



Jeff Derouen  
Executive Director

VG/ew

Attachment

## INTRA-AGENCY MEMORANDUM

### KENTUCKY PUBLIC SERVICE COMMISSION

**TO:** Case File

**FROM:** Virginia Gregg, Staff Attorney

**DATE:** December 20, 2010

**RE:** Case No. 2009-00253  
Kentucky-American Water Company's Request for Permission to  
Deviat From 807 KAR 5:066, Section 16(1)  
Informal Conference

On December 2, 2010, Commission Staff ("Staff") and Kentucky-American Water Company ("KAWC") held an informal conference at the Commission's offices. Prior to beginning the IC, Staff and KAWC discussed that the date and time of the informal conference had been arranged through telephonic and e-mail communication. Staff had requested the informal conference in order to discuss information provided by KAWC in its Response to Staff's First Data Request. The individuals who participated in the informal conference are listed on the sign-in sheet which is attached hereto and incorporated herein as Exhibit A.

There was a discussion regarding Case No. 96-569, in which the Commission authorized KAWC to conduct a pilot project to determine whether its meters remain accurate and can remain in service longer than 10 years, prior to required testing. After discussing the raw data from the pilot testing plan, Commission Staff requested that KAWC submit written responses to the following:

1. In KAWC's "Meter Sampling Procedure" dated September 1996, Section 3.3 describes two types of statistical analysis that would be performed: means analysis and failure rate analysis. In KAWC's "Pilot Sampling Plan for Meters Older than Ten Years" dated June 1997, Section 3.3, Test Procedure, the failure rate analysis standard was eliminated, leaving means analysis as the only determination of meter accuracy. Staff noted its concern that, without an analysis of how many meters actually fail, it is possible that when 200 meters are tested, half could fail on the low side and half could fail on the high side, but if averaged, the results would indicate that the meters had passed. In light of this, why was the decision made by KAWC to eliminate half of the testing protocol originally contained in the September 1996 "Meter Sampling Procedures"?

2. Does KAWC consider the testing results of the pilot program supportive of keeping the meters in service for more than 10 years? Please explain for meters tested at 11 years, 12 years, 13 years, 14 years, and 15 years.

3. Why did KAWC use 90 percent, instead of 95 percent, for the low-flow minimum in its pilot testing when Commission regulations require 95 percent?

4. Do meter failures have an impact on non-revenue water? Describe why or why not.

Commission Staff and KAWC agreed that the responses would be submitted by January 30, 2011.

The conference then adjourned.