

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

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

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| 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

Before the Commission are three applications of Madison County Utilities District ("Madison District"), all of which result from the utility's plan to transition to an automated meter reading ("AMR") system. 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 automated meters. On August 19, 2009, Madison District filed an application for a certificate of public convenience and necessity to purchase an

AMR system and for approval of financing for that system. The Commission consolidated these three cases on October 19, 2009. Having reviewed the applications and being otherwise sufficiently advised, the Commission finds that:

1. Madison District proposes to replace 2,940 manual-read meters with AMR meters in a portion of its system near Waco, Kentucky.¹

2. The proposed AMR system enables a meter reader to collect meter readings while driving near a meter equipped with a radio frequency ("RF") reading device. A battery powers the RF device. When the meter reader is in the vicinity of the RF reading device, he or she transmits a signal that activates the RF device to transmit the meter-reading data.

3. AMR systems have numerous advantages over the existing methods upon which Madison District relies to read meters. In addition to making meter-reading faster and safer, it will reduce the number of employees devoted to meter-reading; alert the utility to tampering or theft of service; enhance the capability to perform consumption analysis, measure peaking trends, and verify distribution modeling; and enhance the ability to identify the loss of water.

4. Water utilities in several major American cities, including Chicago, Houston, Richmond, Memphis, and Charlotte, are currently using drive-by AMR systems.

¹ Madison District states that it plans to install AMR meters throughout its entire system, but approval for a certificate of public convenience and necessity and related financing is only sought for the initial purchase of 2,940 meters.

5. The Commission has previously approved certificates of public convenience and necessity for other water utilities to upgrade their systems to AMR technology.²

6. Madison District has contracted with Ferguson Waterworks to provide the AMR meters and the affiliated technology, which is manufactured by Elster Amco. Ferguson Waterworks provided the lowest bid—\$499,691—that complied with Madison District’s minimum specification.

7. Currently, Madison District contracts with part-time meter readers to collect customer usage data.³ When the AMR system is implemented, Madison District’s employees will be able to collect data during regular business hours, and the independent contractor meter readers will no longer be needed. Madison District expects to save almost all of the \$36,441 annual expense for its meter readers in the Waco area when the AMR system is implemented.

8. Approval from the Division of Water of the Energy and Environment Cabinet is not required for the installation of AMR meters and affiliated technology.

9. Installation of the proposed AMR system will not result in wasteful duplication of existing facilities or excessive investment in utility facilities.

10. The public convenience and necessity require Madison District’s installation of the proposed AMR system.

² See Case No. 2008-00551, Application of the North Marshall Water District for Approval of Construction and Issuance of a Certificate of Convenience and Necessity for the Purchase and Installation of Automated Meter Reading Equipment (Ky. PSC Mar. 30, 2009); Case No. 2008-00119, Application of Northern Kentucky Water District for Approval of Construction and Issuance of a Certificate of Convenience and Necessity for the Purchase and Installation of Automated Meter Reading Equipment (Ky. PSC July 29, 2008).

³ Some of these contracted meter readers are employed full-time by Madison District in another capacity, and read meters after regular working hours.

11. Madison District proposes to finance \$440,000 of the project through a 10-year financing agreement with Government Capital Corporation with an interest rate of 4.89 percent per annum.

12. The proposed loan agreement with Government Capital Corporation is for a lawful object within Madison District's corporate purposes, is necessary and appropriate for and consistent with Madison District's proper performance of its service to the public and will not impair Madison District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

13. Each water utility must periodically test its 1-inch and smaller meters every 10 years, pursuant to 807 KAR 5:066, Section 16. The Commission may grant a deviation from this requirement for good cause shown, pursuant to 807 KAR 5:066, Section 18.

14. As of December 11, 2009, Madison District had approximately 790 meters not in compliance with 807 KAR 5:066, Section 16.

15. Within the next five years, Madison District plans to replace its meters that are beyond their useful life expectancy with new AMR meters in lieu of testing and placing the existing meters back into service.

16. A significant number of aging meters in Madison District's system will be replaced with new meters during the first year of the replacement project.

17. A deviation from 807 KAR 5:066, Section 16, will assist Madison District in avoiding redundant costs to its customers.

18. The Commission previously approved a similar deviation for Hardin County Water District No. 1, which had a similar plan to replace its existing meters with AMR meters over a five-year period.⁴

19. Madison District has demonstrated good cause to deviate from 807 KAR 5:066, Section 16, for 1-inch meters and smaller over a five-year period from the date of this Order.

20. Madison District should continue to test, or have tested, every meter prior to placing it in service.

21. Madison District should continue to test customer meters as required by 807 KAR 5:006, Section 18.

22. Madison District should continue to file periodic meter test reports as required by 807 KAR 5:006, Section 3(2).

23. Madison District should file an annual report as to the status and cost-effectiveness of its meter replacement project.

24. Madison District's proposed nonrecurring charges, as stated in the revised information filed on July 24, 2009, and on April 26, 2010, are equal to the expenses incurred to provide the associated services.

25. Madison District should inform its customers of the amount of the convenience fee charged for credit and debit card payments prior to any transaction by credit or debit card.

⁴ See Case No. 2005-00225, Application of Hardin County Water District No. 1 for Approval of Deviation from Administrative Regulation 807 KAR 5:041, Section 15, Periodic Test Schedule (Ky. PSC Oct. 14, 2005).

26. The charges set forth in the Appendix to this Order are fair, just, and reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. Madison District is granted a certificate of public convenience and necessity to proceed with the installation of the AMR system as set forth in its application.

2. Madison District is authorized to borrow \$440,000 from Government Capital Corporation maturing over a 10-year period with an interest rate of 4.89 percent.

3. The proceeds from the Government Capital Corporation loan shall be used only for the lawful purposes specified in Madison District's application

4. Madison District is permitted to deviate from 807 KAR 5:066, Section 16, for 1-inch meters and smaller. This deviation shall expire five years from the date of this Order.

5. Madison District shall comply with 807 KAR 5:066, Section 16, for any 1-inch and smaller meters that will not be replaced during the next five-year period.

6. Madison District shall obtain approval from the Commission prior to performing any additional construction that is not expressly authorized by this Order and that is not an extension in the ordinary course of business.

7. Madison District shall furnish documentation of the total costs of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

8. Upon installation of the proposed AMR system, Madison District shall physically inspect or examine all meter pits and installations at least once annually.

9. In its annual report for calendar year 2010 and for each following year, Madison District shall provide a written analysis of the status and cost-effectiveness of its meter replacement project. This report shall include: the total number of meters that were replaced; the number of meters that were replaced and that were in service longer than the time period identified in 807 KAR 5:066, Section 16; the number of meters that are in service and that have been in service longer than the time period identified in 807 KAR 5:066, Section 16; and the data containing the cost-effectiveness of the AMR system.

10. Madison District shall test, or have tested, every meter prior to placing it in service.

11. Madison District shall test customer meters as required by 807 KAR 5:006, Section 18.

12. Madison District shall file quarterly meter test reports.

13. The charges in the Appendix are approved for services rendered on and after the date of this Order.

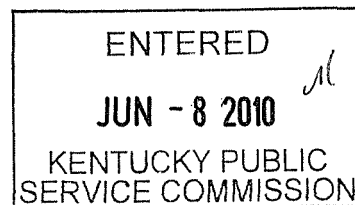
14. Prior to processing a credit or debit card transaction, Madison District shall inform the customer of the fee amount and, upon request by the customer, the formula employed to arrive at this amount. A provision dictating this action shall be included within Madison District's tariff.

15. Within 20 days of the date of this Order, Madison District shall file with the Commission a revised tariff showing the charges approved herein.

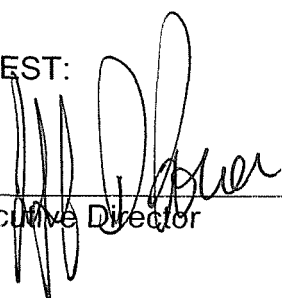
16. Any documents filed in the future pursuant to ordering paragraphs 7 or 12 herein shall reference this case number and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing approved by this Order.

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 JUN - 8 2010

The following rates and charges are prescribed for the customers in the area served by Madison County Utilities District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Nonrecurring Charges

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| Reconnection Charge | \$42.00 |
| Reconnection Charge After Hours | 67.00 |
| Meter Reading Recheck Charge | 27.00 |
| Service Charge | 27.00 |
| <u>Tap Fee</u> | |
| 5/8- x 3/4-Inch Meter | \$856.00 |
| All other sized meters | Actual Cost |

Credit Card Fee

Payments may be made in the form of cash, check, money order, credit/debit card, or online at www.madisoncountyutilities.com. Customers choosing to pay by credit/debit card or online shall be charged \$0.25 per transaction plus 2.2 percent of the amount to be paid. Prior to processing a credit or debit card transaction, Madison District shall inform the customer of the fee amount and, upon request by the customer, the formula employed to arrive at this amount.

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