

PCR

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF: )  
)  
THE APPLICATION OF KENTUCKY-AMERICAN )  
WATER COMPANY FOR A CERTIFICATE OF )  
CONVENIENCE AND NECESSITY AUTHORIZING )  
THE CONSTRUCTION OF KENTUCKY RIVER )  
STATION II, ASSOCIATED FACILITIES AND )  
TRANSMISSION MAIN )**

**CASE NO. 2007-00134**

**RECEIVED**

**OCT 01 2010**

**PUBLIC SERVICE  
COMMISSION**

**ORDERING PARAGRAPH 9 REPORT**

In accordance with Ordering Paragraph 9 of the Commission’s April 25, 2008 Order, Kentucky-American Water Company (“KAW”) provides the following report on the status of the development and implementation of its water conservation, leak mitigation and demand-side management plans and the water usage effects resulting from those plans.

As set forth in previous reports, KAW retained Gannett Fleming, Inc. to assist with the development of a leak mitigation plan and Strand Associates, Inc. to assist with the development of a conservation/demand management plan in accordance with Ordering Paragraph 8 of the Commission’s April 25, 2008 Order.

As for the leak mitigation plan, the consultant completed its final report and it has been submitted to the Commission. KAW has formed a task force comprised of KAW personnel from various disciplines and job areas that is in the process of implementing many of the recommendations in the report and assessing how and whether the other recommendations can be implemented cost-effectively. Progress has been steady. A copy of the latest task force status report is attached.

As for the conservation/demand management plan, KAW has formed a task force to assess the conservation study that has been submitted to the Commission. This task force is also

comprised of KAW personnel from various disciplines and job areas. The task force will determine the appropriateness, effectiveness, and best methods of implementing the conservation recommendations set forth in the conservation study. The task force requested additional information from the consultant relating to objective results normally achieved from the implementation of various conservation efforts. The task force received the supplemental information from the consultant and met in January 2010 to establish a timeline for implementation of some of the consultant recommendations.

The task force also determined that a team needs to be assembled that will focus on raising customer awareness of existing conservation programs and on internal efforts recommended by the consultant. The team met in February 2010 and implemented a winter conservation education program that included a customer bill insert for the month of February. The conservation team continued in March 2010 to distribute conservation materials and is developing additional customer education materials, including a bill insert that will provide detailed information to help customers track individual usage. In May 2010, KAW continued efforts to educate customers on how to read their bills to determine actual usage and how it impacts overall costs for the customer through additional distribution of materials. Additionally, KAW scheduled a bill insert for outdoor conservation tips and began billboard advertising for conservation.

In June 2010, KAW continued efforts to educate customers on outdoor conservation tips and continued its billboard advertising for conservation. KAW met with the Fayette County Public Schools to explore opportunities for partnerships both through education and assisting schools in water reduction programs. KAW awarded two grants totaling nearly \$20,000. These two grants went to the Hamburg Homeowners Association and the Friends of Raven Run to

assist with programs that focus on watershed protection and education efforts on preserving water resources.

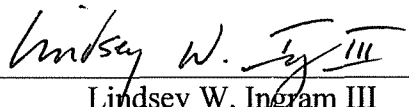
In July and August 2010, KAW continued efforts to educate customers on outdoor conservation tips and billboard advertising for conservation. A copy of the billboard advertising is attached. KAW hosted an open house at the Richmond Road Station treatment plant on July 27, 2010 which had nearly 400 attendees. In addition to tours of the plant, KAW provided information on outdoor conservation and leak detection kits. On August 20, 2010, KAW participated in the Cane Run Watershed Festival developed by the LFUCG to promote water resource protection. KAW provided a sponsorship, had drinking water available, and provided additional information to participants on conservation tips, water quality, leak detection within the home, and reading the customer bill.

KAW continues to pursue partnerships for additional conservation programs focused on reducing outdoor water use during summer months with civic groups, school systems, and industrial customers. Specifically, KAW continues to work with the LFUCG and Bluegrass Pride on partnerships with the rain catchment systems, and with the Fayette County Public Schools on conservation programs within the schools extending beyond education opportunities with students. Additionally, KAW's efforts to explore opportunities for education programs on conservation and to determine potential programs for fixture replacements. Finally, the task force also continues to work with the NRW task force to develop the IWA/AWWA water audit information, which was recommended as part of the NRW reduction study.

At this time, the plans discussed above are still being finalized. Therefore, to the extent that water usage effects from the implementation of the plans can be isolated and measured, those effects have not occurred.

Respectfully submitted,

STOLL KEENON OGDEN PLLC  
300 West Vine Street, Suite 2100  
Lexington, Kentucky 40507-1801  
Telephone: (859) 231-3000

BY:   
Lindsey W. Ingram III  
Attorneys for Kentucky-American Water Company

CERTIFICATE OF SERVICE

This is to certify that the original and eight (8) copies of the foregoing have been filed with the Public Service Commission this the 1<sup>st</sup> day of October, 2010, and a copy mailed to:

David E. Spenard, Esq.  
Dennis G. Howard II, Esq.  
Assistant Attorneys General  
1024 Capital Center Drive, Suite 200  
Frankfort, KY 40601-8204

David Barberie, Esq.  
Leslye M. Bowman, Esq.  
Lexington-Fayette Urban County Gov't.  
Department of Law  
200 East Main Street  
Lexington, KY 40507

Tom FitzGerald, Esq.  
Kentucky Resources Council, Inc.  
P.O. Box 1070  
Frankfort, KY 40602

David F. Boehm, Esq.  
Boehm, Kurtz & Lowry  
36 East Seventh Street, Suite 1510  
Cincinnati, OH 45202

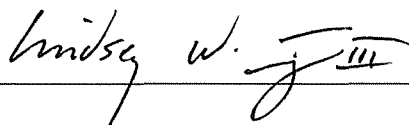
Damon R. Talley, Esq.  
112 N. Lincoln Blvd.  
P.O. Box 150  
Hodgenville, KY 42748-0150

John N. Hughes, Esq.  
124 W. Todd Street  
Frankfort, KY 40601

John E. Selent, Esq.  
Edward T. Depp, Esq.  
Dinsmore & Shohl LLP  
1400 PNC Plaza  
500 West Jefferson St.  
Louisville, KY 40202

Barbara K. Dickens, Esq.  
Louisville Water Company  
550 South Third Street  
Louisville, KY 40202

STOLL KEENON OGDEN, PLLC

By 

# NRW Status Report

1 October 2010

The Gannett Fleming (GF) study on Non Revenue Water (NRW) for Kentucky American Water (KAW) was supplied to the PSC in early September 2009. KAW has assembled a task force that includes a cross section of KAW personnel from various disciplines and job duties to assess each recommendation, and determine how to best integrate the recommendation into KAW operations.

The report's Executive Summary identifies 6 tasks and makes recommendations related to each. Only the tasks with pending actions in September are referenced in this report.

Under Task 1, GF recommended four actions. Three of the four recommended main replacement projects are complete. Hanover Court Construction is currently anticipated to begin late October with completion in December 2010.

Under Task 4, GF has recommended two metering studies that may offer value in ensuring metering accuracy. KAW conducted a detailed meter demand study which includes continuous/instantaneous metering. As this is an ongoing project, KAW is going to pursue this task and will no longer be reporting these activities unless otherwise requested by the PSC.

Under Task 5, the GF study made three recommendations. The first and third recommendation, were addressed in prior reports and are complete. The second recommendation deals with property owners who do not address known leaks on private services. KAW will continue working with customers to address these issues and will no longer be reporting these activities unless otherwise requested by the PSC.

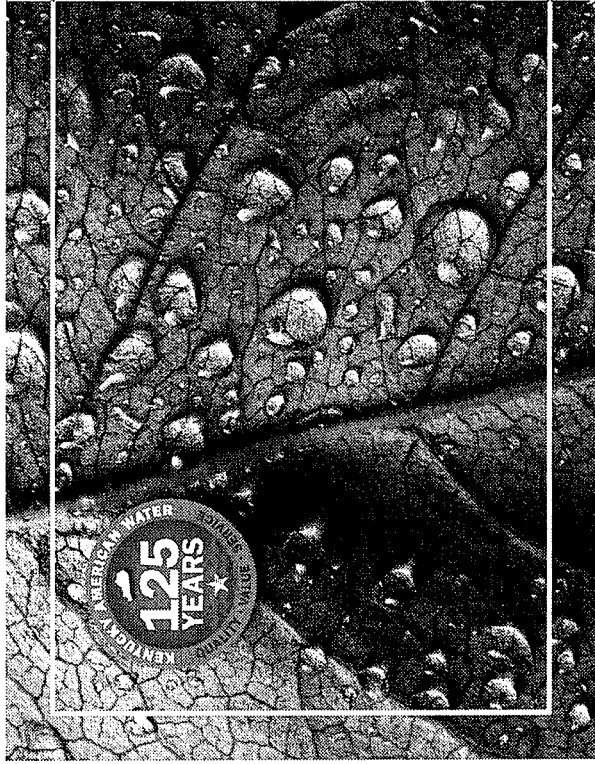
Under Task 6, GF offers three recommendations, all involving adoption of the IWA/AWWA tracking methodology. KAW is already implementing both of the first two and continues to move forward on the third. The company's 12 month rolling NRW is 12.45% at August 31, as compared to 13.7% at the time of the GF study.

The IWA/AWWA methodology offers transparency into the various components of non-revenue water that may supplement information provided on the current PSC water loss reports.

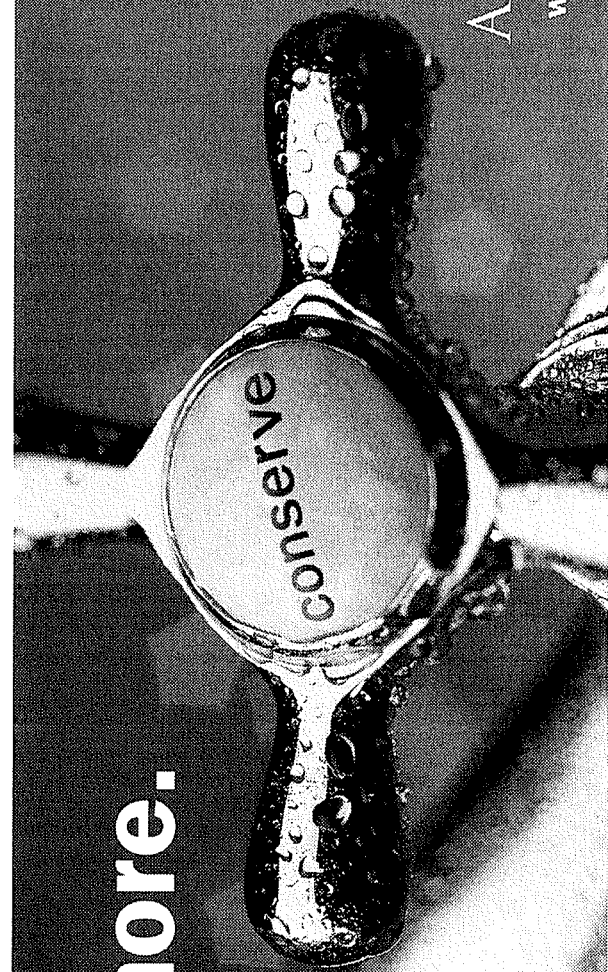
**Every drop is precious.  
Help conserve water.**



**KENTUCKY  
AMERICAN WATER**  
[www.kentuckyamwater.com](http://www.kentuckyamwater.com)



**Less is more.**



**KENTUCKY  
AMERICAN WATER**

[www.kentuckyamwater.com](http://www.kentuckyamwater.com)