

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LICKING VALLEY RURAL)	
ELECTRIC COOPERATIVE CORPORATION FOR)	CASE NO.
AN ORDER ISSUING A CERTIFICATE OF)	2016-00077
PUBLIC CONVENIENCE AND NECESSITY)	

ORDER

Pursuant to an Order dated August 29, 2016 (“August 29, 2016 Order”), the Commission granted Licking Valley Rural Electric Cooperative Corporation (“Licking Valley”) a Certificate of Public Convenience and Necessity (“CPCN”) to purchase and install an Advanced Metering Infrastructure (“AMI”) system to replace its current meters. On September 16, 2016, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (“AG”), requested a rehearing of the August 29, 2016 Order. On October 6, 2016, the Commission granted the AG’s petition for rehearing and established a procedural schedule to review the issues raised by the AG on rehearing. The procedural schedule on rehearing, among other things, required Licking Valley to file testimony fully addressing the issue of future technical support for its existing Landis+Gyr TSII Meters (“TSII Meters”), and provided for one round of discovery on Licking Valley’s rehearing testimony. Licking Valley timely filed its testimony and its responses to the data requests. By Order entered on December 12, 2016, the Commission found that the parties’ failure to file a request for a hearing as provided for in the procedural schedule should be deemed a waiver of their respective

right to an evidentiary hearing on the issues for which rehearing has been granted. The Commission further found that the matter should be submitted for a decision based on the existing record. The Commission, after consideration of the evidence of record and being otherwise sufficiently advised, affirms its August 29, 2016 Order and grants Licking Valley's request for a CPCN to purchase and install an AMI system to replace its current meter system.

BACKGROUND

Licking Valley's current meter system consists of 13,764 Landis+Gyr Turtle I meters ("TSI Meters") and 3,563 TSII Meters, which transmit data between the meters and Licking Valley's office¹ over existing power lines through the use of power line carrier ("PLC") technology. Licking Valley requested the CPCN to upgrade to AMI meters that use radio frequency ("RF") technology to transmit meter data. The Commission's August 29, 2016 Order approving Licking Valley's CPCN application to upgrade its metering system was based primarily on the finding that Licking Valley's existing TSI meters are obsolete and that its existing TSII Meters would soon be rendered obsolete because Landis+Gyr is discontinuing its technical support for those meters.

As a basis for his rehearing petition, the AG asserted that the Commission improperly determined that Licking Valley's existing TSII Meters could no longer be supported. The AG argued that the evidentiary record contained contradictory information regarding future support for TSII Meters and that the Commission did not

¹ TSI meters communicate in one direction, from the meter to a central office. TSII meters communicate in two directions, from a meter to a central office, and from a central office to a meter.

address the contradiction.² The AG maintained that Licking Valley contradicted its statement that the TSII Meters would no longer be supported by Landis+Gyr with statements that the PLC systems would continue to be available and continue to be supported.³ The AG asserted that the Commission had to make a finding of fact regarding the said contradiction between support for PLC systems and support for TSII Meters. Otherwise, according to the AG, there is no adequate basis to support the Commission's finding that there was sufficient evidence that technical support for the TSII Meters is being discontinued.

As a further basis for his rehearing petition, the AG contended that the Commission should have required Licking Valley to conduct a cost-benefit analysis to justify the proposed AMI upgrade. In the August 29, 2016 Order, the Commission explained that Licking Valley pursued the AMI meter upgrade to avoid investing additional money in obsolete technology, and thus did not conduct a cost/benefit analysis to determine the cost-effectiveness of the proposed project. The AG argued that cost-saving reasons should always be the central consideration, thus Licking Valley should have been required to conduct a cost-benefit analysis.

DISCUSSION

The Commission granted rehearing to allow the record to be more fully developed on the issue of future technical support for Licking Valley's TSII Meters. The Commission explained that clarification would indicate whether the proposed meter replacement was being performed due to obsolescence of the existing meters, in which

² AG's Petition for Rehearing (filed Sept. 16, 2016), page 3.

³ *Id.* at 2-3.

case the Commission has not previously required a quantification of benefits, or due to reasons other than obsolescence, which would require a quantification of benefits associated with an AMI upgrade project to be provided to justify the upgrade.

In regard to the purported contradiction between the end of support for TSII Meters and continued support for PLC systems, the AG raised this issue in his Final Comments (“AG Final Comments”),⁴ and it was addressed in the August 29, 2016 Order. In the August 29, 2016 Order, the Commission distinguished between a TSII Meter, which contains meter software technology that provides AMI functionality for collecting and recording data, and a PLC system, which is the communication system that transmits the data collected and recorded by TSII Meter software.⁵ As the Commission noted in the August 29, 2016 Order, PLC systems remain a viable option as a communication network for transmitting data between an AMI meter and a central office, but increasingly utilities are purchasing RF-based systems rather than PLC-based systems.⁶ Based on the evidence of record, the Commission affirms the conclusion reached in the August 29, 2016 Order that a TSII Meter represents a different component of metering technology than PLC. Because a TSII Meter is discrete from and not synonymous with a PLC system, the Commission also affirms its finding in the August 29, 2016 Order that the evidence submitted by Licking Valley regarding the discontinuance of support for TSII Meters is not inconsistent with the evidence that PLC systems continue to be available.

⁴ AG’s Final Comments (filed June 17, 2016), pages 4–5.

⁵ August 29, 2016 Order, page 6.

⁶ *Id.*

The next issue to be addressed is the sufficiency of evidence that Landis+Gyr will discontinue support for TSII Meters. In a post-rehearing filing, Licking Valley provided an undated letter from a Landis+Gyr manager who stated that Landis+Gyr expected to ship the last TSII Meters on December 31, 2016, and that the company had discontinued funding research and development on the TSII product line.⁷ In its responses to post-hearing data requests, Licking Valley provided another document from Landis+Gyr that discussed the “End of Life Program” for TSII Meters. According to this information, orders for the final delivery of TSII Meters had to be placed by June 30, 2016, with the last shipment of TSII Meters delivered no later than December 31, 2016.⁸ Landis+Gyr explained that sales of TSII Meters “dwindled to a point where the cost of a development project is not business justified.”⁹ Landis+Gyr will authorize returns for repair of TSII Meters through December 31, 2020, or until parts are no longer available.¹⁰

Based on the entire record, the Commission finds that there is substantial evidence to demonstrate the lack of future support for TSII Meters by Landis+Gyr. As stated in the August 29, 2016 Order, the primary reason for Licking Valley’s request to replace its meters was that continued deployment of unsupported TSII Meters is not a prudent technical or financial decision. This is especially so given that the meters will no longer be available from the manufacturer as of December 31, 2016, and that

⁷ Licking Valley Response to Information Request (filed Oct. 24, 2016), unnumbered page 2.

⁸ Licking Valley’s Response to Information Request (filed Nov. 21, 2016) Item 2, Exhibit 2.

⁹ *Id.*

¹⁰ *Id.*

replacement parts will be available only until 2020, or until the supply runs out. If Licking Valley continues to rely on the soon-to-be unsupported TSII Meters, it faces exposure to operational risk in regard to its ability to provide reliable service by maintaining and repairing the meters. The Commission affirms its findings in the August 29, 2016 Order that the evidence submitted by Licking Valley was not inconsistent and further finds that the evidence of record supports the Commission's decision.

The last issue to address is the AG's argument that Licking Valley should be required to conduct a cost-benefit analysis because the primary consideration for meter replacement should be based on economic reasons. As discussed in the August 29, 2016 Order, the Commission historically has not issued a CPCN for meter replacement absent a cost-benefit analysis, but has on occasion approved meter replacement without requiring a cost-benefit justification when the petitioner provided evidence of extenuating circumstances, such as obsolescence of existing systems and the associated costs for replacing the obsolete system. The Commission notes that a cost-benefit analysis is not a statutory requirement; it is a tool to assist the Commission in its determination whether the proposed project is economic. When an asset is obsolete, and thus has a shortened operational life, the economic analysis typically focuses on replacement options. Based on the facts presented here, the Commission affirms its finding that Licking Valley's evaluation of the multiple proposals to replace the obsolete metering system that were submitted by different vendors in response to a RFP, and the costs of the proposed system that Licking Valley selected, to be reasonable. For the above reasons, the Commission finds that Licking Valley presented evidence of

extenuating circumstances—that its current metering system is, or will soon be, obsolete, and the associated cost of replacing an obsolete metering system. The Commission affirms its finding in the August 29, 2016 Order that the proposed system costs are reasonable.

SUMMARY OF FINDINGS

1. The Commission affirms its finding in the August 29, 2016 Order that the evidence submitted by Licking Valley regarding the discontinuance of support for TSII Meters is not inconsistent with the evidence that PLC systems continue to be available.

2. The Commission finds that the evidentiary record contains sufficient information that Landis+Gyr will discontinue future support for TSII Meters, has discontinued manufacturing and selling TSII Meters as of December 31, 2016, and will support repairs to TSII Meters only until 2020 or until the supply of parts runs out, whichever comes first.

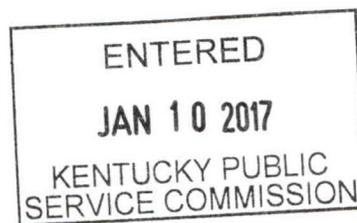
3. The Commission finds that based on the facts presented in this case, a cost-benefit analysis is not necessary in this matter in light of our finding that the TSII Meters soon will become obsolete. The Commission further finds as reasonable the evaluation conducted by Licking Valley of the multiple proposals to replace the obsolete metering system that were submitted by different vendors in response to a RFP, along with the costs of the proposed system that was selected.

4. The Commission affirms its finding in the August 29, 2016 Order that Licking Valley should be granted a CPCN to purchase and install an AMI system to replace its current metering system.

IT IS THEREFORE ORDERED that:

1. The August 29, 2016 Order granting Licking Valley a CPCN to purchase and install an AMI system and to develop and implement a ratepayer education program on AMI metering is affirmed.
2. This case is closed and removed from the Commission's docket.

By the Commission



ATTEST:


Executive Director

*Gregory D. Allen
Magoffin County Attorney
P.O. Box 585
Salyersville, KENTUCKY 41465

*Kerry K Howard
President & CEO
Licking Valley R.E.C.C.
P. O. Box 605
271 Main Street
West Liberty, KY 41472

*Larry Cook
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Licking Valley R.E.C.C.
P. O. Box 605
271 Main Street
West Liberty, KY 41472

*Rebecca W Goodman
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204