

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BIG SANDY RURAL)	
ELECTRIC COOPERATIVE CORPORATION)	
FOR DEVIATION FROM THE PROVISIONS)	CASE NO. 2005-00048
OF 807 KAR 5:006, SECTION 6(5) AND)	
807 KAR 5:041, SECTION 15(3))	

O R D E R

On January 4, 2005, Big Sandy Rural Electric Cooperative Corporation (“Big Sandy” or “the Company”) requested deviations from the provisions of two regulations relating to customer meters. Big Sandy is replacing its current meters with automatic meter reading devices (“AMR”), and it requested the deviations for the 3-year period it believes the transition will take. The regulations from which Big Sandy seeks relief are 807 KAR 5:006, Section 6(5), which requires a utility to read meters either quarterly or annually, depending on the type of meter, and 807 KAR 5:041, Section 15(3), which requires a utility to test the types of meters Big Sandy’s customers have at least once every 8 years.

The Company plans to install approximately 1,200 new Itron electronic meters and retrofit about 6,800 ABB mechanical meters. AMRs have numerous advantages over mechanical meters. In addition to making meter reading faster and more accurate, they can identify outages with specificity. The meters can also be programmed to alert the Company to unusual readings, thus helping to discover problems. They can also recognize and report tampering.

In response to a Staff data request, the Company explained the reasons for the application.

Big Sandy is requesting these deviations because of the redundancy of work involved in both projects with the current regulations. A lot of the same work would be duplicated in testing our meters and then changing the same meter shortly afterwards. The same for the meter readings. We plan on obtaining readings twice in a three year period and daily readings as well from the AMR system. By removing these redundancies, Big Sandy can free up resources and manpower needed for the AMR project.

Big Sandy estimated the impact of the regulations as follows: to continue testing meters, a 2-year delay in the project and costs of \$55,148; to continue reading meters, a 1-year delay in the project and costs of \$74,880. The Commission, however, must look at the potential impact on customers as well as the Company in deciding this case.

In the case of the testing regulation, the application asked for “a suspension of our 8 year meter testing cycle for a period of 3 years, during which time all meters on our system will be changed with a tested and calibrated meter with an A.M.R. module.” It appears to the Commission that the customers who would be affected by this deviation are those who have not had their meters tested for 6 or 7 years. They would be due a test sometime during the conversion period; and if they are at the end of the conversion cycle, their tests may be delayed beyond the 8-year requirement. This delay might cause a problem for the customer with a malfunctioning meter. Another Commission regulation, 807 KAR 5:006, Section 18, is important here, however. That regulation allows a customer to request that the utility test the meter if he or she believes it is inaccurate. Big Sandy’s tariff provision implementing this regulation authorizes a charge of \$15 for this testing service, but, under the regulation, the

customer does not have to pay the charge if the meter is reading at least 2 percent fast. For the short time of the requested deviation, the Commission believes this provision adequately protects customers.

The meter reading regulation is a different matter, though. A customer could go the full 3 years without having the meter read. To ameliorate the potential problems, Big Sandy's application says it "will utilize all available means to collect and record accurate readings. We will use a computer program that treats KWH usage on every account, compares current KWH usage to usage from the same month-prior year, and flags those accounts that reflect a 50% increase or decrease in usage. Big Sandy RECC will investigate these accounts and obtain an accurate reading and correct any problems that exist."

The Commission does not believe these efforts will address the purposes of the regulation's requirements for several reasons. In-person visits to read a customer's meter protect both the customer and the utility. KRS 278.225 provides, "All service supplied by a utility shall be billed within two (2) years of the service. No customer shall be liable for unbilled service after two (2) years from the date of the service, unless the customer obtained the service through fraud, theft, or deception." Thus, if a meter is understating a customer's usage, Big Sandy will not be able to recover for any charges older than 2 years. Conversely, however, in that same circumstance, the customer will be liable for all undercharges for 2 years, which could be a significant amount. Periodic required meter reading prevents both of these situations. In addition, when a utility actually visits a customer's premises and inspects the meter, it can determine if there are safety concerns or evidence of tampering. Finally, history has shown that AMR

systems are far from foolproof. The Commission's Division of Consumer Services continues to receive a steady stream of complaints that show improper computer setups, incorrect data readings, and various other problems that pure automatic readings do not uncover. A deviation from the meter reading requirement for 3 years could lead to problems that may well go undiscovered for a substantial period of time, to the detriment of both Company and customers. For these reasons, the Commission concludes that the request for a deviation from the meter reading requirement should be denied.

Big Sandy asked for 3-year deviations from each regulation. In response to a data request, however, it stated that failure to relieve it of the meter-reading requirement would add 1 year to the project. Given the protections the Commission finds are in place to cover meter testing, a 4-year deviation from that regulation's requirement would not be inappropriate. Nevertheless, the Commission does recognize that a delay in the project could create problems. While we find that Big Sandy should be granted a 4-year deviation from the meter testing regulation, the Company should be required to report annually on the progress of the project, and the project must be completed in 4 years.

IT IS THEREFORE ORDERED that:

1. Big Sandy's application for a deviation from the requirements of 807 KAR 5:041, Section 15(3), is granted for a period of no more than 4 years from the date of this Order, or until its meter replacement project is completed, whichever occurs first.
2. Big Sandy shall provide to the Commission annual reports on the progress of the project, with the first due 1 year from the date of this Order.

3. Big Sandy's application for a deviation from the requirements of 807 KAR 5:006, Section 6(5), is denied.

Done at Frankfort, Kentucky, this 21st day of April, 2005.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end, positioned above a solid horizontal line.

Executive Director