COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

FILING OF TAYLOR COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION REQUESTING APPROVAL OF DEFERRED PLAN FOR RETIRING METERS	))))	CASE NO. 2008-00376

ORDER

On September 2, 2008, Taylor County Rural Electric Cooperative Corporation ("Taylor County") filed a request for approval of its deferred plan for retiring meters. With its request, Taylor County submitted a copy of a January 17, 2008 letter requesting approval by the federal Rural Utilities Service ("RUS") of the deferral plan which included basic information regarding the proposed plan. RUS has notified Taylor County that the Commission's authorization for the deferral must be granted before RUS will approve the proposed plan.

There are no intervenors in this proceeding. Taylor County responded to a data request from Commission Staff ("Staff") and a follow-up telephone conference to clarify certain previous responses.

DISCUSSION

Taylor County originally identified the initiation and installation of an automated meter reading system ("AMR") as part of its three-year work plan approved by the Commission in Case No. 2006-00286.[1] In conjunction with its AMR program, Taylor

[1] Case No. 2006-00286, Application of Taylor County Rural Electric Cooperative Corporation for a Certificate of Public Convenience and Necessity, Order dated October 5, 2006.

County proposes to write off the cost of the meters that are being retired and the associated accumulated depreciation. Taylor County states that it is of the opinion that the large write-off created by the retirement should not be expensed in one year since it is a result of years of accumulating meters. Since it maintains accumulated depreciation for total distribution plant and not at the individual plant level, Taylor County applied the ratio of the cost of the meters to be retired to total distribution plant to arrive at the accumulated depreciation associated with the retired meters.

Taylor County explains that it replaced mechanical meters, which must be manually read, with solid state meters that transmit the reading over power lines to a unit at a substation that then transmits the reading by radio signal to Taylor County's office where it is retrieved by a computer for billing. In addition to reducing the chance of errors, the solid state meters also reduce the need to estimate readings. Taylor County provided the following proposed accounting entry to retire the meters:

DR Acct. 108.60, Accumulated Depreciation	$ 302,256.83	
DR Acct. 182.10, Extraordinary Property Losses	1,205,258.55	
CR Acct. 370.00, Meters		$1,507,515.38

Taylor County explains that it plans to amortize the loss of $1,205,258.55 over five years, which will reduce its margins by $241,051.71 each year. Taylor County chose five years because a period less than five years would have too dramatic of an effect on margins and a period greater then five years would have the same effect as amortizing the old meters and recording depreciation on the new meters in the same time period, resulting in a doubling of expenses. The accounting entry proposed by Taylor County for the amortization is:

DR Acct. 407.00, Amortization of Property Losses	$ 241,051.71		
	CR Acct. 182.10, Extraordinary Property Losses		$ 241,051.71

The deferral of the cost incurred due to the retirement of the mechanical meters will have the effect of reducing Taylor County's margins by $241,051.71 in each year of the five-year amortization period rather than having margins reduced by $1,205,258.55, the full amount of the extraordinary property loss, in one calendar year. Taylor County has stated that the five-year amortization will not place it in jeopardy of default under the terms of existing or proposed financing arrangements as to its Times Interest Earned Ratio or Debt Service Coverage requirements.

FINDINGS AND ORDERS

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Taylor County's request for authority to record the net meter write-off as a regulatory asset and to amortize that asset over five years is reasonable and should be approved. The matter of rate recovery will be reserved for consideration in a future electric base rate case.

IT IS THEREFORE ORDERED that:

1. Taylor County's request to establish a regulatory asset account to record the net meter write-off is approved as proposed for accounting purposes only.

2. Taylor County shall record its net meter write-off as a regulatory asset in conformance with the provisions of its application.

3. Taylor County shall amortize the amount of the regulatory asset established by its net meter write-off over five years in conformance with the provisions of its application.

Done at Frankfort, Kentucky, this 9th day of December, 2008.

By the Commission

ATTEST:

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