

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH KENTUCKY RURAL	)	
ELECTRIC COOPERATIVE CORPORATION	)	CASE NO.
FOR DEVIATION FROM ITS TESTING OF	)	2010-00291
METERS OCCASIONED BY IMPLEMENTATION	)	
OF ITS ADVANCED METERING	)	
INFRASTRUCTURE SYSTEM	)	

O R D E R

On July 27, 2010, South Kentucky Rural Electric Cooperative Corporation (“South Kentucky”) filed its application for deviation from 807 KAR 5:041, Section 15(3), which requires that an electric meter shall be tested when removed from service for any cause. South Kentucky requests a deviation from 807 KAR 5:041, Section 15(3) in order to avoid testing meters which are being removed and replaced with advanced metering infrastructure (AMI) meters. South Kentucky also requests the Commission’s approval to suspend its meter testing program for a period of five years, or until the AMI system is installed.

807 KAR 5:041, Section 15(3) states, in pertinent part, that a meter shall be tested “when removed from service for any cause.” South Kentucky is removing all of the single-phase meters on its system and replacing them with new AMI meters. Based on the plain language of the regulation, South Kentucky must test all of the meters it removes from service—even those it is removing in order to replace them with new meters.

South Kentucky is proposing to store all removed meters for a period of two years, during which time it will compare the kilowatt-per-hour ("kWh") usage from the removed meters with the kWh usage as determined from the new AMI meters. South Kentucky proposes to test only those removed meters for which there is a significant usage variation between the new AMI meter and the meter which was removed. However, the Commission finds that South Kentucky's plan for comparing metered usage would be impractical due to the inherent difficulty in accounting for variables such as year-to-year weather conditions and changes in customer demand based on lifestyle changes or new occupants with energy usage patterns dissimilar from the prior residents.

In its application in this matter, South Kentucky states that:

[i]t will cost South Kentucky \$3.00 to test each removed meter at a total cost of \$207,900.00. But, if removed meters are stored for a period of two (2) years and tested only if there is a significant usage variation and if South Kentucky's meter testing program is suspended for five (5) years, a cost savings of \$207,900.00 results by 69,300 meters x \$3.00 per meter. Additionally, in house expenses will be saved which have not been computed.

In response to Commission Staff's questions during the August 17, 2010 Informal Conference, South Kentucky filed a document which is a ten-year summary of its sample meter testing program. It shows that very few of the meters that South Kentucky has tested in its sample meter testing program over the past ten years were out of the acceptable range (+ or - 2 percent).

Pursuant to 807 KAR 5:006, Section 3(2), South Kentucky, along with all other utilities, must file quarterly meter testing results with the Commission.<sup>1</sup> From data contained in the quarterly meter report forms, it appears that, in 2007 South Kentucky found 37 meters on its system that were more than 2 percent in error slow, for which it had to back-bill those customers \$4,251.40. In 2007, South Kentucky found 13 meters on its system that were more than 2 percent in error fast, for which it had to issue refunds totaling \$1,273.00.

In 2008, South Kentucky found 64 meters on its system that were more than 2 percent in error slow, for which it had to back-bill those customers \$12,007.91. In 2008, South Kentucky found 19 meters on its system that were more than 2 percent in error fast, for which it had to issue refunds totaling \$783.64.

In 2009, South Kentucky found 103 meters on its system that were more than 2 percent in error slow, for which it had to back-bill those customers \$6,413.33. In 2009, South Kentucky found 35 meters on its system that were more than 2 percent in error fast, for which it had to issue refunds totaling \$3,500.44.

The data contained in South Kentucky's quarterly meter reports show that, each year, South Kentucky discovered many more inaccurate meters on its system than its 10-year sampling summary indicates. The 10-year sample testing summary shows that, through its sample meter-testing program, South Kentucky discovered only four meters operating more than 2 percent in error slow for the years 2007 through 2009 and only one meter operating more than 2 percent in error fast during the same time period.

---

<sup>1</sup> Quarterly meter testing report filed by South Kentucky with the Commission dated April 26, 2007 through February 10, 2010 was attached to Commission Staff's Fourth Information Request as Appendix B.

Whereas, the total of unacceptably slow meters discovered on South Kentucky's system during the time period was 204, with a total back-billing to customers of \$22,672.64, and the number of unacceptably fast meters discovered by South Kentucky during the time period was 67, with a total refund to customers of \$5,557.08.

In its response to Commission Staff's Fourth Information Request, South Kentucky states that the additional inaccurate meters it finds on its system outside the 2 percent (+ or -) range are found as a result of its monthly pre-bill audit reports, as well as through the discovery of meters that have been tampered with.<sup>2</sup> South Kentucky asserts that testing the meters removed from service as a result of the AMI project "is an inefficient use of our member owner's money" and states its belief that its pre-bill auditing system will be sufficient to "identify meters which are significantly outside the 2% limits."<sup>3</sup> Moreover, South Kentucky argues that, from a cost/benefit standpoint, it costs much more to perform the testing of the additional inaccurate meters it discovers on its system than it gains in correcting those inaccuracies.<sup>4</sup>

The Commission finds that the need to identify inaccurate meters outweighs South Kentucky's stated concern with the cost/benefit of conducting the meter testing. South Kentucky's customers should be able to have confidence in the accuracy of their billing statements. That confidence depends, in great degree, upon the proper testing of meters. Therefore, the Commission does not believe it would be reasonable to grant

---

<sup>2</sup> South Kentucky's Response to Commission Staff's Fourth Information Request at Item 3.a.

<sup>3</sup> Id.

<sup>4</sup> Id. In its response, South Kentucky states that, "for every member's dollar we spend on testing meters South Kentucky only recovers \$0.39."

South Kentucky's request and to allow it to avoid testing the meters it removes from service on its system.

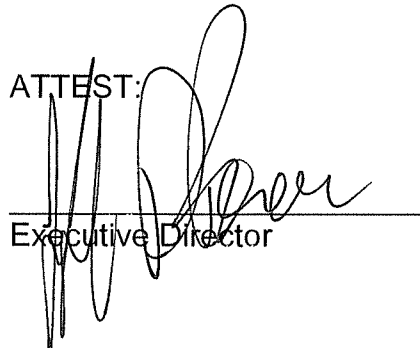
Regarding South Kentucky's request to suspend its meter-testing program for a period of five years or until the AMI system is installed, the Commission finds that sample testing of the new AMI meters is necessary to determine if the new meters are functioning accurately as described by the manufacturer. As with the testing of removed meters, for the benefit of ensuring the confidence of its customers in the accuracy of their bills, South Kentucky must perform sample meter testing on its new AMI meters in order to determine if those meters are continuing to function properly once they have been installed and are subject to all of the outdoor operating conditions which might compromise their performance.

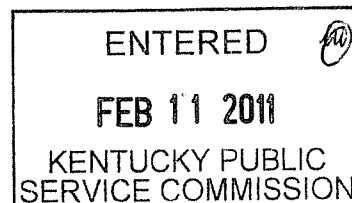
IT IS THEREFORE ORDERED that:

1. South Kentucky's request for deviation from 807 KAR 5:041, Section 15(3), in order to avoid testing meters which it is removing from service and replacing with AMI meters is denied.
2. South Kentucky's request for the Commission's approval to suspend its meter-testing program for a period of five years, or until its AMI system is fully installed, is denied.

By the Commission

ATTEST:

  
Executive Director



Stephen Johnson  
Vice President of Finance  
South Kentucky R.E.C.C.  
925-929 N. Main Street  
P. O. Box 910  
Somerset, KY 42502-0910

Honorable Darrell L Saunders, P.S.C.  
Attorney at Law  
700 Master Street  
P.O. Box 1324  
Corbin, KY 40702