

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MEADE)	
COUNTY RURAL ELECTRIC COOPERATIVE)	
CORPORATION FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY TO)	CASE NO.
CONTINUE WITH THE FULL DEPLOYMENT)	2020-00336
INSTALLATION OF ITS AUTOMATED)	
METERING AND INFRASTRUCTURE)	
SYSTEM)	

ORDER

On October 28, 2020, Meade County Rural Electric Cooperative Corporation (Meade County RECC) tendered an application, pursuant to KRS 278.020, requesting a Certificate of Public Convenience and Necessity (CPCN) to deploy an Advanced Metering Infrastructure (AMI) system as described below. Meade County RECC does not propose to adjust its rates. No party has sought intervention in this matter. Meade County RECC responded to one round of discovery. The record for this case is complete, and the matter stands ready for decision.

Meade County RECC is a not-for-profit, member-owned, rural electric distribution cooperative corporation organized and existing under KRS Chapter 279. Meade County RECC is engaged in the business of distributing retail electric power to approximately 30,000 members in the Kentucky counties of Breckinridge, Grayson, Hancock, Hardin, Meade and Ohio.¹

¹ Application, at 1.

Meade County RECC is requesting a CPCN to continue with the full deployment installation of an AMI system. The estimated total cost of the project is \$5,600,000. Meter cost and installation is projected to be \$4,100,000 and network hardware cost and installation is projected to be \$1,500,000.² Meade County RECC will construct the proposed AMI project from general funds.³

As a basis for its request for a CPCN, Meade County RECC states that its current Landis + Gyr Power Line Carrier (PLC) system is nearing its end of life with support ending in 2022 and there has been no ability to order replacement parts since October 2019.⁴ In a statement from Landis + Gyr titled TS2 End of Sales, FAQ, an explanation was provided stating that Meade County RECC's existing Power Line Carrier (PLC) AMI system was nearing the end of its useful life.⁵ On January 18, 2018, Meade County RECC made a business decision to evaluate a new AMI system.⁶

An AMI Committee was formed on March 3, 2018, and received presentations from Aclara, Eaton, Landis + Gyr, Silver Spring/Itron, and Tantalus.⁷ The AMI Committee completed evaluations of each vendor, and, on November 6, 2018, a Request for Proposal (RFP) was sent to three of the five vendors: Aclara, Landis + Gyr, and Silver

² *Id.*, Direct Testimony of Michael French (French Testimony) at 2.

³ *Id.*, French Testimony at 4.

⁴ *Id.*, Exhibit 6 – Correspondence from Landis + Gyr TS2 End of Sales FAQ

⁵ *Id.*, Exhibit 6.

⁶ *Id.*, Exhibit 1.

⁷ *Id.*

Spring/Itron, along with specifications that the AMI Committee deemed essential.⁸ According to Meade County RECC, the AMI Committee evaluated each RFP using a scoring mechanism and performed site visits and conference calls with other electric distribution cooperatives to help determine which vendor could provide the best AMI system solution for Meade County RECC.⁹ The AMI Committee decided on Landis + Gyr's Gridstream solution because it most closely suited the needs of Meade County RECC, and a contract was signed on June 30, 2019, to proceed with a pilot program.¹⁰

In 2019 Meade County RECC's Landis + Gyr Gridstream AMI pilot system was deployed. Meade County RECC used a System Acceptance Test (SAT) to test the pilot AMI project. Meade County RECC avers that the pilot was accepted due to its meeting of all Meade County RECC's requirements and expectations.¹¹ Meade County RECC asserts that it has seen several benefits with the pilot system and cost savings. According to Meade County RECC, the pilot system has allowed Meade County RECC to analyze its system more efficiently, utilize real time data from meters, allow members to access their 15-minute interval data to make better decisions about their usage, reduce truck rolls, eliminate the need for manual readings, enable remote connects and disconnects for most situations, test pre-pay internally, and find issues in the field before they could cause an outage or member complaint.¹² Meade County RECC is seeking a CPCN due

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*, French Testimony, at 3.

¹² *Id.* at 3-4.

to the end of life of the existing PLC system, the benefits as demonstrated by the pilot project, and the success of the pilot system.¹³

Depreciation

Meade County RECC's currently in service TS2 meters are not fully depreciated. Meade County RECC proposes to continue to depreciate the meters at the current 15-year rate. As of October 31, 2020, there remains a balance of \$2,804,242 to be depreciated. Meade County RECC proposes to evaluate the remaining depreciable balance at the completion of the AMI deployment.¹⁴ Meade County RECC should notify the Commission in writing within 30 days of the completion of the AMI deployment. Meade County RECC should also provide a written proposal for the accounting treatment of the remaining depreciable balance of the TS2 meters. The Commission is not guaranteeing recovery of an asset that is no longer in use. Meade County RECC proposes to use a 15-year depreciation period for the proposed AMI system based on information from the manufacturers of the proposed AMI system components.¹⁵

Deviation from Meter Testing Requirements

Meade County RECC requested relief pursuant to 807 KAR 5:041 Section 22, from the periodic and statistical testing of meters required by 807 KAR 5:041 Section 16, for the duration of the project for the full deployment of the AMI meters, as all meters, with

¹³ *Id.* at 4.

¹⁴ Meade County RECC's Response to Commission Staff's First Request for Information (filed Dec. 7, 2020, Item 5.

¹⁵ *Id.*, Item 6.

the exception of the initial pilot meters, in Meade County RECC's service territory will be changed and tested. All testing would resume in January 2024.

LEGAL STANDARD

KRS 278.020(1)

The Commission's standard of review of a request for a CPCN is well settled. No utility may construct or acquire any facility to be used in providing utility service to the public until it has obtained a CPCN from this Commission except as provided in KRS 278.020(1) and (2) and 807 KAR 5:001, Section 15(3), which are provisions not applicable to this matter. To obtain a CPCN, a utility must demonstrate a need for such facilities and an absence of wasteful duplication.¹⁶

"Need" requires:

[A] showing of a substantial inadequacy of existing service, involving a consumer market sufficiently large to make it economically feasible for the new system or facility to be constructed or operated.

[T]he inadequacy must be due either to a substantial deficiency of service facilities, beyond what could be supplied by normal improvements in the ordinary course of business; or to indifference, poor management or disregard of the rights of consumers, persisting over such a period of time as to establish an inability or unwillingness to render adequate service.¹⁷

"Wasteful duplication" is defined as "an excess of capacity over need" and "an excessive investment in relation to productivity or efficiency, and an unnecessary

¹⁶ *Kentucky Utilities Co. v. Public Service Comm'n*, 252 S.W.2d 885 (Ky. 1952).

¹⁷ *Id.* at 890.

multiplicity of physical properties.”¹⁸ To demonstrate that a proposed facility does not result in wasteful duplication, the Commission has held that the applicant must demonstrate that a thorough review of all reasonable alternatives has been performed.¹⁹ Selection of a proposal that ultimately costs more than an alternative does not necessarily result in wasteful duplication.²⁰ All relevant factors must be balanced.²¹

FINDINGS

The Commission finds that Meade County RECC has sufficiently demonstrated that there is a need to upgrade its existing meter system. The Commission notes that Meade County RECC’s current Landis + Gyr Power Line Carrier (PLC) system is at its end of life with support ending in 2022 and there has been no ability to order replacement parts since October 2019. The Commission finds that Meade County RECC has demonstrated that the proposed upgrade to the AMI system is the most reasonable, least-cost alternative to address Meade County RECC’s metering needs, and is not a wasteful duplication of facilities. The proposed project will not result in wasteful duplication as a thorough review of all reasonable alternatives has been performed. The alternatives explored all proved to be unsuitable for the needed project. Based upon the foregoing,

¹⁸ *Id.*

¹⁹ Case No. 2005-00142, *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Construction of Transmission Facilities in Jefferson, Bullitt, Meade, and Hardin Counties, Kentucky* (Ky. PSC Sept. 8, 2005).

²⁰ See *Kentucky Utilities Co. v. Public Service Comm’n*, 390 S.W.2d 168, 175 (Ky. 1965). See also Case No. 2005-00089, *Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity for the Construction of a 138 kV Electric Transmission Line in Rowan County, Kentucky* (Ky. PSC Aug. 19, 2005), final Order.

²¹ Case No. 2005-00089, *East Kentucky Power Cooperative, Inc.* (Ky. PSC Aug. 19, 2005), final Order at 6.

the Commission finds that Meade County RECC should be granted a CPCN for the proposed project.

The Commission will grant the request for approval to deviate from the periodic and statistical testing of meters required by 807 KAR 5:041 Section 16, for the duration of the project for the full deployment of the AMI meters, but finds that this approval should be on the condition that Meade County RECC test all of the old meters when removed from service for any cause.

IT IS THEREFORE ORDERED that:

1. Meade County RECC is granted a CPCN for the proposed project as submitted.
2. Meade County RECC is granted relief pursuant to 807 KAR 5:041 Section 22, from the periodic and statistical testing of meters required by 807 KAR 5:041 Section 16, for the duration of the project for the full deployment of the AMI meters on the condition that Meade County RECC test all of the old meters when removed from service for any cause.
3. Meade County RECC shall notify the Commission in writing within 30 days of the completion of the AMI deployment. Meade County RECC shall also provide a written proposal for the accounting treatment of the remaining depreciable balance of the TS2 meters.
4. Meade County RECC shall depreciate the new AMI system over a 15-year period.
5. This matter is closed and removed from the Commission's docket.

By the Commission



ATTEST:



Executive Director

Case No. 2020-00336

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