



Big Sandy Rural Electric Cooperative Corporation

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March 17, 2005

Ms Beth O'Donnell, Executive Director
Public Service Commission
P O Box 615
Frankfort KY 40602

RECEIVED

MAR 13 2005

PUBLIC SERVICE
COMMISSION

Dear Ms O'Donnell:

RE: 2005-00048

Enclosed is Big Sandy RECC's response to the data request in the above referenced case.

Although we answered questions 1 through 6, Big Sandy does not feel that these questions are relevant or in question to the deviations applied for.

Thank you,

Bobby Sexton
President/General Manager

BS/jh

Enclosure

ORIGINAL

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

MAR 1 9 2005

PUBLIC SERVICE
COMMISSION

THE APPLICATION OF BIG SANDY)
RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR DEVIATION)
FROM THE PROVISIONS OF 807 KAR)
5:006, SECTION 6(5) AND 807 KAR 5:041)
SECTION 15(3))

CASE NO. 2005-00048

**BIG SANDY RECC
CASE NO. 2005-00048
MARCH 17, 2005**

- Item 1. Response to Data Request is attached and labeled “Item 57”.**
- Item 2. TWACS A.M.R. Proposal “Exhibit 1” is attached and labeled “Item 58”.**
- Item 3. TWACS A.M.R. Proposal “Exhibit 2” is attached and labeled “Item 59”.**
- Item 4. TWACS A.M.R. Proposal “Exhibit 3” is attached and labeled “Item 60”.**

The witness for all the above items is:

**David Estep
Manager of Finance & Adm.**

1. The total projected cost of Big Sandy's AMR program is illustrated in "Exhibit 1". The total cost of \$2,159,508 includes estimated labor of \$510,100 and estimated materials of \$1,649,408.
2. Big Sandy will finance the entire project with loan funds from RUS.
3. Big Sandy does not expect the AMR program to cause a rate increase any sooner. Big Sandy RECC has reviewed its financial condition and is in the process of submitting an intent to file an application for a rate increase using December 31, 2004, as a historical test year.
4. Big Sandy RECC believes that its AMR program is both cost-justified and benefit-justified to proceed with the program. There are a number of "intangibles" that the AMR system provides, such as blinks counts, voltage readings, transformer loading and outage restoration assistance.
5. Big Sandy believes that in addition to having accurate, up-to-date meter reading on all consumer accounts, that the overall benefits are invaluable. These benefits are illustrated in "Exhibit 2".
6. An estimated payback analysis is included and labeled "Exhibit 3".
7. The correct statement would be 8 years.
8. Big Sandy's plan is to install approx. 300 meters in 2004 - as a pilot program. In 2005, we plan to install approx. 3,200 meters (2,500 retrofitted, 700 mechanical). In 2006, we plan to install approx. 4,500 meters and approx. 4,500 meters in 2007. All of the meters in 2006 and 2007 plan to be retrofitted.
9. Big Sandy plans to use Itron electronic meters and a large number of ABB mechanical meters.
10. 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 ARM project.
11. If the meter-testing deviation is denied, it would add approx. two years to the projected timeframe for the AMR program, because our existing personnel could not do both tasks at the same time. In order to stay even close to the project time table, Big Sandy would have to contract with an outside vendor to test its meters, but this alone would not resolve the time issue for physically changing out these meters in the field. As far as money is concerned, the cost to test our meters on an eight (8) year cycle is as follows:

INSTALLING:

1 serviceman	labor:	\$26/hr	approx.	120 days per year	=	\$	24,960
1 service truck		\$10/hr	approx.	120 days per year	=	\$	9,600

TESTING:

STS contract testing	approx.	1,830 meters per year @ \$6.25 per mtr.	=	\$	11,438
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ADMINISTRATIVE:

Paperwork involved in meter test & change and handling new meters in office and old meter removal							
approx.	1,830 meters per year @ approx. \$5.00 each	=	\$	9,150			

TOTAL ESTIMATED COST TO TEST METERS ON AN ANNUAL BASIS \$ 55,148

12. If the meter reading deviation is denied, the project would be delayed by and estimated 1 year. It would take one serviceman an entire year to read all of our meters. This would also add additional cost to our company.

1 serviceman	labor:	\$26/hr	approx.	260 days	=	\$	54,080
1 service truck		\$10/hr		260 days	=	\$	<u>20,800</u>

TOTAL ESTIMATED COST TO READ METERS ON AN ANNUAL BASIS \$ 74,880

13. If both requests are denied, Big Sandy RECC could realize a 3 year delay in the completion of the project and an additional cash outlay of \$130,028 per year. If these deviations are denied, Big Sandy would have to outsource a lot of the manpower to complete the program on a timely basis. However, if these deviations are granted, Big Sandy can utilize existing in-house labor to complete the program.
14. Big Sandy RECC will make every effort to test all meters removed from service in a reasonable length of time. Our goal will be to test within 6 months of removal from the field to maintain the integrity of any back-billing procedures.
15. Big Sandy RECC plans to install approx. 1200 electronic meters and 6800 retrofitted mechanical meters thru the 2006 calendar year. The remaining meters will be purchased or retrofitted based on an evaluation of the first two years.
16. Our consumers will be able to read their own meters after the ARM installation regardless of the type of meter installed.

Witness to all questions:

David Estep
Manager of Finance & Adm.

**BIG SANDY RECC
TWACS A.M.R. PROPOSAL
FINANCIAL COMPONENT**

EXHIBIT 1

2004

<u>Qty</u>	<u>Item</u>	<u>Unit Cost</u>	<u>Amount</u>
1	Substation Equipment	\$ 40,000	\$ 40,000
1	Computer Equip/Software	\$ 40,338	\$ 40,338
1	Test Equip/Spares Equip	\$ 30,000	\$ 30,000
1	Tech Support - 1 yr.	\$ 20,000	\$ 20,000
1	Phone Installation	\$ 1,000	\$ 1,000
1	Meter Test Board	\$ 20,000	\$ 20,000
300	TWACS Meters	\$ 113	\$ 33,900
10	3-Phase Mtrs	\$ 415	\$ 4,150
1	Labor (Meter Dept, etc.)	\$ 40,000	\$ 40,000
	Total for 2004		\$ 229,388

2005

<u>Qty</u>	<u>Item</u>	<u>Unit Cost</u>	<u>Amount</u>
7	Substation Equipment	\$ 40,000	\$ 280,000
1800	TWACS Meters	\$ 113	\$ 203,400
1400	Modules	\$ 75	\$ 105,000
100	3-Phase Mtrs	\$ 415	\$ 41,500
1	Labor	\$ 150,100	\$ 150,100
	Total for 2005		\$ 780,000

2006

<u>Qty</u>	<u>Item</u>	<u>Unit Cost</u>	<u>Amount</u>
1720	TWACS Meters	\$ 113	\$ 194,360
2500	Modules	\$ 75	\$ 187,500
80	3-Phase Mtrs	\$ 415	\$ 33,200
1	Labor	\$ 160,000	\$ <u>160,000</u>
	Total for 2006		\$ 575,060

2007

<u>Qty</u>	<u>Item</u>	<u>Unit Cost</u>	<u>Amount</u>
1720	TWACS Meters	\$ 113	\$ 194,360
2500	Modules	\$ 75	\$ 187,500
80	3-Phase Mtrs	\$ 415	\$ 33,200
1	Labor	\$ 160,000	\$ <u>160,000</u>
	Total for 2007		\$ 575,060

GRAND TOTAL **\$ 2,159,508**

**BIG SANDY RECC
TWACS A.M.R. PROPOSAL**

FINANCIAL COMPONENT

EXHIBIT 2

Annual Operational Cost Savings

Meter Readings:	Service Men	14 Days/Month	\$	40,000
	Transportation		\$	10,000
	Office Personnel		\$	15,000
Service Orders:	Name Changes			
	Servicemen		\$	15,000
	Transportation		\$	5,000
Billing:	Adjustments		\$	2,000
	Pre-Bill		\$	6,000
	Estimated Meter Readings		\$	5,000
	Writtern Off Accounts	est.	\$	25,000
Line Loss:	Theft	est.	\$	50,000
	Loose Connections			
	SUB-TOTAL		\$	173,000
	Less: Meter Reading Revenue		\$	20,000
	TOTAL		\$	153,000
Intangibles:	Blinks			
	Voltage			
	Stolen Meters			
	Transformer Loading			
	Accurate Meter Readings			
	Outage Information - Power to meter			
	Outage Restoration			
Consumer Information - Usage				

**BIG SANDY RECC
TWACS A.M.R. PROPOSAL
FINANCIAL COMPONENT**

EXHIBIT 3

Estimated Payback

Total Cost of TWACS	\$ 2,159,508
Less: Estimated Revenue from "Catch Up"	\$ 960,000
Less: Internal Labor - Existing Employees	<u>\$ 340,000</u>
Total Cash Outlay for TWACS	\$ 859,508
* Estimated Annual Operating Savings	\$ 153,000
Payback in Years	\$ 5.62

* Includes Immediate & Future Savings