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Vice Chairman

Charles R. Borders
Commissioner

November 22, 2010

PARTIES OF RECORD

Re: Case No. 2010-00244

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Rick Bertelson at 502/564-3940, Extension 260.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derbuen".

Jeff Derbuen
Executive Director

RB/ew

Attachment

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Rick Bertelson, Staff Attorney

DATE: November 22, 2010

RE: Case No. 2010-00244
Application of Shelby Energy Cooperative, Inc. for a
Certificate of Public Convenience and Necessity
for Its 2010-2014 Construction Work Plan

Pursuant to the October 18, 2010 Commission Staff notice in this matter, Shelby Energy Cooperative ("Shelby Energy") attended an informal conference ("IC") at the Commission's Frankfort offices on October 26, 2010. A list of the attendees is attached hereto. The purpose of the IC was to discuss Shelby Energy's application for a Certificate of Public Convenience and Necessity for its 2010-2014 Construction Work Plan.

In response to a question from Shelby Energy's counsel, Commission Staff recommended that Shelby Energy file any confidential materials with a request for confidentiality per 807 KAR 5:001.

Shelby Energy stated that it is currently in the process of replacing all of its old electric meters, as it is installing an advanced metering infrastructure ("AMI") system. Shelby Energy stated that it evaluated bids from vendors of Cannon, Hunt, Landis & Gyr, and TWACS. They chose to purchase the TWACS meters because they have certain advantages over the other meter brands, including the speed with which they can read the meters. The TWACS was less expensive than the Cannon system but more expensive than the Hunt system. TWACS allows for more smart grid functions, such as an in-home display. The TWACS system also does not need the repeaters that the Cannon and Hunt systems needed.

Shelby Energy stated that the TWACS system has been employed by a number of other cooperatives which expressed satisfaction with it. Shelby Energy's Board of Directors has been considering an AMI system for a number of years, but they didn't want to be the first adopters. They wanted to learn from other utilities' experience before making a decision on which system to use.

Shelby Energy also asserted that TWACS is a very accurate system. So, it can be used to monitor voltage from residence to residence. It will also allow for remote disconnection of service. Shelby Energy can also "ping" the meters to determine if

service for a specific customer is active or not. The AMI system will also be tied into Shelby Energy's Windmill outage management system.

Shelby Energy will also purchase collars for remote disconnect and reconnect. They are still evaluating how they are going to deploy them. As the cost is approximately \$150 per device, it would be prohibitively expensive to install them on all 16,000 meters. So, for now, they are experimenting with putting them on meters of customers with multiple disconnects for lack of payment.

With Shelby Energy's current billing system, there is a lag of about 10 days from the time a customer's meter is read and the time when the customer's bill is issued. The new AMI system will allow that lag time to be eliminated. However, Shelby Energy did not want the process of eliminating the lag time to result in substantially higher bills for its customers. So, Shelby Energy asked whether it would be reasonable to amend its billing cycles to put a few days of the 10-day current lag time into the first three to four months' billings after the first time it reads the meters with the AMI system. Commission Staff noted that issue has been addressed in prior cases of other utilities. Staff advised that the billing systems the Commission has observed previously have had billing cycles varying between 27 and 33 days. Therefore, Staff advised that 33 days would likely be the outer limit of what would be considered acceptable.

Shelby Energy also has a program under which it allows customers on Social Security and disability income to be billed on the 30th after having been read in the first week of the month. Shelby Energy would also like to eliminate the lag time between meter reading and billing for those customers as well, but they intend to eliminate the lag time over a longer period of time (8-10 months), as the lag for these customers can range up to 30 days.

In response to a question from Staff, Shelby Energy listed a number of capabilities the TWACS meters will have, including: (1) scheduled on-demand read; (2) multiple reads; (3) the ability to interface with many billing and outage management systems; (4) demand readings; (5) the ability to "freeze" readings at midnight to get a better idea of system losses; (6) theft monitoring (reverse flow, boots removed, etc.); (7) remote connect/disconnect; (8) system load analysis; (9) identifying system resource management problems (e.g., they will be able to identify if there is a mis-sized transformer on the system); (10) sub-feeder and load balancing; (11) restoration status reporting; and (12) reliability (SAIDI, SAIFI, CAIDI) measures.

Shelby Energy further noted that, once the AMI is in place, they expect savings to result from lower vehicle miles and gas for its service trucks. Shelby Energy also noted that the remote disconnect enhances safety by keeping service personnel from having to go out to properties where a dangerous person may be located. Shelby

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Energy is also considering a prepaid metering program, which this system will allow, but it will require the installation of a collar on each meter in the program. In all, Shelby Energy expects to save at least \$200,000 in meter reading costs each year. Combined with other savings, they anticipate the program will pay for itself in about six years.

There being no further questions, the informal conference was adjourned.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CASE NO. 2010-00244

APPLICATION OF SHELBY ENERGY COOPERATIVE, INC. FOR A
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR ITS 2010-
2014 CONSTRUCTION WORK PLAN

AND

CASE NO. 2010-00331

REQUEST OF SHELBY ENERGY COOPERATIVE, INC. FOR A TEMPORARY
DEVIATION FROM ITS SAMPLE METER TESTING PLAN

SIGN IN

October 26, 2010

PERSON

REPRESENTING

<u>Rick Bertelson</u>	<u>PSC - Legal</u>
<u>Ron Nandziak</u>	<u>PSC - FA</u>
<u>ELIE RUSSELL</u>	<u>PSC -</u>
<u>JORGE VALLADARES</u>	<u>PSC - Fin. Analysis</u>
<u>DAVID GRAHAM</u>	<u>SHELBY ENERGY</u>
<u>Jason GINN</u>	<u>Shelby Energy</u>
<u>GARY GRUBBS</u>	<u>Shelby ENERGY & PID ENG, INC</u>
<u>Debra Martin</u>	<u>Debra Martin</u>
<u>Don Prather</u>	<u>Shelby Energy Cooperative, Inc.</u>

Case No. 2010-00318

Case No. 2010-00244 and Case No. 2010-00331
October 26, 2010

PERSON

JEFF SHAW

Daryl Nowby

REPRESENTING

PSC FIN. ANALYSIS

PSC - F/A