



Allen Anderson, President & CEO

925-929 North Main Street
Post Office Box 910
Somerset, KY 42502-0910
Telephone 606-678-4121
Toll Free 800-264-5112
Fax 606-679-8279
www.skrecc.com

November 5, 2010

RECEIVED

NOV 08 2010

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen:
Executive Director
Kentucky Public Service Commission
211 Sowder Blvd.
P.O. Box 615
Frankfort, KY 40602-0615

RE: Case No. 2010-00291

Dear Mr. Derouen:

Enclosed you will find an original and ten (10) copies of the response to the Commission Staff's Third Information Request on the Application of South KY RECC's Deviation from its Testing of Meters Occasioned by Implementation of its Advance Metering Infrastructure System.

If I can be of any further assistance, please contact me at 606-678-4121.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stephen Johnson', written over a white background.

Stephen Johnson
Vice President of Finance
South KY RECC

JW: Enclosures

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

RESPONSE TO COMMISSION STAFF'S
THIRD INFORMATION REQUEST

Comes South Kentucky Rural Electric Cooperative Corporation ("South Kentucky" or "SKRECC") and files with the Commission an Original and ten (10) copies of the attached response to the Commission Staff's Third Information Request to South Kentucky Rural Electric Cooperative Corporation dated and served on October 25, 2010. Each copy has been placed in a bound volume with each item separately tabbed.

CERTIFICATION

The undersigned, Stephen Johnson, stated that he is the Vice President of Finance of South Kentucky Rural Electric Cooperative Corporation; that he supervised the preparation to the within response; and certifies that the within response is true and accurate to the best of his knowledge, information and belief formed after reasonable inquiry.



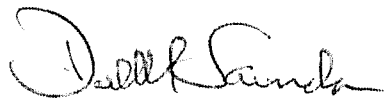
STEPHEN JOHNSON
VICE PRESIDENT OF FINANCE
SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION
SOMERSET, KENTUCKY 42501
(606) 451-4123



DARRELL L. SAUNDERS
ATTORNEY FOR SOUTH KENTUCKY
RURAL ELECTRIC COOPERATIVE
CORPORATION
700 MASTER STREET
P.O. BOX 1324
CORBIN, KENTUCKY 40702
(606) 523-1370 TELEPHONE
(606) 523-1372 FACSIMILE

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing was this 5th day of November 2010, overnighted via FedEx Express, all postage prepaid and addressed for delivery to Mr. Jeff Derouen, Executive Director, Public Service Commission, 211 Sowder Blvd., P.O. Box 615, Frankfort, KY 40602-0615



ATTORNEY FOR SOUTH KENTUCKY
RURAL ELECTRIC COOPERATIVE
CORPORATION

RESPONSE TO PSC THIRD INFORMATION REQUEST

- Q 1. Refer to pages 2-3 of South Kentucky's Application; page 1 of the memorandum filed by Commission Staff of August 19, 2010, following the August 17, 2010 informal conference; and South Kentucky's response to Item 1 of Staff's Second Information Request.

South Kentucky states in its Application that it intends to store the meters that it replaces during its upgrade to an Automated Metering Infrastructure ("AMI") system and that its cost for testing all of the replaced meters would be approximately \$207,900. During the August 17, 2010 informal conference, South Kentucky stated that it anticipated the possibility of renting two or three storage units in order to store the removed meters at a cost of approximately \$150 per unit per month. In its October 4, 2010 response to Staff's Second Information Request, South Kentucky states that it now believes it would be necessary to store the replaced meters in a 10,000-square-foot warehouse facility at a cost of approximately \$208,000 for three years.

- a. Explain in detail the reasons South Kentucky determined it would be necessary to store the replaced meters in a 10,000-square-foot warehouse facility as opposed to the portable storage units it discussed at the August 17, 2010 informal conference.
- b. Provide a breakdown, by each cost unit, of the estimated \$208,000 cost for a 10,000-square-foot warehouse facility, as discussed in South Kentucky's response item 1 of Commission Staff's Second Information Request.
- c. Does the 10,000-square-foot warehouse facility storage option refer to renting an existing warehouse facility or construction of a new warehouse facility?
- d. Explain whether the cost of \$207,900 to test the meters includes any storage cost. If no storage cost is included, explain what happens to the meters after testing.
- e. Since, according to its October 4, 2010 response, the cost of storing the meters now approximates the cost of testing the meters, explain whether South Kentucky is amending the request in its Application to store all removed meters for a period of two years. If South Kentucky's intent to store the meters has changed, include in the explanation how South Kentucky will address bill complaints if the accuracy of the replaced meter is questioned.

RESPONSE TO PSC THIRD INFORMATION REQUEST

R 1(a). Two basic reasons for the change was the availability of the PODS type containers for our area and the ability to have reasonable access of meters to pull for requested testing. During the progression of this case we have learned that a very limited number of vendors serve our area for the renting of POD type containers. While the containers can hold larger numbers of meters getting access to a specific meter can be a very time consuming potentially requiring the POD to be completely emptied.

R 1(b). South Kentucky has continued to evaluate possible alternatives during this approval process to provide the lowest cost possible for storage and meeting our regulated requirements. At the beginning of this meter testing process for the AMI Project, South Kentucky could test all meters for \$207,900 or find a space to store all removed meters and test only meters which may require testing. As stated in item 1a. above we started by examining different types of storage options and decided the warehouse type of storage would be the best alternative. We looked for warehousing space locally which was unavailable. Then we started looking elsewhere and came up with a company willing to store the meters for \$208,000 as well as a Freight Company offering storage for \$247,000.

Since the last data request a 10,000 square foot warehousing space has become available just a few miles from the Somerset office at a cost of \$2.00 per square foot per year or \$20,000 per year. We think this will be the best alternative for our storing needs of meters. The local space will allow for easy access by our employees to place meters in storage or retrieve if the need arises. We feel that our members will benefit from the savings of this decision compared to the cost of testing all meters at \$207,900 and the warehousing cost of \$60,000 for three years.

R 1(c). Renting

R 1(d). Storage Cost is included.

R 1(e). South Kentucky still intends on storing the meters for three years.

RESPONSE TO PSC THIRD INFORMATION REQUEST

Q 2. Did South Kentucky evaluate any other storage options for the replaced meters?

- a. If yes, what were those other storage options and what were their costs?
- b. If the costs of the other options evaluated by South Kentucky were lower than the \$208,000 estimated cost, why was the 10,000-square-foot warehouse option chosen.

R 2(a). See item 1b.

R 2(b). See item 1b.

RESPONSE TO PSC THIRD INFORMATION REQUEST

Q 3. If South Kentucky was required to store the replaced meters for two years instead of three, as indicated in South Kentucky's response to item 1 of Staff's Second Information Request, would the cost for storage be approximately \$138,667 (i.e., two-thirds of the estimated cost)?

R 3. Yes

RESPONSE TO PSC THIRD INFORMATION REQUEST

Q 4. South Kentucky's response to item 2.a.(2) of Staff's First Information Request ("First Request") states that old meters being replaced by AMI meters are currently being sent to an outside meter-testing facility for testing and storage for two years.

- a. Is the cost for this service \$3.00 per meter as referred to in South Kentucky's response to item 1(a) of Staff's First Request? If not, what is South Kentucky's current cost to provide this service?
- b. If South Kentucky can send the replaced meters to a third party for testing and storage for two years, why does South Kentucky now propose to acquire storage space at an estimated cost of \$208,000 for three years?
- c. What outside testing facility is South Kentucky currently using? Provide a copy of the agreement between South Kentucky and the vendor providing this service.
- d. If Luthan is not the outside testing facility providing this service, provide a copy of Luthan's quote that was the basis for South Kentucky's response to item 1.a. of Staff's First Request.

R 4(a). Yes

R 4(b). South Kentucky doesn't want to acquire storage space for \$208,000 now. We were aware of the \$20,000 per year space but wasn't sure it was going to be available or not at the time we were reporting back to the PSC.

R 4(c). See response to first data request from PSC item 1 a. The quote is a verbal quote.

R 4(d). See R 4(c).