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November 3, 2010

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NOV 04 2010

PUBLIC SERVICE
COMMISSION

Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Via: Federal Express

Re: Public Service Commission Case No: 2010-00331

Dear Mr. Derouen:

Please find enclosed for filing with the Public Service Commission in the above-referenced case an original and ten (10) copies of the Responses of Shelby Energy Cooperative, Inc., to Staff Information Requests at Informal Conference.

Yours Truly,

MATHIS, RIGGS & PRATHER, P.S.C.

By: Donald T. Prather
Donald T. Prather
Counsel for Shelby Energy
Cooperative, Inc.

By: Paula McEllan

Enclosures

RECEIVED

NOV 04 2010

COMMONWEALTH OF KENTUCKY

PUBLIC SERVICE
COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

REQUEST OF SHELBY ENERGY	}	
COOPERATIVE, INC. FOR A TEMPORARY	}	
DEVIATION FROM ITS SAMPLE METER	}	CASE NO. 2010-00331
TESTING PLAN	}	
	}	
	}	

**RESPONSE TO STAFF INFORMATION REQUESTS
AT INFORMAL CONFERENCE**

Comes Shelby Energy Cooperative, Inc. ("Shelby Energy"), by counsel, and hereby gives its Responses to the Staff Information Requests at Informal conference:

1. Please state your name and position with Shelby Energy Cooperative, Inc. (hereinafter "Shelby Energy").

Response: David Graham, Information Technology and Systems Engineer.

2. What are you requesting?

Response: Shelby Energy is requesting, pursuant to 807 KAR 5:041 § 22 a temporary deviation from its Sample Meter Testing Plan approved by the Commission in Case No. 2005-00276.

3. Please describe the requested deviation.

Response: The present meter-testing plan, which was approved pursuant to 807 KAR 5:041 § 16, requires Shelby Energy to test existing in-service meters by dividing them into separate groups and testing randomly sampled meters within each group

based upon accepted statistical principals. Each year, the required number of meters from each group is pulled and tested. Shelby Energy is requesting that the Commissioner allow it to suspend for calendar years 2010 and 2011 testing under the sample meter testing plan of the existing meters which were in service on or before October 4, 2010 and the newly installed AMI meters until each group of those meters has been installed. Regular testing would resume under the plan in calendar year 2012.

4. Why is Shelby Energy requesting this deviation?

Response: Shelby Energy is in the process of aggressively implementing an advanced meter infrastructure (AMI) system. The Aclara AMI system, which uses power line carrier technology, has been selected. Detailed information regarding the Aclara system has been filed in Case No. 2010-00244, where copies of the contracts have been filed. All existing single-phase meters on Shelby Energy's system will be removed and replaced by new solid-state meters that are compatible with the new AMI system. Shelby Energy is having an outside contractor perform the meter switch out. The contract requires that all meters be changed out before the end of calendar year 2011.

5. Please describe the testing process for each removed meter and each replacement AMI meter.

Response: Every existing single-phase meter on our system will receive an "as found" test performed by the removing contractor when it is removed for replacement. Additionally,

digital photographs will be taken of each old meter and new replacement meter showing in the same picture the serial number of each and the meter reading on each at the time of removal and installation. These photographs will be retained by the contractor for 6 months in case there are any questions regarding either the final old or the initial new meter readings.

6. Will there be any notice to Customers that their old meter has been removed and replaced?

Response: Yes. The contractor knocks on the door prior to the work. If the meter cannot be changed out, telephone contact is made by the contractor to arrange access. In all circumstances a door hanger is placed to notify the customer that the change out has taken place.

7. What happens to the removed meters?

Response: Existing meters found to be over 2% slow or fast will be returned to Shelby Energy and kept by Shelby Energy for 6-8 months, which is the same time frame such meters are presently kept. The customer will be promptly notified of any required billing adjustment. Any customer who has a question regarding the billing adjustment will be free to request a meter retest just like under the existing process.

8. What about the other removed meters?

Response: All other removed meters will be stored by the contractor for six months after the last existing single-phase meter is changed out. In other words, the last meter changed out

will be in storage for at least six months, but the first meter changed out will be stored much longer.

9. How does the storage under the requested deviation process of removed meters which test accurately compare with the existing process, and how will the change impact customers?

Response: Prior to the meter changeout required by installation of the AMI system, meters which were removed from the system and which tested accurately were immediately reinstalled elsewhere in the system. The temporary deviation should not adversely impact Shelby Energy's customers since they will be allowed to request a meter test if they believe their meter is or has been malfunctioning. There is a charge for this service, but if the meter is more than 2% fast the charge is refunded and the account adjusted in accordance with PSC rules and regulations. The proposed AMI system is in fact more beneficial to customers than the old system because all removed meters will be kept unused in a secure location for a minimum of 6 months following their removal.

10. What will be the impact of the AMI conversion on the oldest single-phase meter test date in Shelby Energy's system?

Response: Following the completed AMI installation, every single-phase meter on Shelby Energy's system will have been actually tested by the manufacturer within the previous two years. Under the present sample meter test program some existing meters may not have been actually tested for as long as 18 years.

11. How are the new AMI meters tested?

Response: Each new AMI meter has been tested by the manufacturer. Once received by Shelby Energy, the new AMI meters are, prior to installation, being sample tested and compared to the manufacturer's test data. Upon installation, the new meters will begin to be tested under Shelby Energy's approved sample meter testing plan. New sample groups will be formed as shipments from the meter manufacturer arrive. Approximately 3,000 meters are scheduled for delivery monthly. Shelby Energy has purchased meters from two manufacturers, 10,850 meters from GE and 4,650 meters from Lands+Gyr (L+G). These meters will be divided into 6 groups. Groups 1, 2 and 3 will each have 3,000 GE meters, Group 4 will have 1,850 GE meters, Group 5 will have 2,500 L+G meters and Group 6 will have 2,150 L+G meters. It is thought that the grouping of the new meters both by manufacturer and the order received will make it more likely that any defective new meters will be contained within a single group.

12. What happens to the old groups?

Response: Existing single-phase meters will be replaced. The current existing meter sample groups will be retired and new sample groups formed. The deviation, if granted, will allow Shelby Energy to form new groups and retire the old groups without pulling samples from the old meter groups.

13. Why is it an unnecessary expense to continue pulling samples from the old meter groups?

Response: Shelby Energy is replacing meters using its existing meter reading routes. The meter change-out contractors are following behind the meter reading contractors. Existing old meters within each old group are scattered throughout the system on a random basis, since over the years they were installed on an as-needed basis and in no particular order. Continuing the existing sample meter testing plan on the old meter groups will require randomly chosen meters to be pulled from random parts of Shelby Energy's system. Any meters not found still on the system will have to be tracked down in storage and pulled for testing, yet each of these stored meters will already have been tested when removed from service. This process is duplicative, would be very inefficient, and would require considerable travel time between meters scattered throughout Shelby Energy's system.

14. What is the estimated savings to Shelby Energy's customers if the deviation request is granted?

Response: Shelby Energy estimates it will save approximately \$13,000.00 for the first year and \$6,000.00 for the following year. These cost savings will be due to not having to sample test the removed meters each of which would have been tested when removed.

15. Who will store the old removed meters?

Response: They will be stored by Shelby Energy's contractor, Specialized Technical Services ("STS").

16. What is the cost of testing each removed old existing meter?

Response: \$1.35 per meter for the "as found" test.

17. How was this determined?

Response: The price was determined by a competitive bidding process.

18. What is the total cost of replacing each existing meter with a new meter?

Response: The total cost per meter is \$109.09, which was established by competitive bidding. That cost includes purchasing the meter and module, providing GPS location of each meter, removal of old meter and installing new meter, photographing and preserving picture of new and old meters side-by-side, call center service, and the storage and disposal of the old meter.

19. What would it cost if the storage time frame for old removed meters was extended to a minimum of two years?

Response: Shelby Energy does not possess that information since it was not included in the bidding process. It was not included in the bidding process because it was felt unnecessary since under the current program any existing meters which are removed and test accurate are immediately re-installed elsewhere on the system.

20. How many AMI meters have been installed as of this date?

Response: Approximately 4,000 as of November 1, 2010.

21. Please explain how the estimated \$13,000.00 and \$6,000.00 cost savings was calculated?

Response: The cost savings was calculated based upon the recent historical cost incurred by Shelby Energy in conducting the sample meter testing plan. The exact savings amount cannot be provided because the exact cost depends upon the reading results in each sample group. The estimated \$6,000.00 savings in the second year is less than the estimated \$13,000.00 savings in the first year because the new AMI meter drops will be tested using the approved meter testing plan.

22. What is the estimated useful life of each type of meter being removed, and the estimated useful life of the meters being installed? If different, please provide the depreciable life of each type of the old meters being removed and the new meters being installed.

Response: The estimated useful life of the old meters being removed is 20 years. The estimated useful life of the new AMI meters being installed is 10 years. There should not be any difference between these figures and the depreciable life. (Shelby Energy has not had a deprecation study in many years.)

23. Explain why two years (or until the new AMI system is installed) was the time period chosen for the requested deviation from Shelby Energy's testing program.

Response: All existing meters will have been removed and all new meter groups formed by the end of 2011; therefore there is no need for a deviation after 2011.

CERTIFICATION

I, David Graham, hereby certify that the preceding Responses are true and accurate to the best of my knowledge, information and belief, formed after reasonable inquiry.




David Graham

I, Donald T. Prather, hereby certify that I am the attorney supervising the preparation of these Responses to Staff Information Requests at Informal Conference on behalf of Shelby Energy and that the Responses are true and accurate to the best of my knowledge, information and belief, formed after reasonable inquiry.

This 3 day of November, 2010.

Respectfully submitted,

Mathis, Riggs & Prather, P.S.C.

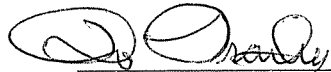
By: 

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Attorney for Shelby Energy
Cooperative, Inc.

CERTIFICATE OF SERVICE

I, Donald T. Prather, certify that on November 3, 2010 the original and 10 copies of these Responses to Staff Information Requests at Informal Conference were sent by Federal Express to:

Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602



Donald T. Prather