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RETIRED
JAMES G. SHEEHAN, JR.

August 10, 2009

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

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AUG 12 2009
PUBLIC SERVICE
COMMISSION

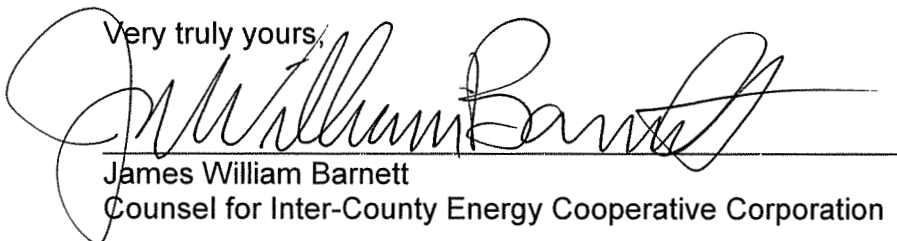
Re: Case No. 2009-00143

Dear Mr. Derouen:

Please find enclosed an original and seven (7) copies of the responses to the First Data Request of Commission Staff to Inter-County Energy Cooperative in Case No. 2009-00143 dated July 31, 2009.

There is concern that Inter-County Energy's Application for a Certificate of Convenience and Necessity with this Case Number was determined to meet the minimum requirements on April 27, 2009, however, Inter-County Energy did not receive its first data request until July 31, 2009 - 95 days after meeting the requirements of the filing. Inter-County Energy requests that the Commission expedite the process for the approval of this Certificate of Convenience and Necessity so that work projects may begin.

Very truly yours,



James William Barnett
Counsel for Inter-County Energy Cooperative Corporation

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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AUG 12 2009

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF INTER-COUNTY ENERGY)
COOPERATIVE FOR A CERTIFICATE OF)
CONVENIENCE AND NECESSITY PURSUANT)
TO KRS 278.020(1) AND 807 KAR 5:001,)
SECTION 9, AND RELATED SECTIONS,)
AUTHORIZING CERTAIN PROPOSED)
CONSTRUCTION IDENTIFIED AS THE 2009-2012)
CONSTRUCTION WORK PLAN)

CASE NO.
2009-00143

RESPONSES TO

**FIRST DATA REQUEST OF COMMISSION STAFF
TO INTER-COUNTY ENERGY COOPERATIVE**

1. Section 1-A, page 2, of Inter-County's Construction Work Plan indicates that an automated meter reading ("AMR") program will be implemented throughout the Inter-County system. Describe the AMR program in detail.

Response:

At the time this Construction Work Plan was approved by the Inter-County Energy ("ICE") Board of Directors, an AMR system was merely a project that was planned to be implemented within the next four years. Projected costs were interpolated from a neighboring utility's AMR costs, thus giving ICE somewhat solid numbers for budgetary figures. Since the approval of the Work Plan by the Board of Directors, staff and management have been reviewing various AMR vendors and asked for vendor quotes, as well as quotes for meter testing and meter change outs. A decision has not yet been made final, but will be made within the next few weeks.

Regardless of which AMR vendor is chosen, ICE plans on awarding the AMR vendor contract, the meter contract, the installation contract and the communications contract by mid September such that installation will begin in January 2010. The existing meter system will be replaced by new solid state electronic meters equipped with AMR modules. We do not plan on retrofitting any of our existing meters.

Contractors will be used for the field change out, testing, and salvage/junking of meters. ICE in-house crews will perform all other equipment installation. No additional staff will be employed for the installation and implementation. ICE's plans are to maintain a relationship with our current meter reading company to manually read meters until such time that the AMR system is verified functional and ready to be integrated.

Upon installation, ICE will be able to obtain remote meter readings, voltage readings, blink counts and outage counts on a daily basis, thus having the ability to better serve members on a daily basis.

2. State whether Inter-County has performed a cost-benefit analysis of the AMR program. If so, provide the results of this analysis. If no cost-benefit analysis has been performed, explain why it was not.

Response:

No cost benefit analysis was performed. According to ICE's RUS Field Representative, Washington no longer requires this analysis because of the overall benefits recognized by many utilities across the state and nation. Being one of the last three East Kentucky Power member cooperatives to implement AMR, it was apparent to the management at ICE that the time, money and resources required to produce the analysis would be of little benefit and that the outcome of the analysis would be the same as other similar utilities in the state to implement an AMR system.

3. Other than having the ability to perform off-site, automated meter reading, provide the operational benefits to Inter-County from the installation of the AMR.

Response:

The implementation of an AMR system has many operational benefits at startup, and also forms the foundation of many more benefits to come. Originally, the base benefits for ICE is the remote meter reads. However, ICE also expects the system to improve customer satisfaction because of the daily monitoring of each member. This system will allow ICE to better able track individual member blinks, outages and voltage levels on a daily basis. ICE will be able to address high bill complaints in a more detailed and timely manner, as well as improved system reporting and hence be able to target system deficiencies in an efficient and effective manner. ICE will be able to verify system phasing, improve/reduce system losses and improve engineering analysis studies.

In addition to instant benefits, there are many future additions that the AMR system will compliment and support. Such as, outage management, Integrated Voice Recognition systems, vehicle tracking, web view, automated in-house displays, time-of-use metering, distribution automation, remote connect and disconnect and many other future possibilities that will lead ICE into the path of smart grid compliance.

4. Section 3-B1 of the Construction Work Plan shows that 1,272 meters will be replaced at an average cost between \$180 and \$203, and 24,800 will be “AMR retrofit meters” at an average cost of \$146.

- a. Explain what is meant by “AMR retrofit meters”.

Response:

“AMR retrofit meters” was intended by ICE management and RUS to represent any meter that is equipped with an AMR module; whether installed by the meter manufacturer or some third party company.

- b. Explain why Inter-County is replacing some meters and retrofitting others.

Response:

At the time this Construction Work Plan was approved by the ICE Board of Directors, AMR was in the preliminary planning stage. The vendor was unknown, as well as the specifics of the implementation. However, it is ICE’s intent to replace every existing meter with a new solid state AMR meter.

5. Will all customer meters be AMR capable by the end of 2012? If no, explain why not.

Response: Yes, pending unforeseeable events.

6. Provide the depreciable life of any new AMR meters.

Response: 15 Years

7. Provide any changes to the depreciable life of existing meters being retrofitted.

Response:

ICE plans are to replace all existing meters with new AMR equipped solid state meters.

8. Explain how Inter-County plans to account for the meters being replaced and retrofitted.

Response: The salvage value will be written off the books as a loss.

9. Does Inter-County plan to retire any meters in association with the replacement or retrofit? If so, what are Inter-County's plans regarding recovery of the costs relating to any meters being retired (and the associated accumulated depreciation)?

Response:

There are no plans to implement any additional charge to the member for the AMR system. Recovery of the costs will be realized over the depreciable life of the AMR system.

10. In Case No. 2003-00070¹, Inter-County requested and received Commission authorization to implement an AMR lease option in its tariff. This lease option gives members who have or wish to have limited access to their property an option for meter reading and voltage reporting, as well as an automated outage notification system. Members requesting this option are billed \$5.15 per month.

- a. Provide the number of customers currently being billed under this tariff.

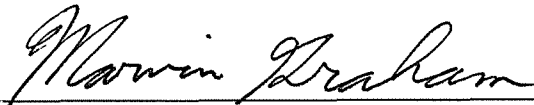
Response: 53 members.

- b. Explain the necessity of this tariff upon approval of the AMR program as part of the Construction Work Plan.

Response:

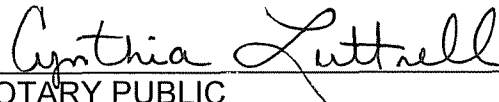
At the time this rate was filed, the cost of hardware, installation and operation for such few members substantiated a customer charge. However, with a fully implemented AMR system, efficiencies and savings over the depreciable life is expected to prevent the need for an AMR tariff. Therefore, ICE will be requesting for removal of the "Automatic Meter Reading (AMR) Lease" section found in the current tariff.

Marvin Graham, being duly sworn, states that he has prepared the responses to the First Data Request of Commission Staff to Inter-County Energy Cooperative in Case No. 2009-00143, dated July 31, 2009, and that the matters and things set forth therein are true and accurate to the best of my knowledge, information and belief, formed after reasonable inquiry.



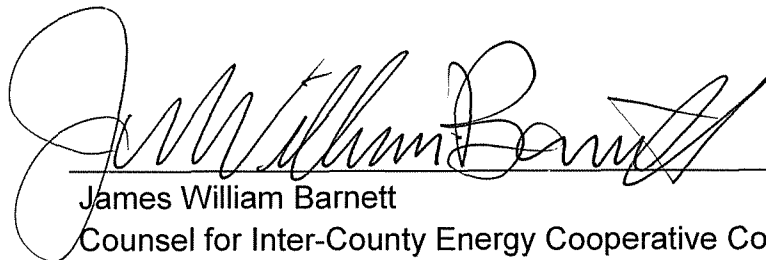
Marvin Graham, Vice President-Operations
Inter-County Energy Cooperative Corporation

Subscribed and sworn to before me by Marvin Graham as Vice President-Operations of Inter-County Energy Cooperative Corporation this 10th day of August, 2009.



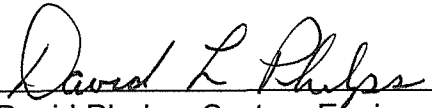
NOTARY PUBLIC
STATE OF KENTUCKY
COUNTY OF BOYLE

My Commission Expires 7/15/2013



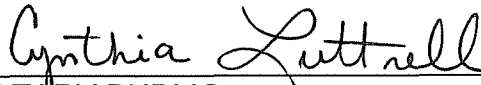
James William Barnett
Counsel for Inter-County Energy Cooperative Corporation
114 South Fourth Street – Danville, KY 40422
Telephone: (859) 236-2641 / Fax: (859) 236-1483

David Phelps, being duly sworn, states that he has prepared the responses to the First Data Request of Commission Staff to Inter-County Energy Cooperative in Case No. 2009-00143, dated July 31, 2009, and that the matters and things set forth therein are true and accurate to the best of my knowledge, information and belief, formed after reasonable inquiry.

 PE 19860

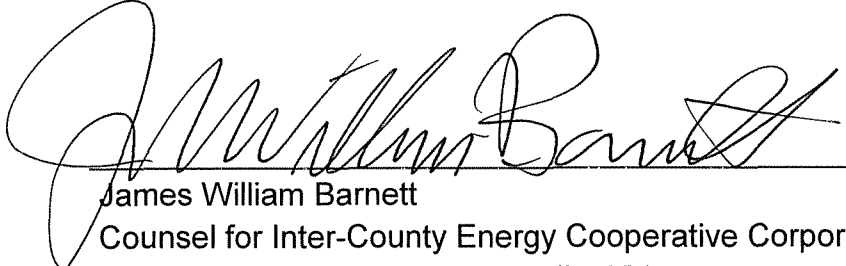
David Phelps, System Engineer
Inter-County Energy Cooperative Corporation

Subscribed and sworn to before me by David Phelps as System Engineer of Inter-County Energy Cooperative Corporation this 10th day of August, 2009.



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STATE OF KENTUCKY
COUNTY OF BOYLE

My Commission Expires 7/15/2013



James William Barnett
Counsel for Inter-County Energy Cooperative Corporation
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