


A Touchstone Energy Cooperative 

August 31, 2012

Gerald Wuetcher
Kentucky Public Service Commission
211 Sower Blvd
P.O. Box 615
Frankfort, KY 40602-0615

RECEIVED

AUG 31 2012

PUBLIC SERVICE
COMMISSION

RE: Revisions to 807 KAR 5:001, KAR 5:006, and 807 KAR 5:011.

Dear Mr. Wuetcher:

Owen Electric Cooperative appreciates the Commission's willingness to revise the above noted regulations. The process utilized by the Commission to revise the regulations involved soliciting input from various stakeholder groups and we believe that this process resulted in a much improved set of regulations. Owen participated in one of the Advisory groups and commends the Commission staff for their efforts during this process.

Owen does, however, still have some concerns regarding the revised regulations. These concerns are summarized below:

1. KAR 5:006, Sections 7 (5)(c) and Section 26 (4)(e) relating to the requirement to manually verify readings of remote metering technology. Owen believes that any provision that requires the manual verification of remote technology meters be removed from the regulations.
2. KAR 5:001, Section 15 (5) – Extensions in the ordinary course of business. Owen believes that this language should be clarified.
3. KAR 5:011, Section 6 – Tariff Addition, Revision, or Withdrawal requirements: Owen requests that minor text changes to tariffs be removed from the provision that all revisions must be noticed to the public. Additionally, we request clarification on what constitutes proper notice.
4. KAR 5:001. Section 8 (3) – Electronic Filing Procedures: Owen requests that the requirement to provide an original paper copy of any document submitted in an electronic case be stricken from the regulation.

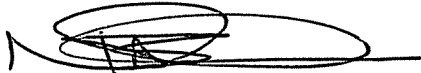
5. KAR 5:001, Section 12 (10)(a) – Confidential Material: Owen requests that the Commission revise this regulation to allow for confidential material to remain confidential longer than the currently proposed two (2) year period. Also, we would request that the burden of removing material from confidential status be placed with the party petitioning to have the deemed confidential material released. In the absence of this, Owen would ask that the Commission consider setting an appropriate period for the confidential treatment of material in each case where confidential material has been identified.

A more complete explanation of Owen's concerns is attached for your review.

Again, Owen thanks the Commission for its time and willingness to address the concerns of the parties who are participating in the revision process.

Please feel free to contact me should you have any questions,

Sincerely,

A handwritten signature in black ink, appearing to be 'Mark Stallons', written over a horizontal line.

Mark Stallons
President/CEO
Owen Electric Cooperative, Inc.

Areas of concern for Owen on the proposed regulation changes to KAR 5:001, KAR 5:006, KAR 5:011:

1. KAR 5:006, Section 7 (5)(c) (Word document page 8 lines 10- 12) and KAR 5:006, Section 26 (4)(e) (Word document page 40 lines 3 – 8): Meter Reading verification of AMI Meters:

Owen's opinion is that these revised regulations are unclear as to the requirement of electric utilities relating to meter reading verification when utilizing remote meter reading technology. Section 7 (5)(c) states that all utilities should verify the reading of its meters based upon the standard set in Section 26. Section 26 (4) governs inspections of electric facilities but does not specifically mention that the meter readings should be verified, as the regulation relating to gas utilities, states in Section 26 (5). It is Owen's belief, however, that the intent of Commission under these revised provisions, is that each electric utility will be required to conduct a verification of the meter reading for each automatic meter infrastructure (AMI) meter during the bi-annual line inspection.

If the Commission does not intend for the electric utilities to perform a manual meter reading verification during the bi-annual line inspection, then Owen suggests that the language in the proposed regulations be revised to clarify the Commission's intent.

If the Commission does intend for all electric utilities, utilizing remote meter technology, to verify their meter readings during the two year inspection process, Owen strongly objects to this provision and requests that the provision be removed from the proposed regulation.

Owen's position is that this requirement is unnecessary and would add a significant cost burden to our members. Owen implemented its AMI system from 2006 – 2008 and is not aware of any time where the meter display registered differently from the reading by the billing system. Owen has contacted our AMI meter vendor and the vendor has verified that the AMI meters installed on Owen's system are solid state meters that have only one register. As the information for both the display and the billing system is coming from the exact same register, it would not be possible for the data utilized by the display to be different from that of the billing system. If the billing system does not register a reading, then Owen knows that the meter is not working properly and an employee is dispatched to read the meter manually and replace or repair the meter.

Owen requests clarification of the Commission as to the purpose of this requirement and the benefit it is expected to produce. Is the purpose to actually verify the reading in the field at an exact moment in time, thereby ensuring that the billing records are correct, or is the purpose to have data that could be

utilized in an audit to ensure that the meter had been visited during the line inspection? This distinction is important as the cost associated with this activity will depend upon the answer to this question.

If the purpose of the proposed regulation is to actually verify that the reading at the meter display and the reading at the billing point are one and the same, Owen will be required to hire, at a minimum, an additional three (3) employees. Two of the employees would be tasked with taking the meter readings in the field. The third would be an office employee who would work with the meter readers to match the field information to that in the office. Owen estimates that this would add a minimum of \$180,000 in operating costs to our members annually. Owen contends that if meter reading verification is what the Commission requires it should be done independently of the line inspection process which requires a much higher level of experience and knowledge than reading the meter would require. Owen utilizes experienced Journeyman Linemen to conduct its line inspections. Adding meter reading verification to the duties of those employees would result in an inefficient and expensive line inspection process.

If the purpose of the proposed regulation is to have a written record of the meter reading at the time of the line inspection, without verifying this reading with the billing system, there would still be significant additional costs that, in Owen's opinion, are unwarranted. Owen estimates that it would add, at a minimum, an additional 5 minutes per meter to write down the meter number as well as recording the meter reading when an employee is conducting the inspection. As Owen has approximately 57,500 meters, it would need to record the readings of around 28,750 meters every year. At 5 minutes per meter, this would add approximately 2,400 labor hours annually to Owen's operating costs. Owen's current labor force cannot absorb the additional task; therefore Owen would be required to hire two employees to conduct the expanded duties of the line inspection. Utilizing the employees charged with line inspections for this activity would result in the addition of a minimum of \$250,000 of cost to our members.

In either scenario listed above, Owen would be adding significantly to its operating costs without any evidence of an associated benefit. The Commission appears to lack trust in either the technology being utilized (Smart Meters) or in the utilities themselves.

If the Commission is concerned about the reliability and accuracy of the remote metering technology, Owen suggests that a better approach would be to require additional procedures during the meter testing program to ensure the accuracy of the metering technology being utilized. If the Commission has proposed the meter reading verification because they have concerns that the some utilities are not adequately performing line inspections, Owen suggests that the Commission consider working on a case by case situation with those utilities that have specific

issues rather than increasing costs of all ratepayers across the state in such a significant fashion.

In addition to the concerns noted above, Owen is also concerned that this revised regulation will unnecessarily burden the efforts of utilities to implement smart grid technology. As remote meter reading technology (smart meter) is the first building block to the development of a smarter grid, anything that would put pressure on the cost justification of smart meter deployment could be a barrier to implementation of technology that would (1) improve reliability and (2) provide rate payers with opportunities to manage their energy costs. If the goal is to encourage smart grid development, then the requirement to manually verify meter readings for smart meters seems ill advised.

2. KAR 5:001 Section 15 (5) - "Extensions in the ordinary course of business":

This section provides that a utility would not be required to apply for a Certificate of Public Convenience and Necessity (CPCN) under certain circumstances; however the guidance for making that determination is not provided. The terms "sufficient capital outlay" or "materially affect the existing financial condition" are not defined and, under the proposed regulations, are open to interpretation and could result in an inconsistent application of the regulation.

Owen believes that the Commission should clearly define the terms in this section in order for the utilities to know when a CPCN should be sought. Our preference is that the Commission replace the terms "sufficient capital outlay", "materially affect the existing financial condition", and "increased charges to its customers" with clearly defined standards that provide guidance to the utilities. An approach that is based on a percentage of gross utility plant in service would be a fair and equitable methodology.

3. KAR 5:011 Section 6 - Tariff Addition, Revision, or Withdrawal requirements:

It is Owen's interpretation of this section that any change in a tariff, including that of a minor text change, would have to be noticed to the public, as well as be submitted to the PSC for approval. While Owen agrees that any tariff revision that would alter rates or conditions of service should be noticed, there are times when tariffs are revised where there are minor text changes that do not in any way alter the rates or conditions of service being offered to a consumer. It is Owen's opinion that these changes should just be submitted for approval from the Commission and that the utility should not be required to provide notice on those changes. The revised regulations would result in significant cost increases for these text changes in the tariffs, and we believe that the Commission should reconsider this revision. Owen would also request that the Commission define what type of notice would be required for any change that might need to be noticed.

4. KAR 5:001, Section 8 (3) - "Electronic Filing Procedures":

Owen understands the revised regulations to still require that electronic filings be accompanied by one original paper version of the filing, which is required to be submitted no later than the second business day following the electronic filing. Owen believes that this is an unnecessary duplication of effort and is not needed given the Commission's ability to accept electronic documents. Providing a paper copy of an already filed electronic document would add to the administrative burden of the case filing and would reduce the efficiency gained by filing electronically in the first place.

Owen suggests that this provision be stricken from the proposed regulations and that paper copies not be required at all in an electronically filed case.

5. KAR 5:001, Section 13 (10)(a) - "Confidential Material":

The proposed regulations state that confidential treatment shall be afforded to material for no more than two (2) years, and that at the end of this period, the burden for proving that continued confidential treatment is needed falls upon the person who sought the confidential treatment. Owen believes that this is not appropriate and requests that this proposed language be revised.

Confidential treatment can very easily be needed in excess of two years, and some information needs to be treated as confidential in perpetuity. To require a utility or intervenor to come back every two years and petition for continued confidential treatment is extremely burdensome. Many utilities do not have staff designated to monitor this type of activity and in the absence of adequate tracking, confidential material might be released when it should not have, potentially harming the utility, intervenor, or member of the public.

Owen would suggest that material, once determined to be treated under the confidentially provisions, be always treated as confidential until such time as another person or entity requests that the information be released. At that point, the person or entity that had requested confidential treatment would be given an opportunity to re-petition for confidential treatment of the material. If the Commission does not wish to extend confidential treatment for all material in perpetuity, it should at least consider that material may need to be held confidentially beyond the two year window. Owen believes that the Commission should, at a minimum, establish an appropriate period for the confidential treatment of material in each case where material is being identified as needing such treatment.