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December 12, 2014

## PSC STAFF OPINION 2014-016A

Mrs. Carol Ann Fraley  
President and CEO  
Grayson Rural Electric Cooperative Corporation  
109 Bagby Park  
Grayson, KY 41143

Re: Grayson Rural Electric Cooperative Corporation 2015-2018 Construction Work Plan

Dear Mrs. Fraley:

On November 14, 2014, Commission Staff issued PSC Staff Opinion 2014-016 regarding Grayson Rural Electric Cooperative Corporation's ("Grayson") 2015-2018 Construction Work Plan ("CWP") wherein Commission Staff determined that each of the projects contained in the CWP did not require a Certificate of Public Convenience and Necessity ("CPCN") except for the Meter Replacement project. Based on the information provided at that time, Commission Staff was unable to conclude whether the Meter Replacement project fell within the "ordinary course of business" exemption from the CPCN requirement and requested that Grayson provide additional information concerning that project.

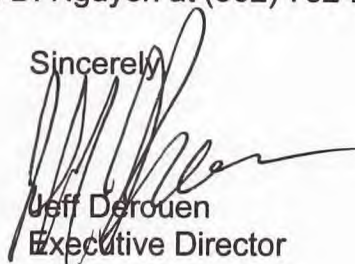
On December 1, 2014, Grayson submitted additional information on the Meter Replacement project. In its 2015-2018 CWP, Grayson stated that it would need to replace approximately 12,408 of its existing AMI meters during the four-year CWP period at a cost of approximately \$1,988,382. The meter replacement was due to the fact that the manufacturer would no longer be producing this particular AMI meter and would no longer provide support for such meters. In its December 1, 2014 submittal, Grayson now indicates that "it has determined that a different deployment strategy for upgrading our AMI meters is appropriate." Grayson's decision to revise its Meter Replacement project was based on the claim that the rate at which new meter technology was being developed would outpace the rate at which Grayson would replace its meters, thereby rendering some of Grayson's new meters outdated.

Grayson goes on to state that it now plans to purchase TS2 meters only for (1) new services, (2) customers participating in its pre-paid program, (3) customers who are on Time of Use rates, and (4) current TS1 meters that have to be replaced. Grayson notes that the Meter Replacement project as now proposed would cost approximately \$295,000 over the four-year CWP period and that it would maintain its current AMR and AMI systems operational until such time as those systems would need to be replaced "with future developments."

Commission Staff has reviewed the additional information and is of the opinion that the Meter Replacement project, as now proposed by Grayson and limited to the four scenarios provided in Grayson's December 1, 2014 submittal, falls within the "ordinary course of business" exemption and does not need a CPCN. Grayson is not proposing to acquire a substantial number of AMI meters and this project as revised will not materially impact Grayson's existing financial condition,<sup>1</sup> will not have an immediate impact on Grayson's rates, and will not result in wasteful duplication of facilities or conflict with the service of other utilities. However, a CPCN is required should Grayson determine at some point in the future to replace the entirety of its remaining Turtle meters and Turtle system.

This letter represents Commission Staff's interpretation of the law as applied to the facts presented. This opinion is advisory in nature and not binding on the Commission should the issues herein be formally presented for Commission resolution. Questions concerning this opinion should be directed to Quang D. Nguyen at (502) 782-2586.

Sincerely,



Jeff Derouen  
Executive Director

QN/kg

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<sup>1</sup> As noted in PSC Staff Opinion 2014-016, Grayson has a net utility plant of approximately \$51,474,078 as of December 13, 2013.