



Matthew G. Bevin
Governor

Charles G. Snively
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

James W. Gardner
Chairman

Daniel E. Logsdon, Jr.
Vice Chairman

J. Roger Thomas
Commissioner

February 22, 2016

PSC STAFF OPINION 2016-003

Todd Peyton
Manager of Engineering
Clark Energy Cooperative
2640 Iron Works Rd.
Winchester, KY 40391

Re: Clark Energy Cooperative's 2016-2019 Construction Work Plan

Dear Mr. Peyton:

Commission Staff acknowledges receipt of your letter dated January 26, 2016, on behalf of Clark Energy Cooperative ("Clark Energy"), in which you request an opinion as to whether any or all projects contained in Clark Energy's 2016-2019 Construction Work Plan ("CWP") require a Certificate of Public Convenience and Necessity ("CPCN") or whether the projects fall within the "ordinary course of business" exemption and, therefore, do not require a CPCN.

According to its 2016-2019 CWP, Clark Energy proposes construction identified by the following RUS Codes: (1) Code 100 construction for new services at an estimated total cost of \$4,438,720; (2) Code 300 line conversion and replacement an estimated total cost of \$3,639,000; (3) Code 600 for miscellaneous distribution equipment, including AMI meter replacements and upgrading meters with remote service switch devices at an estimated total cost of \$11,708,712; (4) Code 702 security lights at an estimated total cost of \$1,450,789; and (5) Code 705 for upgrading all substation areas to radio frequency capability at an estimated total cost of \$999,000.

Based on the information provided in the CWP, Commission Staff is unable to form an opinion as to whether the individual projects contained therein satisfy the "ordinary course of business" exemption. As noted in the Executive Summary of the CWP as prepared by Leidos Engineering, LLC ("Leidos"), the projects contained in the CWP are needed to provide satisfactory and reliable service to Clark Energy's customers through the projected winter peak load in 2019-2020. However, the load forecast information provided in the CWP appears to be inconsistent. The following parts of the Leidos report deal with Clark Energy's peak demand forecast prepared by

East Kentucky Power Cooperative, Inc.: 1) Section 1, pages 1-4 to 1-8, and 2) Appendix F, page 6. Figure 1-1 and Table 1-4 in Section 1 indicate that the forecasted winter demand is based on the actual winter 2014 peak of 154.2 MW with a forecast for the winter 2015 peak of 167 MW. Table 1-1 in Appendix F also shows 154.2 MW as the actual peak demand in the 2014 winter; however, the forecasted peak demand for the next five years is less than 154.2 MW and does not reach 167 MW at any time during the 20-year forecast period. Accordingly, Commission Staff requests that Clark Energy provide a response to the following questions relating to the load forecast:

1. Explain why there are differences in these two load forecast presentations.
2. Explain whether there are any impacts on Clark Energy's CWP resulting from the discrepancy in the projected load forecast.
3. Explain which level of winter peak demand growth supports Clark Energy's CWP.
4. Provide Clark Energy's actual 2015 winter peak demand.

Also, with respect to security lights, Table 2-7 in Section 2.4 of the CWP shows the projected total number of security lights Clark Energy intends to install for this CWP period as 2,525. However, the 740C Detail printout represents the installed number of lights as 2,232. Please provide an explanation for this discrepancy.

Clark Energy's 2010-2014 CWP projected 1,476 security lights installed at an estimated cost of \$473,058, or \$321 per installed light. The 2016-2019 CWP – using numbers from the 740C Detail printout – projects 2,232 lights installed at an estimated cost of \$1,450,789, or \$650 dollars per installed light. Explain what accounts for the cost per light to have doubled from the prior CWP to the current CWP.

Lastly, in its 2010-2014 CWP, Clark Energy designated more than \$2,000,000 for replacement of meters and substation upgrades necessary for moving from a Hunt Turtle 1 to a Hunt Turtle 2 powerline system. In the 2016-2019 CWP, nearly \$3,000,000 is allocated for upgrading Clark Energy's current AMR/AMI system to a Landis+Gyr RF Gridstream metering system. Please provide a detailed discussion of the currently installed metering system and Clark Energy's decision to install a new RF-based AMI platform. At a minimum, explain the rationale behind the AMI conversion, describe compatibility of the existing powerline connected meters with RF signaling, discuss the expected useful life of the new metering system, identify any issues or limitations that may result from the conversion, evaluate the extent and impact of any stranded investment associated with the replaced components including consequences affecting depreciation expenses.

The information requested herein should be provided within seven days from the date of this letter. Upon receipt of the responses, Commission Staff will continue its review of the CWP and make a determination as to whether those projects contained in the CWP are exempt from the CPCN requirement. Questions concerning this opinion should be directed to Quang D. Nguyen at (502) 782-2586.

Sincerely,



Richard G. Raff
General Counsel

QN/ph