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November 30, 2018

## PSC STAFF OPINION 2018-006A

Hon. Thomas C. Brite  
Brite & Hopkins, PLLC  
107 South Main Street  
P.O. Box 309  
Hardinsburg, KY 40143-0309

Re: Meade County Rural Electric Cooperative Corporation's 2018-2020 Construction Work Plan

Dear Mr. Brite:

On May 3, 2018, Commission Staff issued PSC Staff Opinion 2018-006 regarding Meade County Rural Electric Cooperative Corporation's (Meade RECC) 2018-2020 Construction Work Plan (CWP) wherein Commission Staff was not able to determine, based upon information provided at that time, whether the AMI Pilot Project as reflected in Code 601 and Code 705 and contained in Meade RECC's 2018-2020 CWP is exempt from the requirement of KRS 278.020(1) to obtain a Certificate of Public Convenience and Necessity (CPCN) as being in the "ordinary course of business." As indicated in Meade RECC's 2018-2020 CWP, the AMI Pilot Project will be initiated in 2019 and will be implemented throughout the duration of this instant CWP. The AMI Pilot Project will consist of purchasing 5,200 AMI meters at an estimated cost of \$1,000,000 (Code 601) and hardware and software upgrades at a projected cost of \$1,000,000 (Code 705). Commission Staff requested Meade RECC to provide certain additional information concerning the AMI Pilot Project.

On May 9, 2018, Meade RECC submitted a letter providing additional information as requested. Meade RECC states that the AMI Pilot Project is needed because its existing Landis + Gyr Power Line Carrier (PLC) AMI system is nearing the end of its useful life and because system support and replacement parts for the current PLC system will terminate in 2020. Further, Meade RECC indicated in its 2018-2020 CWP that the Landis + Gyr PLC system will be fully depreciated in 2020. The letter further states that Meade RECC has formed an AMI committee to evaluate vendor options, prices, reliability, compatibility, and various operating requirements to maintain successful implementation

of the AMI Pilot Project. Meade RECC states that it has selected Aclara, Eaton, Landis + Gyr, Silver Spring, and Tantalus to submit proposals and presentation to the Meade RECC AMI committee. Meade RECC notes that these vendors were selected because of their long-standing reputation in the field of AMI and that these vendors are well known for the dependability and capability of their products. Ultimately, Meade RECC indicates that it will select one or two of the vendors for the AMI Pilot Project, the implementation of which will begin in early 2019 and Meade RECC's evaluation of the project will be based upon a 12-month period. Lastly, Meade RECC provided additional details on the selection of the Brandenburg and Flaherty substations for the AMI Pilot Project and noted that these two new substations will be financed from general funds.

Upon our review of the supplemental information provided by Meade RECC, Commission Staff is of the opinion that the AMI Pilot Project consisting of Code 601 new AMI meters and Code 705 hardware and software upgrades fall within the "ordinary course of business" exemption and does not require a CPCN. The project will not materially impact Meade RECC's existing financial condition,<sup>1</sup> will not have an immediate impact on Meade RECC's rates, and will not result in wasteful duplication of facilities or conflict with the service of other utilities. This opinion applies only to the AMI Pilot Project. Any permanent system-wide implementation and upgrade of Meade RECC's AMI system will be required to obtain a CPCN prior to the commencement of any such upgrade.

This letter represents Commission Staff's interpretation of the law as applied to the facts presented. The 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,

A handwritten signature in blue ink, appearing to read "J.E.B. Pinney", with a large, loopy flourish extending to the right.

John E.B. Pinney,  
Acting General Counsel

QN/kg

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<sup>1</sup> According to Meade RECC's 2017 Annual Report on file at the Commission, Meade RECC has a net utility plant of approximately \$83,261,571 as of December 31, 2017.