

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>ELECTRONIC APPLICATION OF DELTA</b>	)	
<b>NATURAL GAS COMPANY, INC. FOR</b>	)	
<b>DECLARATORY ORDER THAT THE</b>	)	
<b>REPLACEMENT OF ENCODER</b>	)	
<b>RECEIVER TRANSMITTER METERS</b>	)	
<b>WITH SIMILAR METERS ARE ORDINARY</b>	)	<b>CASE NO. 2024-00135</b>
<b>EXTENSIONS IN THE USUAL COURSE OF</b>	)	
<b>BUSINESS AND DO NOT REQUIRE A</b>	)	
<b>CERTIFICATE OF PUBLIC</b>	)	
<b>CONVENIENCE AND NECESSITY</b>	)	

**VERIFIED APPLICATION FOR DECLARATORY ORDER**

Pursuant to 807 KAR 5:001, Section 19, Delta Natural Gas Company, Inc. (“Delta”) applies to the Public Service Commission (“Commission”) for an Order declaring the replacement of encoder receiver transmitter (“ERT”) modules with different ERT modules are ordinary extensions in the usual course of business and do not require a Certificate of Public Convenience and Necessity (“CPCN”). Delta respectfully requests that a decision on the Application be issued no later than June 21, 2024 due to Delta’s pressing need to order ERT modules that can be obtained in a commercially reasonable timeframe.

In support of its Application, Delta states as follows:

1. Delta’s full name is Delta Natural Gas Company, Inc. Delta’s post office address, principal office, and place of business are located at 3617 Lexington Road, Winchester, Kentucky 40391. Delta may be reached by electronic mail at the electronic mail addresses of counsel set forth below.
2. Delta is a Kentucky corporation that was incorporated on October 7, 1949 and is currently in good standing under the laws of Kentucky.

3. Delta is a utility engaged in the natural gas business and is a wholly owned subsidiary of PNG Companies LLC. Delta purchases, sells, stores, and transports natural gas in Bath, Estill, Montgomery, Menifee, Madison, Powell, Garrard, Jackson, Lee, Bourbon, Jessamine, Rowan, Bell, Knox, Whitley, Laurel, Clay, Leslie, Lincoln, Fayette, Fleming, Clark, Robertson, Mason, Lawrence, Johnson, Martin, Magoffin, Floyd, Pike, Perry, Knott, and Letcher Counties, Kentucky.

#### **I. Obsolescence of Delta's ERT Modules**

4. To measure gas usage, Delta utilizes a diaphragm meter. Over a seven-year period from 1996 to 2003, Delta installed an ERT module, the Itron 40, on each meter. The Itron ERT allows meters to be read by radio frequency through a mobile collection device that Delta personnel operate from their vehicle. Prior to installation of the Itron modules, Delta manually read each meter.

5. Based upon Delta's experience in the field and Itron's manufacturing specifications, the average service life for the Itron ERT is twenty years. As such, Delta began replacing the ERT modules in 2016 and has replaced the ERTs on approximately 32,000 of its roughly 40,000 meters so far. The replacement ERTs are the Itron 100, which is the current generation of the Itron ERTs that were initially installed.

6. Delta can no longer reliably obtain Itron 100 modules, as the modules are quickly approaching obsolescence. Delta's most recent order of 4,000 ERT modules was placed in May 2023. Delta does not anticipate receiving the modules until February 2025—nearly two years later. Due to these difficulties, the remaining 8,000 original ERT modules are presently due to be replaced.

7. Delta has had multiple conversations with Itron regarding the protracted lead time to obtain Itron 100 modules. Itron has explained that the module contains legacy parts and

components that are increasingly difficult for Itron to source. Moreover, with the growing utilization of Advanced Meter Infrastructure equipment in the utility industry, Itron's manufacture of Itron 100 ERT modules has slowed.

8. The manufacturing challenges and severely protracted lead times prohibit Delta from timely obtaining ERT modules, rendering the Itron 100 functionally obsolete from an operations perspective. Unlike the supply chain difficulties experienced during the Covid pandemic, the root causes of the protracted delays are not anticipated to abate due to the legacy components in the module.

9. With respect to meters, Delta presently utilizes a Honeywell American meter. The lead time to obtain replacement meters is approximately one year. Delta targets the retirement and replacement of roughly 500 fully depreciated meters each year.

10. Given the challenges it is experiencing, Delta has been analyzing other ERT meter options with commercially reasonable lead times. After considering its options, Delta plans to transition its meter base from the Honeywell American meter with the Itron 100 ERT to the Intelis 250 meter, which is also manufactured by Itron. The Intelis 250 meters have an integrated ERT module, which means that Delta would be purchasing one piece of equipment for each customer, instead of the two at present (meter and associated ERT module).

11. The lead time for the Intelis 250 meter is six months, as compared to one year for the Honeywell American meter and two years for the associated ERT module.

12. The Intelis 250 meters are compatible with Delta's current radio modules, which allows Delta to slowly convert the meter base to the Intelis 250 without interruption in its meter reading schedule or the need to purchase new radio modules.

## **II. Gas Meter Safety**

13. There have been significant developments in the gas meter industry with respect to safety capabilities since Delta's deployment of the Itron modules in 1996. With these advancements, the gas meter can function as an important indicator of an unsafe condition and shut off gas service when severe operating conditions occur.

14. The Intelis 250 will provide Delta and its customers with two significant safety capabilities that it lacks at present. The first of which is an auto shutoff feature. If the meter detects flows, temperatures, or pressures that are outside of the operating parameters set by the gas utility, the meter will automatically shut off without customer or utility intervention. The ability to shut off gas before the customer detects and reports a concern can reduce the likelihood of a catastrophic incident.

15. The second safety capability that the Intelis 250 offers is remote disconnection. If Delta's employee arrives at a premise in which unsafe conditions are suspected, it can shut off gas service before entering a residence or inspecting the equipment. This will allow Delta's employees to work more safely, as well as potentially reduce the likelihood of an adverse event. Delta could also utilize this technology to remotely disconnect customers for nonpayment or other circumstances warranting disconnection as defined by Delta's tariff or Commission regulations.

## **III. The Purchase of the Intelis 250 Meters Is in the Ordinary Course of Business**

16. The legal standard for determining whether proposed equipment is "an ordinary extension in the usual course of business" is set forth in KRS 278.020(1)(a) and 807 KAR 5:001, Section 15(3).<sup>1</sup>

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<sup>1</sup> *The Application of Northern Kentucky Water District (A) For Authority to Issue Parity Revenue Bonds in the Approximate Amount of \$16,545,000; and (B) A Certificate of Convenience and Necessity for the Construction of*

17. KRS 278.020(1)(a) states:

No person, partnership, public or private corporation, or combination thereof shall commence providing utility service to or for the public or begin the construction of any plant, equipment, property, or facility for furnishing to the public any of the services enumerated in KRS 278.010, **except:**

...

- 2. Ordinary extensions of existing systems in the usual course of business;**

...

until that person has obtained from the Public Service Commission a certificate that public convenience and necessity require the service or construction [emphasis added].

18. 807 KAR 5:001, Section 15(3), provides:

Extensions in the ordinary course of business. No certificate of public convenience and necessity will be required for extensions that do not create wasteful duplication of plant, equipment, property or facilities, or conflict with the existing certificates or service of other utilities operating in the same area and under the jurisdiction of the commission that are in the general area in which the utility renders service or contiguous thereto, and that do not involve sufficient capital outlay to materially affect the existing financial condition of the utility involved, or will not result in increased charges to its customers.

19. Distilling this statute and this regulation to their essentials, the Commission has declared that a CPCN is not necessary “for facilities that do not result in the wasteful duplication of utility plant, do not compete with the facilities of existing public utilities, and do not involve a

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*Water Main Facilities*, Case No. 2000-481 (Ky. PSC Aug. 30, 2001) at 4 (“When viewed together, KRS 278.020(1) and Administrative Regulation 807 KAR 5:001, Section 9(3) clearly identify those facilities for which a Certificate of Public Convenience and Necessity is not required.”) (referring to §15(3) prior to revisions in 807 KAR 5:001 that resulted in renumbering).

sufficient capital outlay to materially affect the existing financial condition of the utility involved or to require an increase in utility rates.”<sup>2</sup>

20. “Wasteful duplication” is defined as an “excess of capacity over need” and “an excessive investment in relation to productivity or efficiency.”<sup>3</sup> A proposed facility does not constitute wasteful duplication unless an “existing facility is reasonably available for the present and future needs of those who will be served by it.”<sup>4</sup> To demonstrate that a proposed facility does not result in wasteful duplication, an applicant must demonstrate that a thorough review of all reasonable alternatives has been performed.<sup>5</sup>

21. The transition from one model ERT meter to another ERT meter will not result in the wasteful duplication of facilities. Each premise must have a meter that reliably measures customer usage that is capable of being read. Delta’s difficulty in timely obtaining the Itron 100 modules is not anticipated to abate given the age of the model and its legacy components. Indeed, the protracted lead times are resulting in functional obsolescence. By continuing to use ERT meter technology, Delta can utilize the same ERT radio readers using the same processes as it has since 1996. The only difference will be the specific meter and ERT models, along with the two enhanced safety features.

22. With respect to implementation, Delta does not plan to retire any current meters or ERT modules until the units are fully depreciated. At present, Delta has 8,000 ERT modules that are fully depreciated. Delta’s first tranche of Intelis 250 meters will be installed at premises where the ERT has been in service for twenty or more years. At those locations, Delta will remove the meter and ERT. If the meter is not fully depreciated and is in sufficient operating condition (or

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<sup>2</sup> *Id.*

<sup>3</sup> *Kentucky Utilities Co. v. Pub. Serv. Comm'n*, 252 S.W.2d 885, 890 (Ky. 1952).

<sup>4</sup> *Covington v. Board of Commissioners*, 371 S.W.2d 20, 23 (Ky. 1963).

<sup>5</sup> *Kentucky Utilities Co. v. Public Service Comm'n*, 390 S.W.2d 168, 175 (Ky. 1965).

can be repaired to sufficient condition), it will be placed back into Delta's inventory for use at another premise.

23. Delta's plan is to convert its pending order of 4,000 Itron modules to 1,000 Intelis 250 meters for delivery by year-end 2024. Delta would then purchase 7,000 Intelis 250 meters in 2025. At the completion of the 2024 and 2025 orders, all original ERTs will have been replaced. Starting in 2026, Delta plans to order 500 Intelis 250 meters each year, which corresponds with the number of meters it targets for retirement annually.

24. Given that Delta has installed replacement ERTs as recently as 2022, the meter base would not be transitioned fully to the Intelis 250 meters for eighteen to twenty years, which is when the recently replaced ERTs would reach the end of their useful lives.

25. Importantly, Delta is not obligated to transition its entire meter base, as the Intelis 250 meters are fully compatible with its current ERT models. If Delta's experience with the Intelis 250 meters does not meet its expectations, Delta can consider another meter or ERT option.

26. While there are presently other alternatives to the Intelis 250, including Advanced Metering Infrastructure options, Delta's review of the alternatives supports its decision. Delta does not desire a wholesale change to its meter reading technologies and processes at this time, but instead seeks to continue using ERT technology. The Intelis 250 is much more readily available than the Itron 100 module and is fully compatible with Delta's existing system. After reviewing the alternatives, Delta prefers a minor change to its assets at this time, instead of proposing to utilize new technologies that would need to be installed in an accelerated timeframe with greater capital costs.

27. By replacing the meters in its existing service territory, Delta is not competing with the facilities of any other existing utility. This project does not involve the expansion of Delta's pipelines and is not intended to increase its customer base.

28. The Commission has consistently held that a capital outlay does not materially affect a utility's existing financial condition if it represents less than one percent of the utility's net plant.<sup>6</sup> Delta's current cost for the meter is [REDACTED] and the ERT is [REDACTED] for a total cost of [REDACTED]. The cost of the Intelis 250 is [REDACTED] for the meter with the integrated ERT. The cost difference between the Itron 100 and Intelis 250 is [REDACTED] per meter. If Delta replaces all 40,000 meters, the cost difference is roughly \$1.6 million dollars, which will be incurred over 20 years. Delta reported its net utility plant as \$313,869,521.00 in its 2023 Annual Report. The total \$1.6 million is only .50% of net utility plant.

29. To reiterate, Delta may not replace all of its meters with Intelis 250 meters. While Delta currently believes the Intelis 250 is the best option for the continued use of the ERT process and is compatible with all of Delta's current equipment, Delta will continue to evaluate other options, costs, and features as part of its commitment to providing reliable gas service at the lowest reasonable cost.

#### **IV. Requested Relief**

WHEREFORE, Delta requests that the Commission:

1. Place this Application at the head of the Commission's docket and enter a decision on this Application by **June 21, 2024**;

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<sup>6</sup> See, e.g., *Northern Kentucky Water District*, Case No. 2014-00171 (Ky. PSC Aug. 6, 2014), Order at 4.



2. Enter an Order declaring that the purchase and installation of Intelis 250 gas meters with an integrated ERT are ordinary extensions in the usual course of business and do not require a Certificate of Public Convenience and Necessity; and

3. Grant any and all such other relief to which Delta may be entitled.

Dated May 7, 2024

Respectfully submitted,

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s/Monica H. Braun  
Counsel for Delta Natural Gas Company,  
Inc.

### **CERTIFICATE OF COMPLIANCE**

In accordance with 807 KAR 5:001, Section 8(7), this is to certify that Delta's May 7, 2024 electronic filing is a true and accurate copy of the documents being filed in paper medium; that the electronic filing has been transmitted to the Commission on May 7, 2024; and that there are currently no parties that the Commission has excused from participation by electronic means.

s/Monica H. Braun  
Counsel for Delta Natural Gas Company,  
Inc.

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 )  
COUNTY OF CLARK )

The undersigned, Danny Shelley being duly sworn, deposes and says that he is Director for Delta Natural Gas Company, Inc., and that he has personal knowledge of the matters set forth in the foregoing Application, and that the content thereof is true and correct to the best of his information, knowledge, and belief.

Danny Shelley  
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Subscribed and sworn to before me, a Notary Public in and before said County and State, this 6<sup>th</sup> day of MAY 2024.

[Signature]  
\_\_\_\_\_  
Notary Public

Notary Public ID No. KYNP66482

My Commission Expires:

2/7/2027