

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|   |   |            |
|---|---|------------|
| APPLICATION OF INTER-COUNTY ENERGY      | ) |            |
| COOPERATIVE FOR A CERTIFICATE OF        | ) | CASE NO.   |
| PUBLIC CONVENIENCE AND NECESSITY        | ) | 2009-00143 |
| PURSUANT TO KRS 278.020(1) AND 807 KAR  | ) |            |
| 5:001, SECTION 9, AND RELATED SECTIONS, | ) |            |
| AUTHORIZING CERTAIN PROPOSED            | ) |            |
| CONSTRUCTION IDENTIFIED AS THE 2009-    | ) |            |
| 2012 CONSTRUCTION WORK PLAN             | ) |            |

O R D E R

Inter-County Energy Cooperative Corporation ("Inter-County") filed its application on April 2, 2009 for a Certificate of Public Convenience and Necessity ("CPCN") to construct certain improvements and additions to its existing plant at an estimated cost of \$25,521,413. In support of the application, Inter-County filed its 2009-2012 Work Plan ("Work Plan"), which describes its proposed improvements and additions to its facilities in detail, covering the period between January 1, 2009 and December 31, 2012. The proposed improvements and additions to its facilities are required over the next four-year period to serve its load.

Inter-County's application was initially found to be deficient for failure to comply with 807 KAR 5:001, Section 9(2)(f), which requires a CPCN applicant to submit "an estimated cost of operation after the proposed facilities are completed." Inter-County cured the deficiency with its filing received April 24, 2009. Commission Staff issued its first data request to Inter-County on July 31, 2009, and Inter-County filed its response

on August 12, 2009. Commission Staff issued a second data request to the utility on September 9, 2009, and Inter-County filed its response on September 25, 2009. Commission Staff issued a third data request to the utility on November 19, 2009, and Inter-County filed its response on December 8, 2009. The case now stands submitted for decision.

Inter-County seeks authorization to construct extensions and additions to its plant as follows:

|   |              |
|---|--------------|
| New Line Distribution (182 total miles)   | \$7,480,000  |
| Transformers  | 3,882,695    |
| Automated Meter Reading (“AMR”) meters  | 4,393,866    |
| Sets of service wires to increase capacity (Service Upgrade)                    | 3,491,322    |
| System improvements projects (conversion and line change totaling 247.67 miles) | 3,024,955    |
| Sectionalizing equipment  | 240,850      |
| Ordinary replacements (poles)   | 1,189,000    |
| Conductor replacement   | 331,995      |
| Security lights   | 690,230      |
| AMR Equipment   | 796,500      |
| TOTAL   | \$25,521,413 |

Inter-County states that the entire amount of \$25,521,413 is eligible for financing through Rural Utilities Service (“RUS”) loan funds.

AMR PROGRAM

Inter-County’s application includes an AMR program with an estimated cost of \$5,190,366 for meters and meter-reading equipment. Inter-County states that, in

addition to remote meter-reading, the system will allow better tracking of individual member blinks, outages, and voltage levels on a daily basis. Inter-County anticipates that the AMR program will allow it to address bill complaints in a timely manner, verify system phasing, reduce system losses, and improve engineering analysis studies. In addition, Inter-County states that the new meters will support automated in-house displays, time-of-use metering and distribution automation, and remote connect and disconnect.<sup>1</sup>

Inter-County states that it has not performed a cost-benefit analysis because RUS no longer requires it and “because of the overall benefits recognized by many utilities across the state and nation.” Inter-County also notes that it is one of the last three East Kentucky Power Cooperative, Inc. (“EKPC”) member cooperatives to implement an AMR program.<sup>2</sup>

As initially filed, the AMR portion of the Work Plan included costs to replace 1,272 meters and retrofit 24,800 meters. However, in response to Commission Staff’s first data request, Inter-County states that it now plans to replace all meters.<sup>3</sup> Using the average costs to replace meters found in Section 3-B1 of the Work Plan, Staff calculated the cost of the AMR meters to be \$5,521,770,<sup>4</sup> or approximately \$1.1 million more than the \$4,393,866 AMR meter cost originally estimated by Inter-County.

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<sup>1</sup> Inter-County’s Response to Commission Staff’s First Data Request, item 3.

<sup>2</sup> Id., Item 2.

<sup>3</sup> Id., Item 4b.

<sup>4</sup> 26,072 meters at an average cost of \$191.25, the average of the cost amounts shown under “Meters” in Section 3-B1 (((\$180+ \$187+\$195+\$203)/4) plus \$535,500 of new meters shown in Section 3-A1.

The Commission recognizes the benefits of AMR programs, and it is aware that Inter-County is one of the last EKPC cooperatives to implement such a program. However, the Commission would prefer to have seen a cost-benefit analysis specific to Inter-County's program rather than rely on the "overall benefits recognized by many utilities across the state and nation." The Commission recommends that, in future work plan applications, if Inter-County proposes any large expenditures for new technologies such as AMR devices, Inter-County should perform a cost-benefit analysis as part of its application, showing how the proposed expenditure will benefit Inter-County's system and customers specifically.

In addition, the Commission finds that Inter-County should have updated its Work Plan as filed in this case as soon as it decided to revise the plan and replace all meters rather than replace approximately 5 percent and retrofit approximately 95 percent of its meters. Had there not been a Commission Staff data request that brought this revision to the Commission's attention, our Order approving the filed Work Plan would not have addressed the plan Inter-County actually intends to implement. Such result would have required Inter-County to either seek reconsideration of the Commission's decision or proceed to implement its revised Work Plan which, as to the full cost of the AMR program, would not have our approval. In the first scenario, addressing the reconsideration request would have delayed implementation of the AMR program. In the second scenario, Inter-County would potentially have been in violation of a Commission Order and possibly subject to fines and penalties pursuant to KRS 278.990.

In Case No. 2003-00070,<sup>5</sup> Inter-County requested and received Commission authorization to implement an AMR lease option in its tariff. The lease option gives members who have, or wish to have, limited access to their property an option for meter reading and voltage reporting, as well as an automated outage-notification system. Members requesting this option are billed \$5.15 per month. Inter-County states that it has 53 members who are currently being billed under this tariff. In response to Commission Staff's data request, Inter-County stated that, when the AMR system is fully implemented, this tariff will no longer be necessary and Inter-County will request removal of the AMR lease option from its tariff.

#### CONCLUSIONS

The proposed construction will enable Inter-County to continue to provide adequate and dependable electric service to its customers. The system improvements recommended in this Work Plan will not duplicate existing facilities and are needed to correct voltage problems, improve phase balance, reduce system energy losses, and provide for improved service reliability.

The Commission, having considered the evidence of record and being otherwise advised, finds that the improvements and additions proposed by Inter-County are necessary to provide adequate, reliable electric service to existing customers and anticipated new customers.

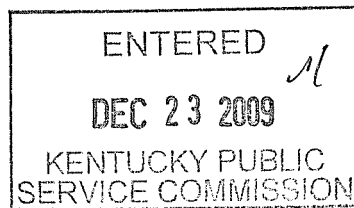
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<sup>5</sup> Case No. 2003-00070, The Tariff Filing of Inter-County Energy Cooperative Corporation for Approval of an Automatic Meter Reading Lease Option for its Members/Owners (Ky. PSC May 13, 2003).


IT IS HEREBY ORDERED that:

1. Inter-County is granted a CPCN to construct the facilities described in its 2009-2012 Work Plan, with modifications to the AMR portion of the Work Plan as described herein.
2. Upon full implementation of the AMR system, Inter-County shall request removal of the AMR lease option from its tariff.

By the Commission



ATTEST:



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Executive Director

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