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Charles R. Borders
Commissioner

August 19, 2010

PARTIES OF RECORD

Re: Case No. 2010-00291

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Rick Bertelson at 502/564-3940, Extension 260.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Devouen".

Jeff Devouen
Executive Director

RB/ew

Attachment

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Rick Bertelson

DATE: August 19, 2010

SUBJECT: Case No. 2010-00291
Application of South Kentucky Rural Electric Cooperative Corporation for Deviation from Its Testing of Meters Occasioned by Implementation of Its Advanced Metering Infrastructure System

An informal conference ("IC") was held between Commission Staff and representatives of South Kentucky Rural Electric Cooperative ("South Kentucky") on August 17, 2010 at the Commission's offices in Frankfort, Kentucky. A list of attendees is attached to this memorandum.

The purpose of the IC was for Commission Staff to ask a number of clarifying questions regarding South Kentucky's application in the above-styled case.

South Kentucky's representatives explained that they are continuing to change out old electric meters for the new AMI meters, and the old meters are rapidly accumulating in the warehouse. They anticipate that they will soon need to rent two or three storage units to store the meters at a cost of approximately \$150 per unit per month.

South Kentucky said that it costs \$6 per meter to test them in-house, and they have only two personnel who can do the testing. That is why they have outsourced the testing to a company that can do the testing for \$3 per meter. However, South Kentucky personnel are performing all of the installations/change-outs of the new AMI meters.

South Kentucky has completed approximately 6,600 meter change-outs of the total 69,300. Of those meters, South Kentucky has tested approximately 2,000. The old meters are a mix of electro-mechanical meters and electronic meters. South Kentucky is in talks with Big Sandy RECC, which may purchase a substantial portion of the 20,000 old electronic meters that will eventually be replaced on South Kentucky's system. Unfortunately, there is no market for the old electro-mechanical meters and no effective means to recycle them. So, South Kentucky will simply dispose of those meters.

South Kentucky wants Commission approval to dispose of the old electro-mechanical meters as they are replaced. However, South Kentucky could also store them for a few months if the Commission determines that to be necessary. South Kentucky could then dispose of the old meters on a rotating cycle, such that it can maintain enough storage space in its warehouse.

Commission Staff asked whether South Kentucky was finding any difference in the accuracy of the new AMI meters and the old meters. South Kentucky said that the new AMI meters are supposed to be more accurate than the electro-mechanical meters and at least as accurate as the old electronic meters. For the new AMI meters, South Kentucky is using the manufacturer's accuracy test to verify the accuracy of each meter prior to installation.

Commission Staff recommended that South Kentucky consider adopting a sample meter testing program that would be the same as or similar to that approved by the Commission for Kenergy Corp. ("Kenergy") in Case No. 2010-00034 and which is based on the American National Standard ANSI/ASQC Z1.9-2003. Kenergy's sample testing program requires the utility to divide its meters into separate homogeneous groups based upon manufacturer and type. Randomly selected meters (lots) from each group are then tested under full-load, light-load and 50 percent power factor. Lot performance is deemed acceptable if the full-load and light-load performance of the meters within the lot meet the acceptability criteria of the ANSI standard. When a group is classified as failed and a poorly performing subgroup can be identified for separation from the original control group, the deviate subgroup will be removed from service within a 12-month period. If a deviate subgroup of meters cannot be identified to improve the control group's accuracy, then the utility is required to remove and test the entire control group of meters within 18 months once it has failed the applicable governing standard for the control group.

South Kentucky referenced its response to Item 5 of the Commission Staff's first data request, which contains the test results for its meter sampling program for the past ten years. In the past 10 years, South Kentucky has tested approximately 11,000 meters and has found only 10 meters operating outside the $\pm 2\%$ limit pursuant to 807 KAR 5:041, Section 15. Therefore, South Kentucky believes that it would be pointless for it to have to test every one of the 69,300 meters that it will end up replacing with the new AMI meters.

South Kentucky offered to provide its test results for the meters it removed from its East Somerset substation. South Kentucky believes that group of meters is a reasonable representation of the different kinds and ages of meters on its system. The old meters are GE, Landis and Gyr and Itron. All of the new meters are GE. South Kentucky will provide Commission Staff with a list of the manufacturers and the numbers of each kind of meter.

South Kentucky asserted that there is a distinction between old meters that are being replaced in its AMI program and meters that it must replace as a result of failure, discontinuation of service, etc.

South Kentucky stated that it also wants a short-term waiver for all meter testing going forward for all single-phase (self-contained) new AMI meters but not for their poly-phase meters. However, Commission Staff stated that it would still like to see some sort of sample testing of the new AMI meters, because Staff has received reports from some utilities that are using AMI meters which indicate that some of the meters may be miscalculating customer usage.

South Kentucky said that it would prefer to demonstrate to Commission Staff through the sample testing that it has already done on the meters removed from the East Somerset substation that only a very small percentage of its old meters are inaccurate and, thus, no testing is necessary—or at least a very limited testing protocol should be required. Commission Staff agreed to review those testing results to see how that would affect its opinion regarding the type of testing it believes necessary for the old meters.

South Kentucky will provide the testing results for the meters it is selling to Big Sandy RECC and the meters that were removed from the East Somerset substation, as well as a list containing the number of meters by manufacturer and type, by August 23, 2010. South Kentucky also asserted that Jackson Energy Cooperative has been allowed additional time to comply with the Commission's testing regulations while implementing a similar AMI program. South Kentucky will provide that information to Commission Staff along with the testing results. In a subsequent telephone conversation between Jeff Greer of South Kentucky and Rick Bertelson of Commission Staff, South Kentucky indicated that the Jackson Energy case it was referring to is Case No. 1997-00030, the documents of which are on microfilm in the Commission's file room.

The meeting was then adjourned.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH KENTUCKY RURAL)
ELECTRIC COOPERATIVE CORPORATION FOR) CASE NO.
DEVIATION FROM ITS TESTING OF METERS) 2010-00291
OCCASIONED BY IMPLEMENTATION OF ITS)
ADVANCED METERING INFRASTRUCTURE SYSTEM)

August 17, 2010

Please sign in:

NAME

REPRESENTING

<u>Rick Beaton</u>	<u>PSC-Lead</u>
<u>DENNIS HOLT</u>	<u>SOUTH KY RECC</u>
<u>Tony Tupman</u>	<u>SK RECC</u>
<u>Stephen Johnson</u>	<u>SK RECC</u>
<u>Jeff Greer</u>	<u>SK RECC</u>
<u>Darrell Sanders</u>	<u>SK RECC</u>
<u>John Rogness</u>	<u>PSC - F/A</u>
<u>Daryl Newby</u>	<u>PSC - F/A</u>
<u>Elie Russell</u>	<u>PSC</u>