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September 30, 2010

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**PUBLIC SERVICE
COMMISSION**

Mr. Jeff Derouen:
Executive Director
Kentucky Public Service Commission
211 Sowder Blvd.
P.O. Box 615
Frankfort, KY 40602-0615

Overnighted

RE: Case No. 2010-00291

Dear Mr. Derouen:

Enclosed you will find an original and ten (10) copies of the response to the Commission Staff's Second Information Request on the Application of South KY RECC's Deviation from its Testing of Meters Occasioned by Implementation of its Advance Metering Infrastructure System.

If I can be of any further assistance, please contact me at 606-678-4121.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stephen Johnson', written over a horizontal line.

Stephen Johnson
Vice President of Finance
South KY RECC

jw Enclosures



RESPONSE TO PSC SECOND INFORMATION REQUEST

- Q 1. If each of the 69,300 meters to be removed over a three-year period is stored for two years, provide South Kentucky's best estimate of the total cost to provide storage for all meters.
- R 1(a). South Kentucky had initially thought that utilizing a PODS type of storage container could be used but upon further study it has been determined that a warehouse type of facility would be the best alternative for storage. With 96 meters per pallet and aisles for forklift truck access would require approximately 10,000 square feet of space for a three year estimated cost of \$208,000.



RESPONSE TO PSC SECOND INFORMATION REQUEST

- Q 2. a. Provide the estimated useful life of each type of the meters being removed and the estimated useful life of the meters being installed.
- b. If different from the response for 2.a, provide the depreciable life of each type of the old meters being removed and new meters being installed.
- R 2(a). All meters being removed have an estimated useful life of 30 years and the new meters being installed is 15 years.
- R 2(b). See item 2a.

RESPONSE TO PSC SECOND INFORMATION REQUEST

- Q 3. Explain why five years (or until the new AMI system is installed) was the time period chosen for suspension of South Kentucky's meter testing program.
- R 3. South Kentucky felt that if any delays in the installation dateline occurred (back orders of equipment, major storms as in 2009, etc.) this would allow enough time for the installations to be completed.

RESPONSE TO PSC SECOND INFORMATION REQUEST

- Q 4. Refer to the "10 Year Summary of Sample Meter Testing Program." For years 2000, 2001 and 2002, it shows groups "5, 6, 7, 8;" however, those groups were not shown for 2003 through 2009. Explain why no testing was done on these groups.
- R 4. Meter groups 5, 6, 7 and 8 represented mechanical bearing type meters. 2002 was the last year to test this type of meter because at the end of 2002 most all of the mechanical bearing meters had been retired. The number of mechanical bearing meters left on the system was too small to have a representative group for the Sample Meter Testing Program.



RESPONSE TO PSC SECOND INFORMATION REQUEST

- Q 5. Refer to the Application, Item 2. South Kentucky indicated that testing of all replaced meters would “substantially delay installation of the AMI meters.” If South Kentucky is using a third party to test the removed meters, explain how testing all removed meters would have the impact on the installation that South Kentucky indicated in the application.
- R 5. South Kentucky has to utilize our employees for processing the meters and results provided by the third party; those employees could be better utilized in the installation of the smart grid system.



RESPONSE TO PSC SECOND INFORMATION REQUEST

- Q 6. Refer to South Kentucky's filing on September 1, 2010 to provide information requested at the informal conference.
- a. Are the meters listed as "Removed From Service" included on the meter listing titled "Meter Breakdown for Old Type Meters on Active Accounts"? If no, fully explain the difference in total meters listed of 65,993 (57,502+8,491) and 69,300 as indicated the application.
 - b. If yes, fully explain the difference in total meters listed of 57,502 and 69,300 as indicated in the Application.
 - c. At the informal conference held on August 17, 2010, South Kentucky indicated that they had completed approximately 5,000 meter change-outs of the total meters to be replaced. In response to information requested at the informal conference, South Kentucky provided a list of meters removed from service that totaled 8,491. Fully explain the discrepancy in the number of meters removed from service.
- R 6(a). No, the 69,300 meters was an estimate of ALL meters to be installed on the South Kentucky system. The breakdown of the estimated 69,300 meters to be installed is 66,950 residential and 2,350 commercial. These meters include both existing and future meters that will be added to our system over the 3 year AMI install period. The 65,993 represent the total number of meters at the beginning of the installation.
- R 6(b). N/A
- R 6(c). The 5,000 meters indicated at the informal conference was an estimated rounded number reported in July 2010. Since the informal conference South Kentucky has continued to install meters and a query was done to get a more accurate number resulting in the aforementioned listings.