

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF INTER-COUNTY)	
ENERGY COOPERATIVE CORPORATION FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	CASE NO.
NECESSITY AUTHORIZING THE INSTALLATION)	2022-00350
OF A NEW ADVANCED METERING)	
INFRASTRUCTURE (AMI) SYSTEM)	

ORDER

On October 24, 2022, Inter-County Energy Cooperative Corporation (Inter-County Energy) filed an application pursuant to KRS 270.020 and 807 KAR 5:001E, Section 15, seeking a Certificate of Public Convenience and Necessity (CPCN) to replace its existing automatic meter reading (AMR) system with an advanced metering infrastructure (AMI) system. No party requested intervention in this proceeding. Inter-County Energy responded to two sets of requests for information from Commission Staff. On January 17, 2023, Inter-County Energy requested that this matter be submitted for a decision on the written record. This matter stands submitted for a decision based on the written record.

LEGAL STANDARD

No utility may construct or acquire any facility to be used in providing utility service to the public until it has obtained a CPCN from this Commission.¹ To obtain a CPCN, the

¹ KRS 278.020(1). Although the statute exempts certain types of projects from the requirement to obtain a CPCN, the exemptions are not applicable.

utility must demonstrate a need for such facilities and an absence of wasteful duplication.²

“Need” requires:

[A] showing of a substantial inadequacy of existing service, involving a consumer market sufficiently large to make it economically feasible for the new system or facility to be constructed or operated.

[T]he inadequacy must be due either to a substantial deficiency of service facilities, beyond what could be supplied by normal improvements in the ordinary course of business; or to indifference, poor management or disregard of the rights of consumers, persisting over such a period of time as to establish an inability or unwillingness to render adequate service.³

“Wasteful duplication” is defined as “an excess of capacity over need” and “an excessive investment in relation to productivity or efficiency, and an unnecessary multiplicity of physical properties.”⁴ To demonstrate that a proposed facility does not result in wasteful duplication, the Commission has held that the applicant must demonstrate that a thorough review of all reasonable alternatives has been performed.⁵ Although cost is a factor, selection of a proposal that ultimately costs more than an alternative does not necessarily result in wasteful duplication.⁶ All relevant factors must

² *Kentucky Utilities Co. v. Pub. Serv. Comm'n*, 252 S.W.2d 885 (Ky. 1952).

³ *Kentucky Utilities Co.*, 252 S.W.2d at 890.

⁴ *Kentucky Utilities Co.*, 252 S.W.2d at 890.

⁵ Case No. 2005-00142, *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Construction of Transmission Facilities in Jefferson, Bullitt, Meade, and Hardin Counties, Kentucky* (Ky. PSC Sept. 8, 2005), Order at 11.

⁶ See *Kentucky Utilities Co. v. Pub. Serv. Comm'n*, 390 S.W.2d 168, 175 (Ky. 1965). See also Case No. 2005-00089, *Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity for the Construction of a 138 kV Electric Transmission Line in Rowan County, Kentucky* (Ky. PSC Aug. 19, 2005), final Order.

be balanced.⁷

BACKGROUND

Inter-County Energy installed a Landis+Gyr brand AMR system with Commission approval in Case No. 2009-00143.⁸ Landis+Gyr informed Inter-County Energy in 2018 that the AMR system would be discontinued and that no new compatible meters or parts would be available for ordering after October 31, 2019.⁹ Inter-County Energy indicated the obsolescence of the AMR system was universal across vendors¹⁰—it looked for alternate replacement options and no other AMR meters compatible with its system were reliably available.¹¹

Inter-County Energy planned to implement an AMI metering system, installing them over the course of three years while using remaining stock of AMR meters to replace or repair AMR meters in the meantime.¹² Inter-County Energy provided information regarding the number of remaining meters in its inventory and historical depletion rates to justify its time frame for replacing the obsolete meters.¹³ Inter-County Energy consulted

⁷ Case No. 2005-00089, *East Kentucky Power Cooperative, Inc.* (Ky. PSC Aug. 19, 2005), final Order at 6.

⁸ Case No. 2009-00143, *Application of Inter-County Energy Cooperative for a Certificate of Public Convenience and Necessity Pursuant to KRS 278.020(1) and 807 KAR 5:001, Section 9, and Related Sections, Authorizing Certain Proposed 2012 Construction Work Plan Construction Identified as the 2009-2012 Construction Work Plan* (Ky. PSC Dec. 23, 2009), Order.

⁹ Application, Exhibit 1 at unnumbered 5.

¹⁰ Inter-County Energy's Response to Commission Staff's First Request for Information (Response to Staff's First Request) (filed Dec. 9, 2022), Item 5.

¹¹ Inter-County Energy's Response to Staff's First Request, Item 6.

¹² Direct Testimony of David Phelps, pages 4–5.

¹³ Inter-County Energy's Response to Commission Staff's Second Request for Information (filed Jan. 6, 2023), Item 1(a)-(b).

with and visited other electric cooperatives to evaluate AMI systems¹⁴ and sent requests for proposals (RFPs) to seven vendors,¹⁵ selecting Landis+Gyr, the least-cost option of four bidders.¹⁶ The estimated cost of this project is \$5,946,175, with an annual operations and maintenance increase of \$132,243.¹⁷ Inter-County Energy plans to use its general fund to finance the project and obtain a Rural Utilities Service (RUS) loan if necessary.¹⁸

DISCUSSION AND FINDINGS

Having considered the application and all evidence in the record, the Commission finds that the CPCN should be granted. The evidence indicates that Inter-County Energy's existing AMR system is obsolete and replacement meters or parts will no longer be available. Eventually, Inter-County Energy would be unable to repair or replace defective meters due to depletion of its stock of AMR meters. It has timed the replacement to be completed before depletion but not so early that most of the stock would be wasted. Replacement of the AMR system with the AMI system is necessary for Inter-County Energy to continue to conduct metering for its customers. Regarding lack of wasteful duplication, Inter-County Energy explored the availability of obtaining other compatible AMR meters and found none. It sent RFPs to known vendors after conducting research and selected the least-cost option.

For the reasons discussed above, the Commission finds that the activities described in Inter-County Energy's CPCN application reflect need and a lack of wasteful

¹⁴ Application, Exhibit 1 at unnumbered 1.

¹⁵ Inter-County Energy's Response to Staff's First Request, Item 2.

¹⁶ Application, Exhibit 3.

¹⁷ Application at 3, paragraph 8.

¹⁸ Application at 3, paragraph 7.

duplication due to adoption of reasonable and cost-effective alternatives. However, in order to protect customers from unforeseen costs, any material deviation from the construction approved by this Order shall be undertaken only with the prior approval of the Commission.

IT IS THEREFORE ORDERED that:

1. Inter-County Energy's request for a CPCN for the proposed project described in its application is granted.

2. Inter-County Energy shall immediately notify the Commission upon knowledge of any material changes to the project, including, but not limited to, a material increase in costs and any significant delays in construction.

3. Any material deviation from the construction approved by this Order shall be undertaken only with the prior approval of the Commission.

4. Inter-County Energy shall file with the Commission documentation of the total costs of the projects, including the cost of construction and all other capitalized costs, (e.g. engineering, legal, administrative, etc.) within 60 days of the date that construction authorized under this CPCN is substantially completed. Construction costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for electric utilities as prescribed by the Commission.

5. Inter-County Energy shall file a copy of the "as-built" drawings, if any, and a certified statement that the construction has been satisfactorily completed in accordance with the plans and specifications within 60 days of the substantial completion of the construction certificated herein.


6. Any documents filed in the future pursuant to ordering paragraph 2 through 5 shall reference this case number and shall be retained in the post-case correspondence file for this proceeding.

7. The Executive Director is delegated authority to grant reasonable extensions of time for filing any documents required by this Order upon Inter-County Energy's showing of good cause for such extension.

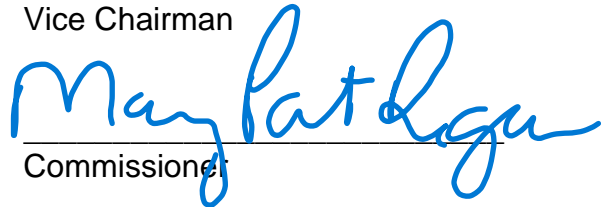
8. This case is closed and is removed from the Commission's docket.

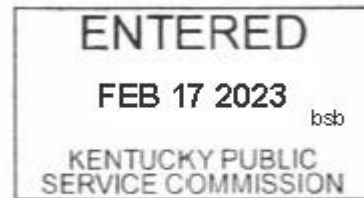
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PUBLIC SERVICE COMMISSION


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ATTEST:


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