

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF JACKSON)	
PURCHASE ENERGY CORPORATION FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	CASE NO.
NECESSITY AUTHORIZING THE INSTALLATION)	2024-00013
OF A NEW ADVANCED METERING)	
INFRASTRUCTURE (AMI) SYSTEM)	

ORDER

On January 26, 2024, Jackson Purchase Energy Corporation (Jackson Purchase Energy) filed an application pursuant to KRS 270.020 and 807 KAR 5:001, seeking a Certificate of Public Convenience and Necessity (CPCN) to install a new advanced metering infrastructure (AMI) system to replace the current AMI system, which it advised is becoming obsolete.¹ Jackson Purchase Energy also sought a deviation from periodic or sample meter testing requirements found in 807 KAR 5:041, Section 16.² On February 21, 2024, the Commission issued an Order establishing a procedural schedule.³ No party requested intervention in this proceeding. Jackson Purchase Energy responded to two sets of requests for information from Commission Staff.⁴ On April 18, 2024, Jackson

¹ Application (filed Jan. 26, 2024) at 3, 5.

² Motion for Deviation (filed Jan. 26, 2024) at 2.

³ Order, (Ky. PSC Feb. 21, 2024).

⁴ Jackson Purchase Energy's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Mar. 25, 2024); Jackson Purchase Energy's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Apr. 18, 2024).

Energy Purchase 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

Under KRS 278.020(1), 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. To obtain a CPCN, the utility must demonstrate a need for such facilities and an absence of wasteful duplication.⁵

“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.⁶

“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.”⁷ To demonstrate that a proposed facility does not result in wasteful duplication, the applicant must demonstrate that a thorough review of

⁵ *Kentucky Utilities Co. v. Pub. Serv. Comm’n*, 252 S.W.2d 885 (KY. 1952).

⁶ *Kentucky Utilities Co. v. Pub. Serv. Comm’n*, 252 S.W.2d 885, 890.

⁷ *Kentucky Utilities Co. v. Pub. Serv. Comm’n*, 252 S.W.2d 885, 890.

all reasonable alternatives has been performed.⁸ Selection of a proposal that ultimately costs more than an alternative does not necessarily result in wasteful duplication.⁹ All relevant factors must be balanced.¹⁰

Regarding deviations from meter testing requirements, 807 KAR 5:041, Section 22 permits deviations for good cause shown.

BACKGROUND

Jackson Purchase Energy completed installation of its existing Cannon Brand AMI system in March 2010.¹¹ Jackson Purchase Energy depreciated the Cannon meters over a 15-year useful life.¹² Jackson Purchase Energy stated that the 2010 AMI system meters were becoming obsolete due to the inability of Jackson Purchase Energy to receive monthly bill readings along with continued deterioration of read rates, and replacement meters and parts were not readily available.¹³ Jackson Purchase Energy asserted that radio signal problems have been identified as the primary issue with the system.¹⁴ Jackson Purchase Energy explained that it worked with the manufacturer to address the

⁸ Case No. 2005-00142, *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for the Construction of Transmission Facilities in Jefferson, Bullitt, Meade, and Hardin Counties, Kentucky* (Ky. PSC Sept. 8, 2005).

⁹ See *Kentucky Utilities Co. v. Pub. Serv. Comm'n*, 390 S.W.2d 168, 175 (Ky. 1965). See also Case No. 2005-00089, *The Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity to Construct a 138 kV Electric Transmission Line in Rowan County, Kentucky* (Ky. PSC Aug. 19, 2005).

¹⁰ Case No. 2005-00089, Aug. 19, 2005 final Order at 6.

¹¹ Application at 3.

¹² Application, Exhibit 9 at unnumbered 1; Jackson Purchase Energy's Response to Staff's First Request, Item 8(b).

¹³ Application at 3, paragraph 4.

¹⁴ Jackson Purchase Energy's Response to Staff's First Request, Item 4.

premature failures without a significant improvement in read rates.¹⁵ As a result, Jackson Purchase Energy has resorted to buying retired parts and meters from another utility,¹⁶ and stated that it has enough meters and supplementary equipment to last two years.¹⁷ Additionally, because of the continued deterioration of meters, Jackson Purchase Energy stated that it has been relying on manual meter readings to address the meter read failures at a rate of 18.43 percent for the year 2023.¹⁸

Jackson Purchase Energy solicited bids from eight vendors and two meter replacement contractors, selecting the Aclara system as the least-cost option among the bidders.¹⁹ According to Jackson Purchase Energy, the selected Aclara system includes features that prevent signal degradation, and provides more frequent usage information to the customer and utility, providing the potential for greater demand-side management (DSM).²⁰

The new AMI system will cost Jackson Purchase Energy an estimated \$6.5 million and be capitalized and depreciated over a period of 15 years, with an estimated operating cost totaling \$30,000 less than the existing AMI system.²¹ Jackson Purchase Energy states that it will finance the Aclara system through the use of general funds and then

¹⁵ Jackson Purchase Energy's Response to Staff's First Request, Item 5.

¹⁶ Jackson Purchase Energy's Response to Staff's First Request, Item 6.

¹⁷ Jackson Purchase Energy's Response to Staff's Second Request, Item 2(b).

¹⁸ Jackson Purchase Energy's Response to Staff's Second Request, Item 1.

¹⁹ Application, Exhibit 1.

²⁰ Application, Exhibit 2.

²¹ Jackson Purchase Energy's Response to Staff's First Request, Item 10.

through a Rural Utility Service (RUS) loan, pending approval.²² In terms of annual operations and maintenance expenses, Jackson Purchase Energy does not expect incremental operating costs associated with the new AMI system because the new AMI meters will be a replacement of the existing AMI system.²³ Without factoring in RUS debt service or changes in material and labor costs, the annual effect on revenue requirement would be an increase of \$403,317.80.²⁴

DISCUSSION AND FINDINGS

Having considered the application and all evidence in the record, the Commission finds that the CPCN should be granted pursuant to KRS 278.020(1). The evidence indicates that Jackson Purchase Energy's existing AMI system is obsolete as the meters have been failing before the end of their 15-year useful life and the manufacturer is not supporting the existing system. Meters installed in 2010 and still in use are in the 14th year of their 15-year useful life, so the appropriate time for replacement coincides with the anticipated installation from late 2024 to early 2026.²⁵ Further, the evidence indicates Jackson Purchase Energy will exhaust replacement meters and related infrastructure at approximately the same time installation of the new system would be completed. The new system is necessary to prevent Jackson Purchase Energy from being unable to provide reliable service as a result of running out of meters and related infrastructure

²² Application at 5, paragraph 14.

²³ Application at 5, paragraph 15.

²⁴ Application at 3; Jackson Purchase Energy's Response to Staff's First Request, Item 8(b). The capital cost of construction is estimated at \$6,499,767, depreciated over 15 years. Jackson Purchase Energy expects a \$30,000 per year reduction in operating expenses due to the resulting decrease in manual meter readings.

²⁵ Motion for Deviation (filed Jan. 26, 2024) at 3.

required for meter repair. Jackson Purchase Energy has also provided sufficient documentation demonstrating a lack of wasteful duplication, as it has taken steps to determine whether additional meters and related infrastructure were available elsewhere. Jackson Purchase Energy established that it obtained as much of the discontinued equipment as possible; worked with the manufacturer to ensure that the lifespan of existing equipment was prolonged as much as possible; and that no other reasonable steps could be taken to further prolong the use of the existing system.²⁶ Jackson Purchase Energy also selected the least-cost AMI bid from several bids obtained.²⁷

The Commission previously granted a CPCN in a similar case in which the utility expected to run out of discontinued meters.²⁸ In that case, the Commission also permitted a deviation from periodic or sample testing during the replacement period because replacement rendered such testing unnecessary and duplicative; however, removal tests were still required to be conducted.²⁹ Therefore, the Commission also finds that the deviation from periodic or sample testing of meters during the two-year replacement period should be granted. Jackson Purchase Energy will continue to be required to conduct removal testing pursuant to 807 KAR 5:041, Section 15(3).

²⁶ Application at 3, paragraph 4; Jackson Purchase Energy's Response to Staff's First Request, Items 5 and 6

²⁷ Application, Exhibit 1.

²⁸ Case No. 2022-00350, *Electronic Application of Inter-County Energy Cooperative Corporation for a Certificate of Public Convenience and Necessity Authorizing the Installation of a New Advanced Metering Infrastructure (AMI) System* (Ky. PSC Feb. 17, 2023), Order.

²⁹ Case No. 2022-00350, Mar. 8, 2024 Order.

IT IS THEREFORE ORDERED that:

1. Jackson Purchase Energy's request for a CPCN for the proposed project described in its application is granted.

2. Jackson Purchase Energy's motion for deviation from periodic or sample meter testing required by 807 KAR 5:041, Sections 15 and 16,³⁰ is granted. However, Jackson Purchase Energy shall continue to test all meters removed from service per 807 KAR 5:041, Section 15(3).

3. Jackson Purchase Energy shall resume periodic or sample meter testing required by 807 KAR 5:041, Sections 15 and 16, on or before January 31, 2026.

4. Jackson Purchase 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.

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

6. Jackson Purchase 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.

³⁰ Although Jackson Purchase Energy only cited 807 KAR 5:041, Section 16, Jackson Purchase also asked for a deviation from periodic testing, which is required by 807 KAR 5:041, Section 15(3).

7. Jackson Purchase 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.


8. Any documents filed in the future pursuant to ordering paragraph 3 through 7 shall reference this case number and shall be retained in the post-case correspondence file for this proceeding.


9. The Executive Director is delegated authority to grant reasonable extensions of time for filing any documents required by this Order upon Jackson Purchase Energy’s showing of good cause for such extension.

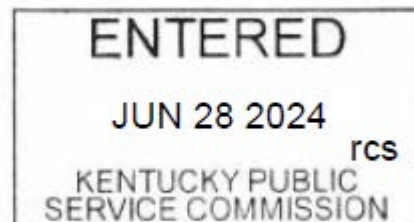
10. This case is closed and is removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner



ATTEST:


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