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## **NEWS RELEASE**

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### **PSC Completes Review of Smart Grid Issues**

***Requires action on cyber security and customer privacy; utilities allowed to develop opt-out rules for customers who do not want smart meters***

**FRANKFORT, Ky. (April 13, 2016)** – The Kentucky Public Service Commission (PSC) has completed its review of the use of smart grid technology with a decision to allow utilities considerable flexibility in deciding how to deploy the advanced systems.

In an order issued today, the PSC decided against adopting uniform federal standards governing investments in smart grid infrastructure and the types of information provided to customers through smart grid technology.

Smart grid technology uses advanced information tools to improve the efficiency, reliability and safety of electric distribution and transmission networks. It includes meters and other devices that are capable of receiving and transmitting data about usage, pricing and grid status in real time.

Smart grid technologies are central to the implementation of what is known as “dynamic pricing,” which bases the cost of electricity on the time of usage and overall electric demand. Pricing can be based on predetermined schedules or can vary with demand in real time.

In addition to declining to adopt the uniform standards, the PSC in today’s order:

- Required electric and major natural gas utilities in Kentucky to develop and maintain internal procedures to safeguard customer privacy and protect their systems against cyber attacks.
- Decided against mandating that utilities offer dynamic pricing to all residential customers.
- Encouraged utilities to provide their customers with detailed information about their usage as newer technologies enable that information to be collected.
- Required utilities to develop plans that describe how decisions on future smart grid investments will be made.
- Permitted utilities to set policies to allow their customers to opt out of installation of newer types of meters.

The issue of meters generated the most public comments during the proceeding, with most of the comments in opposition to the use of any meters that allow remote collection of usage data.

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The PSC, while saying that it opposes allowing opt outs, nevertheless said utilities could, if they wish, develop programs to allow their customers to refuse three types of meters;

- Digital meters: these simply use a digital readout rather than the dials used in older analog meters. They do not necessarily allow data transmission.
- AMR (automated meter reading) meters: these transmit data on the meter reading at any point in time, allowing them to be read remotely.
- AMI (advanced metering infrastructure) meters: also known as smart meters, these devices transmit data about usage, but can receive data such as pricing that varies with time or total system demand. They also can be used by utilities to precisely determine the location of power outages and to monitor their systems more closely for other types of problems.

Opposition to both AMR and AMI meters was based largely on concerns that the devices transmit dangerous levels of radiation and represent a potential invasion of privacy by utilities.

Both the utilities participating in the case and the Kentucky Office of Attorney General stated that there is little evidence to support the health and safety fears, with the utilities also arguing that the privacy concerns are misplaced.

The utilities suggested that no opt-outs should be permitted for digital or AMR meters, both of which are already widely used in Kentucky.

If a utility chooses to allow opt-outs, the PSC said, the program should be structured in a way that any additional costs—such as having to read meters directly, rather than remotely—be borne by the individual customers choosing to opt out.

This is the third time that the PSC has considered implementation of smart grid or smart metering standards or requirements in Kentucky.

In 2006, the PSC considered whether to adopt federal standards set forth in the Energy Policy Act of 2005. The act addressed a number of issues, including whether utilities should be required to offer optional rates that varied with the time of day, as well as the necessary advanced meters.

The PSC chose not to adopt the standards, but required the five electric utilities with generating facilities in Kentucky to offer time-based rates to their largest customers.

The federal Energy Independence and Security Act of 2007 required the PSC to again consider the adoption of federal smart grid standards. In October 2011, the PSC decided to adopt the federal standard requiring electric utilities to consider the use of smart grid technologies whenever they invest in their transmission and distribution systems.

However, after considering further issues raised by utility companies, the PSC in October 2012 decided to defer a final decision on the federal standard and opened the administrative proceeding that concluded today.

All electric utilities in Kentucky were parties to the case and provided information to the PSC. Kentucky's five major natural gas distribution companies participated, as did the Kentucky Office of Attorney General and the Community Action Council of Kentucky, which represent low-income consumers.

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The proceeding included regular meetings of parties to the case to discuss the issues under consideration. The joint parties filed a report setting forth their findings and a later brief summarizing their recommendations.

Because deployment of smart grid technology is applicable mostly to electric utilities, the only requirements set forth in today's order that apply to the natural gas companies are those related to cyber security, customer privacy and customer education.

No party to the case requested an evidentiary hearing. However, the PSC held two public meetings in December 2014 to receive comments from the public.

Today's order, other records in the case and videos of the public meetings are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The case number is 2012-00428. The previous cases dealing with smart grid issues were 2008-00408 and 2006-00045.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 85 employees.

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**A LIST OF PARTICIPATING UTILITIES FOLLOWS**

# UTILITIES INCLUDED IN THE SMART GRID STUDY

## **Investor-owned Electric Utilities**

- Duke Energy Kentucky
- Kentucky Power Co. (American Electric Power)
- Kentucky Utilities Co.
- Louisville Gas & Electric Co.

## **Electric generation and transmission cooperatives**

- Big Rivers Electric Corp.
- East Kentucky Power Cooperative

## **Electric distribution cooperatives**

- Big Sandy Rural Electric Cooperative Corp.
- Blue Grass Energy Cooperative Corp.
- Clark Energy Cooperative
- Cumberland Valley Electric
- Farmers Rural Electric Cooperative Corp.
- Fleming-Mason Energy Cooperative
- Grayson Rural Electric Cooperative Corp.
- Inter-County Energy Cooperative
- Jackson Energy Cooperative
- Jackson Purchase Energy Corp.
- Kenergy Corp.
- Licking Valley Rural Electric Cooperative Corp.
- Meade County Rural Electric Cooperative Corp.
- Nolin Rural Electric Cooperative Corp.
- Owen Electric Cooperative
- Salt River Electric Cooperative Corp.
- Shelby Energy Cooperative
- South Kentucky Rural Electric Cooperative Corp.
- Taylor County Rural Electric Cooperative Corp.

## **Major natural gas distribution companies**

- Atmos Energy Corp.
- Columbia Gas of Kentucky
- Delta Natural Gas Co.
- Duke Energy Kentucky
- Louisville Gas & Electric Co.