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March 29, 2012

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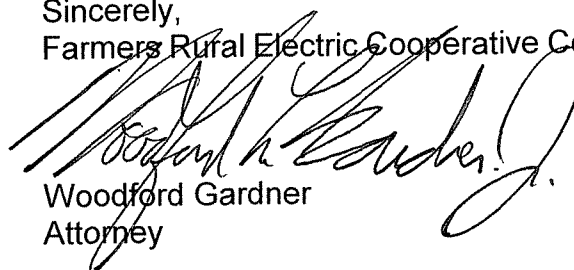
Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602-4615

Dear Mr. Derouen:

Enclosed you will find an original and ten (10) copies of Farmers Rural Electric Cooperative's response to the Commission staff's second request for information in Administrative Case Number 2011-00450 dated March 15, 2012.

Should you have any questions, please let us know.

Sincerely,  
Farmers Rural Electric Cooperative Corporation



Woodford Gardner  
Attorney

Enclosures

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FARMERS RURAL ELECTRIC COOPERATIVE  
CASE NO. 2011-00450  
RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST

1. The following questions relate to the use of a five-year average of System Average Interruption Duration index ("SAIDI"), System Average Interruption Frequency Index ("SAIFI") and Customer Average Interruption Duration Index ("CAIDI") on a circuit basis as a benchmark to determine the relative reliability of an individual circuit.

a. In your opinion, is it reasonable for the Commission to require each utility to develop and report a five-year average SAIDI on a circuit-by-circuit basis as a benchmark for comparison purposes? Explain your answer.

**Response:** The five year average SAIDI by circuit can be provided. Our concern would be that benchmarking even against a circuit's five-year average can be misleading. Therefore, we question this as a reasonable basis for comparison. Focusing on an individual circuit, even over a five-year period of time, can be too granular and thus be susceptible to volatility. One outage can dramatically affect the annual SAIDI by circuit and even significantly affect the five year average.

**Witness Responsible:** Tony Wells

b. In your opinion, is it reasonable for the Commission to require each utility to explain why a particular circuit has a higher SAIDI than the utility's five-year average SAIDI for that circuit? Explain your answer.

**Response:** When a trend becomes apparent, we feel it is reasonable to explain why a circuit has a higher than five-year average SAIDI. However, we do not feel a comparison of one year to the five-year average indicates a trend. Historically, we have seen circuits with a particularly poor performance in one year to be followed by normal performance for a number of years. In this case, the high SAIDI for one year did not indicate a trend.

**Witness Responsible:** Tony Wells

c. In your opinion, is it reasonable for the Commission to require each utility to explain the planned corrective measures for the circuit with a higher SAIDI than the five-year average? Explain your answer.

**Response:** An annual report to the PSC should not be the trigger for a corrective action plan. A utility should have in place, a continual process for evaluating system performance and reliability and taking corrective action. Simply reviewing circuit reliability on an annual basis may result in corrective action not being performed in a timely manner. We look continually throughout the year at circuit and system performance. Analysis of outages is an on-going priority and immediate corrective action is taken or planned as appropriate. Reliability is a core strategic objective and priority for the cooperative. The magnitude of deviation from the average should be considered.

**Witness Responsible:** Tony Wells

FARMERS RURAL ELECTRIC COOPERATIVE  
CASE NO. 2011-00450  
RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST

- d. In your opinion, is it reasonable for the Commission to require each utility to develop and report a five-year average SAIFI on a circuit-by-circuit basis as a benchmark for comparison purposes? Explain your answer.

**Response:** We feel that it is more appropriate to look at SAIFI for the five year average because SAIFI is generally a better indicator of chronic problems. A one year change does not necessarily indicate a positive or negative trend. For example, the initial response to increased sectionalizing on a circuit will lead to an increase in SAIFI for that circuit but a reduction in SAIDI for that circuit.

**Witness Responsible:** Tony Wells

- e. In your opinion, is it reasonable for the Commission to require each utility to explain why a particular circuit has a higher SAIFI than the utility's five-year average SAIDI SAIFI for that circuit? Explain your answer.

**Response:** A one year change does not necessarily indicate a positive or negative trend.

**Witness Responsible:** Tony Wells

- f. In your opinion, is it reasonable for the Commission to require each utility to explain the planned corrective measures for the circuit with a higher SAIFI than the five-year average? Explain your answer.

**Response:** Again, a one year change does not indicate a positive or negative trend requiring an explanation. The magnitude of deviation from the average should be considered.

**Witness Responsible:** Tony Wells

- g. In your opinion, is it reasonable for the Commission to require each utility to develop and report a five-year average CAIDI on a circuit-by-circuit basis as a benchmark for comparison purposes? Explain your answer.

**Response:** With CAIDI being considered the average restoration time, this can be influenced by the multitude of different outage characteristics (i.e. geography, weather, type of construction, etc.) being experienced on circuits. Since CAIDI is a mathematical ratio of SAIDI and SAIFI, all the problems with those indices will propagate to CAIDI.

**Witness Responsible:** Tony Wells

- h. In your opinion, is it reasonable for the Commission to require each utility to explain why a particular circuit has a higher CAIDI than the utility's five-year average SAIDI CAIDI for that circuit? Explain your answer.

**Response:** A one year change does not necessarily indicate a positive or negative trend.

**Witness Responsible:** Tony Wells

FARMERS RURAL ELECTRIC COOPERATIVE  
CASE NO. 2011-00450  
RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST

- i. In your opinion, is it reasonable for the Commission to require each utility to explain the planned corrective measures for the circuit with a higher CAIDI than the five-year average? Explain your answer.

**Response:** Again, a one year change does not indicate a positive or negative trend requiring an explanation. The magnitude of deviation from the average should be considered.

**Witness Responsible:** Tony Wells

2. KRS 61.870 through KRS 62.884 address open records of public agencies and 807 KAR 5:001, Section 7, pertains to confidential material submitted to the Commission. Do you anticipate that some information submitted concerning the utility's circuits, whether with regard to SAIDI, SAIFI, CAIDI, or other reporting, could contain confidential, proprietary, or critical infrastructure information for which a petition for confidential information may also be submitted? Explain your answer. In your answer, provide examples of the type of information for which you may seek confidential protection.

**Response:** The reporting of SAIDI, SAIFI, and CAIDI specifically does not release confidential, proprietary, or critical infrastructure information to the public. However, we could see the potential that reliability information could be used against a utility in hostile acquisition or takeover attempt by another entity. Economic development efforts could be affected by the public availability of reliability information.

**Witness Responsible:** Tony Wells

3. Please describe your utility's current capacity to compose electronic documents.
- a. Is the utility familiar with or currently using Microsoft Office products such as MS Word or Excel? If so, include the name and version(s) of the software currently used.

**Response:** Yes, Microsoft Word 2003, 2007, 2010 and Microsoft Excel 2003, 2007, 2010.

**Witness Responsible:** Tony Wells

- b. Describe your utility's current internet connectivity status, including connection speed.

**Response:** We current have 10Mb down and 512Kb up cable connection.

**Witness Responsible:** Tony Wells

- c. Is the utility familiar with the Commission's website?

**Response:** Yes

**Witness Responsible:** Tony Wells

FARMERS RURAL ELECTRIC COOPERATIVE  
CASE NO. 2011-00450  
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- d. Has your utility registered on the PSC website and does it have a valid username and password? (This registration would currently be used for Electronic Case Filing, Annual Reports, and Tariff Filings).

**Response:** Yes

**Witness Responsible:** Tony Wells

- e. If recommended, would your utility have technical staff available to interface with the PSC Information Services Team to assist in the design and implementation of an automated process for uploading data to the Commission?

**Response:** Yes

**Witness Responsible:** Tony Wells

4. The following questions relate to the manner by which the utility tracks SAIDI, SAIFI, and CAIDI as stated in response to Items 2. (a) and (b) of the Commission's Order of January 11, 2012.

- a. This question applies to Kentucky Power Company ("Kentucky Power"), Big Sandy Rural Electric Cooperative Corporation, Blue Grass Energy Cooperative Corporation, Clark Energy Cooperative, Inc., Duke Energy Kentucky, Inc. ("Duke"), Farmers Rural Electric Cooperative Corporation, Fleming-Mason Energy Cooperative, Inc., Grayson Rural Electric Cooperative Corporation, Inter-County Energy Cooperative Corporation, Jackson Energy Cooperative Corporation, Jackson Purchase Energy Corporation, Kenergy Corp. , Kentucky Utilities Company ("KU"), Louisville Gas and Electric Company ("LG&E"), Meade County Rural Electric Cooperative Corporation, Nolin Rural Electric Cooperative Corporation, Owen Electric Cooperative, Inc., Salt River Electric Cooperative Corporation, Shelby Energy Cooperative, Inc., South Kentucky Rural Electric Cooperative Corporation, and Taylor County Rural Electric Cooperative Corporation all of which reported that they tracked SAIDI, SAIFI, and CAIDI using an outage management system or an outage management system in conjunction with an Excel spreadsheet.

- 1) Does your utility have the ability to export (or upload) the data to another data base or data system (including an Excel spreadsheet) maintained by the Commission? If not, explain why.

**Response:** Yes

**Witness Responsible:** Tony Wells

- 2) If not identified elsewhere, identify the file formats to which your utility has the ability to export data.

**Response:** Microsoft Excel .xls, Microsoft Access .mdb, Text file .txt

**Witness Responsible:** Tony Wells

FARMERS RURAL ELECTRIC COOPERATIVE  
CASE NO. 2011-00450  
RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST

b. This question applies to Cumberland Valley Electric, Inc. and Licking Valley Rural Electric Cooperative Corporation, who reported that they tracked SAIDI, SAIFI, and CAIDI manually. Does your utility have the ability to export (or upload) the data to another data base or data system (including an Excel spreadsheet) maintained by the Commission? If not, explain why.

8. Explain how the SAIDI, SAIFI, and CAIDI indices influence the allocation of capital for system improvement projects within the utility. For the Investor-Owned Utilities Kentucky Power, Duke, KU, and LG&E, explain the manner in which the parent company influences the amount and allocation of capital for system reliability improvements.

**Response:** These indices, analyzed as a whole, impact our short and long-term work plans and capital resource requirements. In addition to capital resources, these indices may impact the annual maintenance budget in areas such as right-of-way, system inspection, line maintenance, etc.

**Witness Responsible:** Tony Wells

9. Does the utility currently share other types of data with entities outside your organization? If yes, describe those other sharing systems and data, and with whom your utility shares the information.

**Response:** We do not share reliability information with any other entity with the exception of RUS and it is in a more aggregated format. We provide our annual Form 7 data to RUS electronically via a secure on-line RUS proprietary form.

**Witness Responsible:** Tony Wells

10. Identify any disadvantages to making the reliability index numbers available on the Commission's website.

**Response:** This data, in and of itself, can easily be misinterpreted by the public or others who may not fully understand the limitations of the data. Reliability index information includes many variables, some of which are uncontrollable in nature. The index value itself does not provide any indication of the underlying complexity involved in the calculation method. When not considered as a whole or in conjunction with other utility data, it can be misleading. Our utility puts considerable time and effort into analyzing all data normalizing both index values to reveal positive and negative trends within our electric system. As the utilities have stated, and the Commission has recognized, the comparison of reliability data across utilities is complex and cannot be used as a common benchmark between utilities.

**Witness Responsible:** Tony Wells

11. Identify any advantages to making the reliability index numbers available on the Commission's website.

**Response:** We understand the Commission's desire to provide the customer with information pertaining to their utility's reliability. However, due to the above mentioned

complexities, we feel there are no advantages to our members, other utilities, or any organization by providing reliability numbers on the Commission website. Providing information that, in and of itself, can be misleading and incomplete in the representation of service reliability will likely yield inaccurate assumptions and conclusions. If all areas served by the various utilities were identical in nature, then a comparison of this data would be applicable. However, there are bona fide and inherent differences between utilities (i.e. terrain, density, weather, demographics, etc.) that will result in variances in the SAIDI, SAIFI, CAIDI statistics outside of the utilities' control.

**Witness Responsible:** Tony Wells

12. In your opinion, what information would the utility's customers be most interested in having easily accessible? In your opinion, is it more appropriate to have this information available by circuit or system averages? How does your utility relay reliability information to your customers? Explain your answers.

**Response:** Ultimately, the customer wants to know if others are having similar problems. Provide customers with the number of reliability complaints lodged with the Commission on an annual basis by utility. Customers want a simple and meaningful answer, not a complex algorithm.

This data needs to be provided by on a system-wide basis. System configuration is dynamic in nature. Therefore, customers rarely know the current system configuration.

Real-time outage information is available on our website. We do not currently provide outage history.

**Witness Responsible:** Tony Wells

13. If not identified elsewhere, describe the reliability information available for public review on your utility's website.

**Response:** See answer to question number 12

**Witness Responsible:** Tony Wells

14. If the utility's customer requests information from the utility on reliability measures, do you provide it? Explain your answer.

**Response:** Yes


**Witness Responsible:** Tony Wells

15. Does the utility have a suggestion for a better or more efficient method or manner for reporting or providing reliability information to the public?

**Response:** See answer to question number 12

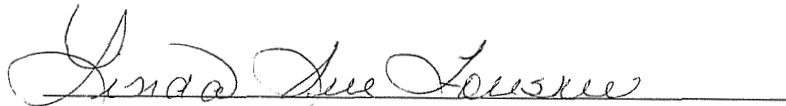
**Witness Responsible:** Tony Wells

Affiant, Tony Wells, states that he has supervised the preparation of this response on behalf of Farmers Rural Electric Cooperative and that the answers given to the foregoing questions are true and correct to the best of his knowledge and belief.

  
Tony Wells

Subscribed and sworn to before me by the affiant, Tony Wells, this 30<sup>th</sup> day of March, 2012

My Commission expires 7-30-2015



Notary Public, State of Kentucky at Large  
ID# 446566