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APR 13 2007

PUBLIC SERVICE
COMMISSION

John J. Finnigan, Jr.
Associate General Counsel

VIA HAND-DELIVERY

April 13, 2007

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: An Investigation of The Reliability Measures of Kentucky's Jurisdictional Electric
Distribution Utilities and Certain Reliability Maintenance Practices
Case No. 2006-00494

Dear Ms. O'Donnell:

Enclosed are an original and ten copies of the testimony of Gary Williams and LeRoy S. Taylor, Jr. on behalf of Duke Energy Kentucky, Inc. in the above-referenced case.

Please date stamp and return the extra copies of this letter in the enclosed self-addressed envelope.

Thank you for your consideration in this matter.

Very truly yours,

John J. Finnigan, Jr.
Associate General Counsel

cc: All parties of record (w/encl.)

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APR 13 2007

**PUBLIC SERVICE
COMMISSION**

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of An Investigation of the)
Reliability Measures of Kentucky's) ADMINISTRATIVE
Jurisdictional Electric Distribution) CASE NO. 2006-00494
Utilities and Certain Reliability)
Maintenance Practices)

DIRECT TESTIMONY OF

LEROY S. TAYLOR, JR.

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION AND PURPOSE.....	- 1 -
II. RELIABILITY REPORTING REQUIREMENT	- 2 -
III. RELIABILITY PERFORMANCE STANDARD	- 6 -
IV. RELIABILITY MATTERS RELATING TO DUKE ENERGY KENTUCKY .-	8 -
V. CONCLUSION	- 10 -

I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Leroy S. Taylor, Jr. My business address is 526 South Church Street,
3 Charlotte North Carolina.

4 **Q. PLEASE DESCRIBE YOUR EDUCATION.**

5 A. I graduated from the University of North Carolina at Chapel Hill NC in 1971 with
6 a Bachelor's degree in Physics.

7 **Q. BY WHOM ARE YOU EMPLOYED, AND WHAT IS YOUR CURRENT
8 POSITION?**

9 A. I am a Consulting Engineer for Duke Energy Shared Services, Inc. ("Duke
10 Energy"). I prepare reliability analyses and reports for internal company use for
11 the Duke Energy system, including service territories in North Carolina, South
12 Carolina, Ohio, Kentucky, and Indiana. I design specifications and provide
13 business cases for programs, projects, and processes that both maintain and
14 improve distribution system reliability for Duke Energy. I am a member of the
15 Institute of Electrical and Electronics Engineers, Inc. ("IEEE") Working Group on
16 Distribution Reliability and the Southeastern Electric Exchange Power Quality
17 and Reliability Committee.

18 **Q. PLEASE SUMMARIZE YOUR WORK EXPERIENCE.**

19 A. I was hired as a technician by the University Service Plants in Chapel Hill, North
20 Carolina in 1971, and worked in water operations and supply chain until Duke
21 Power purchased that utility in 1976. I then worked as an engineering associate
22 for Duke Power until 1986 when I obtained my professional engineer

1 certification. Duke Power promoted me to associate engineer at that time, and I
2 continued working in Chapel Hill and Durham districts in both engineering and
3 construction. In 1989 I was promoted to distribution engineer and joined the
4 Distribution Standards Department for Duke Power in Charlotte North Carolina,,
5 specializing in Power Quality and Reliability. I was promoted to senior engineer
6 in 1991. I continued working as the system distribution reliability expert and in
7 2001 was promoted to Consulting Engineer, the highest technical engineering
8 position in the company. When Duke Energy Corporation and Cinergy Corp.
9 merged in 2006, I continued my duties within the Reliability and Integrity
10 Planning Group, and currently have responsibilities for distribution reliability
11 covering the entire Duke Energy System.

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
13 **PROCEEDING?**

14 A. I address matters raised by Commission Staff during the March 8, 2007 informal
15 conference.

16 **II. RELIABILITY REPORTING REQUIREMENT**

17 **Q. SHOULD THE PUBLIC SERVICE COMMISSION REQUIRE REGULAR**
18 **REPORTING OF RELIABILITY INFORMATION FROM ALL**
19 **REGULATED UTILITIES?**

20 A. The Company has no recommendation as to whether the Public Service
21 Commission should require regular reporting of reliability information from all
distribution utilities. The Company notes that it agreed to provide reliability

1 reports to the Commission as one of the Company's merger commitments in Case
2 No. 2005-00028.

3 **Q. IF THE PUBLIC SERVICE COMMISSION REQUIRES REGULAR**
4 **REPORTING OF RELIABILITY INFORMATION FROM ALL**
5 **REGULATED UTILITIES, WHAT REPORTS SHOULD THE PUBLIC**
6 **SERVICE COMMISSION REQUIRE UTILITIES TO PROVIDE?**

7 A. If the Commission requires all distribution utilities to file reliability reports, then
8 the Commission should require utilities to file the following reliability indices on
9 an annual basis. These indices are for **sustained interruptions**, which IEEE STD
10 1366-2003 defines as any interruption that lasts more than five minutes.

11 **System Average Interruption Frequency Index** is the average number
12 of sustained customer interruptions for all customers we serve. SAIFI =
13 Total Number of Customer Interruptions / Total Number of Customers
14 Served.

15
16 **System Average Interruption Duration Index** is the average amount of
17 time customers are without power per year. SAIDI = Sum of Customer
18 Interruption Durations / Total Number of Customers Served.

19
20 **Customer Average Interruption Duration Index** is the average amount
21 of time it takes to restore service to those customers who have sustained
22 interruptions. CAIDI = Sum of Customer Interruption Durations / Total
23 Number of Customer Interruptions.

24
25 If the Commission decides to require reliability reporting, these are the
26 appropriate reliability indices to use because these indices were developed by the
27 IEEE through a consensus approach based on input from various industry,
28 regulatory and consumer stakeholder groups. The three indices given above are
29 the most commonly used reliability measures.

1 The Company recommends that the Commission not require reporting of
2 momentary reliability indices. The main reason for this recommendation is that
3 there is no accepted industry standard or common practice for collecting
4 momentary interruption data. This lack of a standardized method for collecting
5 momentary interruption data makes momentary reliability indices much less
6 comparable from one utility to the next. The Company uses a threshold of five
7 minutes or less to define a momentary outage. Should the Commission decide to
8 require reporting of momentary indices, the Company recommends adoption of
9 this definition, as it is consistent with definitions in IEEE STD 1366.

10 The Company has found that a reduction in momentary interruptions
11 generally follows a reduction in sustained interruptions (SAIFI), indicating a
12 connection between momentary and sustained interruptions. This connection
13 makes sense because the root causes of both momentary and sustained
14 interruptions are faults. Therefore, a reduction of faults affecting sustained
15 interruptions (SAIFI) often leads to a reduction in momentary interruptions as
16 well.

17 Also, while some customers are affected adversely by momentary
18 interruptions, most customers find momentary interruptions much less disrupting
19 than sustained outages. The Company does view momentary interruptions as a
20 serious issue, and does respond and take action when customers complain about
21 momentary interruptions.

22 **Q. IF THE PUBLIC SERVICE COMMISSION REQUIRES REGULAR**
23 **REPORTING OF RELIABILITY INFORMATION FROM ALL**

1 **REGULATED UTILITIES, SHOULD THE COMMISSION DEVELOP**
2 **STANDARDIZED CRITERIA FOR RECORDING AND REPORTING**
3 **RELIABILITY INFORMATION?**

4 A. Yes. The Company recommends that the Commission adopt IEEE STD 1366-
5 2003 for reporting distribution reliability indices. One major advantage of IEEE
6 1366 is that the method used to define a Major Event can be applied fairly and
7 consistently from utility to utility. IEEE 1366 defines a **Major Event Day** as a
8 day when a reliability event causes a utility to shift from a **normal mode** of
9 operation into a **crisis mode** of operation in order to adequately respond.
10 Reliability indices are reported both with and without Major Event Days, so no
11 data is actually excluded. In fact, the Company uses data from Major Event Days
12 to analyze both response and mitigation of Major Events.

13 Technically, a Major Event Day is any calendar day when SAIDI exceeds
14 2.5 standard deviations from the previous five-year log-normal distribution of
15 SAIDI days in a system or region. While the calculation may seem complex at
16 first glance, utility reliability indices both with and without Major Event Days can
17 be quickly calculated on a spreadsheet using outage data extracted from common
18 utility outage management system databases.

19 The Company recommends that the Commission adopt the IEEE 1366
20 standard because the IEEE is the world's leading professional organization on
21 technology and technological standards, and this standard was developed over a
22 long time period based on input from all relevant stakeholder groups.

23

1 Q. SHOULD THE COMMISSION REQUIRE REPORTING AT A LEVEL
2 SMALLER THAN THE ENTIRE SYSTEM (I.E., BY SUBSTATION OR
3 CIRCUIT)?

4 A. The Company does not recommend that the Commission require reporting
5 at any level below the system, region, or state. The Company does record,
6 analyze, and use information about customer outages at many levels including
7 substation and circuit, all the way down to the individual customer level. The
8 main issue in using reliability indices at lower levels is interpretation and use.

9 The Company has found that the variability in reliability indices of these
10 smaller samples is much more magnified than the system as a whole. Reliability
11 indices at the circuit level can vary widely from year-to-year without any
12 fundamental difference in design or operation. Furthermore, some circuits with
13 little environmental exposure are naturally “good” and others with massive
14 exposure are naturally “bad,” year after year.

15 To combat this problem, the Company uses reliability programs that
16 attack outage problems, as opposed to “problem circuits.” “Fix the worst
17 problems on all the circuits, not all the problems on the worst circuits.” This
18 philosophy ensures that while the under-performing circuits get plenty of
19 attention, the other circuits are not overlooked. The Company is responsible for
20 all the circuits, and all the customers, all the time.

21 **III. RELIABILITY PERFORMANCE STANDARD**

22 Q. PLEASE COMMENT ON THE APPROPRIATENESS OF A
23 RELIABILITY PERFORMANCE STANDARD, SUCH AS THE RUS

1 **REQUIREMENT OF NO MORE THAN FIVE HOURS OUTAGE FOR**
2 **THE AVERAGE CUSTOMER FOR ANY REASON, AND NO MORE**
3 **THAN ONE HOUR CAUSED BY POWER SUPPLY.**

4 A. The Company recommends that the Commission not adopt annual reliability
5 performance standards. Using a uniform performance standard is not nearly as
6 useful as determining the long-term reliability trends of a utility.

7 Even without Major Event Days, weather has a substantial impact on the
8 usefulness of reliability indices. Annual weather variations can cause the
9 reliability indices to vary ten times greater than the overall annual real change in
10 system reliability, whether better or worse. For this reason, reliability indices are
11 more useful for studying long-term performance trends as opposed to year-to-year
12 reliability performance. With five to ten years of annual reliability data, the
13 variability due to weather will equal out, and a true trend line will appear.

14 The Company uses this method of long-term trending to determine the
15 actual level of improvement or worsening for various system reliability problems.
16 For the Commission, determining overall SAIFI trends would be a very useful
17 analysis. The difference in a utility getting 2% worse per year in SAIFI vs. a
18 utility getting 2% better will result in a large difference in customer satisfaction
19 between these utilities.

20 **Q. IS IT MORE APPROPRIATE TO DEVELOP PERFORMANCE**
21 **STANDARDS ON A UTILITY-BY-UTILITY BASIS OR A CIRCUIT-BY-**
22 **CIRCUIT BASIS? WHAT IS THE MOST APPROPRIATE LEVEL FOR**
23 **APPLYING PERFORMANCE STANDARD REQUIREMENTS?**

1 A. If the Commission adopts uniform performance standards, then the appropriate
2 level for these standards is system-wide. Furthermore, the performance standards
3 should be in relation to maintaining or improving the overall long-term reliability
4 trends, rather than an absolute target.

IV. RELIABILITY MATTERS RELATING TO DUKE ENERGY
KENTUCKY

5 **Q. DOES THE COMPANY STILL UTILIZE CEMI₅, WHICH MEASURES**
6 **THE PERCENTAGE OF CUSTOMERS WITH MORE THAN FIVE**
7 **SUSTAINED OUTAGES PER YEAR, IN ORDER TO PLACE MORE**
8 **EMPHASIS ON CUSTOMERS WITH THE HIGHEST OUTAGE OF**
9 **FREQUENCY AS STATED IN THE COMPANY'S RESPONSE TO ITEM**
10 **31 IN STAFF'S FIRST DATA REQUEST IN CASE NO. 2005-00090?**

11 A. The Company still calculates and uses CEMI_{>5} as information to target reliability
12 improvements, both reactively and proactively. Duke Energy has used this
13 measure in many operating areas for over ten years, and has extensive experience
14 in its use. However, this measure is not widely used overall in the utility industry,
15 and there are even some fairly large utilities that still do not have the capability to
16 calculate CEMI_{>5}.

17 **Q. EXPLAIN HOW THE VALUES WERE DETERMINED TO OBTAIN THE**
18 **PREFERRED OPERATING RANGE FOR SAIDI, SAIFI AND CAIDI AS**
19 **IDENTIFIED IN THE COMPANY'S RESPONSE TO KYPSC-DR-02-002?**

20 A. The Company considers the operating ranges given in the Company's response to
21 KyPSC-DR-02-002 to be reasonable and appropriate based on recent historical
22 performance. Specifically, SAIDI and SAIFI are Company goals, including the

1 employee incentive plan. The SAIDI and SAIFI ranges given in the Company's
2 response to KyPSC-DR-002 are the annual averages for the time period 2001 to
3 2005 for Kentucky and Ohio, plus and minus 10%. This range is normal for
4 establishing minimum and maximum payouts for incentive goals. CAIDI is not a
5 corporate goal. The CAIDI range given in the subject response is the actual
6 highest and lowest CAIDI result since 2004.

7 **Q. WHAT ARE THE OTHER "OPERATIONAL PROBLEMS" THAT HAVE**
8 **BEEN OCCURRING TO WHICH THE COMPANY REFERRED TO IN ITS**
9 **RESPONSE TO KYPSC-DR-02-003?**

10 A. There are many kinds of day-to-day operation problems that can affect reliability
11 on the distribution system. Such problems, when detected, are remedied by
12 reactive, and sometimes, proactive means. Examples are wire out of sag, broken
13 guy wires, broken insulators, malfunctioning protective devices, *etc.* Proactive
14 programs would include fusing transformers, installing animal guards, and adding
15 line reclosers. In 2007, in order to help prevent repeat outages and identify
16 operational problems, Duke Energy implemented a new program in Kentucky
17 called Outage Follow-Up. Trained technicians follow-up on recent outages
18 affecting large numbers of customers, visit the site of the outage, do a root cause
19 analysis, and, if necessary, issue work orders so that the cause of the outage is
20 eliminated. The Outage Follow-Up program has been used in other Duke Energy
21 operating areas with great success, so we anticipate a good result in Kentucky as
22 well.

V. CONCLUSION

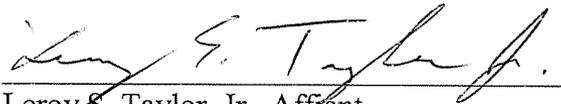
1 Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

2 A. Yes.

VERIFICATION

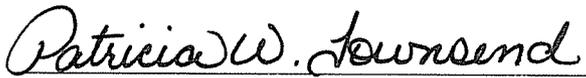
State of North Carolina)
)
County of Mecklenburg) SS:

The undersigned, Leroy S. Taylor, Jr., being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing testimony, and that the matters contained therein are true and correct to the best of his information, knowledge and belief.



Leroy S. Taylor, Jr., Affiant

Subscribed and sworn to before me by Leroy S. Taylor, Jr. on this 9th day of April, 2007.



NOTARY PUBLIC

My Commission Expires: 6/24/2009



CERTIFICATE OF SERVICE

I certify that a copy of the attached testimony of Leroy S. Taylor, Jr. on behalf of Duke Energy Kentucky, Inc. has been served by ordinary mail to the following parties on this 13th day of April, 2007:

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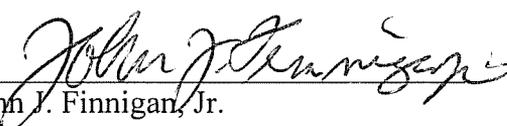
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John J. Finnigan, Jr.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of An Investigation of the)	
Reliability Measures of Kentucky's)	ADMINISTRATIVE
Jurisdictional Electric Distribution)	CASE NO. 2006-00494
Utilities and Certain Reliability)	
Maintenance Practices)	

DIRECT TESTIMONY OF
GARY WILLIAMS
ON BEHALF OF
DUKE ENERGY KENTUCKY

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION AND PURPOSE	1
II. RIGHT-OF-WAY MANAGEMENT	2
III. VEGETATION MANAGEMENT	4
IV. CONCLUSION	5

I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Gary Williams. My business address is 139 E. Fourth Street,
3 Cincinnati, Ohio 45202.

4 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATION.**

5 A. I graduated from the University Of Phoenix with a Master of Business
6 Administration degree in Global Organizational Management. I also graduated
7 from Wilberforce University with a Bachelor of Science degree in Organization
8 Management. I also hold an Associate of Applied Business degree from
9 Cincinnati State University.

10 **Q. BY WHOM ARE YOU EMPLOYED, AND WHAT IS YOUR CURRENT
11 POSITION?**

12 A. I am Director, Vegetation Management, for Duke Energy Shared Services, Inc.
13 (“Duke Energy”), with responsibility for timely and accurate trimming and
14 removal of vegetation in the Midwest area of Duke Energy’s subsidiary public
15 utility operating companies.

16 **Q. PLEASE BRIEFLY SUMMARIZE YOUR WORK EXPERIENCE.**

17 A. I began with The Cincinnati Gas & Electric Company (now “Duke Energy Ohio,
18 Inc.”) as a Material Specialist C in 1980 and was promoted several times through
19 the Materials Management department in warehousing, becoming a shift
20 supervisor in 1993. I was promoted to Distribution Supervisor in 1988 and held
21 that position with increasing levels of responsibility in that area until 2004. I was
22 named Manager of Warehousing and Inventory Operations in the Supply Chain

1 Organization, and held that position until the Duke Energy/Cinergy Corp. merger
2 in 2006. After the merger, I held the position of Manger of Midwest Power
3 Delivery Warehousing operations until earlier this year, when I was promoted to
4 Director of Vegetation management in Central Operations.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
6 **PROCEEDING?**

7 A. I address matters raised by Commission Staff during the March 8, 2007 informal
8 conference.

II. RIGHT-OF-WAY MANAGEMENT

9 **Q. SHOULD THE PUBLIC SERVICE COMMISSION ADOPT A DEFINED**
10 **RIGHT-OF-WAY (“ROW”) STANDARD?**

11 A. I recommend that the Commission not adopt a defined ROW standard because it
12 could be difficult for the Company to follow a defined standard given the rights of
13 the landowner / customer. There may be no written easement to allow the utility
14 to clear extensively or the easement language may limit the amount or type of
15 work the utility can perform. In addition, consideration must be given to the
16 environmental impact of clearing a ROW. A specific requirement to clear cut the
17 ROW can eliminate compatible species or desirable vegetation that benefits the
18 ecosystem. A clear cutting approach can also result in excess water run-off,
19 erosion problems, and the destruction of wildlife habitats. A specific ROW
20 clearing requirement may not be cost-effective in the initial phase due to the need
21 to remove an extensive number of trees or very large trees within the designated
22 area. However, it is cost-effective over the long-term because maintenance

1 activities can presumably use less costly methods such as herbicides, to maintain
2 the ROW in the future. In addition, storm restoration efforts can be expedited
3 with better access to the facilities.

4 Kentucky has a diverse geography. A defined ROW standard would fail
5 to recognize the distribution utilities' different operating characteristics, and
6 would limit management flexibility in addressing vegetation matters peculiar to
7 each distribution utility's service area characteristics.

8 It is important to maintain a balance between providing safe and reliable
9 service, environmental and land owner impacts, along with overall cost-
10 effectiveness.

11 **Q. IF THE PUBLIC SERVICE COMMISSION WERE TO ADOPT A**
12 **DEFINED ROW STANDARD, TO WHAT LEVEL OF DETAIL SHOULD**
13 **THE STANDARD BE DEFINED?**

14 A. The standards should be general, to allow the utilities the flexibility to utilize their
15 ROW trimming expertise. If, however, the Commission decides to adopt specific
16 ROW clearing guidelines, then these guidelines should be defined in detail.

17 **Q. WOULD THE DISTRIBUTION UTILITY RECEIVE ANY ADVANTAGES**
18 **IF THE PUBLIC SERVICE COMMISSION WERE TO ADOPT A**
19 **DEFINED ROW STANDARD?**

20 A. Perhaps the distribution utility could better convince customers that the utility has
21 a need to cut down vegetation on the landowner / customer's property.

1 **Q. WOULD THE DISTRIBUTION UTILITY RECEIVE ANY**
2 **DISADVANTAGES IF THE PUBLIC SERVICE COMMISSION WERE**
3 **TO ADOPT A DEFINED ROW STANDARD?**

4 A. The disadvantages are discussed earlier in my testimony when I address whether
5 the Commission should adopt a defined ROW standard.

6 **III. VEGETATION MANAGEMENT**

7 **Q. SHOULD THROUGH OR V PRUNING, SIDE PRUNING, UNDER**
8 **PRUNING OR TOPPING BE ALLOWED REGARDLESS OF WHETHER**
9 **THE COMMISSION SETS ANY TREE TRIMMING STANDARDS?**

10 A. Yes, all of the methods should be allowed. There are situations where there may
11 not be any other alternative but to top tree. It is probably not the desired method
12 but needs to be utilized to help protect the health of the tree. We utilize all of
13 these methods in our service territory in accordance with ANSI-300 standards.

14 **Q. IF THE UTILITY DOES NOT OWN THE PROPERTY OVER WHICH**
15 **ITS DISTRIBUTION LINES ARE LOCATED, WHAT ARE THE**
16 **UTILITY'S LEGAL RIGHTS AS FAR AS ACCESS TO THE PROPERTY**
17 **AND ITS ABILITY TO TRIM TREES?**

18 A. Although I am not a lawyer, my understanding is that a distribution utility can
19 also gain access to property by an easement or a license. If the distribution line is
20 within the road right-of-way, the utility may have the right to access its
21 distribution lines by operation of law or under a franchise agreement with the
22 local government. Additionally, utilities' tariffs generally provide that the
23 customer must give the utility access to the customer's property in order to

1 provide service. Such right of access could be construed to include the right to
2 trim trees.

IV. CONCLUSION

3 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

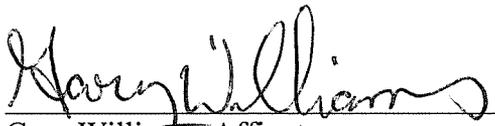
4 A. Yes.

VERIFICATION

State of Ohio)
)
County of Hamilton)

SS:

The undersigned, Gary Williams., being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.



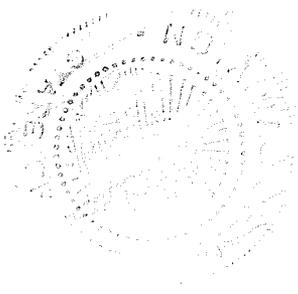
Gary Williams, Affiant

Subscribed and sworn to before me by Gary Williams on this 13th day of April, 2007.



NOTARY PUBLIC

My Commission Expires:



JOHN J. FINNIGAN, JR., ATTORNEY AT LAW
NOTARY PUBLIC, STATE OF OHIO
My commission has no expiration
date. Section 447.05 O.R.C.

CERTIFICATE OF SERVICE

I certify that a copy of the attached testimony of Gary Williams on behalf of Duke Energy Kentucky, Inc. has been served by ordinary mail to the following parties on this 13th day of April, 2007:

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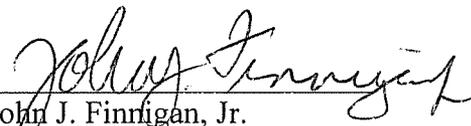
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