

FARMERS RURAL ELECTRIC COOPERATIVE

P.O. Box 1298 • 504 South Broadway • Glasgow, KY 42142-1298
Tel. (270) 651-2191 • (800) 253-2191 • Fax: (270) 651-7332

April 12, 2007

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

RECEIVED
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PUBLIC SERVICE
COMMISSION

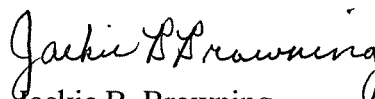
RE: Administrative Case No. 2006-00494

Dear Ms. O'Donnell:

Please find enclosed an original and six copies of the response of Farmers Rural Electric Cooperative Corporation to questions raised during the informal conference held at the Public Service Commission on March 8, 2007.

I certify that a copy of this filing has been served on the persons shown on the service list attached.

Sincerely,


Jackie B. Browning
President & CEO

Enclosures

Service List for Case No. 2006-00494

Allen Anderson
South Kentucky R.E.C.C.
P.O. Box 910
Somerset, KY 42502-0910

Mark A. Bailey
Kenergy Corporation
P.O. Box 1389
Owensboro, KY 42302-1389

Rick Lovekamp
Louisville Gas & Electric
P.O. Box 32010
Louisville, KY 40232-2010

Debbie Martin
Shelby Energy Cooperative
620 Old Finchville Road
Shelbyville, KY 40065

Michael Williams
Blue Grass Energy Cooperative
P.O. Box 990
Nicholasville, KY 40340-0990

Jackie B. Browning
Farmers R.E.C.C.
P.O. Box 1298
Glasgow, KY 42142-1298

Sharon K. Carson
Jackson Energy Cooperative
115 Jackson Energy Lane
McKee, KY 40447

Lawrence W. Cook
Office of Attorney General
Utility & Rate Intervention
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

Service List for Case No. 2006-00494

Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45202

Paul G. Embs
Clark Energy Cooperative
P.O. Box 748
Winchester, KY 40392-0748

Carol H. Fraley
Grayson R.E.C.C.
109 Bagby Park
Grayson, KY 41143

Ted Hampton
Cumberland Valley Electric
Highway 25E
Gray, KY 40734

Larry Hicks
Salt River Electric Cooperative
P.O. Box 609
Bardstown, KY 40004-0609

Kerry K. Howard
Licking Valley R.E.C.C.
P.O. Box 605
West Liberty, KY 41472

James L. Jacobus
Inter-County Energy Cooperative
P.O. Box 87
Danville, KY 40423-0087

Robert Hood
Owen Electric Cooperative
P.O. Box 400
Owenton, KY 40359-0400

Service List for Case No. 2006-00494

Burns E. Mercer
Meade County R.E.C.C.
P.O. Box 489
Brandenburg, KY 40108-0489

Vince Heuser
Nolin R.E.C.C.
411 Ring Road
Elizabethtown, KY 42701-8701

Timothy C. Mosher
American Electric Power
P.O. Box 5190
Frankfort, KY 40602

Barry L. Myers
Taylor County R.E.C.C.
P.O. Box 100
Campbellsville, KY 42719-0100

G. Kelly Nuckols
Jackson Purchase Energy Corporation
P.O. Box 4030
Paducah, KY 42002-4030

Anthony P. Overbey
Fleming-Mason Energy Cooperative
P.O. Box 328
Flemingsburg, KY 41041

Bobby D. Sexton
Big Sandy R.E.C.C.
504 11th Street
Paintsville, KY 41240-1422

Honorable Frank N. King, Jr.
318 Second Street
Henderson, KY 42420

Service List for Case No. 2006-00494

Honorable Mark R. Overstreet
P.O. Box 634
Frankfort, KY 40602-0634

Mellisa D Yates
P.O. Box 929
Paducah, KY 42002-0929

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

PSC ADMINISTRATIVE CASE NO. 2006-00494

AN INVESTIGATION OF THE RELIABILITY MEASURES OF KENTUCKY'S
JURISDICTIONAL ELECTRIC DISTRIBUTION UTILITIES AND CERTAIN
RELIABILITY MAINTENANCE PRACTICES

RESPONSE TO COMMISSION'S INFORMAL CONFERENCE OF MARCH 8, 2007

4. Staff Summary of Responses

Bullet No.4

All Utilities

RESPONSIBLE PARTY: Tony Wells

SUB-BULLET 3. Each RECC should provide FORM 300 for the past 5 years.

RESPONSE. See attachment.

SUB-BULLET 5. Each RECC should provide any CAP developed within the past 5 yrs
to the PSC staff.

RESPONSE. See attachment.

SUB-BULLET 6. Each RECC should provide a copy of RUS form 7, Part G for the past 5
years to the PSC staff.

RESPONSE. A complete RUS form 7 is filed annually with the PSC.

Public reporting burden for this collection of information is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Department of Agriculture, Clearance Officer, OC, OMB Control # 0572-0025, AG Box 7630, Washington, DC 20250. You are not required to respond to this collection of information unless this form displays the currently valid OMB control number.

| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE REVIEW RATING SUMMARY | | BORROWER DESIGNATION KY 34 DATE PREPARED 05/19/2005 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|--|----------------|--------------|--------------|----------|----------|------|------|--|------|------|------|---|------|--|--|------|------|------|---|------|------|--|------|------|------|---|------|------|------|------|------|------|---|------|------|-------|------|------|-------|---|---|
| Ratings on form are: 0: Unsatisfactory -- No Records 2: Acceptable, but Should be Improved -- See Attached Recommendations NA: Not Applicable 1: Corrective Action Needed 3: Satisfactory -- No Additional Action Required at this Time | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PART I. TRANSMISSION and DISTRIBUTION FACILITIES | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. Substations (Transmission and Distribution) (Rating) a. Safety, Clearance, Code Compliance <u>NA</u> b. Physical Conditions: Structure, Major Equipment, Appearance <u>NA</u> c. Inspection Records Each Substation <u>NA</u> d. Oil Spill Prevention <u>NA</u> 2. Transmission Lines a. Right-of-Way: Clearing, Erosion, Appearance, Intrusions <u>NA</u> b. Physical Condition: Structure, Conductor, Guying <u>NA</u> c. Inspection Program and Records <u>NA</u> 3. Distribution Lines - Overhead a. Inspection Program and Records <u>3</u> b. Compliance with Safety Codes: Clearances <u>3</u> Foreign Structures <u>3</u> Attachments <u>2</u> c. Observed Physical Condition from Field Checking: Right-of-Way <u>1</u> Other <u>2</u> | 4. Distribution - Underground Cable (Rating) a. Grounding and Corrosion Control <u>3</u> b. Surface Grading, Appearance <u>3</u> c. Riser Pole: Hazards, Guying, Condition <u>3</u> 5. Distribution Line Equipment: Conditions and Records a. Voltage Regulators <u>3</u> b. Sectionalizing Equipment <u>3</u> c. Distribution Transformers <u>3</u> d. Pad Mounted Equipment Safety: Locking, Dead Front, Barriers <u>3</u> Appearance: Settlement, Condition <u>3</u> Other <u>NA</u> e. Kilowatt-hour and Demand Meter Reading and Testing <u>3</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PART II. OPERATIONS and MAINTENANCE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6. Line Maintenance and Work Order Procedures (Rating) a. Work Planning & Scheduling <u>3</u> b. Work Backlogs: Right-of-Way Maintenance <u>3</u> Poles <u>3</u> Retirement of Idle Services <u>3</u> Other <u>NA</u> 7. Service Interruptions a. Average Annual Hours/Consumer by Cause (Complete for each of the previous 5 years) <table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th>PREVIOUS 5 YEARS (Year)</th> <th>POWER SUPPLIER a.</th> <th>MAJOR STORM b.</th> <th>SCHEDULED c.</th> <th>ALL OTHER d.</th> <th>TOTAL e.</th> <th>(Rating)</th> </tr> </thead> <tbody> <tr> <td>2000</td> <td>0.67</td> <td></td> <td>0.08</td> <td>3.53</td> <td>4.28</td> <td>3</td> </tr> <tr> <td>2001</td> <td></td> <td></td> <td>0.09</td> <td>2.75</td> <td>2.84</td> <td>3</td> </tr> <tr> <td>2002</td> <td>0.27</td> <td></td> <td>0.11</td> <td>3.81</td> <td>4.19</td> <td>3</td> </tr> <tr> <td>2003</td> <td>0.20</td> <td>0.27</td> <td>0.05</td> <td>2.26</td> <td>2.78</td> <td>3</td> </tr> <tr> <td>2004</td> <td>0.32</td> <td>14.00</td> <td>0.04</td> <td>2.79</td> <td>17.15</td> <td>2</td> </tr> </tbody> </table> b. Emergency Restoration Plan <u>3</u> | PREVIOUS 5 YEARS (Year) | POWER SUPPLIER a. | MAJOR STORM b. | SCHEDULED c. | ALL OTHER d. | TOTAL e. | (Rating) | 2000 | 0.67 | | 0.08 | 3.53 | 4.28 | 3 | 2001 | | | 0.09 | 2.75 | 2.84 | 3 | 2002 | 0.27 | | 0.11 | 3.81 | 4.19 | 3 | 2003 | 0.20 | 0.27 | 0.05 | 2.26 | 2.78 | 3 | 2004 | 0.32 | 14.00 | 0.04 | 2.79 | 17.15 | 2 | 8. Power Quality (Rating) a. General Freedom from Complaints <u>3</u> 9. Loading and Load Balance a. Distribution Transformer Loading <u>3</u> b. Load Control Apparatus <u>NA</u> c. Substation and Feeder Loading <u>3</u> 10. Maps and Plant Records a. Operating Maps: Accurate and Up-to-Date <u>3</u> b. Circuit Diagrams <u>3</u> c. Staking Sheets <u>3</u> |
| PREVIOUS 5 YEARS (Year) | POWER SUPPLIER a. | MAJOR STORM b. | SCHEDULED c. | ALL OTHER d. | TOTAL e. | (Rating) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2000 | 0.67 | | 0.08 | 3.53 | 4.28 | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2001 | | | 0.09 | 2.75 | 2.84 | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2002 | 0.27 | | 0.11 | 3.81 | 4.19 | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2003 | 0.20 | 0.27 | 0.05 | 2.26 | 2.78 | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2004 | 0.32 | 14.00 | 0.04 | 2.79 | 17.15 | 2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| PART III. ENGINEERING | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11. System Load Conditions and Losses (Rating) a. Annual System Losses <u>5.00%</u> <u>3</u> b. Annual Load Factor <u>53.8%</u> <u>3</u> c. Power Factor at Monthly Peak <u>95+%</u> <u>3</u> d. Ratios of Individual Substation Annual Peak kW to kVA <u>3</u> 12. Voltage Conditions a. Voltage Surveys <u>3</u> b. Substation Transformer Output Voltage Spread <u>3</u> | 13. Load Studies and Planning (Rating) a. Long Range Engineering Plan <u>3</u> b. Construction Work Plan <u>3</u> c. Sectionalizing Study <u>3</u> d. Load Data for Engineering Studies <u>3</u> e. Load Forecasting Data <u>3</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| PART IV. OPERATION AND MAINTENANCE BUDGETS | | | | | | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| YEAR | For Previous 2 Years | | For Present Year | For Future 3 Years | | |
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| | Actual \$ Thousands | Actual \$ Thousands | Budget \$ Thousands | Budget \$ Thousands | Budget \$ Thousands | Budget \$ Thousands |
| Normal Operation | \$1,024 | \$933 | \$952 | \$981 | \$1,010 | \$1,040 |
| Normal Maintenance | \$1,764 | \$2,043 | \$1,905 | \$1,962 | \$2,021 | \$2,082 |
| Additional (Deferred) Maintenance | | | | | | |
| Total | \$2,788 | \$2,976 | \$2,857 | \$2,943 | \$3,031 | \$3,122 |

14. Budgeting: Adequacy of Budgets for Needed Work 3 (Rating)

15. Date Discussed with Board of Directors 06/23/2005

EXPLANATORY NOTES

| ITEM NO. | COMMENTS |
|----------|---|
| 3b. | Cable TV attachments require constant monitoring to ensure code compliance. |
| 3c. | A plan of action will be prepared to improve problems with vines on poles and shade trees in the lines. |

| | TITLE | DATE |
|--|------------------------|------------|
| RATED BY: <i>Terry L. Jeffers</i> | SERVICE SUPERINTENDENT | 05/19/2005 |
| REVIEWED BY: <i>Jarvis S. Branning</i> | PRESIDENT/CBO | 05/19/2005 |
| REVIEWED BY: <i>Mike Han</i> | RUS GFR | 05/19/2009 |



United States Department of Agriculture
Rural Development

Rural Business--Cooperative Service • Rural Housing Service • Rural Utilities Service
May 19, 2005 Washington, DC 20250

SUBJECT: OPERATIONS AND MAINTENANCE SURVEY

TO: JACKIE BROWNING, PRESIDENT & CEO
FARMERS RECC

In accordance with 7 CFR 1730-1, a review and evaluation of your electric system and facilities as related to system operation and maintenance was made on May 19, 2005.

The objectives of this review are to carry out RUS's responsibility for loan security and to assure that your electric plant is being operated and maintained in a safe and satisfactory condition and that you are providing an acceptable quality of service.

My review has indicated that your facilities are being adequately operated and maintained, however there are several comments and recommendations for improvements.

Residential shade trees were observed in the lines. A plan should be developed to improve this situation. A more aggressive right-of-way clearing program is recommended and custom trimming may no longer be economically feasible. We also observed vines on poles. Servicemen should be directed to report or correct vines en route to work or other jobs.

A handwritten signature in black ink, appearing to read "Mike Norman".

MIKE NORMAN
RUS Field Representative



FARMERS RURAL ELECTRIC COOPERATIVE

P.O. Box 1298 • 504 South Broadway • Glasgow, KY 42142-1298
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PSC Staff Summary of
Responses Bullet No. 4
Page 5 of 5

Corrective Action Plan

Farmer's Rural Electric has implemented a location specific database where fast growth tree species exist in close proximity to FRECC overhead lines. The use of this database allows FRECC to be proactive in monitoring and trimming problem trees before outages occur.

Vines on poles have been addressed with the use of a chemical herbicide placed on service trucks in the FRECC fleet. The use of herbicide has dramatically reduced the number of vines located on FRECC structures.

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

PSC ADMINISTRATIVE CASE NO. 2006-00494

AN INVESTIGATION OF THE RELIABILITY MEASURES OF KENTUCKY'S
JURISDICTIONAL ELECTRIC DISTRIBUTION UTILITIES AND CERTAIN
RELIABILITY MAINTENANCE PRACTICES

RESPONSE TO COMMISSION'S INFORMAL CONFERENCE OF MARCH 8, 2007

5. Staff Questions

All Utilities

RESPONSIBLE PARTY: Jerry W. Carter

QUESTION 1. See Handout No. 1 which reflects several types of tree pruning. Regardless of whether or not the Commission sets any tree trimming standards, should Through or V pruning, Side pruning, Under pruning, or Topping be allowed?

RESPONSE. Yes.

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

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5. Staff Questions

All Utilities

RESPONSIBLE PARTY: Jerry W. Carter

QUESTION 2. If the utility does not own the property over which its distribution lines are located, what are the utility's legal rights as far as access to the property, and ability to trim trees?

RESPONSE. Farmers is granted access to its lines located on consumer property through its approved Rules and Regulations.

Farmers works closely with its member-owners to reach a mutually agreeable right of way plan.

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

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RESPONSE TO COMMISSION'S INFORMAL CONFERENCE OF MARCH 8, 2007

5. Staff Questions

Farmer's RECC

Responsible Party: Tony Wells

QUESTION 1. Provide a relative sample of examples of where system and feeder performance trends and problem areas are identified and evaluated as noted in Farmers' response Item No. 1 of Staffs Second Data Request in this case.

RESPONSE. 1. Outage records called attention to three geographical areas that were experiencing greater than expected insulator failures. Further investigation indicated a high concentration of 1970's vintage insulators, known to be prone to failure. A program was initiated to replace those insulators in the affected areas.

RESPONSE CONT. 2. Outage records called attention to two geographic areas, where three phase lines were experiencing conductor burn-down. It was determined that aged #4 ACSR conductor was a contributing factor. This information was considered in the development of Farmer's construction work plan, and the conductor was replaced.

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RELIABILITY MAINTENANCE PRACTICES

RESPONSE TO COMMISSION'S INFORMAL CONFERENCE OF MARCH 8, 2007

5. Staff Questions

Farmer's RECC

Responsible Party: Tony Wells

QUESTION 2. Provide a discussion of the manner in which Farmers uses performance trends in the development of its annual maintenance programs and construction plans as noted in Farmers' response Item No. 3 of Staff's Second Data Request in this case.

RESPONSE. See response to Farmer's Staff Question 1.

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

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RESPONSE TO COMMISSION'S INFORMAL CONFERENCE OF MARCH 8, 2007

7. Staff Guidance for Testimony

Bullet No. 1

Reliability Reporting Requirement

Responsible Party: Tony Wells

SUB-BULLET 1. Is it appropriate for the Public Service Commission to require regular reporting of reliability information from all distribution utilities?

RESPONSE. Yes.

SUB-BULLET 2. Should the PSC develop standardized criteria for recording and reporting reliability information?

RESPONSE. No. Reporting guidelines and requirements adopted by the Rural Utilities Service are adequate.

SUB-BULLET 3. Is it appropriate for the Commission to require reporting at a level smaller than the entire system (i.e. by substation or circuit)?

RESPONSE. No.

SYB-BULLET 4. Are there any concerns about sharing this information within the industry or with the public?

RESPONSE. No.

FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

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RESPONSE TO COMMISSION'S INFORMAL CONFERENCE OF MARCH 8, 2007

7. Staff Guidance for Testimony

Bullet No. 2

Reliability Performance Standard

Responsible Party: Tony Wells

SUB-BULLET 1. Please comment on the appropriateness of a reliability performance standard. An example of a performance standard is found in the RUS requirement of no more than five hours outage for the average customer for any reason, and no more than one hour caused by power supply.

RESPONSE. Establishment of a performance standard is not appropriate. The RUS example cited in the question is a guideline not a requirement or standard. The RUS guideline has proven to be helpful.

SUB-BULLET 2. Is it more appropriate to develop performance standards on a utility by utility basis or a circuit by circuit basis? What is the most appropriate level for applying performance standard requirements?

RESPONSE. As stated above, the establishment of a performance standard is not appropriate. In the event a standard is established, the most appropriate level would be system-wide.

SUB-BULLET 3. Comment on an appropriate requirement to respond to non-attainment of a performance standard, or in the alternative explain why a response to non-attainment is not necessary.

RESPONSE. As stated above, the establishment of a performance standard is not appropriate. In the event a performance standard is established, and not met it would be appropriate to require the development and submittal of a corrective action plan.

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AN INVESTIGATION OF THE RELIABILITY MEASURES OF KENTUCKY'S
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7. Staff Guidance for Testimony

Bullet No. 3

Right-of-Way (ROW) Management

Responsible Party: Jerry W. Carter

SUB-BULLET 1. Please provide comments regarding the appropriateness of a PSC defined ROW management minimum standard.

RESPONSE. The establishment of a PSC minimum right of way standard is not appropriate. Compliance with such a minimum standard would place undue financial and operational burdens on Farmers and its rate-payers.

SUB-BULLET 2. If such a standard were created, to what level of detail should it be defined?

RESPONSE. As stated above, the establishment of a PSC minimum right of way standard is not appropriate. If the event a standard is established, it could only be done on the macro-level with allowances made for differing tree species growth patterns, differing trimming methods, relationship of trees to overhead lines and aesthetics of property.

SUB-BULLET 3. Does a PSC requirement give the utility any advantage when performing ROW maintenance?

RESPONSE. No.

SUB-BULLET 4. Are there disadvantages?

RESPONSE. Farmer's believes that a PSC minimum standard would result in increased right of way maintenance costs, increased number of consumer complaints and increased litigation of property damage claims.