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June 28, 2007

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JUN 29 2007

**PUBLIC SERVICE
COMMISSION**

Ms. Elizabeth O'Donnell
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Re: Administrative Case No. 2006-00494

Dear Ms. O'Donnell

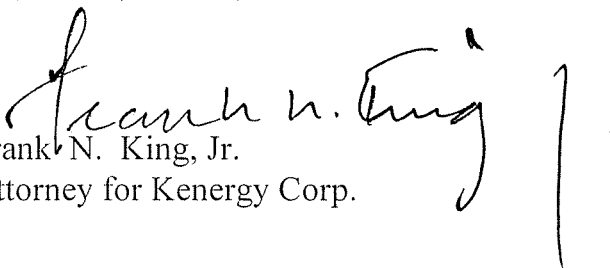
Enclosed for filing in the above case please find Brief of Kenergy Corp.

Your assistance in this matter is appreciated.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By


Frank N. King, Jr.
Attorney for Kenergy Corp.

FNKJr/cds

Encls.

COPY: Service List

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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JUN 29 2007

PUBLIC SERVICE
COMMISSION

In the Matter of:

AN INVESTIGATION OF THE REALIABILITY)
MEASURES OF KENTUCKY'S) ADMINISTRATIVE
JURISDICTIONAL ELECTRIC) CASE NO. 2006-0494
DISTRIBUTION UTILITIES AND CERTAIN)
RELIABILITY MAINTENANCE PRACTICES)

BRIEF OF KENERGY CORP.

This administrative case was commenced by the Commission in order to initiate an investigation into the measures used by jurisdictional electric utilities to assess the reliability of their distribution systems. Additionally the Commission is investigating the vegetation management practices related to the distribution systems. *Order dated December 12, 2006.*

Following two (2) rounds of data requests from Commission Staff an informal conference was held on March 8, 2007. Commission Staff directed the jurisdictional utilities to further respond to data requests regarding reliability reporting requirements, reliability performance standards, and right-of-way management.

The public hearing in this case was held on May 23, 2007. Representatives of the subject jurisdictional utilities provided testimony on reliability reporting and standards, and on vegetation management. On the

reliability issues the testimony was responsive to questions whether annual reports of system level SAIDI, SAIFI and CAIDI or some other measurement index would allow the Commission to make accurate conclusions concerning reliability; whether the Commission should develop a reliability standard based on the three (3) named measurements; and whether the utility has the ability to record these measurements at a level lower than system level. On the vegetation management issues testimony was responsive to questions regarding what items should be included in a standard vegetation plan, if the Commission were to require such plans to be filed; whether Kenergy would prefer the Commission to require filings of standard vegetation management plans as opposed to the Commission establishing technical standards for minimum clearances between conductors and vegetation; and how a standard vegetation management plan should be enforced by the Commission.

Kenergy's positions on these issues follows.

Reliability Reporting

The Commission is already provided with information that should allow it to make accurate conclusions about customers' ability to receive reasonable continuity of service. This information is included in the RUS Form 7 that is required to be filed annually pursuant to 807 KAR 5:006, Section 3. *See Kenergy's Response to Item 3 of Informal Conference Data Request which contains Kenergy's RUS Form 7's for the past five (5) years.* Part G of that form breaks down Service Interruptions by cause, showing those caused by power

supplier, extreme storm, prearranged and all other. The information included in this form provides the Commission with information about both service continuity and causes of interruptions for the present year. On line 2 of Part G five (5) year average information is provided so that trends can be discerned.

Kenergy believes that the information set forth in Part G of RUS Form 7 should satisfy reliability reporting requirements. However, Kenergy monitors distribution reliability using the SAIDI, SAIFI and CAIDI indices. If the Commission decides that information from these indices would better enable it to measure service continuity, Kenergy has no objection to being required to file these indices annually. *Testimony of Gerald Ford, T/S, p. 58, l. 14. See also Kenergy's Response to Item 1 of First Data Request.*

Kenergy has the ability to record SAIDI and SAIFI and to calculate CAIDI at the circuit level. *Ford testimony, T/S, p. 59, l. 5.* However, Kenergy does not believe it would be appropriate for the Commission to require reporting at a level below or smaller than the entire system. It is Kenergy's position that comparing the whole system to its past history is the best approach. Each utility can then assess and make its own analysis of each circuit. *Kenergy's Responses to 7(c) and 8(b) of Informal Conference Data Request.*

Reliability Performance Standards

Kenergy firmly believes that its reliability performance would surpass any reasonable reliability performance standards the Commission may consider adopting. However, Kenergy opposes the Commission establishing such standards. Utility systems differ. Customer count per mile, urban versus rural construction, number of substations, and length of circuits make each utility different and unique. A “one-size-fits-all” approach would not be practical or appropriate, and adopting multiple standards defeats the purpose of having standards in the first place. *See Kenergy’s Response to Item 8 of Informal Conference Data Request.*

Kenergy presently sets its own annual targets, and in this sense has its own standards. This probably is true for most or all of the other jurisdictional utilities. Kenergy uses reliability indices to monitor overall system reliability as well as individual circuit performance. *Kenergy’s Response to Item 1 of Second Data Request.* Kenergy identifies the 10% worst performing circuits each year, determines the causes of reliability problems, and addresses causes to prevent those circuits from repeating the following year on the 10% worst performing list. *See Kenergy’s Response to Item 2 of Second Data Request.* Kenergy also sets system SAIDI and SAIFI targets each year and monitors overall system reliability versus those targets. *Kenergy’s Response to Item 2 to Second Data Request.*

Jurisdictional electric distribution utilities are required to adopt inspection procedures to assure safe and adequate operation of their facilities and

to file these procedures with the Commission. *807 KAR 5:006, Section 25(1)*. These utilities are required to make inspections of their systems as often as necessary but not less frequently than every two (2) years. *807 KAR 5:006, Section 25(4)(d)*. Corrective Action Plans are included in construction work plans filed with the Commission, and some of the projects result from reliability issues. *Kenergy's Response to Item 2 of Informal Conference Data Request*. Moreover, the systems of all of these utilities are required to be inspected by Commission Staff annually. These and other applicable regulations and procedures, if properly enforced, should be more than adequate to serve as effective reliability performance standards and measures, without the Commission creating another layer of administrative procedures for the utilities to follow.

Kenergy proposes that information from SAIDI, SAIFI and CAIDI indices not be used as a benchmark in the sense that it would be a basis for a certain number the utility is required to meet, but instead it be considered in an historical context to disclose trends so that appropriate action can be taken if undesirable trends are occurring. *Ford testimony T/S, p. 58, 1.14*.

Right of Way/Vegetation Management

Sound vegetation management of a utility's right-of-ways is essential to reliable performance of its system. As vegetation management goes ignored or unattended, reliability suffers. As proper vegetation management is performed, reliability is enhanced. However, there are many causes other than vegetation management that impact reliability. Kenergy categorizes and records causes of

outages using over 75 code categories. *See Kenergy's Response to Item 7 of First Data Request.*

Kenergy has a good, solid vegetation management program in place for its right-of-ways. Kenergy's pruning activities are based on accepted arboricultural standards, including ANCI A300. *Kenergy's Response to Item 10 of First Data Request.* All pruning activities are performed by contractors, which are required to follow these standards. *Kenergy's Response to Item 12 of First Data Request.* Routine circuit maintenance is performed on the entire system in a period not to exceed seven (7) years. *Kenergy's Response to Item 14 of First Data Request.* For the 12 month period ending May 31, 2004, Kenergy's vegetation management expense amounted to approximately \$1.9 million and in Kenergy's recent rate case, Case No. 2006-00369, this expense was approved at almost double that amount, being approximately \$3.6 million annually. *Kenergy's Response to Item 16 of First Data Request.*

Item 9 of the Informal Conference Data Request (assigned this number by Kenergy in its Response) asked for comments regarding the appropriateness of a Commission defined right-of-way management minimum standard. While Kenergy believes that its vegetation management performance would surpass any reasonable minimum standards the Commission would consider adopting, Kenergy opposes the Commission adopting such standards. Instead, Kenergy prefers an approach in which the Commission would encourage

the use of best right-of-way management practices, such as directional pruning. *Kenergy's Response to Item 9(a) and (b), Informal Conference Data Request.*

One of the principal reasons vegetation management minimum standards should not be adopted is that circumstances vary widely among utilities with respect to vegetation management issues due to terrain, easements and easement rights, and urban versus rural locations. *Kenergy's Response to Item 9(a) of Informal Conference Data Request.* Certainly a one-size-fits-all approach would be impractical and if standards were customized to fit the varying situations, such standards would be confusing and essentially meaningless.

At the hearing Kenergy's Doug Hoyt confirmed that Kenergy opposes a standard for minimum clearances, due to varying and unique circumstances of the utilities. *Testimony of Doug Hoyt, T/S, p. 102-103.* Mr. Hoyt did acknowledge that Kenergy prefers being required to file a vegetation management plan as opposed to being required to adhere to minimum clearance requirements. *Hoyt, T/S, p. 103, l. 16.* This, of course, assumes that the plan would not have to satisfy minimum standards, which Kenergy opposes as pointed out above.

Presently the Commission is being provided with Service Interruptions information from the cooperative utilities with the filings of the RUS Form 7's. Interruptions are shown in four (4) categories, one being "All Other," which includes various vegetation management related causes. Additionally, the Commission gets first-hand information of vegetation management when it makes

its annual inspections. This information should enable the Commission to determine whether a utility's vegetation management is adequate, and if it is not, obviously the Commission has the authority to require the deficient utility to take corrective action. However, there appears to be no good reason to require all jurisdictional utilities to adhere to minimum standards and/or to file vegetation management plans in blanket fashion.

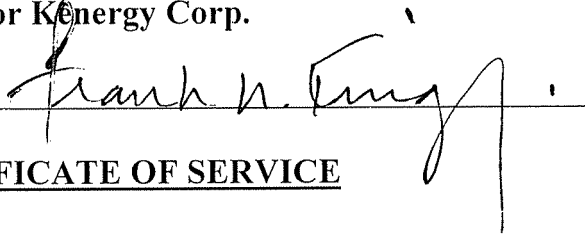
Conclusion

Kenergy submits that if existing regulations and procedures are enforced, the Commission should have ample information to oversee system reliability matters, which include proper vegetation management of right-of-ways. Additional filings, paperwork and other requirements will cause additional expense, which will lead to a need for additional revenue, which inevitably is a basis for increased rates.

The Commission should carefully weigh whether there is a need to implement any of the measures under consideration. Kenergy submits that there is no such need. However, if the Commission concludes differently, the implementation should be designed to rectify known problems with the least amount of burden being placed on the jurisdictional utilities.

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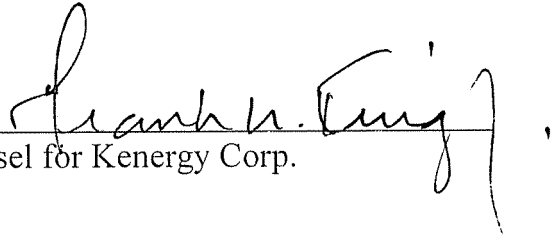
By _____



CERTIFICATE OF SERVICE

I hereby certify that the foregoing was served on the parties shown on the attached service list by mailing a true and correct copy of same, postage prepaid, on this 28th day of June, 2007.

Counsel for Kenergy Corp.



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