



Ernie Fletcher  
Governor

Teresa J. Hill, Secretary  
Environmental and Public  
Protection Cabinet

Timothy J. LeDonne  
Commissioner  
Department of Public Protection

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

Mark David Goss  
Chairman

John W. Clay  
Commissioner

March 15, 2007

TO: PARTIES OF RECORD  
RE: Administrative Case No. 2006-00494

Enclosed please find a memorandum that has been filed in the record of the above-referenced case. Any comments regarding this memorandum's contents should be submitted to the Commission within five days of receipt of this letter. Questions regarding this memorandum should be directed to Rick Bertelson at 502/564-3940, Extension 260.

Sincerely,

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and curves.

Beth O'Donnell  
Executive Director

vh/  
Enclosure

## INTRA-AGENCY MEMORANDUM

### KENTUCKY PUBLIC SERVICE COMMISSION

**TO:** Administrative Case File No. 2006-00494

**FROM:** Rick Bertelson *RWB*

**DATE:** March 14, 2007

**SUBJECT:** Informal Conference March 8, 2007

An informal conference was held on March 8, 2007. In attendance were Commission Staff, representatives of Kentucky's jurisdictional electric utilities, and a representative of the Attorney General's Office. Attached are sign-in sheets with the names of the attendees.

The informal conference was held at the request of Commission Staff to discuss issues regarding the PSC's investigation of the reliability measures of Kentucky's jurisdictional utilities and certain reliability maintenance practices, and to answer any questions regarding the administrative hearing scheduled for May 23-24, 2007 at the PSC's Frankfort office.

PSC staff member, Jim Welch, welcomed the parties and informed them that the Kentucky Association of Electric Co-ops ("KAEC") had informed the Commission that a representative would be present. Noting that KAEC is not a formal party to Case No. 2006-00494, Mr. Welch asked if any of the parties objected to KAEC participating in the informal conference. No one indicated any objection, so the informal conference went forward with KAEC's representative remaining.

#### Reliability Reporting

Staff member, Aaron Greenwell, discussed the reliability reporting requirements found in the various Rural Utility Service ("RUS") bulletins, as outlined in the attached Conference Agenda. None of the parties had any substantive disagreement with Staff's interpretation of the RUS requirements.

One party asked whether the requests for documents noted in the Conference Agenda would be communicated to the rural electric cooperatives not present. PSC verified it would note the requests for those documents in this informal conference memorandum. Every jurisdictional electric distribution utility is requested to respond to the questions raised in the informal conference. Every jurisdictional RECC is requested to provide copies of the information regarding RUS reports requested at the informal conference. Documentation and responses to Staff questions should be submitted by April 13, 2007, the same date that testimony in this case is due. A copy of the agenda from the informal conference with the data requests and questions is attached to this memorandum.

The AG asked if the Commission would solicit testimony as to whether a reliability reporting standard should require the utilities to report the time it takes them to restore power

after major event days. Staff responded that it considered restoration after major events to be beyond the scope of this case.

### Right-of-Way/Vegetation Management

One party asked if the PSC is currently contemplating promulgating right-of-way ("ROW") regulations. Staff confirmed that a standard is being contemplated and noted that major outages after summer and winter storms are a driving force behind the push for such regulations. The AG asked whether certain factors would be incorporated in such regulations. Staff confirmed that numerous factors would be considered and that no final list of such factors has been determined yet.

One party noted that a reliability standard that is not fairly "loose" would be hard to implement because of the wide variability in terrain, number of customers per mile, as well as many other factors.

Kenergy noted that they have written easements for only a very small percentage of their lines and that the PSC should not promulgate a ROW standard with a minimum line clearance for all areas, because it would be difficult to get access to areas where easements are unsure.

Another party asserted that ROW standards would be difficult to impose on customers and might result in the utilities building many more facilities in order to avoid crossing property whose owners won't allow access.

One party noted that ROW maintenance includes both line clearing and tree cutting and trimming and asked the PSC to keep in mind that distribution has much different characteristics than transmission facilities. Jackson Energy noted that ROW management includes vegetation management but involves a host of legal issues surrounding the preservation of the ROW.

The AG noted that Arizona has a process in which utilities cooperate with federal agencies who have jurisdiction of lands over which transmission lines are sited.

One party asked whether the PSC would be more lenient on rate increases if a ROW standard were imposed. Staff advised the parties to address that issue in their testimony.

The PSC agreed to reschedule the due date for the utilities to file their prehearing testimony from March 23, 2007 to April 13, 2007, and the AG agreed to file theirs, if any, on that date as well. On March 13, 2007, the Commission issued an Order amending its December 12, 2006 Order to reflect this change to the procedural schedule.

The meeting was adjourned.

#### Attachments:

Sign-In Sheets (4)  
Conference Agenda

cc: Parties of Record

Informal Conference

March 8, 2007

Sign In

Name	Representing
John Smith	Duke Ky
John Regness	KY PSC
Mike Gribler	Duke Energy
EVERETT GREENE	DUKE ENERGY
JOHN STUPP	PSC
Fereydoon Gorjian	PSC
Jim Welch	PSC
Larry Cook	AGI OPT
Phillip S. CAVE	PSC
Steve Kungoluer	PSC
Aaron Bunnell	PSC
Rick Bertelson	PSC
Andrea Schroeder	PSC
Bon Fuller	JACKSON ENERGY
Gavin Wilson CE	Jackson Energy
Mark R. Keene	Jackson Energy
Clayton Oswald	Jackson Energy
Tom Griswold	PSC

Informal Conference

March 8, 2007

Sign In

Name	Representing
Kevin Newton	South Ky. RECC
Jim Set	OEC
Debbie Martin	Shelby Energy
Bob Hood	Owen Electric
DAVID MARTIN	SHELBY ENERGY
DAVID GRAHAM	SHELBY ENERGY
WAYNE ANDERSON	SHELBY ENERGY COOP.
Traey Bensley	Jackson Purchase Energy
J. [unclear]	INTER-COUNTY ENERGY
Marvin Graham	" " "
Dan Brewer	Blue Grass
Chris Brewer	BLUE GRASS
Mike Williams	" "
Scott Sidwell	Clark Energy
Todd Peyton	CLARK ENERGY
Paul [unclear]	CLARK ENERGY
JOHN TALBERT	Big Rivers Elec. Corp.
JOHN FINNIBER	OULE Energy Co.
Vance Heuser	Nolin RECC

Administrative Case No. 2006-00494

Informal Conference

March 8, 2007

Sign In

<u>Name</u>	<u>Representing</u>
RICK LOVEKAMP	LG&E/KU
Allyson Sturgeon	E.ON US
Doug Hoyt	Kenergy
NELSON MAYNARD	LGE/KU
Frank N. King, Jr.	Kenergy
BRUCE CLARK	KPC
Everett Phillips	KPCo
Joe Pemberton	KPC
Judi Willis	KPCo
Errol K Wagner	KPCo
Steven Nourse	AEP
Tim Mosher	KPCo
Mark Bailey	Kenergy
GERALD FORD	Kenergy
GREG THOMAS	LG&E/KU
JERRY W. CARTER	FRECC
Tony Wells	FRECC
David Poe	Meade County RECC
Steve Conover	South KY RECC

Administrative Case No. 2006-00494

Informal Conference

March 8, 2007

Sign In

<u>Name</u>	<u>Representing</u>
Ted Hampton	Cumberland Valley REC
Mark Abner	Cumberland Valley Electric
Tim Sharp	Salt River
Daniel P. Yates	Ky. Assoc. of Electric Cooperatives
Jeff Man	PSE

Administrative Case No. 2006-00494

Informal Conference  
March 8, 2007

Agenda:

1. Introductions
2. Goals of Informal Conference
  - A. Determine if there is consensus among the parties on staff summary of responses. If there are disagreements, where are they.
  - B. Provide staff with an opportunity to ask clarifying questions about responses provided
  - C. Allow the utilities and the AG, who is the only intervenor in this case, to ask general questions to be considered by the parties.
  - D. Allow staff to provide guidance to parties regarding testimony
  - E. Discuss procedural schedule
3. Opening remarks by Commission staff
  - Informal conference is not binding on the Commission
  - Staff intends to take notice of the responses provided in 2005-00090, 1<sup>st</sup> data request questions 26 through 33
4. Staff Summary of Responses
  - It appears that most companies track reliability. For varying reasons, some companies include major event days, some exclude major event days, while others record the information both ways.
  - Most utilities appear to have access to IEEE 1366 standard for distribution reliability indices, and have the ability to implement the standard at least at the system-wide level.
  - Most companies have some process where performance of circuits is judged using reliability measures; although some companies' processes are more formal than others.



- The RECCs appear to be subject to more requirements, mainly in terms of reporting, than the investor-owned companies.
  - RUS Bulletin 1730-1 contains the guidelines related to O&M standard practices with respect to review and evaluation of O&M practices.
  - RUS 7 CFR 1730 contains the policies and procedures related to O&M standard practices with respect to review and evaluation of O&M practices.
  - According to RUS Bulletin 1730-1, an RECC that is an RUS borrower is required to have a written plan detailing how to restore its system in the event of a system wide outage. The Bulletin also requires the RECCs to report reliability measures in Section 7 of RUS Form 300, which must be completed every 3 years. If reliability is lower than satisfactory, the reporting RECC is to include in the explanatory notes section of RUS Form 300 a list of all items rated as unsatisfactory along with comments indicating the action or implementation proposed. (Each RECC should provide FORM 300 for the past 5 years to the PSC staff)
  - In RUS Bulletin 1730-1, RUS notes that evidence of concern would be when total outage exceed 5 hours per consumer per year or when power supply outages exceed 1 hour per consumer per year.
  - RUS 7 CFR 1730 requires the RECCs to develop corrective action plans ("CAP"). (Each RECC should provide any CAP developed within the past 5 years to the PSC staff)
  - RUS Bulletin 1717B-2 provides instructions on submission of operating reports to RUS. It includes financial and statistical reports. Part G, Service Interruptions requires the RECCs provide average hours of interruptions per consumer for service interruptions cause d by: the Power Supplier, Major Event, Planned interruptions, and all Other interruptions. The RECCs must also report their total interruptions for the present year as well as a five-year average of their interruptions. (Each RECC should provide a copy of RUS Form 7, Part G for the past 5 years to the PSC staff)
  - RUS Bulletin 161-1 provides guidance on recording and reporting service interruptions/outages and the calculation of industry standard indices for measuring distribution system performance. With the exception of definitions including how to define the values to report in RUS Form 7 and RUS Form 300, this bulletin is for suggestion purposes only.
- Each utility has an internal standard for right of way clearance for general application to the system, but it is modified as needed to fit the needs of property owners.

- Most utilities do not own outright many of the easements crossed by their distribution facilities.

## 5. Staff Questions

### All Utilities

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?
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?

### Duke Energy Kentucky

1. The response to Item No. 31 in Staff's First Data Request in Case No. 2005-00090 states that for 2005 ULH&P added CEMI<sub>5</sub> which measures the *percent of customers with more than 5 sustained outages per year in order to place more emphasis on customers with the highest outage frequency.*

Does Duke Energy still utilize CEMI<sub>5</sub>?

2. In its response to Item No. 2 of Staff's Second Data Request in this case, Duke Energy identifies its preferred operating range for SAIDI, SAIFI and CAIDI.

Explain how these values were determined.

3. In its response to Item No. 3 of Staff's Second Data Request in this case, Duke Energy states that capital improvements are proposed to prevent overloads or address other operational problems that have been occurring.

To what other "operational problems" is Duke Energy referring?

### Kentucky Power

1. In its response to Item No. 1 of Staff's Second Data Request in this case, Kentucky Power states that distribution outages are reviewed on a daily basis throughout the territory by local management and that weekly and monthly reports of reliability in the local areas are reviewed by local personnel.

Provide a relative sample of the information or reports reviewed on a daily basis and a relative sample of the weekly and monthly reports.

2. In its response to Item No. 28, page 3 of 3 of Staff's First Data Request in Case No. 2005-00090, Kentucky Power reported acceptable values of SAIFI of 2.392, of CAIDI of 197.4 and of SAIDI of 472.2.

Explain why the values reported in response to Item No. 2 of Staff's Second Data Request in this case for CAIDI of 3.29 and SAIFI of 7.87 are different.

3. In its response to Item No. 3 of Staff's Second Data Request in this case, Kentucky Power states that additional reports are run to analyze the causes of outages on the worst performing circuits.

Discuss who reviews these reports and provide several sample reports.

### **KU and LG&E**

1. How are reliability metrics used to prioritize spending as KU and LG&E state in response to Item No. 1 of Second Data Request in this case?

2. Provide a relative sample of the reliability data extracted from the OMS as KU and LG&E note in response to Item No. 3 of Second Data Request in this case.

### **Big Sandy RECC**

1. Does Big Sandy only analyze reliability numbers on a system wide basis, as Big Sandy's states in its response to Item No. 1 of Staff's Second Data Request in this case? If yes, how are these numbers then used to target certain areas?

### **Blue Grass Energy**

1. Provide a relative sample of any reports that list the steps for improvement or reasons for reliability measures being lower than satisfactory as Blue Grass Energy notes in response to Item No. 2 of Second Data Request in this case.

### **Cumberland Valley Electric**

1. Provide the other statistics or information used to determine when investigations or corrective actions are warranted as Cumberland Valley states in its response Item No. 1 of Staff's Second Data Request in this case.

2. If Cumberland Valley does not develop formal plans to address its worst performing circuits and reliability performance is addressed on an as needed basis, explain how Cumberland Valley determines whether one circuit should be given priority over another circuit.

3. Define what constitutes and “inordinate number and frequency of interruptions” as Cumberland Valley notes in response to Item No. 1 of Second Data Request in this case.

#### **Farmers RECC**

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 Staff’s Second Data Request in this case.
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.

#### **Grayson RECC**

1. Provide a relative sample of reports produce by the Windmil software as noted in Grayson’s response Item No. 3 of Staff’s Second Data Request in this case.
2. Provide an estimate of the cost to purchase and implement the Windmil and automated meter reading software as noted in Grayson RECC’s response Item No. 3 of Staff’s Second Data Request in this case.

#### **Inter County Energy**

1. Explain what actions have been taken or may be taken as a result of discussing monthly reliability measures at each Board meeting as noted in Inter County’s response Item No. 1 of Staff’s Second Data Request in this case.
2. Explain how Inter County defines circuit problems if not by reliability measures a as noted in Inter County’s response Item No. 3 of Staff’s Second Data Request in this case.

#### **Kenergy**

1. Provide the system wide SAIDI and SAIFI targets that are set each year for the past 5 years as noted in Kenergy’s response to Item No. 2 of Staff’s Second Data Request in this case.

#### **Meade County RECC**

1. With reference to its discussion of its analysis of outage and reliability data and trends in Meade County's response Item No. 1 of Staff's Second Data Request in this case, provide a relative sample of any internal reports initially reviewed and any internal reports reviewed as follow-up.
2. With reference to its response in Meade County's response Item No. 6, page 2 of Staff's Second Data Request in this case, provide an explanation of how Meade County determined the 3 rating for Section No. 7, Service Interruptions of Form 300.

### **Owen Electric**

1. With reference to Owen Electric's response Item No. 1 of Staff's Second Data Request in this case, is Exhibit 1 a sample of the complete reliability report reviewed by Owen Electric? If not, provide a complete report.
6. Questions from utilities and AG
  7. Staff guidance for testimony
    - Reliability reporting requirement
      - Is it appropriate for the Public Service Commission to require regular reporting of reliability information from all distribution utilities?
      - Should the PSC develop standardized criteria for recording and reporting reliability information?
      - Is it appropriate for the Commission to require reporting at a level smaller than the entire system (i.e. by substation or circuit)
      - Are there any concerns about sharing this information within the industry or with the public?
    - Reliability performance standard
      - 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.
      - 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?

- 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.
- Right-of-Way (ROW) management
  - Please provide comments regarding the appropriateness of a PSC defined ROW management minimum standard.
  - If such a standard were created, to what level of detail should it be defined?
  - Does a PSC requirement give the utility any advantage when performing ROW maintenance?
  - Are there disadvantages?

8. Procedural Schedule

- Testimony from utilities due ~~3/23/07~~ 4/13/07\*
- Intervenor testimony due 4/13
- Notice of hearing published by 5/11
- Hearing 5/23
- Briefs 6/29

\* Amended by 3-13-07 Order  
RWB