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June 19, 2013

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PUBLIC SERVICE
COMMISSION

Via Hand-Delivery

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

Re: PSC Case No. 2011-00450, *In the Matter of: An Investigation of the Reliability Measures of Kentucky's Jurisdictional Electric Distribution Utilities*

Dear Mr. Derouen:

Enclosed please find for filing with the Commission in the above-referenced case an original and ten (10) copies of a Joint Petition for Rehearing filed on behalf of Duke Energy Kentucky, Inc. and Kentucky Power Company. Please return file-stamped copies to me.

Do not hesitate to contact me if you have any questions.

Very truly yours,



David S. Samford

Enclosures

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JUN 19 2013

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)	CASE NO. 2011-00450
DISTRIBUTION UTILITIES)	

JOINT PETITION FOR REHEARING

Come now Duke Energy Kentucky, Inc. ("Duke Energy Kentucky") and Kentucky Power Company ("Kentucky Power") (collectively, the "Joint Petitioners"), by counsel, pursuant to KRS 278.400, and do hereby petition the Public Service Commission ("Commission") to grant rehearing for the Final Order entered in this matter on May 30, 2013 ("Final Order"). In support of said petition, the Joint Petitioners respectfully state as follows:

I. BACKGROUND

This is the Commission's second major administrative proceeding that focuses upon the reasonableness of the reliability measures used by Kentucky's jurisdictional electric distribution utilities. Historically, utility reliability was broadly measured by the utilities' reporting of significant outages. In Case No. 2006-00494 ("Admin. 494"), however, the Commission found that "the existing outage reporting requirements did not provide sufficient information for the Commission to judge the adequacy of service."¹ Thus, Admin. 494 required utilities to file annual reports that identified three key

¹ Final Order, p. 1.

reliability measures: (1) the System Average Interruption Duration Index (“SAIDI”); (2) the System Average Interruption Frequency Index (“SAIFI”); and (3) the Customer Average Interruption Duration Index (“CAIDI”). These measures were to be based upon a consistent set of criteria and standards promulgated by the Institute of Electrical and Electronics Engineers (“IEEE”) as Standard Number 1366 (latest version) “Guide for Electric Power Distribution Reliability Indices” and known as the IEEE Standard.² In addition to encouraging more consistent reliability reporting, Admin. 494 also directed each utility to identify the historical reliability measures for the preceding five years and to identify the ten worst performing circuits and the category of outage most affecting those circuits.³

The Commission initiated this proceeding by way of an order entered on January 11, 2012, for the purpose of reviewing the measures used by Kentucky’s jurisdictional electric distribution utilities to assess the reliability of their distribution systems and the manner in which those measures were reported to the Commission. The Joint Petitioners each responded to two sets of requests for information from Commission Staff, but did not file testimony in the proceeding. In its Final Order, the Commission stated:

The Commission believes that the system-wide information filed yearly by each utility regarding SAIDI, SAIFI and CAIDI is not sufficient to render a judgment on a utility’s specific reliability performance because the system-wide indices reflect only average performance criteria based on the sum of all of the circuits within its territory. It is possible for system-wide indices of a utility to mask significant and persistent performance issues within the system and to reflect improving annual average system-wide indices, even

² See *id.*, p. 2.

³ See *id.*

though reliability is declining for individual circuits. By requiring reporting on a circuit level, the performance of each circuit within the utility's system can be analyzed individually over time to determine its performance trend." With the data provided per circuit, the Commission believes it will have sufficient information to analyze reliability and effectively review the utilities' plans for any corrective actions. The Commission believes that requiring indices to be reported for every circuit whose SAIDI and/or SAIFI exceeds the five-year averages for that same circuit will eliminate the ability to mask poorly performing circuits and will provide a more accurate representation of the utility's overall system reliability.

It is important to note that the Commission does not believe that it is practical to use SAIDI or SAIFI on a system-wide or individual-circuit basis to compare one system to another or one circuit to another. However, the Commission does believe that it is appropriate to use SAIDI and SAIFI as indicators of the historical performance of an individual circuit. The Commission recognizes that while all electric utilities use SAIDI and SAIFI in some fashion, they do not use these indices as the primary indicator of reliability or as the primary determinant of where to perform additional clearing or to make additional capital investment. Likewise, the Commission considers SAIDI and SAIFI, whether calculated system-wide or on a circuit-by-circuit basis, with or without Major Event Days ("MEDs"), as simply indicators of reliability.⁴

This statement led the Commission to find that "each jurisdictional electric distribution utility should collect and maintain all records necessary to evaluate its system-reliability performance..." using the most recent edition of the IEEE Standard.⁵ At a minimum, this requires: (1) calculating the SAIDI system-wide indices, both including MEDs and excluding MEDs; (2) calculating the SAIFI system-wide indices, both including and excluding MEDs; (3) developing a system-wide rolling five-year average SAIDI excluding MEDs; (4) developing a system-wide rolling five-year average

⁴ See Final Order, pp. 6-7.

⁵ See Final Order, p. 7.

SAIFI excluding MEDs; (5) calculating SAIDI excluding MEDs for every circuit within the system; (6) developing a rolling five-year average SAIDI for each circuit within the system; (7) developing a comparison of each circuit to that circuit's rolling five-year average SAIDI; (8) calculating SAIFI excluding MEDs for every circuit within the system; (9) developing a rolling five-year average SAIFI for each circuit within the system; and (10) developing a comparison of each circuit to that circuit's rolling five-year average SAIFI.⁶

Based upon this collection of data, each electric distribution utility is now required to file a Reliability Report by April 1st of each year that includes the SAIDI and SAIFI system-wide indices, both including and excluding MEDs.⁷ For every circuit with either a SAIDI or SAIFI value that is higher than that circuit's respective rolling five-year average, excluding MEDs, each electric distribution utility must include: (1) the circuit's SAIDI index for the year; (2) the circuit's SAIFI index for the year; (3) the circuit's rolling five-year average SAIDI; (4) the circuit's rolling five-year average SAIFI; (5) the substation name, number and location (*i.e.*, County-Town-Road); (6) the circuit name, number and location (Town-Road-General Area); (7) the circuit's overall length in miles to the nearest tenth of a mile; (8) the number of customers served on the circuit for the year; (9) the date of the last circuit trim performed by the utility as part of its vegetation management plan; (10) a list of outage causes for the circuit, along with the percentage of total outage numbers represented by each cause; (11) the circuit's five-year average SAIDI; (12) the reporting year SAIDI; (13) the circuit's five-year average SAIFI; (14) reporting year SAIFI; (15) a Corrective Action Plan which describes any measures the

⁶ See Final Order, pp. 7-8.

⁷ See Final Order, p. 8.

utility has completed or plans to complete to improve the circuit's performance; and (16) any other information the utility believes will assist the Commission in understanding the circumstances surrounding the circuit's performance.⁸

II. ARGUMENT

The additional data collection and reporting obligations set forth in the Final Order are certain to impose additional costs upon utilities (and ultimately ratepayers), without guaranteeing any improvements to reliability. Moreover, they will significantly constrain the ability of utility managers to achieve the best overall system reliability by eliminating discretion to focus upon system-wide reliability impacts in favor of particular circuit impacts. The Joint Petitioners share the Commission's goal of assuring that reliable electric service is provided in the Commonwealth of Kentucky. However, the lack of any cost-benefit analysis to support the findings in the Commission's Final Order and the failure to take into account significant countervailing considerations suggest that – at a minimum – more information is required to support the Commission's finding that circuit-by-circuit analysis is the appropriate benchmark for measuring and attaining reliability. Given the industry-wide applicability of the new requirement, the Commission should also consider implementing its decision through the promulgation of a regulation.

A. The Final Order Does Not Support a Finding that Circuit-by-Circuit Benchmarking is Necessary

The Joint Petitioners respectfully suggest that the Final Order does not support the Commission's finding that circuit-by-circuit benchmarking for distribution reliability is necessary. While noting that the possibility exists that perennially poor performing circuits may be masked by otherwise good system-wide reliability measures, the Final

⁸ See Final Order, pp. 8-9.

Order does not cite any such specific examples. Without specific indications that certain circuits are perennially poor performers, the Final Order is imposing an absolute mandate upon utilities to resolve what may only be a theoretical problem. Thus, at a minimum, the record should be reopened to determine whether in fact circuit-by-circuit benchmarking (and the associated additional data collection and reporting obligations) are necessary to meet actual, existing problems.

B. The Final Order Does Not Include Cost/Benefit Analysis to Support the New Data Collection and Reporting Mandates

Complying with the enhanced data collection and reporting mandates will impose additional costs upon the Joint Petitioners which will, ultimately, be passed on to ratepayers. The Final Order does not include any discussion of the costs that will be imposed upon electric distribution utilities as a result of their compliance efforts and similarly lacks any estimation of the benefits that the increased data collection, reporting and corrective action efforts may yield. Though the Joint Petitioners acknowledge that the Commission has significant discretion to define the criteria by which it considers administrative cases such as this, it has historically employed some level of cost/benefit analysis. Before mandating an enhanced collection and reporting system, the Joint Petitioners respectfully request the Commission to reconsider whether the costs of such a mandate will yield a net benefit.

C. Circuit-by-Circuit Analysis Is Not an Appropriate Benchmark for Measuring Reliability

The Final Order does not address the points raised by the Joint Petitioners in their responses to data requests which indicated that circuit-by-circuit analysis is not an appropriate benchmark. The granular level of detail resulting from circuit-by-circuit

analysis will likely lead to a counterproductive result. For example, reliability may be adversely impacted by an equipment design that is common to all circuits. However, the circuit-by-circuit benchmark analysis would likely not yield a solution where the equipment design issue could be efficiently mitigated across all circuits. Thus, efficiencies will be lost. Second, circuit-by-circuit analysis opens the door for significant annual variability to skew SAIDI and SAIFI rolling averages. The Final Order reorients the reliability improvement focus from root cause mitigation towards emphasis on particular facilities which, again, is not as efficient a mitigation strategy. Third, the use of a five-year rolling average may not be suited for all circuits in that it fails to take into account the changing nature of the uses, density and growth of load. Thus, certain circuits will likely be more volatile than others based upon reasons that have very little to do with factors within the control of utilities. Fourth, the circuit-by-circuit analysis benchmark is an inflexible substitute for the exercise of managerial experience and discretion. One particularly poor year of circuit performance may force a utility to over-invest in a corrective plan for that circuit which prevents the deployment of limited capital on other circuits where improvements may be better invested from a system-wide perspective. In essence, the degree of particularity required by the Final Order removes much of the discretion utility operations managers currently have to manage their entire system, thereby shifting responsibility for achieving system reliability away from the utility and towards a regulatory trigger that may or may not be accurate.

D. The Mandate in the Final Order Should be Promulgated as a Regulation

The final point raised by the Joint Petitioners arises from the industry-wide applicability of the mandates set forth in the Final Order. The increased data collection,

reporting and circuit-by-circuit benchmarking will apply to all jurisdictional electric distribution utilities. Therefore, under the authority of *Commonwealth of Kentucky, ex rel. Frederic J. Cowan, Attorney General, et al. v. Public Service Commission*, Franklin Circuit Court, Division 1, Civil Action No. 90-CI-00798 (July 10, 1991), the mandate would appear to qualify as an “administrative regulation” under KRS 13A.010 and KRS 13A.120(6). Accordingly, additional procedural formalities may be necessary.

III. CONCLUSION

The Joint Petitioners recognize and appreciate that the Commission has scheduled a technical conference for June 28th in this matter to discuss problems that are anticipated to arise in the implementation of the Final Order. The Joint Petitioners believe it is necessary to reconsider the three issues discussed herein, however, as part of that discussion. Accordingly, the Joint Petitioners respectfully request the Commission to grant rehearing pursuant to KRS 278.400.

This 19th day of June 2013.

Respectfully submitted,



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CERTIFICATE OF SERVICE

This will certify that a true and correct copy of the foregoing was served on this 19th day of June, 2013, by delivering same into the custody and care of the U.S. Postal Service, postage pre-paid, addressed to the following:

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