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June 21, 2013

VIA HAND DELIVERY

Jeff DeRouen
Executive Director
KY Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

RE: ***An Investigation of the Reliability Measures of Kentucky's Jurisdictional Electric Distribution Utilities***
Administrative Case No. 2011-00450

Dear Mr. DeRouen:

Enclosed please find and accept for filing the original and ten copies of Kentucky Utilities Company's and Louisville Gas and Electric Company's Motion for Reconsideration and Clarification in the above-referenced matter.

Please confirm receipt of this filing by placing the stamp of your office with the date received on the enclosed additional copies and return them to me via our officer courier.

Sincerely,

W. Duncan Crosby III

WDC:ec
Enclosures
cc: Parties of Record

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF THE RELIABILITY MEASURES OF KENTUCKY'S JURISDICTIONAL ELECTRIC DISTRIBUTION UTILITIES	))))	ADMINISTRATIVE CASE NO. 2011-00450

MOTION OF KENTUCKY UTILITIES COMPANY AND LOUISVILLE GAS AND ELECTRIC COMPANY FOR RECONSIDERATION AND CLARIFICATION

Pursuant to KRS 278.400, Kentucky Utilities Company ("KU") and Louisville Gas and Electric Company ("LG&E") (collectively, "Companies") respectfully move the Kentucky Public Service Commission ("Commission") to reconsider and clarify its May 30, 2013 Order ("Order") in this proceeding. The Order requires jurisdictional electric utilities with distribution facilities to file annually a large amount of new information. In particular, the Order requires utilities to provide annually System Average Interruption Duration Index ("SAIDI") and System Average Interruption Frequency Index ("SAIFI") data for each circuit, and to provide a Corrective Action Plan for each circuit whose one-year SAIDI or SAIFI exceeds the circuit's own rolling-five-year-average SAIDI or SAIFI. Requiring same-circuit-comparison reporting and the filing of associated Corrective Action Plans will increase administrative burdens on utilities, in some years potentially dramatically. Yet this process may in some years overlook a utility's worst-performing circuits while requiring Corrective Action Plans for some of the utility's best-performing circuits. The Companies therefore respectfully ask the Commission to consider eliminating the new same-circuit-comparison requirement in its entirety.

If the Commission decides to keep the new same-circuit-comparison requirement, the Companies respectfully ask the Commission to reduce the administrative burden of the requirement. The Commission could accomplish this in a number of ways. For example, the Commission could require reporting of circuits whose one-year SAIDI or SAIFI exceeds its own rolling-five-year average, and then require a Corrective Action Plan only for the outlier circuits that exceed the average variance of those circuits by two standard deviations. Or the Commission could require reporting only for each utility's top ten worst-performing circuits (similar to the Commission's current reporting requirements).

The Companies further ask the Commission to clarify whether the Order's new reporting requirements supplement or supplant the existing reporting requirements the Commission established in Administrative Case No. 2006-00494.

Finally, the Companies ask the Commission to clarify whether it intends the new reporting requirements to be *de facto* new standards for "adequate, efficient, and reasonable service" with regard to distribution reliability. The Companies believe the new same-circuit-comparison reporting requirement should not be used to judge the reasonableness of a utility's distribution service because it could lead to inefficient distribution investment decisions. The Companies therefore respectfully ask the Commission to state explicitly that the new reporting requirements do not constitute new standards for distribution reliability; however, if the Commission does intend for the new reporting requirements to be *de facto* new distribution reliability standards, the Commission should clearly state its intent and expand upon the contours of the new standards, e.g., what will constitute an acceptable Corrective Action Plan and how long a utility will have to act upon it to avoid adverse consequences, through the promulgation of a formal regulation.

I. The Commission Should Eliminate or Revise the Order's Same-Circuit-Comparison Reporting Requirement Because It Will Increase Administrative Burdens on Utilities without Providing the Commission Useful Information.

The Commission's May 30, 2013 Order in this proceeding imposes significant new reporting requirements on utilities concerning their distribution reliability, but the same-circuit-comparison information to be reported may not help identify poorly performing circuits. The Order requires each utility to report an extensive list of information "[f]or each circuit with either SAIDI or SAIFI value higher than that circuit's respective SAIDI or SAIFI rolling five-year average, excluding MEDs [Major Event Days]," including a Corrective Action Plan for the circuit and any other information to help the Commission understand the circuit's performance.[1] It is not clear how this reporting requirement will help the Commission ensure that utilities are reliably maintaining and operating their distribution systems; indeed, it might produce the perverse result that, at least in some years, the Commission receives no significant reporting or action plans for a utility's consistently poorly performing circuits while it receives extensive reporting and action plans for well-performing circuits that have slightly-below-par years. This will create increased administrative burdens for utilities, which could result in increased costs for customers, without providing the Commission information on circuits that might need improvement.

The administrative burden this reporting will create is substantial. As Greg Thomas testified in this proceeding, the Companies maintain data on, and calculate reliability metrics for, over 1,700 Kentucky-jurisdictional circuits.[2] In any given year, there could be hundreds of circuits with performances slightly less favorable than their rolling-five-year averages, even though they continue to be high-performing circuits. Particularly if the number of circuits upon

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[1] Order at 8-9.
[2] Thomas testimony at 3.

which the Companies must report ranges into the hundreds in some years, it will be administratively difficult to study, analyze, and report on all of the affected circuits by April 1 of the following year without adding significant administrative costs. The Commission Staff will also have the added burden of reviewing the new volumes of information the requirement will necessitate.

Because same-circuit-comparison reporting seems unlikely to produce benefits while it adds administrative burdens, the Companies respectfully ask the Commission not to require it. In the alternative, the Commission should consider revising the requirement to reduce its administrative burden while perhaps increasing the potential usefulness of the information provided. One way to achieve this would be to require reporting only for each circuit whose one-year SAIDI or SAIFI exceeds its own rolling-five-year average by two standard deviations. This approach would help ensure the Commission received reporting on statistically significant performance differences, i.e., circuits that are true outliers. Another possible limiting approach would be to require reporting only for each utility's ten worst-performing circuits, a requirement similar to what exists today. Whatever the Commission chooses, the Companies believe that some limit to the administrative burden is necessary, though the better approach would be to eliminate the requirement entirely.

The Companies further ask the Commission to clarify whether the Order's new reporting requirements supplement or supplant the existing reporting requirements the Commission created in Administrative Case No. 2006-00494.

II. To Avoid Confusion and Potentially Inefficient Distribution Investments, the Commission Should State Clearly Whether It Intends the New Reporting Requirements to Be New Distribution Reliability Standards.

A point of great concern for the Companies is whether the Commission has effectively issued new distribution reliability standards by creating new reporting requirements. KRS

278.030(2) requires every utility to "furnish adequate, efficient and reasonable service," which the Companies strive continually to do. But a new standard for distribution reliability requiring each and every circuit to perform at least as well as its rolling-five-year average would likely require inefficient distribution investments; the best-performing circuits would likely need more investment than they would otherwise receive, and the worst-performing circuits might receive less investment than they would otherwise receive because mere stability or only moderate improvements would be necessary. This would seem not to be an investment approach likely to deliver the most benefit for the cost incurred. Certainly it is not how the Companies prioritize their distribution investments today, and they recommend against requiring such an investment approach.

But if the Commission does intend for the new reporting requirements to be *de facto* new reliability standards, the Companies respectfully ask the Commission to say so explicitly so they and their fellow utilities can accordingly adjust their distribution investment priorities and schedules. The Companies further ask the Commission to clarify and expand upon the new standards through the promulgation of an administrative regulation: What will constitute an adequate Corrective Action Plan? How long will utilities have to execute on such plans? The Commission must address in reasonable detail these and other questions before it can reasonably require utilities to adhere to a new standard.

On the other hand, if the Commission does not intend for the new reporting requirements to be new distribution reliability standards, the Companies respectfully ask the Commission to state that intent, as well.

III. Conclusion

The Companies desire to provide the Commission all the information it reasonably requests to ensure the Companies and their fellow utilities continue to provide adequate, efficient, and reasonable service. But the same-circuit-comparison reporting the Commission's May 30, 2013 Order will increase administrative burdens while providing the Commission information of limited usefulness. This is particularly true if the Commission intends its new reporting requirements to supplant the existing requirement that each utility report on its ten worst-performing circuits. Therefore, the Commission should eliminate or revise the same-circuit-comparison-reporting requirement, and should clarify whether the new requirements supplant or supplement existing reporting requirements.

Also, the Commission's new reporting requirements have created reasonable concern that new *de facto* distribution reliability requirements are now in place. To avoid confusion and permit utilities to adjust their distribution investments if necessary, the Commission should state clearly whether it intends the new reporting requirements effectively to be new distribution reliability standards. If the Commission intends the new reporting requirements to be new standards, the Commission should clarify the standards through the promulgation of an administrative regulation to permit utilities to comply better with them.

WHEREFORE, Kentucky Utilities Company and Louisville Gas and Electric Company respectfully request that the Commission reconsider and clarify its May 30, 2013 Order in this proceeding, and modify it to: (1) eliminate the same-circuit-comparison-reporting requirement, or in the alternative limit the requirement to reduce administrative burden; (2) state whether the new reporting requirements supplant or supplement the existing requirements from Administrative Case No. 2006-00494; (3) state clearly whether the new reporting requirements are intended to be new distribution reliability standards jurisdictional electric utilities must meet; and (4) if the Commission intends the new reporting requirements to be new standards, the

Commission should clarify the standards by issuing an administrative regulation to permit utilities to comply better with them.

Dated: June 21, 2013

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Motion was served via U.S. mail, first-class, postage prepaid, this 21st day of June 2013 upon the following persons:

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