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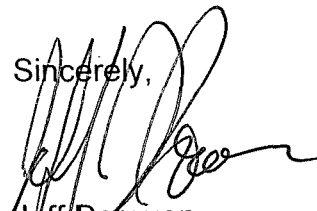
April 30, 2013

PARTIES OF RECORD

Re: Case No. Case No. 2012-00491
APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY TO
IMPLEMENT A GAS REGULATOR INSPECTION PROGRAM AND REQUEST
FOR DEVIATION

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Aaron Ann Cole, Staff Attorney, at 502-782-2591.

Sincerely,



Jeff Derouen
Executive Director

AAC/kar

Attachments

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Aaron Ann Cole, Staff Attorney

DATE: April 29, 2013

RE: Case No. 2012-00491
APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY TO
IMPLEMENT A GAS REGULATOR INSPECTION PROGRAM AND
REQUEST FOR DEVIATION

Pursuant to a Staff notice, an informal conference was held at the Commissions' offices in Frankfort, Kentucky on April 18, 2013. The purpose of the informal conference was to clarify details provided by LG&E in its Application and Responses to the Staff Request for Information to discuss LG&E's current regulator inspection program; to discuss the cost involved with inspecting regulators pursuant to the regulations as opposed to LG&E's proposal to making its sampling program permanent; to clarify the structure and implementation of the proposed sampling program and to determine how it would be developed in the short- and long-term; and to discuss the merits of approving the continuation of the sampling program on a permanent basis. A list of the attendees is attached to this memo.

Commission Staff initiated discussion by asking LG&E about public safety as it related to monitoring and replacing the gas regulators. LG&E responded with an overview of the history of its gas regulator inspection program and the program's path through the Commission since 1995. LG&E stated that inspecting regulators, vents, and relief valves pursuant to PSC regulations would involve approximately 33,000 regulators a year and would add an incremental cost of approximately \$3.5 million annually. LG&E noted that it is already on the customer's property every one, three, and/or five years for operational and maintenance activities such as meter reading, patrolling, and leak surveys. Under the proposed sampling program, LG&E would inspect approximately 7,000 regulators annually while it is already on the customer's property for these other reasons. LG&E stated this would allow it to avoid the additional cost of inspections if conducted pursuant to the requirements of the regulations. LG&E plans to develop a special reporting system database to monitor the regulator inspections and estimates an up-front cost of \$10,000, but no additional costs.

In response to Commission Staff's questions, LG&E responded that 8,657 regulators were examined in 2012 due to the fact that they were replaced as part of the regulator replacement program, but that not all of these regulators were residential.

LG&E also stated that there are more meters than regulators because regulators are not required on all parts of its low pressure systems.

There was also some discussion of the Commission's denial of LG&E's 2002 request for permanent deviation from the regulation setting out regulator inspection requirements. LG&E stated that technology has evolved greatly in the last 11 years during which time it implemented its regulator replacement program, and that today its system is much safer. Additionally, LG&E now knows when all of the regulators were installed, has up-to-date records concerning its regulators, and has the capability to monitor the regulators on a year-to-year basis. In response to Commission Staff's questions, LG&E noted that if a sample group of regulators were to fail in the future, LG&E will examine the data, investigate the issues, and replace the subset of regulators. If the failure is more widespread or a trend is not identified, the whole group of regulators would be replaced. LG&E now has information about the make and model of each regulator, and can determine if and when a specific group of regulators may need to be replaced. LG&E pointed out that regulators today have fail-safe features that its previous regulators did not have, such as internal relief valves that would relieve pressure in the event of failure or over-pressurization. LG&E also stated that its safety program is within standards set by the federal pipeline safety regulations.

Finally, LG&E noted that the pilot nature of its program is no longer necessary due to the regulators being relatively new, well-documented, and the success of its pilot regulator sample testing program. LG&E is, therefore, seeking permission to make the deviation permanent.

There being no further discussions, the informal conference was adjourned.

Attachment

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)
ELECTRIC COMPANY TO IMPLEMENT A GAS) CASE NO.
REGULATOR INSPECTION PROGRAM AND) 2012-00491
REQUEST FOR DEVIATION)

April 18, 2013

Please sign in:

NAME	REPRESENTING
Jason Brangiers	PSC
Leah Faulkner	PSC - FA
Robert Ware	SKO/LGE
ED STATON	LGE/KU
Lonnie Bellar	LGE/KU
MARTY REINERT	LGE/KU
Barry Walker	LGE
Peter Clyde	LGE
Greg Cornett	LGE) KU
RICK LOVEKAMP	LGE
Matthew Baer	PSC
Travis Crump	LGE/KU
MICHAEL JONES	LGE
GARY GLOVER	PSC - ENGINEERING
Aaron Ann Cole	PSC - Legal