

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

LICKING VALLEY RURAL ELECTRIC)
COOPERATIVE CORPORATION)
_____)
ALLEGED FAILURE TO COMPLY)
WITH 807 KAR 5:006, SECTION 26)

CASE NO. 2010-00226

O R D E R

By Order dated July 7, 2010, the Commission directed Licking Valley Rural Electric Cooperative Corporation ("Licking Valley") to appear at a hearing on August 24, 2010 to show cause why it should not be subject to the penalties provided under KRS 278.990(1) for a probable violation of 807 KAR 5:006, Section 26(1)(c), which requires a jurisdictional electric utility to notify the Commission within two hours following any utility-related accident resulting in loss of service for four or more hours to ten percent or 500 or more of the utility's customers, whichever is less. The Order also directed Licking Valley to present evidence at the hearing on the adequacy and reasonableness of its practices related to outage reporting and whether such practices require revision.

The alleged violation arose in late December 2009 when a severe snowstorm impacted much of eastern Kentucky. On December 18 and 19, 2009, the Commission received outage reports from several electric utilities whose service territories are in close proximity to Licking Valley's service area. Upon being contacted by the Commission Staff on December 21, 2009, Licking Valley stated that it had at least 9,000

customers without power at some point during the snowstorm. At that time, Licking Valley also acknowledged that it had failed to timely report the outages as required by 807 KAR 5:006, Section 26.

On July 19, 2010, Licking Valley filed a response to the Commission's July 7, 2010 Order. Licking Valley's response once again acknowledged its failure to comply with 807 KAR 5:006, Section 26, advised the Commission that it had revised its emergency restoration plan, and requested an informal conference with Commission Staff to discuss any issues relating to this matter. An informal conference was subsequently held at the Commission's offices on August 24, 2010.

Discussions during the informal conference between Licking Valley and Commission Staff resulted in a Stipulation of Facts and Settlement Agreement ("Stipulation") which was filed on October 1, 2010. The Stipulation, attached hereto as the Appendix and incorporated herein by reference, sets forth Licking Valley's agreement with the statement of facts contained in the Commission's July 7, 2010 Order. The Stipulation also discusses the remedial actions to be taken by Licking Valley in full satisfaction of the alleged violation of 807 KAR 5:006, Section 26.

In determining whether the terms of the Stipulation are in the public interest and are reasonable, the Commission has taken into consideration the comprehensive nature of the Stipulation, Licking Valley's willingness to revise its emergency restoration procedures, and its cooperation in achieving a resolution of this proceeding. The Commission notes that proper outage-reporting protocol should be an essential part of a utility's comprehensive emergency restoration plan. As we highlighted in the Kentucky Public Service Commission Report on the 2008 Wind Storm and the January

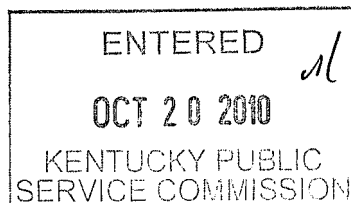
2009 Ice Storm, "confusion over outage reporting procedures can impede effective assessment of outages, hamper call center operations and increase customer frustration." Licking Valley's revised emergency restoration procedures, as filed on July 19, 2010, directly address these concerns.

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that the Stipulation is in accordance with the law and does not violate any regulatory principle. The Stipulation is a product of arm's-length negotiations among capable, knowledgeable parties, is in the public interest, and results in a reasonable resolution of all issues in this case.

IT IS THEREFORE ORDERED that:

1. The Stipulation is adopted and approved in its entirety as a complete resolution of all issues in this case.
2. This case is closed and removed from the Commission's docket.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2010-00226 DATED **OCT 20 2010**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

SEP 30 2010

**PUBLIC SERVICE
COMMISSION**

In the Matter of:

LICKING VALLEY RURAL ELECTRIC)
COOPERATIVE CORPORATION)

CASE NO. 2010-00226

_____)
ALLEGED FAILURE TO COMPLY)
WITH 807 KAR 5:006, SECTION 26)

STIPULATION OF FACTS AND SETTLEMENT AGREEMENT

By Order dated July 7, 2010, the Commission initiated this proceeding to determine whether Licking Valley Rural Electric Cooperative Corporation ("Licking Valley") should be subject to the penalties prescribed in KRS 278.990 for an alleged willful violation of 807 KAR 5:006, Section 26,¹ and to determine the adequacy, safety, and reasonableness of Licking Valley's practices related to outage reporting and whether such practices require revision.

The alleged violation arose in late December of 2009 when a severe snow storm impacted much of eastern Kentucky. On December 18 and 19, 2009, the Commission received outage reports from several electric utilities whose service territories are in close proximity to Licking Valley's service area. Upon being contacted by the Commission Staff on December 21, 2009, Licking Valley stated that it had at least 9,000 customers without power at some point during the snow storm. At that time, Licking

¹ 807 KAR 5:006, Section 26 requires a jurisdictional electric utility to notify the Commission within two hours following any utility-related accident resulting in loss of service for four or more hours to 10 percent or 500 or more of the utility's customers, whichever is less.

Valley also acknowledged that it failed to timely report the outages as required by 807 KAR 5:006, Section 26.

On July 19, 2010, Licking Valley filed a response to the Commission's June 7, 2010 Order. Licking Valley's response once again acknowledged its failure to comply with 807 KAR 5:006, Section 26, advised the Commission that it had revised its Emergency Restoration Plan, and requested an informal conference with Commission Staff to discuss any issues relating to this matter. An informal conference was subsequently held at the Commission's offices on August 24, 2010.

Discussions during the informal conference between Licking Valley and Commission Staff resulted in the following Stipulation of Facts and Settlement Agreement ("Stipulation") which is submitted for the Commission's consideration in rendering its decision:

1. Licking Valley agrees that the July 7, 2010 Order accurately describes and sets forth material facts and circumstances surrounding the incident.

2. Licking Valley agrees to revise its Emergency Restoration Plan to incorporate and implement a process that would ensure timely reporting of accidents, property damage, and/or loss of service in accordance with 807 KAR 5:006, Section 26. Licking Valley's General Manager/CEO will be primarily responsible for contacting the Commission in the event a report is required pursuant 807 KAR 5:006, Section 26. Each of Licking Valley's standby dispatcher will be designated to assume reporting responsibilities whenever Licking Valley's General Manager/CEO is unable to notify the Commission. A company-wide memorandum will also be disseminated informing each employee of the outage reporting regulating and educating Licking Valley's employees

of the importance of timely reporting outages as required under 807 KAR 5:006, Section 26.

3. The scope of this proceeding is limited by the Commission's July 7, 2010 Order on whether Licking Valley should be assessed penalties under KRS 278.990 for a willful violation of 807 KAR 5:006, Section 26, and the adequacy, safety, and reasonableness of its practices related to the outage reporting and whether such practices require revision. No agreement contained in this Stipulation shall be construed as an admission by Licking Valley of any liability in any legal proceeding or lawsuit arising out of the facts set forth in the July 7, 2010 Order, nor shall the Commission's acceptance of this Stipulation be construed as a finding of a violation, willful or otherwise, of any Commission regulation.

4. In the event that the Commission does not accept this Stipulation in its entirety, Licking Valley and Staff reserve their rights to withdraw therefrom and require that a hearing be held on any and all issues involved herein, and that none of the provisions contained herein shall be binding upon the parties thereto, used as an admission by Licking Valley of any liability in any legal proceeding or lawsuit arising out of the facts set forth in the July 7, 2010 Order, or otherwise used as an admission by either party.

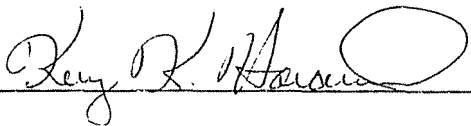
5. This Stipulation is for use only in Commission Case No. 2010-00226, and neither party hereto shall be bound by any part of this Stipulation in any other proceeding, except that this Stipulation may be used in any proceeding by the Commission to enforce the terms of this Stipulation or to conduct a further investigation of Licking Valley service, and Licking Valley shall not be precluded or estopped from

raising any issue, claim, or defense therein by reason of the execution of this Stipulation.

6. Licking Valley and Staff agree that the foregoing Stipulation is reasonable for the purpose of resolving all issues in Commission Case No. 2010-00226, is in the public interest, and should be adopted in its entirety by the Commission. If so adopted by the Commission, Licking Valley agrees to waive its right to a hearing and will not file any petition for rehearing or seek judicial appeal.

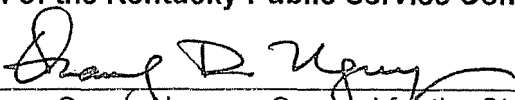
IN WITNESS WHEREOF, the parties hereto have hereunto affixed their signatures this 30th day of September, 2010.

Licking Valley Rural Electric Cooperative Corporation

By: 

Title General Manager/CEO

Staff of the Kentucky Public Service Commission

By: 
Quang Nguyen, Counsel for the Staff

Kerry K Howard
CEO
Licking Valley R.E.C.C.
P. O. Box 605
271 Main Street
West Liberty, KY 41472