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Mark David Goss
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John W. Clay
Commissioner

December 11, 2006

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**PUBLIC SERVICE
COMMISSION**

Ms. Beth O'Donnell
Executive Director
Public Service Commission
Post Office Box 615
Frankfort, KY 40602

Re: Louisville Gas and Electric Company
Case No. 2006-00353

Dear Ms. O'Donnell:

Attached hereto is the Stipulation of Facts and Settlement Agreement entered into by Louisville Gas and Electric Company and Staff. Please bring this document to the Commission's attention for its review and consideration.

Sincerely,

Richard G. Raff
Staff Attorney

RGR:ew
Enclosure

cc: Kent Blake

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

LOUISVILLE GAS AND ELECTRIC)	
COMPANY)	
_____)	CASE NO. 2006-00353
)	
ALLEGED FAILURE TO COMPLY)	
WITH KRS 278.042)	

STIPULATION OF FACTS AND SETTLEMENT AGREEMENT

By Order dated September 29, 2006, the Commission initiated this proceeding to determine whether Louisville Gas and Electric Company ("LG&E") should be subject to the penalties prescribed in KRS 278.990 for one probable violation of KRS 278.042, which requires an electric utility to construct and maintain its plant and facilities in accordance with the most recent edition of the National Electrical Safety Code ("NESC"), which is the 2002 Edition.

The one probable violation of the NESC cited by the Commission's September 29, 2006 Order is NESC, Section 23, Rule 234.C.1 and Table 234-1 by the failure to maintain a minimum horizontal clearance for unguarded or accessible wires, conductors, cables, or rigid live parts that are located adjacent to buildings.

The Commission's Order arose out of an incident which occurred on May 23, 2006, when a painter was painting the exterior wall of a building at 1155 South Shelby Street, Louisville, Kentucky. The painter was lying on his chest on the roof of the building, using an aluminum pole with a paint roller at the end, when he contacted a

4 kV primary conductor running parallel to the roof at a horizontal distance of 2 feet, 2 inches from the rooftop. The painter suffered fatal injuries.

On October 19, 2006, LG&E filed a response to the Commission's September 29, 2006 Order. LG&E's response denies that there was a willful violation of the NESC and denies that the 2002 Edition of the NESC is the version applicable to the 4 kV primary conductor with which contact was made. In response to LG&E's request for an informal conference, the Commission suspended the hearing that had been set for November 15, 2006, and scheduled an informal conference on November 1, 2006.

As a result of discussions held during the informal conference, LG&E and the Commission Staff submit the following Stipulation of Facts and Settlement Agreement ("Stipulation") for the Commission's consideration in rendering its decision in this proceeding:

1. LG&E agrees that the Staff's Incident Investigation Report ("Report"), Appendix A to the Commission's September 29, 2006 Order in this case, accurately describes and sets forth the material facts and circumstances surrounding the incident giving rise to the Order.

2. LG&E agrees to file a report by December 8, 2006, which will set forth the outline of a plan to identify all electric lines that are not in compliance with the horizontal clearance requirements of the applicable version of the NESC. Under LG&E's plan, all lines with a horizontal clearance not meeting the NESC currently in effect will be noted as points of interest, and each of those lines will subsequently be followed up to determine the date that the line was originally built or rebuilt so that the appropriate version of the NESC can be consulted to determine the applicable horizontal clearance.

The 4 kV line involved in this incident has been deenergized for two spans and will eventually be moved. LG&E has also issued in recent months internal bulletins which reemphasize NESC line clearances and the need for compliance therewith.

3. LG&E agrees to pay a civil penalty in the amount of \$2,500 in full settlement of this proceeding. The scope of this proceeding is limited by the Commission's September 29, 2006 Order to whether LG&E should be assessed penalties under KRS 278.990 for a willful violation of the NESC rules as made applicable under KRS 278.042. Neither the payment of the civil penalty, nor any other agreement contained in this Stipulation, shall be construed as an admission by LG&E of any liability in any legal proceeding or lawsuit arising out of the facts set forth in the Report, nor shall the Commission's acceptance of this Stipulation be construed as a finding of a willful violation of any Commission regulation or NESC rule.

4. LG&E acknowledges its obligations and responsibilities to have all of its conductors in compliance with the minimum clearance standards as set forth in the applicable version of the NESC. LG&E's agreement to undertake the remedial action discussed herein shall not be deemed a waiver or exemption from any applicable NESC clearance standard.

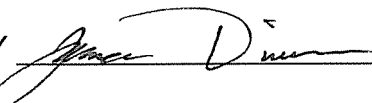
5. In the event that the Commission does not accept this Stipulation in its entirety, LG&E and Staff reserve their rights to withdraw therefrom and require that a hearing be held on any and all issues involved herein, and that none of the provisions contained herein shall be binding upon the parties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

6. This Stipulation is for use in Commission Case No. 2006-00353, 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 LG&E's service, and LG&E shall not be precluded or estopped from raising any issue, claim, or defense therein by reason of the execution of this Stipulation.

7. LG&E and Staff agree that the foregoing Stipulation is reasonable, is in the public interest, and should be adopted in its entirety by the Commission. If so adopted by the Commission, LG&E agrees to waive its right to a hearing and will not file any petition for rehearing or seek judicial appeal.

Dated this 15th day of December, 2006.

LOUISVILLE GAS AND ELECTRIC COMPANY

BY 
Title SENIOR CORPORATE ATTORNEY

STAFF OF THE KENTUCKY PUBLIC SERVICE COMMISSION

BY 
Richard G. Raff, Staff Attorney



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Ms. Beth O'Donnell
Executive Director
Public Service Commission
Post Office Box 615
Frankfort, KY 40602

Re: Louisville Gas and Electric Company
Case No. 2006-00353

Dear Ms. O'Donnell:

Attached hereto for filing in this case is a report prepared by LG&E of a plan to review all conductor clearances to ensure compliance with the applicable edition of the National Electrical Safety Code.

Sincerely,

Richard G. Raff
Staff Attorney

RGR:ew
Enclosure

cc: Kent Blake



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December 8, 2006

VIA HAND DELIVERY

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DEC 08 2006

**PUBLIC SERVICE
COMMISSION**

Richard G. Raff, Esq.
Staff Attorney
Kentucky Public Service Commission
211 Sower Boulevard, Box 615
Frankfort, KY 40602-0615

RE: Case No. 2006-00353
Our File No.: 400001/125221

Dear Mr. Raff:

Pursuant to our agreement with Staff in connection with the above-referenced matter, I enclose herewith a copy of the report of Louisville Gas and Electric Company which has been prepared to outline the clearance review presently in process. We look forward to discussing this plan with you and with Staff at the informal conference on December 11.

If you have any questions in the meantime, please let me know.

Very truly yours,

J. Gregory Cornett

JGC/
Enclosure

LG&E Electric Circuit Clearance Review

Overview

This is an overview of a plan to review conductor clearance from buildings, signs and structures within the Louisville Gas and Electric Company (LG&E) service area. This written report is being provided to Commission Staff as part of a settlement agreement in Kentucky Public Service Commission (PSC) Case No. 2006-00353.

Review Process

LG&E's service area contains 704 overhead circuits operating above 750 volts, with a length of approximately 5,586 miles. LG&E is conducting a focused review to field survey all 704 circuits for horizontal and vertical clearance from buildings, signs and other structures. LG&E has mobilized a team of thirty-four highly experienced employees and contractors of LG&E and Kentucky Utilities Company (KU) to review the LG&E system, assuring the best knowledge, experience, and quality available to address this issue as quickly as possible. Every individual has attended an orientation session to assure each understands the review process and information that is to be collected before going into the field to begin work. These surveyors are in the process of physically examining each circuit to identify overhead facilities operating at or above 750 volts with less than 7.5 feet of horizontal clearance and less than 13.5 feet of vertical clearance as "points of interest". This single set of conservative clearance requirements was used to simplify and expedite the survey. All points of interest will be entered into a database for tracking and identification purposes.

LG&E's service area also includes overhead facilities operating at or below 750 volts, which facilities are generally subject to lesser clearance standards than facilities operating above 750 volts. LG&E will re-emphasize the identification of clearance issues on those and all other overhead facilities in its two-year inspection process beginning January 1, 2007.

Correction Process

It must be emphasized that each point of interest is not necessarily a violation of applicable standards. While a conservative, single set of horizontal and vertical clearance requirements was used to expedite the identification of points of interest, different clearance requirements can apply to buildings, signs and other non-utility structures within a given edition of the National Electrical Safety Code (NESC). Over time, these NESC clearance standards have also changed. Consequently, any points of interest which are identified through the above-stated review process will be further reviewed under the direction of LG&E's Electric Standards Group to determine if the documented clearance complies with the required clearance under the applicable version of the NESC. As each circuit is completed, the data will be entered into a survey database and reviewed under the direction of the Electric Standards Group. Electric Standards will identify any work that needs to be performed to create required clearance or verify that the circuit meets applicable clearance standards.

LG&E expects to complete its identification of all points of interest on its circuits operating above 750 volts by no later than December 29, 2006. Further review of any identified points of interest under the direction of the Electric Standards Group has begun, and any areas found not to be in compliance through this review process will be assigned a high priority for correction.

As noted above, points of interest on facilities operating at or below 750 volts will be identified under LG&E's two-year inspection cycle beginning January 1, 2007. Further investigation under the direction of the Electric Standards Group will occur on a rolling basis as any points of interest are identified on those facilities. Again, any areas found not to be in compliance through that review process will be assigned a high priority for correction.

Further Reports to PSC Staff

Within thirty (30) days of the completion of all work on circuits operating above 750 volts outlined herein, LG&E will provide a final report to Commission staff summarizing the work.