



a PPL company

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

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JUL 16 2012

PUBLIC SERVICE
COMMISSION

**Louisville Gas and Electric
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July 16, 2012

RE: *In the matter of Louisville Gas and Electric Company Alleged Failure
to Comply with KRS 278.495*
Case No. 2012-00239

Dear Mr. DeRouen:

Enclosed please find and accept for filing the original and ten copies of
Louisville Gas and Electric Company's Response to the Commission's Order of
June 26, 2012 and Motion to Suspend Hearing and Schedule Informal
Conference in the above-referenced matter.

Should you require anything further, please contact me at your convenience.

Sincerely,

Rick E. Lovekamp

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

LOUISVILLE GAS AND ELECTRIC)
COMPANY)
_____))
))
))
ALLEGED FAILURE TO COMPLY)
WITH KRS 278.495)

CASE NO. 2012-00239 **RECEIVED**

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PUBLIC SERVICE
COMMISSION

**RESPONSE OF LOUISVILLE GAS AND ELECTRIC
COMPANY TO THE COMMISSION'S ORDER OF
JUNE 26, 2012 AND MOTION TO SUSPEND HEARING
AND SCHEDULE INFORMAL CONFERENCE**

On June 26, 2012, the Kentucky Public Service Commission ("Commission") issued an Order directing Louisville Gas and Electric Company ("LG&E") to file a written response to the allegations contained in the Utility Investigation Report ("Report") prepared by Commission Staff for an incident occurring on December 6, 2011 at 5206 River Trail Place in Louisville, Kentucky. For its response to the Commission's Order and the Report, LG&E states as follows:

1. With respect to the section of the Report entitled Brief, LG&E states that the information contained in subsections entitled PSC Inspectors, Name of Utility, Type of Facility, Type of Inspection, Inspection Purpose, Date and Time of Accident, and Location of Incident is accurate. With respect to the subsection entitled Applicable Regulations and Statutes, LG&E states that the listed regulations are relevant, but further states that additional federal and state statutes may also be relevant.

2. With respect to the section of the Report entitled Utility Information, LG&E states that the information therein is accurate.

3. With respect to the section of the Report entitled Notification, LG&E states that

the information therein is accurate.

4. With respect to the section of the Report entitled Investigation and Interviews, LG&E states that a large portion of the section consists of: (a) an accounting of steps taken by Commission Investigators; and (b) personal observations made in the course of their investigation. LG&E has neither basis nor reason to dispute that accounting and those personal observations, but is, generally, without specific knowledge as to the exact steps taken and observations made. Therefore, LG&E cannot verify their accuracy. Subject to that caveat, LG&E agrees with the statements in the Investigation and Interviews section.

5. With respect to the section of the Report entitled Subsequent Investigation Items, LG&E states that a large portion of the section consists of: (a) an accounting of steps taken by Commission Investigators beginning on December 14, 2011; and (b) a “summary of relevant information that was gathered through . . . interviews.”¹ LG&E has neither basis nor reason to dispute the accounting of steps taken, but is, generally, without specific knowledge as to those steps and therefore cannot verify their accuracy. As to the “summary of relevant information that was gathered through . . . interviews,” LG&E agrees with the bulk of that summary, but also states that it does not agree that all information relevant to this matter is contained in that section. LG&E further states as follows:

(a) LG&E disputes the statement on page 8 of the Report that “Mr. Peavler found his highest gas readings coming from three storm drains at the intersection of River Trail Place and Queens Castle Drive,” and states that the readings in all three drains were not the same and that the highest reading was in the drain farthest from 5206 River Trail Place.

(b) LG&E disputes the statement on page 8 of the Report that “the sewer manhole eleven (11) feet from the storm drain was not checked for migrating gas”

¹ Report, p. 8.

(c) LG&E disputes the statement on page 8 of the Report that Mr. Peavler “did not monitor the perimeter during this time period.”

(d) LG&E disputes that statement on page 8 of the Report that Mr. Peavler “did not check service lines for migrating gas” to the extent it implies that service facilities in the vicinity were not checked. There were no service lines in the leak area (as Mr. Peavler learned when he checked service line maps from his vehicle) and Mr. Peavler did, in fact, check numerous service meters on River Trail Place prior to the explosion.

(e) With respect to the statement on page 9 of the Report that “Mr. Peavler did not check the inside of 5207 River Trail Place for gas readings,” LG&E states that both LG&E and Okolona Fire Department personnel did, in fact, check 5207 River Trail Place for gas readings after the explosion.²

(f) With respect to the statement on page 9 of the Report that “Mr. Dodson stated in his training if gas readings were found in multiple storm drains this would prompt checking gas readings inside of homes,” LG&E states that, with regard to any training materials, those materials speak for themselves.

(g) LG&E disputes the statement on page 10 of the Report that “[Mr. Nichter’s] gas detecting instrument, which only registers up to ten percent gas, maxed out at the sewer manhole at the incident site.”

(h) LG&E disputes the statement on page 10 of the Report that “a reading of fourteen (14) percent gas was found in 5207 River Trail Place two hours after the explosion.” LG&E’s own measurement at this location at nearly the identical time indicated a natural gas level of approximately half of one percent by volume. LG&E believes there may be confusion

² As set forth below, LG&E disputes the statement at p. 3 of the Commission’s June 26, 2012 Order that the fire department detected a 14 percent gas reading at 5207 River Trail Place after the explosion.

between two of the commonly used measurements to describe the amount of natural gas in the air. One measurement is the percentage of natural gas in the air by volume. The Report and the Commission's June 16, 2012 Order use that measurement repeatedly. The other measurement is expressed as a percentage of the Lower Explosive Limit ("LEL") of natural gas. To explain, in order for natural gas to be explosive, it must be present in the air at a range of approximately 5 to 15 percent of the total air volume. Generally speaking, five percent is the LEL and fifteen percent is the Upper Explosive Limit (beyond which the gas/air mixture is too rich with gas to explode). In other words, if five percent of the air is natural gas, that constitutes the minimum amount necessary for it to be explosive. However, if more than fifteen percent of the air is natural gas, it becomes non-explosive. It is possible that some of the percentages discussed in the Report and the Commission's Order express numbers that are actually a *percentage* of LEL (which would be a fraction of a fraction or a *percentage* of five percent of total air volume) rather than a percentage of natural gas in the air by volume. For example, 50 percent of LEL would only be 2.5 percent of gas in the air by volume which would not be sufficient for ignition but which would be readily detectable by a person with an average sense of smell. As to the statement that a reading of 14 percent of gas was found, that percentage is one that would be so readily sensed by smell that gas detection devices would not even be necessary.

6. With respect to the section of the Report entitled Findings, LG&E disagrees that it committed any of the violations alleged as the four violations (numbered 1 – 4) at pages 12 – 15 of the Report.³

7. With respect to the section of the Report entitled Recommendations, LG&E requests an informal conference with Commission Staff so that it can discuss a possible resolution of this matter.

³ These four alleged violations are also set forth at page 3 of the Commission's June 26, 2012 Order.

8. With respect to the statement on page 3 of the Commission's June 26, 2012 Order, that "[Mr. Peavler] did not establish or monitor the perimeter, nor did he check service lines for migrating gas," LG&E states that Mr. Peavler did perform above ground monitoring in the leak area and that there were no service lines in the immediate leak area. Further, to the extent the Commission's June 26, 2012 Order and/or the Commission's June 26, 2012 press release repeat, restate or paraphrase content from the Report, LG&E states that all of its responses above apply likewise to the Commission's Order and its press release.

9. As to the issue of the operating pressure of the subject gas line, LG&E states and believes that it has at all times operated the relevant gas lines within the established maximum allowable operating pressure ("MAOP"), and that any minor variance above MAOP was a result of normal equipment fluctuations that were well below the variance of up to ten percent above MAOP that is allowed under federal law (49 CFR 192.201(a)(2)(i)). Moreover, LG&E states that the pressure of the subject gas line did not exceed MAOP on December 6, 2011 before the incident which is the subject of this proceeding.


10. Finally, with regard to the cause of the explosion, LG&E states that the actions taken by the Company did not cause the gas leak or the explosion at issue. Indeed, fire investigators determined that a high-pressure leak in a water line cut a hole in LG&E's gas line, thereby allowing gas to escape. There has been no allegation, much less a finding by anyone, that LG&E was responsible for the high-pressure leak in the water line. Moreover, LG&E states that the Commission's investigation made no findings as to whether the alleged violations in this matter contributed to the explosion.

NOW THEREFORE, LG&E requests that this case be dismissed, or, in the alternative, that the hearing date set for November 27, 2012 be suspended and that an informal conference be

scheduled with the Commission Staff for the purposes of discussing settlement, the recommendations made in the Report, and expediting resolution of this proceeding. LG&E's willingness to discuss settlement is not, and should not be construed as, an admission of liability or fault on its part.

Dated: July 16, 2012

Respectfully submitted,



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