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May 25, 2005

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RECEIVED

MAY 27 2005

**PUBLIC SERVICE
COMMISSION**

Dale Wright, Esq.
Staff Counsel
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RE: Case No. 2004-00412

Dear Mr. Wright:

I am writing on behalf of Kentucky Utilities Company ("KU") to propose an agreed resolution in the above-referenced matter. As you know, on August 26, 2004, Jim Dimas, in-house counsel for KU, forwarded an Investigative Report to David White of the PSC. The subject of the report was an injury to a KU employee sustained on August 17, 2004. Pursuant to 807 KAR 5:006, Section 26, the Investigative Report was due on August 24, 2004. The Report was filed two days late, as noted above, due to inadvertent oversight on KU's part.

We understand that Commission Staff has expressed some concern that the Report was filed late. Even before those concerns were stated, however, KU, together with Louisville Gas and Electric Company ("LG&E"), recognized that there could be certain internal process improvements to facilitate timely incident reporting. By letter to the PSC's Executive Director dated March 2, 2005, KU set forth the steps it had taken, beginning in November 2004, to ensure compliance with the regulations governing incident reporting. In light of those proactive steps, which have to date been very effective, KU would like to propose a resolution of this matter on the following terms:

- KU and Staff would enter into a standard Settlement Agreement to be submitted to the Commission;
- KU would be assessed a penalty of \$500 for its failure to timely comply with the reporting requirement of 807 KAR 5:006, Section 26, with \$400 of that penalty suspended for a period of two years and thereafter waived if KU is not found to have any further violation of 807 KAR 5:006, Section 26 during that two-year suspension period; and

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- While KU would acknowledge a technical violation of 807 KAR 5:006, Section 26, by failing through oversight to timely report an incident, the Agreement would not constitute a finding or admission of any other violation of Commission regulation or statute, including but not limited to any violation in connection with the underlying incident which was the subject of the Report.

Please consider this offer and contact me at your convenience to discuss whether it is acceptable to the Staff.

Very truly yours,

A handwritten signature in black ink, appearing to read "J. Gregory Cornett", with a long horizontal flourish extending to the right.

J. Gregory Cornett

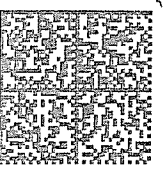
JGC/ec

cc: James Dimas, Esq.
John Wolfram

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