



Ernie Fletcher
Governor

Teresa J. Hill, Secretary
Environmental and Public
Protection Cabinet

Christopher L. Lilly
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

John W. Clay
Commissioner

December 7, 2006

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

Re: Louisville Gas and Electric Company
Case No. 2006-00352

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,

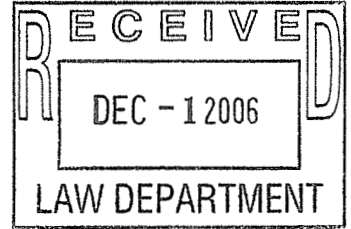
A handwritten signature in black ink, appearing to read "Richard G. Raff".

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)
_____))
ALLEGED FAILURE TO COMPLY)
WITH KRS 278.042 AND 807 KAR 5:006,)
SECTION 24)

CASE NO. 2006-00352

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, which is the 2002 Edition ("NESC"), and one probable violation of 807 KAR 5:006, Section 24, which requires a utility to adopt and execute a safety program, including the establishment of a safety manual with written guidelines for safe working practices and procedures to be followed by utility employees.

The one probable violation of the NESC cited by the Commission's September 29, 2006 Order is NESC, Section 42, Rule 420.D, by the employees' failure to consider electric supply lines to be energized, unless they are positively known to be deenergized, and by failing to perform preliminary tests to determine existing conditions. The one probable violation of LG&E's Health and Safety Manual cited by the

Commission's September 29, 2006 Order is Section E5.2, by the failure of employees working on cables or apparatus carrying less than 600 volts to take extra precautions in using necessary rubber protective equipment, in observing adequate clearances, and by using approved insulated tools in order to prevent short circuits.

The Commission's Order arose out of an incident which occurred on July 14, 2006, when two LG&E employees were trying to locate a fault on an underground secondary conductor at 8 Brownsboro Hill Road, Louisville, Kentucky. After locating the suspected fault, one of the LG&E employees began pulling on what he thought was the neutral conductor, but it was actually a secondary supply conductor energized with 120 volts for testing purposes. His hand then contacted an uninsulated splice and he received a secondary shock and was hospitalized.

On October 19, 2006, LG&E filed a response to the Commission's September 29, 2006 Order. LG&E's response denies that there were any willful violations of either the NESC or its Health and Safety Manual, and claims that there is no provision under 807 KAR 5:006, Section 24 for the imposition of a penalty due to employee misconduct or negligence. LG&E's response also states that it cannot be subjected to multiple penalties for two probable violations which have substantially similar requirements and which arise from the same conduct. 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 use the facts of this incident as part of its employee training program. The LG&E employee involved in this incident who was not using proper protective equipment received a written reprimand.

3. LG&E agrees to pay a civil penalty in the amount of \$2,000 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 and a willful violation of its Health and Safety Manual as made applicable under 807 KAR 5:006, Section 24. 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. 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.

5. This Stipulation is for use in Commission Case No. 2006-00352, 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.

6. 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 1st day of ^{December} ~~November~~, 2006. JD

LOUISVILLE GAS AND ELECTRIC COMPANY

BY 
Title SENIOR CORPORATE ATTORNEY

STAFF OF THE KENTUCKY PUBLIC SERVICE COMMISSION

BY 
Richard G. Raff, Staff Attorney