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Commonwealth of Kentucky  
**Public Service Commission**  
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David L. Armstrong  
Chairman

James W. Gardner  
Vice Chairman

Charles R. Borders  
Commissioner

September 30, 2010

Jeff Derouen, Executive Director  
Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

Re: 2010-00226 Licking Valley Show Cause

Dear Mr. Derouen:

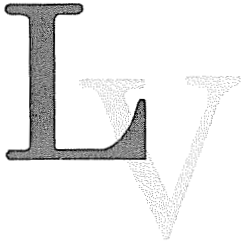
Commission Staff and Licking Valley Rural Electric Cooperative Corporation submit the attached Stipulation of Facts and Settlement Agreement to be filed into the record of the above referenced matter and request that the Commission review and approve same.

Sincerely,

A handwritten signature in black ink, appearing to read "Quang D. Nguyen".

Quang Nguyen  
Staff Attorney

QN:kar  
Enclosure



**LICKING VALLEY**  
RURAL ELECTRIC COOPERATIVE CORPORATION  
P. O. Box 605 • 271 Main Street  
West Liberty, KY 41472-0605  
(606) 743-3179



**KERRY K. HOWARD**  
General Manager/CEO

September 29, 2010

**RECEIVED**

SEP 30 2010

**PUBLIC SERVICE  
COMMISSION**

Mr. Quang D. Nguyen  
Staff Attorney  
Kentucky Public Service Commission  
211 Sower Blvd.  
Frankfort, Kentucky 40602-0615

RE: 2010-00226 Licking Valley Show Cause  
Joint Stipulation and Agreement

Dear Mr. Nguyen:

As requested, please find enclosed the signed 2010-00226 Licking Valley Show Cause Joint Stipulation and Agreement.

If additional information is needed or required regarding this matter, please let me know.

Sincerely,

Kerry K. Howard  
General Manager/CEO

KKH:slv

Enclosure

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 )

\_\_\_\_\_ )

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

CASE NO. 2010-00226

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,<sup>1</sup> 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

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<sup>1</sup> 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.

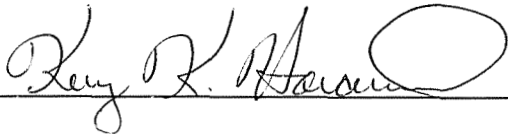
5. This Stipulation is for use only in Commission Case No. 2010-00226, and neither party hereto shall be bound by any part of this Stipulation in any other proceeding, except that this Stipulation may be used in any proceeding by the Commission to enforce the terms of this Stipulation or to conduct a 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.

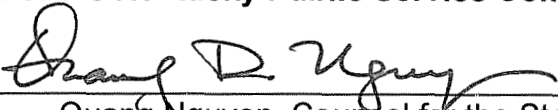
IN WITNESS WHEREOF, the parties hereto have hereunto affixed their signatures this 30<sup>th</sup> day of September, 2010.

**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