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November 27, 2012

Mr. Jeff Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

Re: Licking Valley Rural Electric Cooperative Corporation  
Case No. 2012-00372

Dear Mr. Derouen:

Attached hereto is the Stipulation of Facts and Settlement Agreement entered into by Licking Valley Rural Electric Cooperative Corporation and Staff. Please bring this document to the Commission's attention for its review and consideration.

Sincerely,

A handwritten signature in cursive script that reads "L. Allyson Honaker".

L. Allyson Honaker  
Staff Attorney III

Enclosure

cc: Gregory D. Allen

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

LICKING VALLEY RURAL ELECTRIC	)	
COOPERATIVE CORPORATION	)	
_____	)	CASE NO. 2012-00372
	)	
ALLEGED FAILURE TO COMPLY	)	
WITH 807 KAR 5:006	)	

**STIPULATION OF FACTS AND SETTLEMENT AGREEMENT**

This agreement is formally known as a Stipulation of Facts and Settlement Agreement ("Settlement Agreement"). The parties to this Settlement Agreement are Licking Valley R.E.C.C. ("Licking Valley") and Staff of the Kentucky Public Service Commission ("Commission Staff"). It is the intent and purpose of the parties hereto to express their agreement on a mutually satisfactory resolution of all of the issues in the proceeding.

It is understood by the parties that this Settlement Agreement is not binding upon the Public Service Commission ("Commission"). The Commission must independently approve and adopt this Settlement Agreement before this matter can be deemed concluded and removed from the Commission's docket. The parties have expended considerable efforts to reach a stipulation as to the facts of this matter, as well as in developing a proposal for settlement. Licking Valley and Commission Staff agree that this Settlement Agreement, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding.

In addition, the adoption of this Settlement Agreement will eliminate the need for the Commission, Commission Staff, and Licking Valley to expend significant resources in litigating this proceeding and will eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final Order.

### **FACTS**

Licking Valley and the Commission Staff submit this stipulation of facts for the Commission's consideration. Commission Staff submitted to the Commission an Incident Investigation Report ("Report") regarding this incident. The report alleges that on April 17, 2012, at Highway 1812 and Hurst Lane in Wolfe County, Kentucky, Ryan Rose, an employee of R & L Contracting, Inc. ("R & L"), a contractor for Mountain Rural Telephone Cooperative Corporation, Inc. ("Mountain Rural"), sustained injuries as a result of an accident while attempting to raise the height of a telephone service drop on a Licking Valley service pole.

According to the Report, on the day of the incident the victim climbed the Licking Valley service pole to raise a telephone service drop attached to the pole. When Mr. Rose released the tension of the telephone service drop, the pole fell while he was still attached to it.

According to the Report, it appears that the Licking Valley service pole was located on the edge of a creek bank and the dirt around the base of the pole had been washed away and the pole was setting on bedrock in the creek bed. It appears the pole was being supported by the attached conductors and down guys. It was discovered during the investigation that the most recent documentation provided by Licking Valley

on the two-year distribution system inspection on the involved facilities was dated August 30, 2006.

Licking Valley and Commission Staff agree that the Report fairly and accurately describes events which occurred on the day of the April 17, 2012 incident.

#### SHOW CAUSE ORDER

By a Show Cause Order dated September 10, 2012, the Commission initiated this proceeding to determine whether Licking Valley should be subject to the penalties prescribed in KRS 278.990 for a probable violation of 807 KAR 5:006. The alleged violation cited in the Commission's September 10, 2012, Order is as follows:

807 KAR 5:006. General Rules.

Section 25. Inspection of Systems.

(4) Electric utility inspection. Each electric utility shall make systematic inspections of its system in the manner set out below to insure that the commission's safety requirements are being met. These inspections shall be made as often as necessary but not less frequently than is set forth below for various classes of facilities and types of inspections.

(d) At intervals not to exceed two (2) years, the utility shall inspect electric lines operating at voltages of less than sixty-nine (69) KV, including insulators, conductors and supporting facilities.

On October 1, 2012, Licking Valley filed a response to the Commission's September 10, 2012 Order and requested an informal conference be held in this matter. Pursuant to that request, an informal conference was scheduled in this matter for November 7, 2012, at the Commission's Frankfort offices. Representatives of Licking Valley were in attendance, as were Commission Staff.

During the informal conference representatives of Licking Valley confirmed that they have taken proactive steps to improve the inspection process to aid in completing the system inspection within the time frames prescribed in 807 KAR 5:006, Section 25.

### **SETTLEMENT AGREEMENT**

As a result of discussions held during the informal conference, Licking Valley and the Commission Staff submit the following settlement agreement for the Commission's consideration in this proceeding:

1. Licking Valley agrees that the Commission Staff's Incident Investigation Report, Appendix A to the Commission's September 10, 2012 Order in this matter, accurately describes and sets forth material facts and circumstances surrounding the April 17, 2012 incident.

2. In settlement of this proceeding, Licking Valley agrees for a civil penalty of \$2,500.00 to be assessed. Licking Valley agrees to pay the \$2,500.00 civil penalty within 30 days of the date of the Order approving this settlement. The scope of this proceeding is limited by the Commission's September 10, 2012 Order on whether Licking Valley should be assessed a penalty under KRS 278.990 for willful violations of 807 KAR 5:006 and the adequacy, safety, and reasonableness of its practices related to the construction, installation and repair of electric facilities and whether such practices require revision. Neither the payment of the \$2,500.00 nor any other agreement contained in this Stipulation, shall be construed as an admission by Licking Valley of any liability in this matter, or in any legal proceeding or lawsuit arising out of the facts set forth in the Report, nor shall the Commission's acceptance of this Settlement

Agreement be construed as a finding of a willful violation of any Commission regulation or NESC rule.

3. Within 30 days of the date of entry of the Order approving this Settlement Agreement, Licking Valley shall provide to the Commission a summary on how Licking Valley is now performing the two-year system inspection.

4. Within 30 days of the date of entry of the Order approving this Settlement Agreement, Licking Valley shall provide to the Commission a list of all circuits that have been completed since January 1, 2012, including dates of the inspection and who performed the inspection of each circuit.

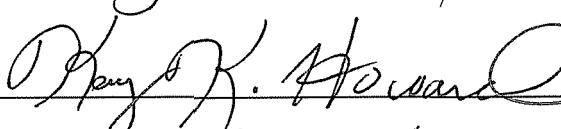
5. On or before June 30, 2013, Licking Valley shall provide to the Commission a summary report of the final system inspection including dates each circuit was inspected and who performed the inspection on each circuit. All specific information regarding this inspection shall be made available to Commission inspectors upon request during the normal periodic inspections.

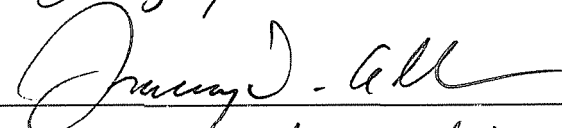
6. In the event that the Commission does not accept this Settlement Agreement in its entirety, Licking Valley and Commission Staff reserve their rights to withdraw from it and require that a hearing be held on any and all issues involved and that none of the provisions contained within this Settlement Agreement shall be binding upon the parties, used as an admission by Licking Valley of any liability in any legal proceeding, administrative proceeding or lawsuit arising out of the facts set forth in the Incident Investigation Report or otherwise used as an admission by either party.

7. This Settlement Agreement is for use in Commission Case No. 2012-00372, and no party to this matter shall be bound by any part of this Settlement Agreement in any other proceeding, except that this Settlement Agreement may be used in any proceedings by the Commission to enforce the terms of this Settlement Agreement or to conduct a further investigation of Licking Valley's service. Licking Valley shall not be precluded or estopped from raising any issue, claim or defense therein by reason of the execution of this Settlement Agreement.

8. Licking Valley and Commission Staff agree that this Settlement Agreement is reasonable, is in the public interest, and should be adopted in its entirety by the Commission. If 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.

**LICKING VALLEY R.E.C.C.**

By: (print name) Kerry R. Howard  
By: (sign name)   
Title: GENERAL Manager / CEO  
Date: 11-19-2012

By: (print name) GREGORY D. ALLEN  
By: (sign name)   
Title: Attorney - Licking Valley RECC  
Date: 11-19-12

**STAFF OF THE KENTUCKY PUBLIC SERVICE COMMISSION**

By: (print name) L. Allyson Honaker

By: (sign name) *L. Allyson Honaker*

Title: Staff Attorney

Date: 11-20-12