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November 9, 2012

HAND DELIVERED

Hon. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40601

Re: Louisville Gas and Electric Company

Dear Mr. Derouen:

We enclose for filing an original and ten (10) copies of the Application of Louisville Gas and Electric Company for authority to implement a gas regulator inspection program and Request for Deviation. Thank you in advance for your assistance.

Sincerely,

Robert Watt

Robert M. Watt, III

rmw:rmw
Enclosure
cc: J. Gregory Cornett, Esq. (w/ encl.)

400001.143990/4089911.1

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY TO IMPLEMENT A GAS REGULATOR INSPECTION PROGRAM AND REQUEST FOR DEVIATION	)))))	**CASE NO.**

APPLICATION AND REQUEST FOR DEVIATION

Applicant, Louisville Gas and Electric Company ("LG&E"), pursuant to KRS Chapter 278 and applicable sections of 807 KAR, Chapter 5, respectfully submits this Application for authority to implement a gas regulator inspection program ("Regulator Program") as described below and in the attachment hereto. Further, pursuant to 807 KAR 5:006, Section 27, LG&E requests authorization to deviate from the requirements of 807 KAR 5:006, Section 25(5)(b) so as to implement the Regulator Program. In support of the foregoing request, LG&E states as follows:

1. The full name and mailing address of LG&E are: Louisville Gas and Electric Company, Post Office Box 32010, 220 West Main Street, Louisville, Kentucky 40232.

2. LG&E is a Kentucky corporation authorized to do business in the Commonwealth of Kentucky. LG&E is a utility engaged in the electric and gas business. LG&E generates and purchases electricity, and distributes and sells electricity at retail in Jefferson County and portions of Bullitt, Hardin, Henry, Meade, Oldham, Shelby, Spencer, and Trimble Counties. LG&E also purchases, stores, and transports natural gas

and distributes and sells natural gas at retail in Jefferson County and portions of Barren, Bullitt, Green, Hardin, Hart, Henry, Larue, Marion, Meade, Metcalfe, Nelson, Oldham, Shelby, Spencer, Trimble, and Washington Counties.

3. A certified copy of LG&E's Articles of Incorporation is on file with the Commission in Case No. 2010-00204, *In the Matter of: The Joint Application of PPL Corporation, E.ON AG, E.ON U.S. LLC, Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of an Acquisition of Ownership and Control of Utilities,* filed on May 28, 2010, and is incorporated by reference herein pursuant to 807 KAR 5:001, Section 8(3).

4. In Case No. 2000-00278, *In the Matter of: The Application of Louisville Gas and Electric Company for Approval of a Permanent Statistical Meter Sampling Plan,* LG&E requested approval of a permanent statistical gas meter sampling plan and, in conjunction therewith, requested that it be granted authority to deviate from 807 KAR 5:006, Section 25(5)(b) so that it could check gas regulators for proper delivery pressure and proper lock-off when a customer's meter is changed under the sample testing. While the Commission approved the permanent statistical meter sampling plan, it denied the request for deviation regarding gas regulators, finding that LG&E "had not provided sufficient evidence that its proposal with regard to regulators will provide safe, reliable, and efficient service to its customers."[1]

5. Thereafter, LG&E filed an application with the Commission requesting authority to implement an aggressive ten year program to replace approximately 190,554 residential regulators to assure safety, reliability and efficiency. In the same application

[1] Case No. 2000-00278, *In the Matter of: The Application of Louisville Gas and Electric Company for Approval of a Permanent Statistical Meter Sampling Plan,* Order dated November 7, 2001.

LG&E requested that the Commission permit LG&E to deviate from the requirements of 807 KAR 5:006, Section 25(5)(b) so that it could inspect regulators on a statistical basis in conjunction with, and as part of, its approved statistical gas meter sampling plan. Case No. 2002-00262, *In the Matter of: The Application of Louisville Gas and Electric Company to Implement a Gas Regulator Inspection and Replacement Program.*

6. By order dated August 29, 2002, the Commission approved the ten year gas regulator inspection and replacement program, but directed LG&E to request a permanent deviation from the requirements of 807 KAR 5:006, Section 25(5)(b) at the completion of that program if it wishes to inspect residential regulators on a statistical basis in conjunction with, and as part of, its permanent gas meter sampling plan.[2]

7. LG&E has now completed the ten year gas regulator inspection and replacement program authorized by the Commission in Case No. 2002-00262. All regulators serving residential accounts on the elevated pressure system have been installed since 2002. All medium pressure regulators serving residential accounts have been installed since 1996. All regulators serving residential accounts now have vents open to the outside of the premises. All regulators serving residential accounts now have full relief. LG&E's computerized database has been upgraded to track detailed regulator data and performance for serving residential accounts.

8. As required by the order dated August 29, 2002, in Case No. 2002-00262, LG&E has included, as part of its statistical gas meter sampling report filed with the Commission April 1 of each year, a report documenting regulator performance and the repairs made to new or existing regulators.

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[2] Case No. 2002-00262, *In the Matter of: The Application of Louisville Gas and Electric Company to Implement a Gas Regulator Inspection and Replacement Program,* Order dated August 29, 2002.

9. LG&E proposes that all individual customer service regulators, vents and relief valve vents associated with residential accounts, including first stage regulation facilities (farm taps), be included in a regulator inspection program by which such regulators, vents and relief valve vents are inspected on a statistical basis in conjunction with, and as part of, its approved gas meter sampling plan, a copy of which is attached hereto as Attachment 1.

10. LG&E's Regulator Program will provide safe, reliable, and efficient service to its customers, is in the best interests of its customers and should be approved. A deviation from the requirements of 807 KAR 5:006, Section 25(5)(b) should be approved so that LG&E may implement the Regulator Program.

11. Copies of all orders, pleadings and other communications related to this proceeding should be directed to:

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WHEREFORE, Louisville Gas and Electric Company respectfully requests the Commission to enter an order approving the above-described gas regulator inspection program and granting it a deviation from the requirements of 807 KAR 5:006, Section 25(5)(b) so that it may implement the Regulator Program.

Dated: November 9, 2012

Respectfully submitted,

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LOUISVILLE GAS & ELECTRIC GAS METER PERFORMANCE CONTROL PROGRAM

54.10 GAS METER PERFORMANCE CONTROL PROGRAM

Introduction

Louisville Gas and Electric's **Gas Meter Performance Control Program** is a procedure designed to provide a continuous high level of accuracy in the measurement of gas delivered to LG&E customers while controlling metering cost.

54.10.1 General Description of Program

LG&E's Gas Meter Performance Control Program is based on the **American National Standard – Sampling Procedures and Tables for Inspection by Attributes – ANSI/ASQC Z1.4-1993**, covering all classes of positive displacement diaphragm gas meters. Under Performance Control, LG&E's gas meter populations will be classified into homogeneous control groups representing populations of like meters installed in like years.

Once created, a control group would be subject to sample testing based on its rated capacity class as follows:

A. Residential Class - Up to and including 500cfh

Sampling to be conducted in the 2nd, 4th, and 6th service years, with annual sampling beginning in the 8th service year. Control groups of residential class gas meters will remain in service until exhausted through sampling, but no longer than 35 years.

B. Commercial Class - 501cfh up to and including 1500cfh

Sampling will be conducted in the second service year, with annual sampling starting in year four. No meter in this class will remain in service for a period greater than ten years.

C. Industrial Class - Over 1500cfh

Annual sampling shall begin 12 months after the installation date but no later than 15 months, while no meters will remain in service for a period greater than five years.

D. LG&E will notify the Public Service Commission and request a deviation from the residential 32 meter sample limit for any small group of prototype gas meters it may install for evaluation.

54.10.2 Creation of Meter Control Groups

A. Control groups of positive displacement gas meters will be created and maintained according to the original manufacturer and model, as well as the year installed.

B. New control groups will be established and identified at the end of each year from those gas meters installed during the year between January 1 and December 31.

ATTACHMENT 1

C. Control Groups of like meters with different years of installation may be combined, however, in combining control groups of like meters with different installation years, the earliest installation year of the control groups combined will become the controlling year of installation for the new control group.

54.10.3 Control Group Sampling

At the beginning of each year, the meters to be sampled will be generated by the meter subsystem. This work will be split amongst the various service centers as dictated by their geographic location.

In general, sample sizes for each control will be determined using the "Table I – Sample Size Code Letters – General Inspection Level II" from the American National Standard - Sampling Procedures and Tables For Inspection By Attributes (see Table I below). This sample size will be based on the total volume of meters in the control group as of January 1st of each scheduled sampling year.

TABLE I: Sample Size Code Letters

Control Group Size	Sample Size Code Letter
2 to 8	A
9 to 15	B
16 to 25	C
26 to 50	D
51 to 90	E
91 to 150	F
151 to 280	G
281 to 500	H
501 to 1,200	J
1,201 to 3,200	K
3,201 to 10,000	L

No Control Group Shall Exceed 10,000 Gas Meters

54.10.4 Sample Sizes

A. Residential Class Meters

A minimum sample size of 32 meters will be used for this class of meters.

B. Commercial & Industrial Class Meters

Due to the small control groups in theses classes of meters, the full range of sample sizes, as indicated in Table I – Sample Size Code Letters – General Inspection Level II , will be used to determine the number of meters sampled for a given population.

54.10.5 Accuracy Deviation Standards / Sampling Tables

A. Test Criteria

All control groups eligible for sampling, will be accepted or rejected on the maximum number of meters that test (prove) greater than plus or minus 2 percent error as shown in the inspection plans tables based on a AQL of 6.5.

Control groups which fail to meet this standard for the maximum number of meters greater than plus or minus 2 percent error shall be administered per Section 54.10.7 of the plan.

B. Test Exclusion

Meters shall be excluded from the testing criteria for the following reasons:

1. Damage not associated with normal operating conditions which may have artificially altered how the meter was actually performing while in service.

2. Meters which LG&E suspects have been tampered with, to include meters removed by theft and later recovered by LG&E.

TABLE II-A: SINGLE SAMPLING PLANS FOR NORMAL INSPECTION GENERAL INSPECTION LEVEL II

Code Letter	Control Group Size	Sample Size	Accept Level	Reject Level
A	2-8	2	0	1
B	9 – 15	2*	0	1
C	16 – 25	8*	1	2
D	26 – 50	8	1	2
E	51 – 90	13	2	3
F	91 – 150	20	3	4
G	151 – 280	32	5	6
H	281 – 500	50	7	8
J	501 – 1,200	80	10	11
K	1,201 – 3,200	125	14	15
L	3,201 – 10,000	200	21	22

* American National Standard states: When no sampling plan is available for a given combination of AQL and code letter, the tables direct the user to a different letter. The sample size to be used is given by the new code letter, not by the original letter.

Example: A control group of 4,000 meters would have a sample size of 200 meters randomly selected for testing. If no more than 21 of the sample meters exceeded the limit of plus 2 percent error, the remaining meters in the control group would remain in service through the next sampling period. If 22 or more of the sample meters exceeded the plus 2 percent limitation, the entire control group would be classified for removal or a plan for selective removal instituted to improve the control groups accuracy. (See Section 54.10.7)

Tightened Sampling
When normal sampling is in effect, tightened inspection shall be instituted when 2 out of 5 consecutive control groups of like meters have been non-acceptable on original inspection.

TABLE II-B: SINGLE SAMPLING PLANS FOR TIGHTENED INSPECTION GENERAL INSPECTION LEVEL II

Code Letter	Control Group Size	Sample Size	Accept Level	Reject Level
A	2-8	3*	0	1
B	9 – 15	3	0	1
C	16 – 25	13*	1	2
D	26 – 50	13*	1	2
E	51 – 90	13	1	2
F	91 – 150	20	2	3
G	151 – 280	32	3	4
H	281 – 500	50	5	6
J	501 – 1,200	80	8	9
K	1,201 – 3,200	125	12	13
L	3,201 – 10,000	200	18	19

* American National Standard states: When no sampling plan is available for a given combination of AQL and code letter, the tables direct the user to a different letter. The sample size to be used is given by the new code letter, not by the original letter.

Reduced Sampling
Strong performing meter groups can be sampled under the following Reduced Sampling criteria. This reduces the number of meters to be sampled, while tightening the failure criteria for the group. When normal inspection is in effect, reduced inspection may be instituted providing all of the following conditions are satisfied.

A. The preceding 10 control groups of like meters have been on normal inspection and all have been accepted on original inspection; and

B. The total number of deviate gas meters in the samples from the preceding 10 control groups of like meters is equal to or less than the applicable number given in Table VIII. If double or multiple sampling is in use, all samples inspected shall be included, not "first" samples only; and

C. The sampling plan administrator considers reduced sampling desirable.

When a control group is on reduced sampling, if the acceptance number has been exceeded, but the rejection number has not been reached, the control group is accepted, but normal inspection is reinstated the next scheduled sampling year.

TABLE II-C: SINGLE SAMPLING PLANS FOR REDUCED INSPECTION GENERAL INSPECTION LEVEL II

Code Letter	Control Group Size	Sample Size	Accept Level	Reject Level
A	2-8	2	0	1
B	9 – 15	2*	0	1
C	16 – 25	3*	0	2
D	26 – 50	3	0	2
E	51 – 90	5	1	3
F	91 – 150	8	1	4
G	151 – 280	13	2	5
H	281 – 500	20	3	6
J	501 – 1,200	32	5	8
K	1,201 – 3,200	50	7	10
L	3,201 – 10,000	80	10	13

* American National Standard states: When no sampling plan is available for a given combination of AQL and code letter, the tables direct the user to a different letter. The sample size to be used is given by the new code letter, not by the original letter.

TABLE VIII

Sample Units	AQL of 6.5	Sample Units	AQL of 6.5
20-29	NA	800-1249	42
30-49	0	1250-1999	69
50-79	0	2000-3149	115
80-129	2	3150-4999	186
130-199	4		
200-319	8		
320-499	14		
500-799	25		

Double Sample Plan

The number of sample units first inspected shall be equal to the first sample size given by the plan. If the number of non-conforming meters found in the sample is equal to or less than the first acceptance number, the control group shall be considered acceptable.

If the number of non-conforming meters found in the first sample is equal to or greater than the first rejection number, the control group shall be considered not acceptable. If the number of non-conforming meters found in the first sample is between first acceptance and rejection numbers, a second sample of the size given by the plan shall be tested. If the cumulative number of non-conforming meters in the two samples is equal to or less than the second acceptance number, the control group shall be considered acceptable. If the cumulative number of non-conforming meters is equal to or greater than the second rejection number, the control group shall be considered not acceptable.

TABLE III-A DOUBLE SAMPLING NORMAL INSPECTION
SAMPLE SIZE SELECTION - GENERAL INSPECTION LEVEL II

Code Letter	Control Group Size	1st or 2nd Sample	Sample Size	Accept Level	Reject Level
A	2-8	1st	2	0	1
		2nd	*	*	*
B	9 – 15	1st	2	0	1
		2nd	*	*	*
C	16 – 25	1st	5	0	2
		2nd	5	1	2
D	26 – 50	1st	5	0	2
		2nd	5	1	2
E	51 – 90	1st	8	0	3
		2nd	8	3	4
F	91 – 150	1st	13	1	4
		2nd	13	4	5
G	151 – 280	1st	20	2	5
		2nd	20	6	7
H	281 – 500	1st	32	3	7
		2nd	32	8	9
J	501 – 1,200	1st	50	5	9
		2nd	50	12	13
K	1,201 – 3,200	1st	80	7	11
		2nd	80	18	19
L	3,201 – 10,000	1st	125	11	16
		2nd	125	26	27

* Double sampling table states: Use corresponding single sample plan (or alternatively, use double sampling plan below, where available)

TABLE III-B DOUBLE SAMPLING TIGHTENED INSPECTION
SAMPLE SIZE SELECTION - GENERAL INSPECTION LEVEL II

Code Letter	Control Group Size	1st or 2nd Sample	Sample Size	Accept Level	Reject Level
A	2-8	1st	2	0	1
		2nd	*	*	*
B	9 – 15	1st	2	0	1
		2nd	*	*	*
C	16 – 25	1st	8	0	2
		2nd	8	1	2
D	26 – 50	1st	8	0	2
		2nd	8	1	2
E	51 – 90	1st	8	0	2
		2nd	8	1	2
F	91 – 150	1st	13	0	3
		2nd	13	3	4
G	151 – 280	1st	20	1	4
		2nd	20	4	5
H	281 – 500	1st	32	2	5
		2nd	32	6	7
J	501 – 1,200	1st	50	3	7
		2nd	50	11	12
K	1,201 – 3,200	1st	80	6	10
		2nd	80	15	16
L	3,201 – 10,000	1st	125	9	14
		2nd	125	23	24

* Double sampling table states: Use corresponding single sample plan (or alternatively, use double sampling plan below, where available)

TABLE III-C DOUBLE SAMPLING REDUCED INSPECTION SAMPLE SIZE SELECTION - GENERAL INSPECTION LEVEL II

Code Letter	Control Group Size	1st or 2nd Sample	Sample Size	Accept Level	Reject Level
A	2-8	1st	2	0	1
		2nd	*	*	*
B	9 – 15	1st	2	0	1
		2nd	*	*	*
C	16 – 25	1st	2	0	2
		2nd	2	0	2
D	26 – 50	1st	2	0	2
		2nd	2	0	2
E	51 – 90	1st	3	0	3
		2nd	3	0	4
F	91 – 150	1st	5	0	4
		2nd	5	1	5
G	151 – 280	1st	8	0	4
		2nd	8	3	6
H	281 – 500	1st	13	1	5
		2nd	13	4	7
J	501 – 1,200	1st	20	2	7
		2nd	20	6	9
K	1,201 – 3,200	1st	32	3	8
		2nd	32	8	12
L	3,201 – 10,000	1st	50	5	10
		2nd	50	12	16

* Double sampling table states: Use corresponding single sample plan (or alternatively, use double sampling plan below, where available)

54.10.7 Failed Control Groups / Accuracy Improvement / Removal

When a control group is classified as "failed" and a poor performing sub-group can be identified for separation from the original control group, the deviate sub-group will be removed from service within a 12 month period.

If, by the removal of a specific sub-group of meters, LG&E can demonstrate that the original control group of meters now meets the accuracy standard under General Inspection Level II for Normal Inspection, the remaining meters in the original control group shall remain in service. The original control group shall be sampled the immediate following year if it is not a scheduled sample year for the control group.

If a deviate sub-group of meters cannot be identified to improve the control groups accuracy, then LG&E will make every reasonable effort to remove the entire control group of meters from service within 18 months once it has failed the applicable governing standard for the control group.

Subgroups of the control group may be determined by evaluating the date of original purchase, date of original manufacture, and date of remanufacture. Other methods of determining subgroups may also be used.

54.10.8 Performance Classification Time Parameters

Scheduled control group testing for each test year shall begin January 1 and be completed by December 31 of the test year. The statistical analysis of the control groups tested will begin at the end of the test year and will be completed within a three month period. The finalized test results will be published for review and a copy submitted to the Public Service Commission of Kentucky.

54.10.9 Meter Sampling Program Tracking

A. Change Forecasting and Tracking
At the beginning of each calendar year, a forecast will be generated by month which identifies how many meters will be required for sampling, plus any additional removal requirements for failed meter groups. This will be compiled by the meter sampling plan administrator (meter shop), or a service center representative within the Gas Distribution group. Once this is compiled, it will be sent to each location and used for planning purposes.

At the end of each month, each service center location will supply data to the group which compiled the original forecast. This data will include the number of sample meters changed and the number of failed meters changed and will be compared to the original forecast. This data will provide a program status for each center and will be used for planning out the balance of the calendar year

B. Meter Performance Tracking

The program administrator will provide a report which indicates the level of performance for each meter group being sampled. This data will include the number of meters that have been changed for each group, as well as the number of meters that have failed the sampling criteria. This report will be will be used for planning out the subsequent year (i.e. if some groups appear to be headed for failure, the number of meters to change for the following year will increase).

54.10.10 Specific Safety Measures With Extended Meter Service Periods

When a customers meter is changed under sample testing, the LG&E service person at that time shall, whenever possible, meter test the customers house piping (House Line) and visually inspect any areas of the customers premises they gain entry to for possible defective operating conditions related to the customer's use of natural gas. **Customer premises having a gas service regulator shall have the gas regulator checked for proper delivery pressure and proper lock off.**

A summary of the above inspections shall be included in LG&E 's annual report on sample testing to the commission. This section of LG&E's annual report shall detail at minimum the following statistics:

A. Number Of Customer Premises Inspected As Part Of Sample Testing.
B. Number Of Customer appliances/piping/venting "Red Tagged" As Defective.
C. Break Down By Type of "Red Tags" issued

54.10.11 Sampling Plan For New Gas Meters

In lieu of 100 percent out-test on new gas meters, LG&E may choose to sample test lots of new gas meters in accordance with the American National Standard – Sampling Procedures and Tables for Inspection by Attributes – ANSI/ASQC Z1.4-1993, using the specified Sampling Plan for Normal Inspection – General Inspection Level II, with an **AQL of 1.0** under the below guidelines.

A. All new meters purchased by LG&E will be 100 percent tested by the manufacturer before shipment to LG&E. The manufacturers test results for each meter must accompany the meter at the time it is received or before shipment to LG&E.

B. Lots of new meters shall be homogeneous, established of like meters based on model, manufacturer, and date received.

C. Lot size will not exceed 1,000 gas meters.

D. Accuracy deviation standard used for rejection shall be any meter which test greater than the Kentucky Public Service Commission accuracy standard of ½ of 1 percent, plus or minus, when passing gas at approximately twenty twenty (20) percent and one hundred (100) percent of it's rated capacity.

E. If the sample from any lot fails the sampling inspection, the entire lot shall be rejected as deviate. LG&E will have the option of either performing 100 percent out-test and calibration or shipment of the lot back to the manufacturer for re-calibration.

F. Lots of new gas meters passing sampling shall have the remaining meters within the lot accepted with the manufacturers test results recorded as the out-test calibration of the meter before it is placed in service.

G. Lots of new meter accepted or rejected under this procedure shall be reported In LG&E's annual review of its Gas Meter Performance Control Plan submitted to the Kentucky Public Service Commission.

New Gas Meter Sampling Table

Code	Lot Size	Sample Size	Accept Level	Reject Level
A	2 to 8	All Tested	All Tested	All Tested
B	9 to 15	13	0	1
C	16 to 25	13	0	1
D	26 to 50	13	0	1
E	51 to 90	13	0	1
F	91 to 150	13	0	1
G	151 to 280	50	1	2
H	281 to 500	50	1	2
J	501 to 1,000	80	2	3

* American National Standard states: When no sampling plan is available for a given combination of AQL and code letter, the tables direct the user to a different letter. The sample size to be used is given by the new code letter, not by the original letter.