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September 9, 2016

PARTIES OF RECORD

Re: Case No. 2016-00173

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum please do so within five days of receipt of this letter.

If you have any questions, please contact Virginia Gregg, Commission Staff Attorney, at 502-782-2584.

Sincerely,

A handwritten signature in blue ink that reads "Talina R. Mathews".

Talina R. Mathews
Executive Director

VG/ph

Attachment

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File

FROM: Virginia W. Gregg, Staff Attorney

DATE: September 9, 2016

RE: Case No. 2016-00173
Application of Louisville Gas and Electric Company for a Limited Deviation from the Provisions of Certain Sections of 807 KAR 5:022

Pursuant to Commission Staff's Notice of August 17, 2016, an informal conference was held on that same date at the Commission's offices in Frankfort, Kentucky, for the purpose of discussing substantive and procedural issues in this case. A list of the attendees is attached hereto.

The conference began with Louisville Gas and Electric Company's ("LG&E") providing an overview of its application seeking a limited deviation from certain provisions of 807 KAR 5:022. LG&E representatives noted that in the past certain Commission regulations governing pipeline safety were similar to federal regulations but over time certain federal regulations have been amended, while the Commission's regulations have not been. LG&E stated that while there is still some overlap in what is currently required by the federal regulations and the Commission's regulations, in certain situations this is no longer the case. LG&E asserted that approval of its application would allow it more operational flexibility, while still maintaining a safe system.

Commission Staff ("Staff") and LG&E representatives next discussed the differences between certain federal regulations and the Commission's counter-part regulations, as well as LG&E's reasoning for seeking certain deviations. LG&E stated that adherence to 807 KAR 5:022, Section 10(16), relating to atmospheric corrosion control for aboveground pipelines, does not give a utility the same operational flexibility as 49 CFR 192.479(c) in determining when, and in certain situations if, a pipeline must be cleaned and either coated or jacketed in order to maintain safety. LG&E next explained that while the inspection interval for a pipeline exposed to the atmosphere under 807 KAR 5:022, Section 10(17) cannot exceed three (3) years, 49 CFR 192.481 has been amended to extend the inspection interval to once every three (3) calendar years not to exceed 39 months. LG&E pointed out that in certain situations, the longer interval allowed by the federal regulation would allow LG&E to coordinate its corrosion control inspections with its leak surveys, which would allow it operational and scheduling flexibility. In response to Staff's questions, LG&E stated that an inspection for corrosion is currently conducted by its meter readers at the time they read the meters. LG&E utilizes Tru Check, a third party vendor, to read its meters. Questions

were raised by Staff regarding the qualifications of the Tru Check employees to conduct corrosion inspections. LG&E responded that its meter readers are currently qualified to identify atmospheric corrosion per the standards set forth in 807 KAR 5:022, Section 10(16).

There was next a discussion of the mandated time frame for LG&E to retain records of each test, survey or inspection required that demonstrate the adequacy of corrosion control measures under 807 KAR 5:022, Section 10(22)(b)(2), which is "as long as the pipeline remains in service," compared to the shorter five years it is required to retain these records under 49 CFR 192.491(c). LG&E argued that the five-year timeframe is adequate, and that retaining these records beyond that timeframe does not offer any operational value. Staff questioned LG&E about its methods of storage and whether paper records are kept, which would require physical storage space, or whether these records are kept electronically.

LG&E also seeks to deviate from the same timeframe (life of the pipeline) that it is required to retain its records of leaks discovered, repairs made, transmission line breaks, leakage surveys, line patrols and inspections of transmission lines under 807 KAR 5:022, Section 14(6), while 49 CFR 192.709 shortens the retention period to five years, or until the next patrol, survey, inspection or test is completed, whichever is longer. LG&E stated that no operational value is provided for the administrative burden for LG&E to retain these records beyond the five years required by the federal regulation.

Finally, Staff and LG&E representatives discussed the reasons that LG&E is seeking a limited deviation from 807 KAR 5:022, Section 14(8)(a), which dictates how a utility must repair imperfections or damage that impairs serviceability of a segment of a steel transmission line operating at or above forty (40) percent of SMYS. LG&E pointed out that 49 CFR 192.713 provides more flexibility in making these repairs by allowing a utility to utilize methods of repair as long as reliable engineering tests and analyses show the methods used can permanently repair the pipeline. Staff questioned how the more flexible methods of repair would be developed and tested prior to use. LG&E stated that the engineering testing and analyses of the new methods of repair would be conducted by the manufacturer, prior to use by the utility. LG&E also argued that the more flexible federal regulation regarding methods used for repairing steel transmission lines would provide more safety than the current methods required under the Commission's regulation.

Staff pointed out that the five deviations LG&E is seeking to apply to its entire system is a very broad request. LG&E stated that there would be "operational cost savings" and that these savings would benefit its customers. LGE admitted, however, that there has not been any objective cost analysis conducted to quantify any anticipated savings.

There being no further discussions, the informal conference was adjourned.

Attachment

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC)
COMPANY FOR A LIMITED DEVIATION FROM THE) CASE NO.
PROVISIONS OF CERTAIN SECTIONS OF 807 KAR) 2016-00173
5:022)

Informal Conference – August 17, 2016

Please sign in:

NAME	REPRESENTING
Jason Hynt	PSC
Bob Russell	PSC
Pete Clyde	LG&E
Travis Crump	LG&E
Rick Lorekamp	LG&E
Allyson Sturgeon	LG&E
GARY GLOVER	PSC
JAMES RICE	"
Virginia Gregg	PSC

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