

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

MODIFICATIONS TO LOUISVILLE GAS)
AND ELECTRIC COMPANY'S GAS)
SUPPLY CLAUSE TO INCORPORATE) CASE NO. 2001-017
AN EXPERIMENTAL PERFORMANCE-)
BASED RATEMAKING MECHANISM)

FIRST DATA REQUEST OF COMMISSION STAFF TO
THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY

The Attorney General of the Commonwealth of Kentucky ("AG") is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before May 25, 2001. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to page 2 of the Direct Testimony of Richard A. Galligan ("Galligan Testimony") which shows that Mr. Galligan has presented testimony in over thirty jurisdictions, including Kentucky. There is no reference in the Galligan Testimony to

indicate the nature of Mr. Galligan's previous testimony, the docket number of the cases in which he testified, the utilities involved in the proceedings in which he testified, or the parties Mr. Galligan represented in those proceedings.

a. Provide a listing of all proceedings in which Mr. Galligan has testified which identifies the jurisdiction, the docket number, the utility involved in the proceeding, the party Mr. Galligan represented, and a short description of the testimony.

b. Provide the testimony filed in any of the proceedings identified in the prior response that dealt with performance-based rate-making ("PBR") matters similar to those at issue in this proceeding.

2. Refer to pages 10-11 and 14-15 of the Galligan Testimony regarding the Commission's consideration of allowing LG&E's small volume customers the ability to choose their natural gas suppliers in a competitive environment. This is also included in the Conclusions section of the testimony. Please clarify whether this is merely a suggestion by Mr. Galligan or whether the AG is recommending that the Commission require LG&E to make customer choice available to its small volume customers.

3. Refer to pages 22-23 of the Galligan Testimony, specifically the discussion of a PBR approach that Mr. Galligan indicates is already in place as part of Northern Indiana Public Service Company's ("NIPSCO") gas cost PBR mechanism.

a. Provide the basis of Mr. Galligan's knowledge of NIPSCO's PBR including whether he has testified in any related proceeding and identify the period of time for which this PBR has been in effect. If he has testified in such a proceeding, provide the relevant testimony.

b. Provide the NIPSCO tariff section(s) which sets out the provisions of its gas cost PBR and any orders of the Indiana Utility Regulatory Commission in which the PBR to which Mr. Galligan refers was approved or modified.

4. Refer to pages 20-23 of the Galligan Testimony which deal with the Gas Acquisition Index Factor (“GAIF”) component of LG&E’s PBR. Mr. Galligan discusses the commodity component of the GAIF but includes no discussion of the supplier reservation fee component of the GAIF. Explain whether Mr. Galligan reviewed the supplier reservation fee component of the GAIF and if, by the omission of any specific recommended changes thereto, he is agreeing to the continued operation of that component assuming the PBR is continued in some form.

5. Refer to page 26 of the Galligan Testimony wherein he recommends that LG&E be permitted to retain 50 percent of new pipeline discounts obtained after the start of the experimental PBR program.

a. Explain whether by this statement Mr. Galligan is referring to all pipeline transportation discounts negotiated by LG&E since October 1, 1997.

b. Does the information obtained by the AG via his data requests to LG&E identify the discounts of which Mr. Galligan says LG&E should retain 50 percent? If yes, provide a listing of those discounts.

6. Mr. Galligan’s discussion of pipeline discounts is the only reference in the Recommendations section of his testimony to the sharing percentage included in LG&E’s PBR. In view of Mr. Galligan’s suggestion that LG&E retain 50 percent of such discounts, explain whether this indicates that Mr. Galligan favors retaining the 50

percent sharing percentage and, if so, whether the sharing percentage applies to all components of the PBR.

7. The Galligan Testimony makes no recommendations on the capacity release component of the Transportation Index Factor included in LG&E's PBR. Explain whether Mr. Galligan reviewed the capacity release component and if, by the omission of any specific recommended changes thereto, he is agreeing to the continued operation of that component assuming the PBR is continued in some form.

8. The Galligan Testimony makes no recommendations on the Off-System Sales Index Factor ("OSSIF") included in LG&E's PBR. Explain whether Mr. Galligan reviewed the OSSIF and if, by the omission of any specific recommended changes thereto, he is agreeing to the continued operation of OSSIF assuming the PBR is continued in some form.

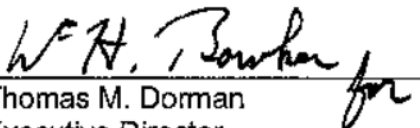
9. Refer to pages 26-28 of the Galligan Testimony, which sets out the reasons for Mr. Galligan's opposition to the storage improvement component proposed by LG&E. Therein, Mr. Galligan argues that the proposal is unnecessary because LG&E can determine when to file for a general increase in rates and unreasonable since it would permit LG&E to advance the revenue stream associated with new storage deliverability without reflecting the market valuation that the effect of advancing this revenue stream would have on LG&E's required return and because it reflects estimated costs rather than actual costs.

a. The Commission allows electric utilities to recover actual environmental compliance costs, including return, taxes, depreciation, and operating expenses, through an environmental surcharge without the need for a general rate

case. Although he might still think it unnecessary, explain whether Mr. Galligan would consider a storage improvement component reasonable if it reflected actual costs, or included an adjustment mechanism to reconcile actual and estimated costs, and if it included only a partial return, or debt-related return, as was done in the case of LG&E's environmental surcharge for a period of years.

b. Recognizing that Mr. Galligan may consider a storage improvement component of any type unnecessary, if the provisions outlined in part (a) of this request do not, in Mr. Galligan's opinion, produce a reasonable storage improvement component, provide a description of what, if any, provisions Mr. Galligan would suggest.

10. Provide the workpapers and supporting documentation used to generate the AG Benchmark figures in Exhibit RAG-2.


Thomas M. Dorman
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DATED May 11, 2001

cc: All Parties