COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY TO IMPLEMENT A NATURAL GAS SUPPLY HEDGE PLAN	)))	CASE NO. 2003-00149

FIRST DATA REQUEST OF COMMISSION STAFF TO LOUISVILLE GAS AND ELECTRIC COMPANY

Louisville Gas and Electric Company (LG&E), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due not later than 10 days from the date of this request. 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 herein has been previously 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 application. LG&E states that its gas acquisition strategies have resulted in rates that are below the Commonwealth and national averages. Provide a schedule that compares LG&E s gas costs against the Commonwealth and national averages for the past two years.

2. Refer to pages 8-9 of the application. LG&E provides a standard deviation analysis of its weighted average annual cost, weighted average annual net gas supply expense, and weighted average annual gas commodity rate.

a. Provide the calculations and assumptions used to determine the weighted averages.

b. Provide the calculations and assumptions used to determine the standard deviations and the volatility percentages.

c. In footnote 7, LG&E defines net gas supply expenses as purchased gas costs less storage injection costs plus storage withdrawal costs. Are the injection and withdrawal costs to which the footnote refers the same category of costs as the injection and withdrawal costs reported in LG&E s Gas Supply Clause (GSC)?

3. Refer to pages 9-10 of the application. LG&E provides an expected mean weighted average cost estimate for the 12 months ended April 30, 2003, along with the expected standard deviation and volatility for scenarios with and without storage and a monthly GSC filing. Provide the calculations and assumptions used to determine these figures.

4. Refer to page 10 of the application. LG&E states that under Alternative 1 there will be no change in the way it currently incurs or recovers its gas supply costs and no additional costs to customers.

a. Explain whether LG&E would use its storage capabilities even if stored gas did not help decrease price volatility for the customer.

b. If yes, explain why.

5. Refer to page 11 of the application that describes Alternative 2. Provide the current premium for strike prices of $5.00, $6.00, $7.00 and $8.00.

6. Under Alternative 2, who at LG&E would make the decisions when to purchase the call options, which strike price to use, etc.?

7. For the above answer, provide a table demonstrating the experience level of each individual with authority to make each such decision.

8. Refer to page 16 of the application, the Winter Maximum Financial Hedge Volumes Table. Alternative 2 presents a certain percentage to be hedged using financial instruments.

a. Explain how LG&E arrived at this percentage.

b. Would this percentage have any significant effect on the weighted average price that LG&E customers paid?

9. Refer to page 17 of the application.

a. Explain how LG&E determined the amount for the Price Stabilization Fund.

b. When would LG&E start passing through the transaction and premium costs in the GCA?

10. Refer to page 20 of the application where LG&E provides the effect of Alternative 2. At what percentage would this effect change?

11. Refer to page 22 of the application. LG&E states that it has drafted the necessary policies, procedures, and controls to implement a financial hedging program. Provide a copy of the policies, procedures, and controls.

Thomas M. Dorman
Executive Director
Public Service Commission
P. O. Box 615
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DATED May 13, 2003

cc: All Parties