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 AN EXPERIMENTAL PERFORMANCE BASED RATEMAKING MECHANISM	) CASE NO. 2005-00031

SECOND 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 8 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than March 15, 2005. 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. Provide a description and dollar amount of any additional expense, other than those included in the PBR mechanism itself, that LG&E has incurred during the experimental period covered by Case No. 2001-00017.[1]

2. Refer to Item 1, page 2, of LG&E's response to the Commission Staff's first data request.

a. LG&E provides a discussion of the management of its contracting, operational, credit and other risks incurred in pursuing additional savings under the PBR mechanism. Does LG&E incur any additional expenses in trying to manage its risks?

b. If yes, provide a description and amount of the additional expense.

c. LG&E states that some of its supply strategies and actions to achieve savings under the PBR mechanism have proven successful, some have not. Identify and describe all strategies and actions that were not successful.

3. Refer to Item 1, page 3, of LG&E's response to the Commission Staff's first data request, which includes a discussion of LG&E's contracting risks.

a. Does LG&E use fixed price contracts?

b. Provide the percentage of purchases that use first-of-month indices, mid-month price indices, and any other types of contracts used by LG&E.

4. Refer to Item 1, page 4, of LG&E's response to the Commission Staff's first data request.

[1] Case No. 2001-00017, Modification to Louisville Gas and Electric Company's Gas Supply Clause to Incorporate an Experimental Performance-Based Ratemaking Mechanism.

a. LG&E states that it assumes contracting risk through the negotiation of discounts with interstate pipeline transportation providers. Explain how negotiating a discount for interstate pipeline transportation puts LG&E at risk.

b. LG&E states that it faces the threat of a pipeline bypassing it to directly serve a customer in order to recoup some of the discounts awarded to LG&E. Provide the number of times that LG&E has experienced this type of bypass.

c. When a pipeline has bypassed LG&E in this manner, was the bypass initiated by the pipeline or the customer?

5. Refer to Item 1, page 5, of LG&E's response to the Commission Staff's first data request.

a. LG&E states that the elimination of discounts may increase its risk under the PBR mechanism, depending on a pipeline's ability to recover the cost of those discounts from other customers.

(1) Would LG&E ever pay more than the maximum rate for pipeline service approved by the Federal Energy Regulatory Commission ("FERC")?

(2) If yes, under what circumstances?

(3) If no, explain any risks LG&E may incur.

b. Under the heading "Storage Management Risks," LG&E discusses the limits it faces in operating its storage capabilities. Are these limits a result of timing issues? For example, does LG&E have to inject a certain volume each day or month to meet the needs of its system?

6. Refer to Item 1, page 6, of LG&E's response to the Commission Staff's first data request. LG&E discusses the possibility that a supplier may interrupt the gas supply if it was purchased as recallable gas.

a. Provide the number of times that a supplier has interrupted gas sold to LG&E and explain the circumstances of the recall.

b. Explain LG&E's options if a supplier recalls gas purchased by LG&E. For example, does LG&E purchase the gas needed from another source.

7. Refer to Item 1, page 7, of LG&E's response to the Commission Staff's first data request. LG&E discusses its purchases of gas at constrained points, allowing it to purchase gas at below-market prices.

a. Provide the percentage of LG&E's portfolio that includes these types of contracts.

b. Are these contracts fixed priced or indexed priced?

8. Refer to Item 1, pages 8-9, of LG&E's response to the Commission Staff's first data request in which LG&E discusses its credit risks. Provide the number of times, during the PBR trial period, that LG&E experienced a counter party's default.

9. Refer to Item 2, pages 6-7, of LG&E's response to the Commission Staff's first data request. LG&E proposes two alternatives to encourage it to continue long-term contracts. The first is to benchmark reservation fees on a contemporaneous basis instead of a historical basis, and the second is to eliminate the use of historical reservation fees to benchmark supply reservation fees and benchmark these fees outside of the PBR mechanism.

a. Provide the contemporaneous level of reservation fees.

b. Explain how LG&E envisions that benchmarking reservation fees outside of the PBR mechanism would work.

10. Refer to Item 5(b), page 1, of the response to the Attorney General's first set of data requests. LG&E states that pipelines and customers may enter into agreements that include negotiated rates higher than the otherwise applicable FERC-approved rates. Describe the type of situation that would result in a customer agreeing to pay more than the FERC-approved rate.

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DATED March 3, 2005

cc: All Parties