

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

LOUISVILLE GAS AND ELECTRIC)
COMPANY'S PROPOSED RENEWAL AND)
MODIFICATION OF ITS PERFORMANCE-) CASE NO. 2014-00476
BASED RATEMAKING MECHANISM)

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
TO LOUISVILLE GAS AND ELECTRIC COMPANY

Louisville Gas and Electric Company ("LG&E"), pursuant to 807 KAR 5:001, is 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 within 14 days of the date of this request. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

LG&E shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

LG&E fails or refuses to furnish all or part of the requested information, LG&E shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When filing a response containing personal information, LG&E shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Explain whether cash-outs paid by Firm Transportation Service customers, Operational Flow Order penalties, and Action Alert penalties affect the gas cost savings that flow through LG&E's Performance-Based Ratemaking ("PBR") mechanism.

2. Refer to the first two full sentences on page 3 of the *Report on LG&E's Gas Supply Cost Performance-Based Ratemaking Mechanism* ("Report"). Provide a practical example of each kind of risk assumed by LG&E, along with the steps LG&E takes to manage each kind of risk.

- a. Refer to page 15 of the Report. The first complete sentence at the top of the page reads as follows: "Given the risk levels inherent in LG&E's gas supply cost PBR mechanism, LG&E is proposing a more balanced sharing of risk and

rewards.” Identify and describe in detail the “risk levels inherent in LG&E’s gas supply PBR mechanism” referenced in the sentence.

b. Explain how the risks associated with LG&E’s gas supply PBR mechanism have changed/increased since its filing in Case No. 2009-00550,¹ in which it proposed no changes to the sharing ratios previously approved for its gas supply PBR mechanism

3. Refer to the second full paragraph on page 3 of the Report. State whether LG&E expects its customers to realize greater benefits as a result of improved performance due to the greater sharing level it proposes to retain. If so, identify and describe in detail any of these greater benefits.

4. Refer to the second paragraph on page 9 of the Report. For the four years indicated in the “Historical Performance” paragraph, provide a breakdown of the components of pipeline transportation cost savings among negotiated pipeline discounts, released capacity, and any other means used to realize savings.

5. Refer to the first sentence of the first full paragraph of page 12 of the Report. Explain whether LG&E is unwilling to continue its PBR mechanism if the Commission does not approve some or all of its proposed modifications and refinements.

6. Refer to pages 12-13 of the Report. Provide a more detailed description of the various shifts in the natural gas supply market which cause the Dominion Transmission, Inc. price postings to no longer be reasonable benchmarks for LG&E’s city gate deliveries.

¹ Case No. 2009-00550, *Request of Louisville Gas and Electric Company for Modification and Extension of Its Gas Supply Cost Performance-Based Ratemaking Mechanism* (Ky. PSC Apr. 30, 2010).

7. Refer to the first paragraph on page 14 of the Report. Provide a detailed description of the circumstances causing the proposed revision to seasonalize the calculation of the SZFQE%, and an example showing the practical impact of the proposed calculation change.

8. Refer to the last sentence of the second paragraph on page 14 of the Report. For the last five years, provide a comparison of the prices used to calculate the Supply Area Index based on Platts Gas Daily high and low prices with the midpoint prices LG&E proposes to use.

9. Refer to Appendix A of the Report. For each of the four PBR program years for which information is provided (years 14, 15, 16, and 17), provide the percentage that total PBR savings represents of total gas cost.



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cc: Parties of Record

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