COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND	)	
ELECTRIC COMPANY FOR PERFORMANCE	)	CASE NO 2005-00031
BASED GAS RATES	)	

REQUEST FOR INFORMATION POSED BY THE ATTORNEY GENERAL

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Request for Information to Louisville Gas and Electric Company to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL OF KENTUCKY

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CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 9th day of February, 2005, I have filed the original and seven copies of the foregoing Request for Information with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by electronically providing a copy of the filing to Robert M. Watt, III, Esquire, and by mailing a true copy of same, postage prepaid, to those listed below.

ROBERT M CONROY
MANAGER RATES
LOUISVILLE GAS AND ELECTRIC COMPANY
P O BOX 32010
LOUISVILLE KY 40232-2010

ROBERT M WATT III ESQ
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LEXINGTON KY 40507 1380

Attorney General's Request for Information
To Louisville Gas and Electric Company
Case No. 2005-00031

1. Who was responsible for the following risks under gas supply purchasing conducted before the first LG&E gas supply PBR was approved:

a. Contracting risks,
b. storage management risks,
c. supply management risks,
d. transportation management risks, and
e. credit risks.

2. For each of the risks specified in the preceding question, please give the specifics of the nature and extent of the risk LG&E has assumed under the PBR that did not previously reside with it under standard/traditional gas supply regulation.

3. At page 5 of the report it states that "the benchmarks incorporated in the PBR mechanism are presumed to be the results that LG&E would have achieved in the absence of the incentives the PBR provides." Please explain in detail why it is appropriate to "presume" that the benchmarks are the results that LG&E would have achieved absent incentives.

4. At page 6 of the report it states that "a narrow, rigidly constructed PBR mechanism could ultimately result in higher gas costs and the diminishment of reliability." Absent the ability to determine whether the gas costs paid by consumers inclusive of the portion paid to shareholders under the PBR plan are less than would have been paid absent a PBR, how can the consumers be assured that a PBR that in some way incorporates all gas supply costs is still not too narrow in any of its given aspects or that it does not benchmark against standards that do not result in the lowest and most reliable possible gas cost?

5. At page 9 of the report the FERC-approved rates for pipeline transportation services are mentioned as the benchmark. Are the FERC-approved rates the buy-without-negotiation-rates?

a. Do the FERC-approved rates allow for lesser negotiated rates?
b. Do the FERC-approved rates allow for higher rates than those approved?
c. Are prices commonly or normally negotiated that differ from the FERC-approved rates? If so, please provide the average by which the negotiated rate differs from the FERC-approved rate and the incidence of use of the FERC-approved rate versus use of negotiated rates..

6. At page 12 of the report it states that certain actions have been successful in the past but may be less valuable in the future given the evolving nature of the gas market.

a. If this is true, how is the relevance of the chosen benchmarks as appropriate measures of performance for the evolved market to be determined?
b. If this is true, how does retention of the same benchmarks accommodate the evolving nature of the market to produce the lowest cost gas for the consumer as opposed to gas

costs that simply beat benchmarks that may be rendered irrelevant by an evolving market?

7. If the market is evolving, why is it appropriate to retain benchmarks for a five-year period as opposed to examining the propriety of the benchmarks on a more regular basis?

8. If the market is evolving, please explain in detail why each of the benchmarks established is appropriate on a going-forward basis.

9. The only change proposed by LG&E for its PBR on a going-forward basis is to grant it a larger incentive at every level of gas supply purchasing, with no level as favorable to the consumer as that established by the Commission in Case No. 2001-00017. As all other benchmarks remain the same, on what basis can the Commission determine that it would be appropriate to pay the company more to continue to measure its performance against the same benchmarks?

10. Please explain the means by which the Commission will be able to determine objectively that giving the Company a larger incentive produces incremental savings to the consumer that are as great as or greater than the added cost to the consumer represented by raising the shareholders' incentive?

11. Please specify the activities the company will perform differently if it is granted a greater share of savings as they are measured against the same performance benchmarks.

12. Please specify the activities the company plans to discontinue if it is not granted a greater share of savings as they are measured against the same performance benchmarks.

13. Please enumerate in detail and explain all reductions in effort, performance, and/or savings achieved from November 1, 2001, forward that would have been achieved had the Commission not reduced the incentive share of savings it allowed LG&E to retain in Case No. 2001-00017.

14. At page 13 of the report the Company asks that the Commission authorize the extension and modification by June 1, 2005, "in order to allow LG&E adequate time to adjust its gas supply portfolio and supply strategies in response to the proposed modifications." Given that the only change sought is to increase the amount the Company keeps, what gas supply portfolio and supply strategies need to be adjusted?