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JUN 17 2004

PUBLIC SERVICE
COMMISSION

June 17, 2004

Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RE: *Application of Louisville Gas and Electric Company for an
Adjustment of its Gas and Electric Rates, Terms and Conditions*
Case No. 2003-00433 ✓

*Application of Kentucky Utilities Company for an Adjustment of
its Electric Rates, Terms and Conditions*
Case No. 2003-00434

*Tariff Filing of Kentucky Utilities Company and Louisville Gas
and Electric Company for Non-Conforming Load Customers*
Case No. 2003-00396

Dear Ms. O'Donnell:

North American Stainless, L.P. ("NAS") is an active participant in the above-referenced dockets and joined in the Partial Settlement, Agreement, Stipulation and Recommendation submitted by the parties to resolve both the electric and gas rate requests filed by Kentucky Utilities Company ("KU") and Louisville Gas & Electric Company ("LG&E") and the NAS complaint filed on September 23, 2003 concerning electric service to be provided by KU to NAS upon the expiration of a special contract on March 31, 2004. This letter-response concerns KU's descriptions and characterizations in its brief filed June 4, 2004, regarding the new tariff rate applicable to the NAS melt

shop operation, the Large Industrial-Time of Day ("LI-TOD"), that settled the NAS rate issues.

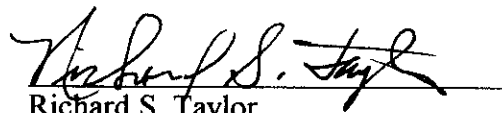
In brief, the NAS complaint, docketed as Case No. 2003-00376, explained that the contract rates charged to NAS were excessive and that, upon expiration of the contract, the NAS electric arc furnace ("melt shop") load should be served under rates and terms equivalent to KU's Large Commercial Industrial- Time of Day ("LCI-TOD") tariff. KU responded with a proposed new tariff, applicable only to the NAS melt shop load, which KU labeled "non-conforming load service" ("NCLS"). The Commission docketed the proposed tariff as Case No. 2003-00396, and merged the two cases into a single docket. The Commission subsequently consolidated this matter with the KU general electric rate case. NAS filed testimony in both the unconsolidated docket and the general rate case concerning the absence of any technical justification or cost basis for the proposed NCLS tariff.¹

After extended discussions, NAS and KU arrived at a resolution to the NAS melt shop rate concerns that is reflected in the new LI-TOD rate incorporated in the recommended stipulation and agreement. KU's brief filed on June 4, 2004, in support of proposed stipulation, however, merely reiterates the utility's "non-conforming load" rationale as the basis for the LI-TOD rate (KU brief, p. 105-111). While NAS agrees

¹ Charles Buechel, Mark Clements and Sam Wheeler filed direct testimony on January 28, 2004 in Case No. 2003-00396. Mr. Buechel and Miguel Sanchez filed direct testimony on March 23, 2004 in Case No. 2003-00434.

with the proposed settlement, NAS disagrees with KU's stated justification for the rate. Specifically, it is important to recognize that the LI-TOD tariff does not refer to any eligible loads as "non-conforming," and loads served under the LI-TOD tariff should not be viewed or described in this fashion. As NAS has agreed to all aspects of the LI-TOD tariff, there is no need to revisit the cost of service and technical objections to the originally proposed NCLS tariff that were addressed at length in the pre-filed testimony filed in Case Nos. 2003-00396 and 2003-00434 by NAS witnesses Buechel, Clement, Sanchez and Wheeler. Instead, NAS asks that the Commission's order concerning the Partial Settlement, Agreement and Stipulation approve the LI-TOD tariff on the basis that it is a reasonable compromise between competing NAS and KU positions, and not as an endorsement of KU's contentions that NAS's melt shop is a "non-conforming load".

Very truly yours,



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by regular U.S. mail or federal express to all parties on the 17th day of June, 2004.

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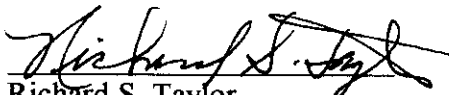
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