



COMMONWEALTH OF KENTUCKY
OFFICE OF THE ATTORNEY GENERAL

GREGORY D. STUMBO
ATTORNEY GENERAL

1024 CAPITAL CENTER DRIVE
SUITE 200
FRANKFORT, KY 40601-8204

November 15, 2005

Mr. James Dimas
Sr. Corporate Attorney
Louisville Gas & Electric Co.
220 W. Main St.
P.O. Box 32010
Louisville, KY 40232
ORIGINAL VIA U.S. MAIL;
COPY VIA FACSIMILE 502-627-3367

RECEIVED

NOV 15 2005

PUBLIC SERVICE
COMMISSION

RE: LG&E Gas Cost Adjustment
Case No. 2005-00454

Dear Mr. Dimas:

This letter is written with reference to LG&E's latest gas cost adjustment case filed before the Public Service Commission, Case. No. 2005-00454. The Attorney General's Office has a number of questions for the company.

In lieu of obtaining a procedural order in this case and proceeding with formal discovery requests, it is the Attorney General's preference to address specific questions to the company via correspondence which we intend to later file with the PSC. We hope that the company will be amenable to this process, which we anticipate will allow the record to be built more rapidly than by a full procedural schedule, especially since the company's stated intent is to reduce the gas cost increase ordered by the PSC on October 24, 2005.

In the event that LG&E believes some or all of the information contained in its answers is confidential, the Attorney General's Office is willing to discuss steps necessary to afford confidential status for those portions of your answers.

Here are the questions we have for LG&E:

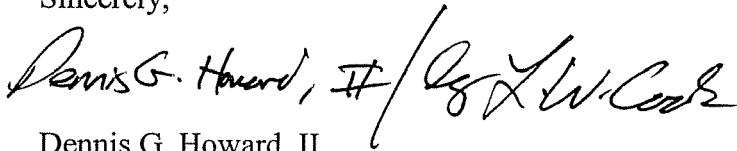
1. With reference to gas used by LG&E for consumption in its gas-fired electrical generators, and gas used to supply its end-use retail customers:
 - a. Is there any difference in price? If so, what? If pricing can be compared only on a periodic basis (i.e., January compares to January), please indicate the period compared.



- b. Are there different suppliers? If so, why?
 - c. Is or are any of LG&E's suppliers affiliated in any way with E.ON, or any of its subsidiaries?
 - d. Are there different terms of supply? If so, what?
 - e. Is any of the gas supply for use in generation of electricity stored, and if so, where?
2. Did LG&E fill to capacity all of its gas storage facilities during the non-heating season? If not, why not, and when did storage begin occurring?
 3. Why did LG&E purchase gas when the wholesale price thereof was at its peak?
 4. Why was the gas price LG&E was prepared to charge its customers approximately 20% greater than the price charged by Delta Natural Gas, a company with 1/10th the customer base of LG&E? Should LG&E consider looking for a new gas supplier, or other means to secure cheaper gas?
 5. In the PSC case in which E.ON obtained PSC approval for the acquisition of PowerGen, which owned LG&E and Kentucky Utilities (2001-00104), experts for the joint applicants testified that the acquisition would produce additional synergies and cost efficiencies which would be passed on to ratepayers.¹ Have any such efficiencies/synergies been produced, and if so, how are they being passed on to LG&E customers? If not, why not?

We appreciate your cooperation in this matter, and look forward to your responses.

Sincerely,



Dennis G. Howard, II
Acting Director
Office of Rate Intervention

cc: Beth O'Donnell, Executive Director
Public Service Commission

¹ See, e.g., Hearing Transcript, pp. 24, 27; Direct testimony of Dr. Gaul, p. 12; Application, generally.