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Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

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JUL 29 2010

PUBLIC SERVICE  
COMMISSION

**Louisville Gas and Electric  
Company**  
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July 29, 2010

**RE: AN INVESTIGATION OF NATURAL GAS RETAIL  
COMPETITION PROGRAMS  
Case No. 2010-00146**

Dear Mr. DeRouen:

Enclosed please find and accept for filing the original and ten (10) copies of Louisville Gas and Electric Company's Response to the First Data Request of Commission Staff dated July 15, 2010 in the above referenced docket.

Should you have any questions please contact me at your convenience.

Sincerely,

A handwritten signature in black ink that reads 'Rick E. Lovekamp'. The signature is written in a cursive, flowing style.

Rick E. Lovekamp

cc: Parties of Record

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**AN INVESTIGATION OF NATURAL GAS  
RETAIL COMPETITION PROGRAMS**

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**CASE NO.  
2010-00146**

**RESPONSE OF  
LOUISVILLE GAS AND ELECTRIC COMPANY  
TO THE  
FIRST DATA REQUEST OF COMMISSION STAFF  
DATED JULY 15, 2010**

**FILED: July 29, 2010**

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **J. Clay Murphy**, being duly sworn, deposes and says that he is Director – Gas Management, Planning, and Supply for Louisville Gas and Electric Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

*J. Clay Murphy*  
\_\_\_\_\_  
**J. Clay Murphy**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 27<sup>th</sup> day of July 2010.

*Rashelle W. Gaines* (SEAL)  
\_\_\_\_\_  
Notary Public

My Commission Expires:

Feb. 28, 2014

VERIFICATION

COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Pamela L. Jaynes**, being duly sworn, deposes and says that she is Gas Supply Manager for Louisville Gas and Electric Company, and that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

*Pamela L. Jaynes*  
Pamela L. Jaynes

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 27<sup>th</sup> day of July 2010.

*Rashelle W. Gaines* (SEAL)  
Notary Public

My Commission Expires:

Feb 28, 2014



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2010-00146**

**Response to First Data Request of Commission Staff  
Dated July 15, 2010**

**Question No. 1**

**Responding Witness: J. Clay Murphy / Pamela L. Jaynes**

Q-1. Refer to the Testimony of J. Clay Murphy ("Murphy Testimony"), page 19. Explain the statement in lines 20-22 and footnote 5 in more detail.

A-1. The possibility of offering customers additional commodity price options was discussed in the context of alternate commodity procurement procedures, a topic on which the Commission requested comment. Given that this proceeding seems more focused on how gas is sold, rather than how it is procured, LG&E outlined an alternate gas sales mechanism for the Commission's consideration. Approving proposals by LDCs to offer more than a single rate for gas supplies would allow the LDC to offer more options to customers.

Other LDCs have proposed alternate sales mechanisms. For example, Columbia Gas of Kentucky ("CGK") proposed offering alternate sales rate options in addition to its traditional sales service in Case No. 2009-00141. CGK withdrew its "Price Protection Service" program pursuant to Rate Schedule PPS and "Negotiated Sales Service" program pursuant to Rate Schedule NSS in that same docket. Rate Schedule PPS was designed to provide customers using less than 25,000 Mcf/year with firm natural gas sales service at either fixed or indexed pricing options. Rate Schedule NSS was designed to provide customers using not less than 25,000 Mcf/year with some combination of firm and interruptible natural gas sales service at a negotiated price option. CGK has agreed not to resubmit a proposal for PPS and/or NSS programs prior to July 1, 2010, in the context of resolving the issues in that proceeding.

According to the Energy Information Administration ("EIA"), Northern Indiana Public Service Company ("NIPSCO") offers a program which allows customers to procure gas from the LDC outside the traditional purchased gas adjustment mechanism. Rate Schedule PPS provides customers with a choice of a 1-year fixed rate or 1-year capped rate set by NIPSCO that includes a price premium. NIPSCO also offers a "DependaBill" payment plan in which monthly prices are fixed without an end-of-year adjustment, and includes a monthly premium. The DependaBill and PPS options are not subject to price regulation.

Also according to EIA, some LDCs in Wisconsin are offering alternative sales mechanisms. For example, three LDCs offer a fixed-bill option.

LG&E believes that, if the Commission allows marketers to sell natural gas to consumers in Kentucky through retail choice or other programs, LDCs should be afforded the same opportunity and ability to “compete”.





**LOUISVILLE GAS AND ELECTRIC COMPANY**

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**Question No. 2**

**Responding Witness: J. Clay Murphy**

- Q-2. Refer to Murphy Testimony, page 28. Explain the statement in lines 1-4 dealing with an LDC marketing affiliate.
- A-2. The referenced testimony discussed marketer reciprocity rules prohibiting a marketer affiliated with a local distribution company ("LDC") from participating in expanded unbundling programs in Kentucky unless its affiliated LDC is also unbundled to the same degree as that of the Kentucky LDC whose customers it wishes to serve. Such a rule would prevent a marketing company affiliated with an LDC not offering retail choice programs from engaging in marketing activities in the service areas of LDCs which do offer retail choice programs.

For example, if Marketing Company A is affiliated with LDC X, then Marketing Company A could only do business in the service area of LDC Y, to the extent that LDC X and LDC Y are unbundled to the same degree. If LDC X has only a large volume transportation program, then Marketing Company A could only participate in the large volume transportation program of LDC Y. If LDC X does not have a retail choice program for residential customers but LDC Y does, then Marketing Company A could not participate in LDC Y's retail choice program for residential customers.

For example, Vectren Retail LLC (d/b/a Vectren Source) would not be able to participate in residential retail choice program offered by a Kentucky LDC, because its affiliated gas distribution utilities in Indiana do not offer residential retail choice programs.

Such a rule could enhance the level playing field in which entities would compete in a retail choice program.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

**CASE NO. 2010-00146**

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**Question No. 3**

**Responding Witness: J. Clay Murphy**

- Q-3. Have any small-volume customers contacted LG&E within the past five years expressing interest in having a choice in gas supplier? If yes, how many and over what period of time?
- A-3. LG&E's Gas Supply Department handles enquiries about gas transportation services.

LG&E has about 25,000 commercial and industrial gas customers. Based on LG&E's records, from January 1 2005, through July 15, 2010, LG&E's Gas Supply Department has received 51 enquiries from customers or marketers regarding 42 commercial and industrial accounts; 17 of those customers qualified for transportation service under either Rate Schedule FT or Rider TS; and 13 of those customers ultimately transferred or will be transferring from gas sales service to gas transportation service.

LG&E's Gas Supply Department has received no enquiries regarding gas retail choice from its approximately 295,000 residential gas customers.



**LOUISVILLE GAS AND ELECTRIC COMPANY**

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**Question No. 4**

**Responding Witness: J. Clay Murphy**

- Q-4. Explain under what circumstances LG&E would be willing to offer a retail choice program to small-volume customers or whether it would be willing under any circumstances.
- A-4. LG&E would only be willing to consider a retail choice program if there were assurances that:
- customers receive tangible, sustainable economic benefits
  - system reliability would not be diminished
  - real and enforceable consumer protections are provided
  - costs are appropriately assigned to responsible parties
  - the utility would be rewarded for bearing the risks imposed upon it in the operation and facilitation of a retail choice or otherwise expanded unbundling program