

December 7, 2012

Chairman David L. Armstrong
Vice-Chairman James W. Gardner
Commissioner Linda K. Breathitt
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

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COMMISSION

Re: Additional Comments of ProLiance Energy, LLC in Louisville Gas & Electric Rate Increase, Case No. 2012-00222

Dear Commissioners,

ProLiance Energy, LLC ("ProLiance") is filing these additional comments to express its concerns regarding some of the proposed settlement terms filed by Louisville Gas and Electric Company ("LG&E") and the intervenor parties in the above-referenced docket. ProLiance requests that the Commission consider these comments in its review of the proposed settlement.

ProLiance supports the revised proposal to lower the eligibility threshold under Rider TS-2 from 25,000 Mcf per year to 15,000 Mcf per year. However, it remains unclear why such a change is not also proposed under Rate FT. Rate FT has an eligibility threshold of 50 Mcf per day (18,250 annually). The 50 Mcf per day requirement greatly restricts the number of customers that are eligible to receive Rate FT service. The Commission should require LG&E to eliminate the 50 Mcf per day requirement and lower the eligibility threshold for Rate FT so that it is consistent with the 15,000 Mcf per year proposal for Rider TS-2.

In the Rebuttal Testimony of J. Clay Murphy, Mr. Murphy claims that lowering the threshold for Rate FT will result in LG&E not covering the costs for the small, temperature-sensitive customers that would become eligible for Rate FT service. This concern can be avoided if the Commission lowers the eligibility threshold to an amount that still provides LG&E with the opportunity to generate revenue such as 15,000 Mcf per year. Under LG&E's current rate structure (\$0.43/Mcf distribution charge), LG&E has annual net revenue for Rate FT service of \$7,848 per customer. Lowering the threshold to 15,000 Mcf per year reduces the revenue only slightly while giving additional customers the option of using transportation service. Additionally, removing the 50 Mcf per day requirement will not impact LG&E's ability to recover its costs under Rate FT as long as the annual threshold is high enough. Allowing LG&E to continue to have the 50 Mcf per day requirement discourages the

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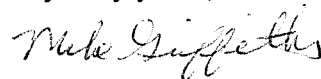
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use of Rate FT service and is unnecessary. The Commission should require LG&E to modify the eligibility for Rate FT so that it is consistent with Rider TS-2.

ProLiance also continues to be concerned about the significant increase to the monthly administration charges under Rate FT, Rider TS, and Rider TS-2. ProLiance does not believe that LG&E has supported why an increase from \$230 under Rate FT and \$153.00 under Rider TS to \$400 per month under proposed Rate FT, Rider TS and Rider TS-2 is necessary. The proposed settlement also includes a mandatory pool requirement under Rider TS-2 with an additional charge of \$75.00 per month. Also under TS-2, a customer must install remote metering service, which is an additional \$300 per month charge. The customer's monthly cost for using Rider TS service is going up more than 400%! The likely result of this drastic cost increase is that customers will no longer use TS service. Rate FT, with an administrative charge increase of \$170 month and strict eligibility requirements, will also likely lose customers.

LG&E has crafted a settlement proposal that penalizes customers for using transportation service. LG&E has made it clear in its testimony that it views marketers as competitors who are seeking to disadvantage the LDC's merchant function and eliminate it where it possible. LG&E attempts to hide its true intent of reducing competition from marketers by agreeing to lower the eligibility requirements under one of its transportation services and by keeping the balancing tolerances for transportation service at the current 5% level. Although this may appear by some to be a good faith resolution of the matter, ProLiance does not see this as a fair and reasonable outcome. Customers will almost certainly favor the LDC merchant services instead of the more costly transportation services. The Commission should require LG&E to lower the proposed administrative costs for transportation service, or in the alternative, require LG&E to fully support why such substantial cost increases are needed.

Very truly yours,



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