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December 20, 2012

Hon. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40601

Re: Louisville Gas and Electric Company
Case No. 2012-00222

Dear Mr. Derouen:

By this letter we respond on behalf of Louisville Gas and Electric Company ("LG&E") to the letter from Larry Freeman, Executive Vice-President of Stand Energy Corporation ("Stand"), to Commission Staff Counsel Richard G. Raff and Quang D. Nguyen dated December 17, 2012. The Commission properly disclosed this ex parte communication by placing the letter in the public record. Please include this letter in the record of the above-captioned proceeding as well.

First, by including his descriptions of communications that occurred during confidential settlement negotiations in the first two paragraphs of the letter, Mr. Freeman and Stand have breached the agreement made at the outset of the settlement discussions to maintain the confidentiality of those discussions. Mr. Freeman and Stand have also breached Section 5.5 of the Settlement Agreement, Stipulation and Recommendation ("Settlement Agreement") filed in this proceeding on November 21, 2012, in which Stand and all the parties to the Settlement Agreement agreed "to act in good faith and to use their best efforts to recommend to the Commission that this Settlement Agreement be accepted and approved." In addition, counsel for Stand, both during the November 27, 2012, hearing and in an affidavit filed in the record, stated that they agreed with the settlement. Given the foregoing, Mr. Freeman's letter demonstrates the disruptive nature of Stand's conduct before this Commission.

Second, Mr. Freeman's statements are flatly incorrect. This is not surprising since Stand declined to participate in person during the second day of settlement negotiations on November 14, 2012, when the settlement of the gas transportation tariff issues was reached between LG&E and Hess Corporation. No LG&E representative, including Clay Murphy, has ever said anything that could cause Mr. Freeman, or anyone else, to believe that "120 additional customers would be eligible for transportation service . . . as a result of the reduction of the threshold to 15,000

Mcf/year.” In fact, on October 3, 2012, LG&E responded to Stand’s Request For Information No. 16 by explaining that a 9,000 Mcf/year threshold would result in approximately 100 additional customers being eligible to take service under Rider TS-2. Certainly, if a 9,000 Mcf/year threshold would only cause approximately 100 additional customers to become eligible, a higher threshold of 15,000 Mcf/year could not possibly add 120 customers. In addition, Mark Ward’s testimony filed on behalf of Stand cited LG&E’s response to the Commission Staff’s Second Request for Information No. 85 to the effect that a threshold of 10,000 Mcf/year would add about 70 more customers. Again, a higher threshold of 15,000 Mcf/year could not add more customers.

Moreover, despite the representations to the contrary in Mr. Freeman’s letter, Stand has never requested a list of “120 customers,” nor has LG&E ignored Stand’s inquiries for customer lists. In truth, counsel for Stand has made two requests to me for a simple list of customers. The first request was made by e-mail to me on November 15, 2012, and contained no mention of a number of additional customers. I responded that same day. The second request was made to me and Kendrick Riggs on December 17, 2012. It also contained no mention of a number of additional customers. While we have not yet had the opportunity to respond to the December 17 request, LG&E is not willing to provide any list of customers to Stand or any other marketer because of its longstanding policy of not releasing customer-specific information (level of gas usage) without the authorization of the customer. Furthermore, the Supplier Code of Conduct incorporated in Rider PS-TS-2 requires that suppliers “refrain from requesting customer-specific billing, payment, and usage history without first having received the Customer’s written approval allowing a PS-TS-2 Pool Manager to access such information.”

The record of the hearing on November 27, 2012, demonstrates that Mr. Murphy was very clear when he said 45 incremental TS-2 customers would be eligible to take service, in addition to the 75 existing FT customers. It is noteworthy that the 75 existing customers and 45 additional customers total to the 120 customers referenced by Stand. Regardless, and most importantly, that testimony was on the record, unambiguous, and absolutely not contrary to any previous statements ever made by LG&E. If Stand felt that the statement was contrary to previous statements or had “multiple grounds to object,” it could have objected or made the point in cross-examination, which it was offered but declined to do.

We state categorically, for ourselves and on behalf of LG&E, that Mr. Murphy made no misrepresentations at any time during the settlement negotiations or at any other time.

Sincerely,



Robert M. Watt, III
Kendrick R. Riggs

cc: Parties of Record

CERTIFICATE OF COMPLIANCE

In accordance with Ordering Paragraph No. 10 of the Commission's June 22, 2012 Order, this is to certify that Louisville Gas and Electric Company's December 20, 2012 electronic filing of the foregoing is a true and accurate copy of the same document being filed in paper medium; that the electronic filing has been transmitted to the Commission on December 20, 2012; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original and two copies in paper medium of this filing were placed in the U.S. Mail, postage prepaid, on December 20, 2012 to be delivered to the Commission.



Counsel for Louisville Gas and Electric Company