an e·on company

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

RECEIVED

MAR 15 2010

PUBLIC SERVICE COMMISSION

Louisville Gas and Electric Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

Lonnie E. Bellar
Vice President
T 502-627-4830
F 502-217-2109
lonnie.bellar@eon-us.com

March 15, 2010

RE: ***Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Base Rates*** **– Case No. 2009-00549**

Dear Mr. DeRouen:

Please find enclosed and accept for filing the original and ten (10) copies of the Response of Louisville Gas and Electric Company to the First Data Request of The Kroger Company dated March 1, 2010, in the above-referenced matter.

Should you have any questions regarding the enclosed, please contact me at your convenience.

Sincerely,

Lonnie E. Bellar

Lonnie E. Bellar

cc: Parties of Record

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is Vice President, State Regulation and Rates for Louisville Gas and Electric Company and an employee of E.ON U.S. Services, Inc., 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.

Lonnie E. Bellar

Lonnie E. Bellar

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12th day of March 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) **SS:**
COUNTY OF JEFFERSON)

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is Director - Rates for E.ON U.S. Services, Inc., 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.

Robert M. Conroy

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12th day of March 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

VERIFICATION

COMMONWEALTH OF KENTUCKY	)	
	)	**SS:**
COUNTY OF JEFFERSON	)	

The undersigned, **Ronald L. Miller**, being duly sworn, deposes and says that he is Director – Corporate Tax for E.ON U.S. Services, Inc., 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.

Ron Miller

Ronald L. Miller

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12th day of March 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 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 8th day of March 2010.

Rashelle W. Gaines (SEAL)
Notary Public

My Commission Expires:

February 28, 2014

VERIFICATION

COMMONWEALTH OF KENTUCKY	)	
	)	**SS:**
COUNTY OF JEFFERSON	)	

The undersigned, **William Steven Seelye**, being duly sworn, deposes and states that he is a Principal and Senior Analyst with The Prime Group, LLC, 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.

W. Seelye

William Steven Seelye

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 12th day of March 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC AND GAS BASE RATES	)))	CASE NO. 2009-00549

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO THE
FIRST DATA REQUEST OF
THE KROGER COMPANY
DATED MARCH 1, 2010

FILED: March 15, 2010

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Data Request of
The Kroger Company
Dated March 1, 2010

Question No. 1

Responding Witness: Lonnie E. Bellar / William Steven Seelye

Q-1. Please provide a copy of the Company's workpapers in Excel-compatible format with formulas intact.

A-1. Please see the response to KIUC-1 Question No. 21.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

**Response to First Data Request of
The Kroger Company
Dated March 1, 2010**

Question No. 2

Responding Witness: Ronald L. Miller

Q-2. Re Federal Income Tax Expense:

(a) In the past two years, has LG&E investigated or proposed any changes in the tax treatment of the cost of routine repairs and maintenance associated with electric generation, transmission, and distribution assets?

(b) If yes, please explain the changes investigated and indicate the status of the investigation.

(c) Also, if yes, please indicate whether LG&E's proposed revenue requirement reflects any changes adopted in the past two years in the tax treatment of the cost of routine repairs and maintenance associated with electric generation, transmission, and distribution assets.

(d) If LG&E has proposed any changes in the tax treatment of the cost of routine repairs and maintenance associated with electric generation, transmission, and distribution assets to the IRS, but the revenue requirement proposed by LG&E does not reflect the changed tax treatment, please quantify the going-forward revenue requirement adjustment(s) associated with IRS approval of the requested change in tax treatment.

A-2. (a) Yes, the company has investigated and proposed changes in the tax treatment of the cost of routine repairs and maintenance.

(b) In December 2008, the company filed Form 3115, Application for Change in Accounting Method with the Internal Revenue Service requesting a change in how it accounts for the tax treatment of repairs in connection with its transmission and distribution assets. The Application was later approved, in "principle", by the IRS on October 20 and November 17, 2009, however, the actual amount of the change claimed by the company was subject to audit by the IRS. The change in the accounting for repairs is currently under review by the IRS, however, because this accounting change is considered a Tier 1 issue with the IRS, National IRS Industry Coordinators are involved, likely delaying final approval. Due primarily to the uncertainty in this area, no change in the accounting for repairs of electric generation assets was considered appropriate at this time.

(c) The amount of any deduction is not known or measurable due to continuing discussions with the Internal Revenue Service. However, the revenue impact of this change will be minimal as lower current tax expense, resulting from the higher deductions, will be largely offset by the deferred taxes recorded to account for the future book depreciation of these expenditures. The cash flow benefit of any accelerated deduction would reduce the amount of capitalization the Company would otherwise maintain. The amount of any capitalization change is not known or measurable at this time.

(d) See response to (c) above, any change to revenue requirements or capitalization is not known or measurable at this time.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Data Request of
The Kroger Company
Dated March 1, 2010

Question No. 3

Responding Witness: William Steven Seelye

Q-3. With respect to Mr. Seelye's direct testimony at pages, 27-35, if not otherwise provided in response to Item 1, please provide the workpapers used by Mr. Seelye in constructing his example for Customers A, B, C, & D in Excel-compatible format with formulas intact.

A-3. See response to Question No. 1.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

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The Kroger Company
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Question No. 4

Responding Witness: William Steven Seelye

Q-4. Please refer to Mr. Seelye's testimony on page 28, lines 14-18. In this passage, is Mr. Seelye purporting to offer a legal opinion with respect to the application of the Commission's regulations?

A-4. No.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

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Question No. 5

Responding Witness: William Steven Seelye

Q-5. Please refer to Mr. Seelye's testimony on page 28, lines 14-18. Is it Mr. Seelye's opinion that the multi-site customer in his example would obtain a lower **rate** through conjunctive billing? If so, please identify in the example the **lower rate** that was obtained (as distinct from a reduction in measured billing demand).

A-5. Yes, with conjunctive billing, a customer could be combining meter readings in order to obtain a lower effective rate.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

**Response to First Data Request of
The Kroger Company
Dated March 1, 2010**

Question No. 6

Responding Witness: William Steven Seelye

Q-6. Please refer to Mr. Seelye's testimony on page 33, lines 17-20:

(a) If a single-site Customer E has the identical load pattern of the multi-site Customer A/B (when Customer A/B's demand is measured on a conjunctive basis), does Mr. Seelye agree that, absent conjunctive billing, Customer E would pay less for generation service that the multi-site customer A/B even though they use identical amounts of generation service?

(b) If yes, does Mr. Seelye agree that such a result could be regarded as discriminatory treatment according to the standards used by Mr. Seelye in his testimony?

(c) If not, please explain why the relationship between Customer A/B versus Customers C and D "could be easily regarded as discriminatory treatment" whereas the relationship between Customer A/B and Customer E would not be.

(d) Assume Customer A is taking service under LG&E's CTODS rate and Customer C (is not a warehouse) and is taking service under LG&E's ITODS rate.

(i) Does Mr. Seelye agree that Customers A and C, with identical loads, would pay different rates pursuant to LG&E's tariff?

(ii) If yes, does Mr. Seelye agree that such a result could be regarded as discriminatory treatment according to the standards used by Mr. Seelye in his testimony?

(iii) If not, please explain why the relationship between Customer A/B versus Customers C and D "could be easily regarded as discriminatory treatment" whereas the relationship between Customer A and Customer C taking service under LG&E's tariff would not be.

A-6. (a) Yes.

(b) No.

(c) Customer E represents a single-site customer metered at a single delivery point. In the example provided beginning on page 29 of Mr. Seelye's testimony, Customers A and B are multi-site accounts metered at two geographically separated delivery points. Customers C and D in Mr. Seelye's example are two non-multi-site customers also metered at two geographically separated delivery points. Therefore, from a service perspective and in terms of how "customers" are recognized in the Company's tariff, Customer E is in no way comparable to Customers A and B or to Customers C and D.

Multi-site customers A and B, because they are not served at the same delivery point, are identical in all respects to individual customers C and D, except that the bills for customers A and B would be paid by a single company. In contrast, Customer E would be served at a single delivery point. Allowing multi-site Customers A and B to combine their meter readings to obtain a lower effective rate than could be obtained by non-multi-site Customers C and D could easily be regarded as an undue discriminatory treatment of Customers C and D in favor of Customers A and B. Because Customer E has no other option than to be served from a single delivery point, Customer E cannot be viewed as receiving undue discriminatory treatment over Customers C and D or over Customers A and B. Customers A and B cannot be served from a single delivery point, nor can Customers C and D be served from a single delivery point.

While the differential effect between Customer E and multi-site Customers A and B described in sub-part (a) of this question does not represent discriminatory treatment, the effect described in the question can be fully addressed by billing production demand-related costs on the basis of system coincident peak (CP) demands. As indicated on page 35 of Mr. Seelye's testimony, the Company is willing to develop conjunctive rates on a CP basis for filing with the Commission as a pilot program. With CP demand rates, multi-site customer A and B, non-multi-site customers C and D, and customer E would be billed the same production demand costs.

(d) (i) Yes,

(ii) No.

(iii) CTODS and ITODS correspond to approved rate schedules that have been in place for a number of years. They have availability sections that cannot be circumvented by aggregating meter readings to achieve a lower effective rate.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

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The Kroger Company
Dated March 1, 2010

Question No. 7

Responding Witness: William Steven Seelye

Q-7. Please refer to the example of Customer E referenced in Item 6 above:

(a) Does Mr. Seelye believe that a single-site Customer E causes lower generation costs to be incurred by the utility than multi-site customer A/B that has an identical load when measured on a conjunctive basis?

(b) If yes, please explain the logical basis for the answer and provide an example as to how the utility would incur different generation costs for serving Customer E versus Customer A/B.

A-7. (a) No. See response to Question No. 6.

(b) Not applicable.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

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The Kroger Company
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Question No. 8

Responding Witness: William Steven Seelye

Q-8. Section 3.11 of the Settlement Agreement entered in Case No. 2008-00251 states:

> "The Utilities agree to work with interested parties to study the feasibility of measuring demand for generation service to multi-site customers based on conjunctive demand, where "conjunctive demand" herein refers to the measured demand at a meter at the time that the total demand of a multi-site customer's loads, measured over a coinciding time period, has reached its peak during the billing period."

Please provide all studies performed by LG&E regarding the feasibility of measuring demand for generation service to multi-site customers based on conjunctive demand as referenced in the Settlement Agreement.

A-8. The Company's analysis of conjunctive demand is described on pages 27-35 of Mr. Seelye's testimony.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

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Question No. 9

Responding Witness: William Steven Seelye

Q-9. Please refer to Mr. Seelye's testimony on page 34, line 3 to page 35, line 12:

(a) Please provide any studies performed by Mr. Seelye or LG&E pertaining to the application of "Coincident peak CP demand billing" to the KU/LG&E system.

(b) Please identify the generation portion of the demand charge for LG&E's CTODS, ITODS, CTODP, ITODP, and RTS rate schedules.

(c) Does Mr. Seelye agree that the demand charge for "Coincident peak CP demand billing" would necessarily be greater than the otherwise applicable generation portion of the demand charge in the Company's tariff?

(d) If not, please explain in detail why not.

(e) Please provide Mr. Seelye's best estimate of the demand charge that would be applicable to "Coincident peak CP demand billing" for the rate schedules listed in (b).

A-9. (a) LG&E has not developed CP demand rates for retail customers.

(b) The information requested requires original analysis which has not been performed by the Company. The information necessary to develop unbundled generation demand charges for LG&E's CTODS, ITODS, CTODP, ITODP, and RTS rate schedules can be obtained from detailed cost information provided in Seelye Exhibit 24.

(c) The generation component of the demand charges, whether billed under a CP rate or an equivalent non-CP rate would be the same.

(d) For equivalent demand rates that produce the same demand-related revenue requirement, the total demand charges billed would be equal for both rate designs.

(e) Mr. Seelye has not performed the analysis necessary to provide a reasonable estimate.

LOUISVILLE GAS AND ELECTRIC COMPANY

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The Kroger Company
Dated March 1, 2010

Question No. 10

Responding Witness: William Steven Seelye

Q-10. (a) Does Mr. Seelye believe that two customers with exactly identical loads, but different end-uses, cause different costs to be imposed on a utility?

(b) If yes, please explain.

(c) Does Mr. Seelye believe it is reasonable to charge customers with identical loads different rates based on the end-use to which the customer's power is applied.

(d) If yes, please explain why two customers with identical loads should pay different rates based on their end use.

A-10. (a) The question does not provide enough information to answer the question. Two customers could have the same loads but require different distribution and service facility configurations.

(b) See answer to (a).

(c) No. The Company is making efforts to eliminate certain differences between rates based on end-uses. For example, in this proceeding, the Company is proposing to combine Rate IPS, which is available to industrial customers, with Rate CPS, which is available to commercial customers with the same level of demands. It is the Company's goal eventually to combine CTODS and ITODS and to combine CTODP and ITODP. The Company chose not to combine these rates in this proceeding because of the large billing impacts that combining the rates would likely have on individual customers currently taking service under these rate schedules.

(d) Not applicable.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Data Request of
The Kroger Company
Dated March 1, 2010

Question No. 11

Responding Witness: Robert M. Conroy / J. Clay Murphy

Q-11. Please identify and provide a copy of any safety regulations to which LG&E is subject that require a gas-fired electric power generator to be separately metered from the customer's other gas end uses.

A-11. LG&E is not aware of any safety regulations which may require separate metering for gas-fired power generation.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Data Request of
The Kroger Company
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Question No. 12

Responding Witness: Robert M. Conroy / J. Clay Murphy

Q-12. Please identify and provide a copy of any regulations to which LG&E is subject, and not included in Response to Item 11, that require a gas-fired electric power generator to be separately metered from the customer's other gas end uses.

A-12. LG&E is not aware of any regulations which may require separate metering for gas-fired power generation.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Data Request of
The Kroger Company
Dated March 1, 2010

Question No. 13

Responding Witness: Robert M. Conroy / J. Clay Murphy

Q-13. (a) Please explain all reasons why a customer taking service pursuant to LG&E's FT rate schedule which installs a gas-powered electric power generator must subscribe separately to Rate Schedule DGGS rather than meet their full service needs on FT.

(b) Please provide a copy of all studies conducted by LG&E demonstrating that a separate DGGS rate schedule is necessary for LG&E to recover its cost of service from FT customers who install a gas-fired electric power generator.

A-13. (a) All customers, including customers served under Rate FT, installing gas-fired electric generators after the proposed grandfathering period are required to install separately metered gas service under Rate DGGS. As proposed, all customers, including customers served under Rate FT, with existing installed gas-fired power generation equipment, will be grandfathered. As with any customer transferring between rate schedules, customers with gas-fired generation installations transferring to Rate FT from other rate schedules would be required to take service under Rate DGGS for any generation load.

Rate DGGS helps LG&E to achieve the following:

(1) Track and monitor the installation of these facilities;
(2) Ensure that adequate facilities at the customer's premise are in place to serve these loads, including company service, regulation, and metering;
(3) More accurately measure through separate metering highly variable gas flows associated with gas-fired generation loads;
(4) Ensure adequate distribution, transmission and other infrastructure is in place to serve gas-fired generation loads under design conditions;
(5) Ensure adequate gas supplies are available to meet design conditions; and
(6) Mitigate potential cross-subsidies arising from the obligation to provide such service to gas-fired generation.

Additionally, and with respect to customers served under Rate FT, Rate FT is not designed to serve gas-fired generation loads which are sporadic and unpredictable. Rate FT is designed to primarily serve large gas process loads which are generally predictable. This is evident in the nominating, balancing, and other provisions of this rate schedule.

Rate FT requires customers to purchase their own natural gas supply and schedule that supply for delivery to LG&E's system. Pursuant to Rate FT, at least 10 days prior to the beginning of each month, the customer served thereunder provides LG&E with a schedule setting forth daily volumes of gas to be delivered into Company's system for Customer's account. Customer also gives Company at least 24 hour written notice of any subsequent changes in those scheduled deliveries. These nominating provisions are not conducive to the instantaneous and unpredictable requirements of gas-fired generation loads.

LG&E is not obligated to provide any natural gas to customers served under Rate FT; LG&E is not obligated to hold interstate pipeline capacity or gas supplies available for customers served under Rate FT; LG&E is not obligated to utilize underground storage available for customers served under Rate FT; Rate FT is a gas transportation-only service. As such, Rate FT does not provide a firm balancing service to customers. Given the sporadic and intermittent nature of gas-fired generation loads, it is unlikely that a Rate FT customer could comply with the nomination, balancing, and other provisions of Rate FT for this portion of their load. As such LG&E would likely be required to balance this load.

By contrast, Rate DGGS is designed to provide firm sales service to gas-fired generation loads which are unpredictable. Gas loads associated with generation installations require LG&E to provide a firm no-notice sales service to the customer.

(b) LG&E's Rate DGGS is supported by both the operational reasons cited above as well as by cost recovery concerns. Pursuant to Rate DGGS, LG&E provides firm natural gas sales service to gas-fired electric generation installations. Unlike gas loads for other firm customers, it is likely that in today's environment gas-fired installations will only use gas sporadically in emergency or other situations.

LG&E's rate structure for rates such as CGS, IGS, and FT, allows for the recovery of a significant portion of its fixed costs through the volumetrically-based distribution charge. Since customers served under these rates use gas for space-heating and process applications on an on-going basis, costs are recovered on an on-going basis.

By contrast, gas-fired generation facilities which are contemplated for service under Rate DGGS may use gas infrequently if at all. Given the low gas use (if any) combined with the facilities required to serve these customers and the on-going fixed costs to serve these kinds of installations, Rate DGGS is designed to ensure that LG&E will recover the on-going costs associated with these installations from Rate DDGS customers so that other customers will not pay these costs.

Rate DGGS helps accomplish this cost recovery goal through its three rate components: a basic service charge, a demand charge, and a distribution charge. As compared to rates with only a basic service charge and a distribution charge, Rate DGGS includes a third component, a demand charge. This demand charge is based on the maximum daily use of the installed generation equipment (MDQ) which relates to the facilities that must be owned and operated by LG&E to serve that firm gas load. Along with the basic service charge, the demand charge helps LG&E ensure that fixed costs are recovered. In consequence, the distribution charge under Rate DGGS is lower than the distribution charges under Rates CGS, IGS, and FT. This is the case because costs recovered through the demand charge do not need to be recovered through the distribution charge.

LOUISVILLE GAS AND ELECTRIC COMPANY

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Response to First Data Request of
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Dated March 1, 2010

Question No. 14

Responding Witness: Robert M. Conroy / J. Clay Murphy

Q-14. Assume an FT customer installs a gas-fired electric power generator. Assume further the customer always reduces its non-generator usage when the customer operates its generator, such that total usage when the generator is running is always less than or equal to total usage when the generator is not running. In this situation, please confirm that the customer's use of a gas-fired electric power generator would not impose costs on LG&E that are not otherwise recovered through the customer's payments on the FT rate. If LG&E disagrees, please explain the basis of the disagreement.

A-14. The premise of the question is flawed. It is not possible to reasonably assume that the customer always reduces its non-generator usage when the customer operates its generator, such that total usage when the generator is running is always less than or equal to total usage when the generator is not running. Neither Rate FT nor Rate DGGS (or indeed any other rate schedule) imposes any such requirement on a customer to reduce gas use in one gas application to allow the use of such gas in a gas-fired generation application. It would be impracticable to enforce such a provision if it did exist.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Data Request of
The Kroger Company
Dated March 1, 2010

Question No. 15

Responding Witness: Robert M. Conroy / J. Clay Murphy

Q-15. Please refer to page 24 of Mr. Conroy's direct testimony:

(a) Regarding the proposed grandfathering provision, please disclose whether "grandfathered" customers who undertake a repair of their gas facilities will be required to convert to DGGS service.

(b) If yes, please explain why.

(c) Please identify all triggers that would force a grandfathered customer to convert to DGGS service under the Company's proposal.

A-15. (a) As currently proposed "grandfathered" customers who undertake a repair of their gas facilities will not be required to convert to DGGS service.

(b) See response to (a.) above.

(c) While not completely finalized at this time, LG&E anticipates adopting policies such that any modifications to metering, regulation, or other service facilities of Company that are required to accommodate a change in the size of load or in load characteristics of customer, may trigger the transfer of customer's gas-fired generation facilities to Rate DGGS. See also response to Question No. 13(a).

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Data Request of
The Kroger Company
Dated March 1, 2010

Question No. 16

Responding Witness: William Steven Seelye

Q-16. Please explain and fully document the derivation of the proposed demand charge for the DGGS rate schedule.

A-16. The proposed demand charge for Rate DGGS was set equal to the proposed demand charge for gas-fired generation facilities served under special contracts.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to First Data Request of
The Kroger Company
Dated March 1, 2010

Question No. 17

Responding Witness: Robert M. Conroy / J. Clay Murphy

Q-17. (a) According to rate schedule DGGS, is a customer that otherwise transports gas pursuant to the FT rate schedule required to pay the Gas Supply Cost Component when the customer's generation unit is operating?

(b) If yes, why is the not customer permitted to use its own gas supply for this purpose?

A-17. (a) Service under Rate DGGS is subject to the Company's prevailing Gas Supply Cost Component for any gas consumption thereunder.

(b) Rate DGGS is a sales service; Rate FT is a transportation-only service. See also response to Question No. 13.