LG&E

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

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PUBLIC SERVICE
COMMISSION

Louisville Gas and
Electric Company
State Regulation and Rates
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April 8, 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 Second Data Requests of The Kroger Company dated March 26, 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

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
SECOND DATA REQUEST OF
THE KROGER COMPANY
DATED MARCH 26, 2010

FILED: April 8, 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 31st 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 29th day of March 2010.

Rashelle W. Gaines (SEAL)
Notary Public

My Commission Expires:

Feb. 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 31st day of March 2010.

Victoria B. Harper (SEAL)
Notary Public

My Commission Expires:

Sept 20, 2010

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to Second Data Request of
The Kroger Company
Dated March 26, 2010

Question No. 1

Responding Witness: William Steven Seelye

Q-1. Follow up to LG&E Response Kroger 1-5. Regarding Mr. Seelye's use of the term "lower effective rate:" if two customers are on the same rate schedule, can one have a lower effective rate than the other? If not, please explain.

A-1. Yes.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to Second Data Request of
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Dated March 26, 2010

Question No. 2

Responding Witness: William Steven Seelye

Q-2. Follow up to LG&E Responses to Kroger 1-9(c) and (d). The answers appear to misconstrue the question's reference to "demand charge" and treat this term as equivalent to "demand charge revenues," and thus, fail to answer the question that was asked. (a) Given that the demand-related revenue requirement is the same irrespective of whether a CP rate or non-CP rate is used, but the billing determinants are different for a CP rate and non-CP rate, does it not follow that the demand charge (as would appear as a rate component in a rate schedule) for "Coincident peak CP demand billing" would necessarily be different than the otherwise applicable generation portion of the demand charge in the Company's tariff? (b) 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? (c) If not, please explain why not without repeating the answer originally provided, which did not answer the question that was asked.

A-2. (a) A CP demand charge will almost certainly be different that a non-CP demand charge.

(b) Yes; however, the billing units to which the CP demand charges apply would be lower, resulting in the same overall revenue requirement.

(c) Not applicable.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to Second Data Request of
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Dated March 26, 2010

Question No. 3

Responding Witness: William Steven Seelye

Q-3. Follow up to LG&E Responses to Kroger 1-10(a) and (b). Assume the loads of the two customers referenced in the question are IDENTICAL IN EVERY CONCEIVABLE WAY except end use. Now please answer the question: (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.

A-3. (a) No.

(b) Not applicable.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to Second Data Request of
The Kroger Company
Dated March 26, 2010

Question No. 4

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

Q-4. Follow up to LG&E Response to Kroger 1-14. LG&E's answer is non-responsive and argumentative. Kroger did not ask LG&E's opinion as to the likelihood of the situation posited. Kroger has posited a hypothetical in an attempt to understand the cost causative principles underlying Rate DGGS and its relationship to other rate schedules. Please answer the question that was asked.

A-4. The premise of the question is flawed because it assumes that no facilities are required to serve the gas-fired generation installation under the hypothetical situation posited. In order to ensure that it can reliably serve firm gas loads on its system, LG&E must have facilities in place in order to serve the total gas load of the customer – both generation and non-generation gas loads. The facilities are required whether or not the generation load is subject to the grandfathering provision. This is the case because LG&E cannot make the flawed and hypothetical assumption that the generation load will be "on" only when the non-generation load is "off". Therefore, in the hypothetical presented, LG&E would still incur costs in having resources available to serve the Rate FT customer in the event that the customer reduced its non-generator usage at the time the generator is operated. However, the charges under Rate FT do not cover the cost of providing service to standby generators. See also the response to Question No. 6.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to Second Data Request of
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Dated March 26, 2010

Question No. 5

Responding Witness: William Steven Seelye

Q-5. Follow up to LG&E Response to Kroger 1-16. The question asked LG&E to "fully document' the derivation of the proposed demand charge for the DGGS rate schedule. Is it LG&E's position that its 23-word answer constitutes the full documentation of how this proposed demand charge was derived? Are there work papers? If so, please provide.

A-5. As explained in response to Kroger 1-16, the proposed demand charge for DGGS was set equal to the proposed demand charge for gas-fired generation facilities served under special contracts. Support for the increase in the demand charge for the gas-fired generation facilities was provided in Seelye Exhibit 10 and in the electronic spreadsheets and workpapers supplied in response to KPSC 2-125. The Company is proposing to increase the demand charge for gas-fired generation facilities by the same percentage as Rate IGS. The current rates for gas-fired generation were approved in Case No. 2007-00449.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2009-00549

Response to Second Data Request of
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Dated March 26, 2010

Question No. 6

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

Q-6. Follow up to LG&E Response to Kroger 1-17(b). Under what ratemaking principle is a customer precluded from using transportation service and its own gas supply to serve a customer-owned generating unit?

A-6. As explained in response to Kroger 1-13, as referenced in response to Kroger 1-17, Rate FT is not designed to serve gas-fired generation loads that are sporadic and unpredictable.

Rate FT is designed to primarily serve large gas process loads that are generally predictable. This is evident in the nominating, balancing, and other provisions of this rate schedule. Rate FT does not contain service elements (such as storage) that would allow customers served thereunder to deliver gas in a manner that would adequately address the sporadic and intermittent nature of gas-fired generation loads by complying 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, thereby rendering a service for which the customer is not paying through Rate FT.

By contrast, Rate DGGS is designed to provide firm sales service to gas-fired generation loads that are unpredictable, for example by including an element of gas storage to meet sudden changes in hourly and daily gas loads. Gas loads associated with generation installations require LG&E to provide a firm no-notice sales service to the customer.

Therefore, the underlying ratemaking principle related to ensuring that a customer is served under the correct rate schedule given the service provided is cost causation. Customers should be charged according to the character of service being provided. This helps ensure that the costs associated with the character of service taken (as opposed to that provided) are not subsidized by other customers.

See also LG&E's response to KPSC 3-30.