



1500 South Brook Street  
Louisville, KY 40208  
502.637.1700  
fax 502.637.8060

[www.paradisetomato.com](http://www.paradisetomato.com)

*Serving Customers  
Coast-to-Coast*

RECEIVED

NOV 15 2012

PUBLIC SERVICE  
COMMISSION

November 7, 2012

Mr. Jeff Derouen, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

RE: LG&E Rate Case No. 2012-00222

Paradise Tomato Kitchens, Inc. is a natural gas transportation customer of Louisville Gas & Electric (LG&E) that consumes about 73,620 Mcf of natural gas each year. Paradise Tomato Kitchens, Inc. currently employs 150 people in Kentucky and pays taxes to the Commonwealth of Kentucky. Our company has been a key contributor to Kentucky's economy for 20 years.

Paradise Tomato Kitchens, Inc. is contacting the Commission to express its concern regarding the pending LG&E Rate Case No. 2012-00222. LG&E seeks to increase its gas transportation rates and make certain changes to gas transportation service which would harm companies like ours.

Paradise Tomato Kitchens, Inc. specifically objects to the following as proposed by LG&E:

- a. To object to reducing the imbalance tolerance

Paradise Tomato Kitchens, Inc. is currently participating in a supplier pool. For customer like us, LG&E proposes to reduce the daily imbalance threshold from the current 5% to only 2% in order to encourage more accurate daily nominations. This seems to suggest that Paradise Tomato Kitchens, Inc. and our pool manager are intentionally being inaccurate with our nominations. Rather, we already devote considerable time and resources to projecting our daily usage and corresponding delivery nomination to LG&E in order to achieve the utmost accuracy that we can. It is important to recognize that our nomination is due to LG&E the day before any consumption even begins to take place, so changes in weather forecasts, modifications to production schedules and a host of other factors can result in deviations between nominations and usage; it does not occur simply due to our error or carelessness.

According to our supplier, a daily imbalance threshold of just 2% is one of the most stringent among utilities of comparable size. Daily imbalance thresholds that are comparable to LG&E's current threshold are much more typical than the change LG&E proposes.

There is no evidence to support that reducing the existing pool imbalance tolerance from 5% to 2% will result in any appreciable improvement in nomination accuracy, as nomination deviations are the result of several factors on a customers' business that beyond their control. Paradise Tomato Kitchens, Inc. already does its very best to have delivered into LG&E's system what it anticipates it will consume. Currently LG&E's existing tariff provides substantial financial incentives for us to minimize daily imbalances. Lowering the threshold to 2% will, rather than improve our accuracy, more likely result in more revenue to LG&E in the form of additional financial penalties from our imbalances.

LG&E witness J. Clay Murphy states that the reduction in imbalance threshold is necessary due to the expansion of transportation services under Rider TS. Paradise Tomato Kitchens, Inc. suggests that it is still unknown, and certainly not measurable, whether and to what extent Rider TS changes will expand that service. It is unreasonable to make such an extreme reduction in the imbalance threshold for Rate FT customers on an unknown. Why should Rate FT customers be subject to such an adverse change based on projected impacts due to services provided under a different tariff schedule?

b. To object to an increase to Administrative Charges

As a Rate FT customer, we currently pay a \$230 monthly Administrative Charge. LG&E proposes to more than double this charge to \$600/month. This is a substantial increase, much greater than the current rate of inflation. Paradise Tomato Kitchens, Inc. has certainly been unable to increase our prices by 160% over the past few years.

LG&E raised the Administrative Charge to \$230 in case No. 2008-00252. In 2008, LG&E represented that \$230 recovered its fully allocated costs for serving 933 Rate FT customers. Now, in 2012, Conroy Exhibit 8 indicates there are somewhat fewer Rate FT customers, i.e. 900. However, how is it reasonable that a 3% decline in customers corresponds to a 160% increase in costs? If \$230 recovered fully allocated costs in 2008, what is the evidence to support the ballooning of costs in the past four years when the number of customers has only slightly declined?

For these reasons, Paradise Tomato Kitchens, Inc. asks that the Kentucky PSC Commissioners reject these changes to LG&E's gas transportation service as the utility has not offered adequate justification and furthermore, such changes will unnecessarily harm gas transportation customers like us in Kentucky.

Thank you,



Nathan Cosby  
Maintenance Manager