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PUBLIC SERVICE COMMISSION

December 17, 2012

Richard G. Raff, Esq.
Quang D. Nguyen, Esq.
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

**Re: The LG&E Informal Settlement Conference
Resulting in Settlement of the LG&E Gas and Electric Rate Cases.**

Gentlemen:

Stand Energy Corporation would like to extend its gratitude to the Commission Staff for being allowed to participate in the LG&E Rate Case on the subject of the gas transportation thresholds. I also wanted to personally thank the Staff for suggesting that, rather than fight over the appropriate volumetric threshold, a pilot program for a specific group of customers, such as schools, would be a better way to proceed. Unfortunately, LG&E did not embrace the suggestion but instead questioned "the legality" of such a pilot program. Perhaps the idea is too new for LG&E? Stand Energy believes Kentucky law supports reasonable regulatory pilot programs.

Stand Energy further continues to believe that the topic of Commercial, Industrial, Governmental and Educational gas programs - and the likelihood of customer savings resulting from such programs - is worth the risk of implementing such a pilot program to allow for study and review by the Commission. Stand Energy has a proven track record of saving the Commonwealth of Kentucky money on natural gas, including the PSC Building in Frankfort. A "pilot" gas transportation program for schools as a group would not only support education through energy savings, it would stretch the public tax dollars used for education much further! Stand Energy hopes to continue to have the support of PSC Staff as this issue is addressed in future LDC General Gas Rate Cases.

There was another matter I wanted to address. As you know, Stand's negotiating team attended the scheduled, "informal settlement conference" at the PSC on Tuesday November 13th and monitored the second day of the conference via e-mail and telephone. From my observations, the Stand team handled ourselves professionally and negotiated in good faith

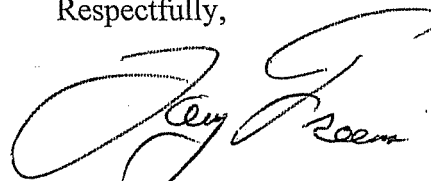
with LG&E representatives, most notably Mr. Clay Murphy. When Stand Energy accepted the final offer of LG&E, Stand Energy had been led to believe that 120 additional customers would be eligible for transportation service for the first time as a result of the reduction of the threshold to 15,000 Mcf/year. All three (3) members of our team, including me, had this distinct understanding. We immediately began requesting, in writing, a copy of the list of 120 customers from LG&E but received no response. LG&E was given notice of Stand Energy's belief that 120 additional customers were involved by requesting the list of those 120 customers from LG&E. Rather than respond that only 45 additional customers would be eligible, LG&E remained silent.

Several weeks later, when the Settlement was placed of record before the Commission, Mr. Clay Murphy testified under oath. Under cross-examination by Commission Staff, Mr. Murphy responded that only 45 additional customers would be eligible for transportation service for the first time as a result of the reduction of the threshold to 15,000 Mcf/year. This statement was contrary to previous statements by LG&E and it was a clear misrepresentation to Stand Energy during negotiations.

I am asking that you look into this matter. Stand Energy did not want to disrupt the formal proceeding - but clearly we have multiple grounds to object. Stand Energy suggests that an improvement to "informal" PSC proceedings should include reducing all agreements to writing or have them be orally placed into the record. Otherwise, there is no way to prove what was said by whom.

Stand Energy has been trying to expand gas savings opportunities for industrial, commercial, governmental and educational customers in Kentucky since 2004. Stand Energy will continue to advocate for necessary changes to LDC gas transportation programs in the future. In this case, we feel like the process only benefited LG&E and that 75 potential customers suffered because of Clay Murphy's misrepresentation.

Respectfully,

A handwritten signature in black ink, appearing to read "Larry Freeman", written in a cursive style.

Larry Freeman
Executive Vice-President