

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT AND )  
POWER COMPANY TO ADJUST ELECTRIC RATES ) CASE NO. 91-370

O R D E R

IT IS ORDERED that The Union Light, Heat and Power Company ("ULH&P") shall file the original and 12 copies of the following information with the Commission by January 6, 1992, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. The company and departmental allocation schedules shown on Schedule A-7 both indicate that time studies are used as a basis for allocation. Provide the following information:

a. Indicate whether the referenced time studies are based on information taken from employee time sheets or on estimates of employee work assignments.

b. If the studies are based on estimates, describe in detail what procedures are used by ULH&P to verify the accuracy of the estimates.

2. On Schedule A-7, page 2 of 4, several of the allocation bases make reference to labor hours worked or charged. On page 3 of 4, one of the allocation bases contains this reference. Explain whether the references to labor hours worked or charged reflect actual time charges to the activity or are the results of labor cost allocations.

3. On Schedule A-7, page 2 of 4, the description for the allocation bases shown on lines 22 through 25 make reference to "Five Years ended October 30, 1990." Explain what the five years is referencing.

4. Schedule B-3.2 shows ULH&P's depreciation accrual rates and jurisdictional reserve balances by account. A review of this schedule reveals that some plant accounts have accumulated depreciation balances which are larger than the amounts recorded as plant investment. For each of the accounts identified below, provide a detailed explanation as to why the utility plant appears to have been allowed to be over-depreciated:

a. Account No. 3631 - Street Lighting - Overhead.

b. Account No. 3732 - Power Operated Equipment.

c. Account No. 1721 - Data Processing Equipment.

5. On Schedule B-5.1, ULH&P has included the Kentucky PSC Assessment and its auto license taxes as prepayments. Provide the following information:

a. Explain in detail how expenses which are paid for a specific, present time obligations constitute a prepayment.

b. Explain in detail why ULH&P is entitled to earn a return on the assessment and taxes it has paid.

c. Included in the testimony of D. E. Bruegge, page 5, is the statement that the assessment and taxes are prepaid according to regulations. Identify the regulations referenced in this testimony.

6. On Schedule B-5.1, ULH&P has included 10 days of purchased power cost in the determination of cash working capital. Provide the following information:

a. Explain in detail why ULH&P has proposed to include a cost in the determination of cash working capital which is normally excluded under the formula approach.

b. Indicate whether ULH&P has preformed any lead-lag studies which support the level of cash working capital proposed, including the use of 10 days of purchased power cost. Supply copies of any such studies.

c. Explain in detail why ULH&P has proposed in effect a hybrid of the lead-lag approach and the formula approach in its determination of a cash working capital.

d. Explain why is it appropriate to use ULH&P's approach instead of a full lead-lag study for the entire operations. Indicate what would be the differences in the results of the two approaches.

7. On Schedule C-3.2, ULH&P has proposed to include its test-year charitable contributions as operating expenses. On page 9 of the Bruegge testimony is the acknowledgement that the Commission has not allowed this adjustment in past decisions. Explain in detail what reasons or evidence ULH&P has offered which it has not already provided in previous cases.

8. Schedule C-3.6 contains ULH&P's proposed adjustment to recognize the amortization of the management audit. Provide a detailed explanation of the accounting treatments used by ULH&P to record the management audit expense. Indicate whether ULH&P expensed or deferred the cost of the audit. Include in the explanation the reason(s) for using the particular accounting treatment.

9. Concerning ULH&P's proposed management credit amortization if the amount to be amortized should be recalculated due to additional costs incurred, explain why ULH&P did not reflect the amount already amortized in the calculation of the adjustment.

10. Schedule C-3.20 contains ULH&P's proposed adjustment to reflect the rents paid to the Cincinnati Gas and Electric Company ("CG&E") for a microwave system. Provide the following information:

a. Explain in detail how the test year monthly charge of \$9,511 was determined. Include a description of any allocations used in the calculation of the rent.

b. Explain how the microwave system is utilized in ULH&P's service territory and the benefits the system provides to ULH&P.

c. Explain why ULH&P needed this microwave system.

11. Schedule C-10 presents ULH&P's estimate of the costs of the current rate proceeding. Provide the following information:

a. A detailed explanation of why ULH&P is seeking to recover the costs of this rate proceeding in one year. Include in this explanation the reason(s) an amortization of 3 years, which was used in ULH&P's last general rate case, was not proposed.

b. Describe how ULH&P accounted for the costs of its last general rate case. Explain why the costs were either expensed or deferred.

c. Identify any last general rate case costs which are included in test year expenses.

12. Included on Schedule C-10 is \$5,184 for the costs of Administrative Case No. 308. That proceeding is no longer an active case. Explain why this amount should be included as an expense for rate-making purposes.

13. Schedule C-11.1 contains ULH&P's payroll analysis. Provide the following information:

a. Straight-time hours over the most recent 5 calendar years have been steadily decreasing. Explain the reason(s) for this decrease.

b. The straight-time hours recorded for the test year are the highest level experienced since 1986. Explain the reason(s) for this increase.

c. With the exception of 1989, the recorded overtime hours reflect a gradual increase in hours. Explain the reason(s) for these increases in overtime hours.

d. Under the category "Labor Dollars," define what is meant by Other Earnings.

e. Indicate if the difference between Total Labor Dollars and O & M Labor Dollars - Electric is only those labor dollars that reflect capitalized costs.

f. For the test year, explain why the ratio shown on line 16 of Schedule C-11.1 does not equal the ratios shown on lines 13 and 19. Include in this response a discussion of whether the three referenced ratios should be approximately equal or not.

g. Explain whether the reference to employee levels reflects actual employees assigned to ULH&P, equivalent employees, or some other distinction.

14. Concerning ULH&P's workforce level, provide the following information:

a. Indicate when ULH&P last evaluated its workforce to determine its optimal workforce level.

b. Submit copies of any written evaluations performed concerning the optimal workforce level for ULH&P.

c. Describe in detail what steps ULH&P has undertaken in the test year to integrate the management audit recommendations which deal with workforce levels and management.

15. Schedule D-1 contains the capitalization of ULH&P as of test year end. Exhibit JRM in the testimony of J. R. Mosley also contains a schedule of the capitalization of ULH&P. Provide the following information:

a. Explain why the Deferred Investment Tax Credits were not included in the capitalization shown on Schedule D-1.

b. Explain why the average daily balance of short-term borrowings was not included in Schedule D-1.

c. Explain why the Deferred Investment Tax Credits were not allocated to the components of the capitalization in Exhibit JRM.

d. Explain why a cost of capital of 11.53 percent was assigned to the Deferred Investment Tax Credits shown on Exhibit JRM.

e. Exhibit JRM indicates the short-term borrowings reflect the average daily balance for the test year. Indicate the balance of short-term borrowings as of July 31, 1991. Explain why ULH&P has proposed that the average daily balance of short-term borrowings should be used.

16. Schedule S-2.1, page 2 of 3, contains assumptions used for an income statement shown on page 1 of 3 for the years 1991 through 1993. Assumption No. 4 states in part "The Company anticipates the addition of 35 direct employees over the budgeted period." Provide a detailed explanation concerning the basis and rationale for this assumption.

17. Supplemental Information (C)(1) is a copy of ULH&P's most recent Federal Energy Regulatory Commission ("FERC") audit report. Provide the following information:

a. Indicate the status of the recommendations concerning compliance exceptions noted in the audit report.

b. Describe the accounting entry made to correct the income tax liability. Indicate when this entry was made and the affected account numbers.

c. Submit a copy of the new electric depreciation study.

18. Supplemental Information (C)(3) is a copy of ULH&P's 1990 FERC Form No. 1 Annual Report. Page 123-002 contains a discussion of the impact that Financial Accounting Standards Board ("FASB") Statement No. 106 will have on ULH&P. Provide the following information:

a. Explain in detail what changes ULH&P will have to make to be in compliance with FASB No. 106.

b. Identify any costs that ULH&P has recorded in the test year related to the implementation of FASB No. 106. Describe the transactions and indicate the affected account numbers.

19. Page 261-005 of the 1990 FERC Form No. 1 includes a discussion of the consolidated federal income tax return. Provide the following information:

a. Describe the "Stand Alone Method" prescribed by FERC, as referenced on page 261-005.

b. Indicate the ultimate allocation of the consolidated federal income tax made during the test year.



Identify the tax year and describe how ULH&P accounted for the allocation.

20. WPC-2.2a through WPC-2.2000000 contains the annual variance report for ULH&P's electric operations. For each of the accounts and subaccounts listed below, provide a detailed explanation as to why the balance in the account or subaccount changed between the test year and the previous 12 month period. In cases where the change was due to changes in the applied allocation factor, separately explain the reason(s) for the change in the allocation factor.

- a. Account No. 557-200, Unrcvd. Ele. Fuel Cost Unbi., page 1.
- b. Account No. 570-1, Trnm. Sta. Eq. ULHP&CGE Ohio, page 12.
- c. Account No. 571-5, Clear Ln. ULHP&CGE O&MP In., page 13.
- d. Account No. 580-62, Elec. Distr. Eng. - R E & R M, page 17.
- e. Account No. 588-37, Misc. Distribution Expense, page 33.
- f. Account No. 591-1, Substation Bldgs. Maint., page 38.
- g. Account No. 593-3, Reprs. Repl. Oh. Cond. & Dev., page 39.
- h. Account No. 593-5, Clearing Lines Distr., page 39.
- i. Account No. 594-7, Rprs. Ug. Dvcs. Bo. Accdt. Urd., page 42.

- j. Account No. 5409-1, Fed. Inc. Tax Normal Surtax,  
page 51.
- k. Account No. 5409-3, Fed. Inc. Tax Adjustments, page  
51.
- l. Account No. 5409-7, State Income Taxes KY, page 51.
- m. Account No. 5410-6, St. Inc. Tax Librlzd. Depre.,  
page 52.
- n. Account No. 5410-46, F.I.T. Uncollectble. Accts.,  
page 53.
- o. Account No. 5410-68, F.I.T. Contr. Aid Constr.,  
page 54.
- p. Account No. 5410-70, F.I.T. AFFUDC, page 55.
- q. Account No. 5410-92, F.I.T. Captlzd. C.I.S., page  
56.
- r. Account No. 5410-93, S.I.T. Captlzd. C.I.S., page  
56.
- s. Account No. 5410-202, Book Unbilled Rev. Fuel, page  
56.
- t. Account No. 5410-203, Book Unbilled Rev. Fuel, page  
56.
- u. Account No. 5411-57, Vac. Pay Accrual Elec. Fed.,  
page 60.
- v. Account No. 5411-72, F.I.T. Unbilled Revenues, page  
62.
- w. Account No. 5411-202, Book Unbilled Rev. - Fuel,  
page 62.

x. Account No. 5902-20, Electronic Mtr. Reading Sys.,  
page 73.

y. Account No. 5903-91, Occupationl. Devlpmt. Trnng.,  
page 84.

z. Account No. 5904-1, Utility Services, page 85.

aa. Account No. 5908-23, Area Mktg. Southern Divsn.,  
page 89.

ab. Account No. 5920-51, Software Engineering, page  
106.

ac. Account No. 5920-52, Cust. Sysms. Applications,  
page 106.

ad. Account No. 5920-63, Org. Effect. Org. Developmnt.,  
page 107.

ae. Account No. 5921-55, Cnslt. & Tech. Srv. Cntrct.  
Fee, page 118.

af. Account No. 5921-63, Or. Effect. Org. Developmnt.,  
page 120.

ag. Account No. 5923-4, Special Services Other, page  
126.

ah. Account No. 5925-1, Inj. + Damages Pub. Liablty.,  
page 127.

ai. Account No. 5926-60, Empl. Insurance and Hosp.,  
page 134.

aj. Account No. 5926-141, Pension Cost Adj.-Cr., page  
135.

ak. Account No. 5930-16, Media-Radio & Television, page  
138.

21. On page 92 of the annual variance report, WPC-2.2nnnn, Account No. 5908-54 is identified as Demand Side Management Programs. Provide a detailed explanation concerning the expenses recorded in this account. For each transaction of \$500 or more, prepare a schedule showing the payee, date of transaction, amount of transaction, and a description of the transaction.

22. Pages 94 through 98 of the annual variance report, WPC-2.2pppp through WPC-2.2tttt, list 12 subaccounts of Account No. 5912. According to the Uniform System of Accounts, this account relates to demonstration and selling expenses, the object of which is to promote or retain the use of utility services by present and prospective customers. For each of the subaccounts listed on pages 94 through 98, provide the following information:

a. A detailed explanation of the nature of the transactions recorded in the subaccount.

b. Examples of publications or other materials, prepared or issued, whose costs are included in these subaccounts.

c. Explain why these expenses should be included for rate-making purposes. Specifically include a discussion of how these expenses relate to 807 KAR 5:016, section 4.

23. Pages 128 through 131 of the annual variance report, WPC-2.2xxxxx through WPC-2.2aaaaaa, include a listing of several subaccounts of Account No. 5926, Employee Pensions and Benefits. For each of the subaccounts listed below, provide the full account title, a detailed explanation of the nature of the transactions recorded in the subaccount, and explain why the expense should be included for rate-making purposes.

- a. Account No. 5926-1, Empl. Welf. Recr. Rsch. Per.
- b. Account No. 5926-2, Training Organization Eff.
- c. Account No. 5926-4, Empl. Comm. Othr. Pers. Relat.
- d. Account No. 5926-5, Special Events Pers. Relat.
- e. Account No. 5926-6, Non-Ind. Medical Exp. Per.
- f. Account No. 5926-7, Security Personnel Relatn.
- g. Account No. 5926-8, Misc. Bldg. Exp. Pers. Relatn.
- h. Account No. 5926-9, Safety Personnel Relatns.
- i. Account No. 5926-20, Employee Communications.

24. Below are listed several accounts and subaccounts which are identified in the annual variance report as rental expense accounts:

- a. Account No. 567, pages 8 and 9.
- b. Account No. 589, pages 33 and 34.
- c. Account No. 5903-9, page 75.
- d. Account No. 5903-80, page 83.
- e. Account No. 5903-83, page 84.
- f. Account No. 5931, pages 141 through 144.

For each account, listing by subaccount, provide a description of what is rented, how the amounts of rental expense were determined, an explanation concerning the increase in the test year expense, and an explanation concerning why the rented item is needed by ULH&P. For rentals concerning buildings, identify each separate building and provide its location. For accounts where the test year increase in expense is due primarily to changes in allocation factors, explain in detail why the allocation factor changed.

25. For each of the listed subaccounts taken from the annual variance report, explain the nature of the transactions recorded in the subaccounts. Provide a detailed explanation as to why these expenses should be included for rate-making purposes.

a. Account No. 5930-20, Pub. Relations Dept. Mo., page 138.

b. Account No. 5930-24, Community Ser. ULH&P Div., page 138.

c. Account No. 5930-25, Community Ser. - All Div., page 139.

d. Account No. 5930-28, Public Relation Photos, page 139.

e. Account No. 5930-30, PR Expenses Other Depts., pages 139 and 140.

26. Concerning ULH&P's proposed weather normalization adjustment, provide the following information:

a. Indicate whether the models used by ULH&P were developed in-house or purchased from a vendor. If the models were purchased, identify the vendor(s).

b. Indicate whether CG&E or the West Harrison Gas and Electric Company have proposed electric weather normalization adjustments to their respective regulatory commissions.

c. Describe whether the proposed adjustments have been accepted or rejected by those commissions.

d. For those adjustments identified in (c) as accepted, identify and fully explain any variations in the adjustments accepted and the method proposed in this case.

e. Indicate if any restrictions have been established defining under what conditions an electric weather normalization adjustment may be proposed in those jurisdictions.

27. The testimony of witness Stevie addresses ULH&P's proposed weather normalization adjustment. The following questions relate to that adjustment and witness Stevie's testimony.

a. On page 5 of his testimony witness Stevie explains that a weather normalization adjustment primarily adjusts test-period sales of a utility for abnormal weather. What specific tests or analyses did ULH&P perform to determine that its test-year weather was abnormal?

b. Also on page 5, witness Stevie characterizes weather as a random event. In preparing and formulating this adjustment did ULH&P make a determination that weather is the only random event that affects energy usage? If yes, show how this determination was made.

c. On page 7 of his testimony witness Stevie indicates that energy usage is dependent upon economic variables and weather variables. By holding the economic variables constant in the econometric model, as also indicated on page 7, what assumptions have been made about the normalcy of economic variables during ULH&P's proposed test year?

d. On page 12 of his testimony witness Stevie explains how billing degree days are established. As the degree days for the 21 billing cycles are calculated and averaged, explain how the 21 results are weighted in order to derive the average.

e. The answer beginning on line 12, of page 12, of Mr. Stevie's testimony indicates that normal degree days are established by NOAA based on 30 years data. What 30-year period was the source of the degree days shown on page 12 of the testimony?

f. The proposed adjustment, as shown on page 12, represents 1.0 percent of actual sales. Given the size of the adjustment, explain why ULH&P proposed weather normalization in this application when it has not done so in prior cases.

g. The Commission has dealt with weather normalization adjustments in other electric rate cases. Explain whether and how ULH&P's methodology isolates base load and temperature-sensitive load.

28. Referring to page 12 of Mr. Stevie's testimony:

a. Explain how billing cycle-specific degree days were obtained.

b. Where are the temperatures used in NOAA's 30-year normal degree days calculation measured?

29. Where are the actual temperatures used as shown on Exhibit RGS 3, page 1 of 3 measured?

30. Explain the derivation and the regression results of the two independent variables in log form in each of the customer models shown in Exhibit RGS 2, pages 1 through 12.

31. Included on WPC-3.4a is a calculation reflecting the proposed adjustment for the Savings Investment Plan ("SIP") and the Deferred Compensation and Investment Plan ("DCIP"). Provide the following information:



a. Describe how the 1.4 percent factor was determined. Include supporting calculations, workpapers, and assumptions.

b. Explain why it is appropriate to determine this adjustment by simply multiplying the proposed wage adjustment by the 1.4 percent factor.

c. Explain why it would not be appropriate to calculate this adjustment to reflect the actual participation in the plans by employees as of test year end.

32. WPC-3.4b shows the distribution of paid labor hours based on the hours worked in May 1991. Provide the following information:

a. The test year end is July 31, 1991. Explain why it is appropriate to base the wage adjustment on the hours worked in May.

b. Percentages of labor hours have been distributed to Accounts Receivable and Accounts Payable. Explain what labor activity is represented by the Accounts Receivable and Accounts Payable.

c. For two employee groups, ULH&P shows a distribution of labor hours to electric operating expenses in excess of 100 percent. Explain in detail how it is possible or appropriate to assign more than 100 percent of the labor hours to operating expenses.

33. Provide the same information as shown in WPC-3.4c for the month of July 1991.

34. The total ULH&P net paid labor hours shown on WPC-3.4b are supported by information contained on WPC-3.4d through

WPC-3.4o. These supporting workpapers show that the total paid labor hours are made up of regular work hours, time and one half hours, and double time hours. Provide the following information:

a. Explain why it is appropriate to distribute the time and one half and double time hours in the same way as the regular work hours.

b. The paid labor hours distributed to electric operating expenses are a major component of the proposed wage adjustment, as shown on WPC-3.4a. Explain why it is appropriate to include the time and one half and double time hours in the determination of the proposed wage adjustment.

35. WPC-3.4x shows the general merit increase granted to supervisory, administrative, and professional employees during the test year. Provide an explanation of how it was determined that ULH&P's increase should be 5.59614 percent. Include all supporting documentation for this increase.

36. WPC-3.4y shows the labor overhead percentages in effect at test year end. Provide a detailed explanation of how the 10.5 percent rate for employee insurance and hospitalization and the 1.0 percent rate for employee injuries and damages was determined for ULH&P. Include all supporting documentation for these overhead rates.

37. For the month of July 1991, provide a payroll analysis showing the labor charges for ULH&P's electric operations. The schedule should contain the same line items as shown on Schedule C-11.1.

38. Provide all calculations, workpapers, and documentation which support the amounts contained on WPC-3.5a.

39. Provide ULH&P's monthly reconciliations of total consolidated medical expenses for each month of the test year and for the following three calendar months.

40. WPC-3.9b contains the calculations used to annualize ULH&P's FICA taxes. Provide the following information:

a. Explain in detail why the calculations on this workpaper show ULH&P's number of employees at 377 when on Schedule C-11.1, ULH&P's test year end number of employees is 313.

b. If the 313 figure is correct, explain in detail why it is appropriate to base this adjustment on a workforce level that is larger than actual.

41. WPC-3.9b shows that 11 employees' salaries would exceed the \$53,400 FICA taxable base. Using an employee number or some other designator, provide the July 1991 wages for each of these 11 employees.

42. WPC-3.9c through WPC-3.9l contains a printout as of January 3, 1991 of ULH&P's FICA taxable and paid wages. Provide a version of this printout as of July 31, 1991.

43. Concerning WPC-3.11a, provide the following information:

a. Explain whether the Consumer Price Index - Urban ("CPI-U") values reflect the end of the calendar years shown or the end of July for each year shown.

b. Explain why the CPI-U for June 1991 was used in the calculation of this adjustment.

c. Submit the CPI-U value for the month of July 1991.

44. WPC-3.12a shows the annualization of injuries and damages expense, with the elimination of a related Schedule "M" item. Provide a detailed explanation of the calculation shown on line 16 of the workpaper. Include the reason(s) for this adjustment and how the specific calculation was determined.

45. Concerning the postage adjustment shown on WPC-3.13b, provide a detailed explanation of how the ULH&P percentages shown on the workpaper were determined. If allocations were used, include an explanation as to how the allocations were determined and applied.

46. WPC-3.12a shows the calculation of the provision rate for uncollectible accounts. Provide the following information:

a. Compute the percent of provision to total electric operating revenue for the test year end, calendar 1990, and calendar 1989.

b. Explain the reason(s) for any fluctuations between the three computed percentages.

c. Explain in detail why ULH&P used the provision rate which reflected both electric and gas operations in calculating uncollectible accounts adjustments in this proceeding, instead of the rate specifically related to electric operations.

47. The response to Item 12 of the Commission's November 14, 1991 Order provides the test year end and previous 12-month balances for each electric plant and reserve account. For each of the subaccounts listed below, provide a detailed explanation concerning the reason(s) for the change in the account balances.

Where changes are related to allocation factors, include an explanation of the impact of the allocation factor.

- a. Account No. 101-1720, Office Furn. and Equipment, sheet 1 of 33.
- b. Account No. 101-1721, Office Furn. and Equipment, sheet 2 of 33.
- c. Account No. 101-1731, Autos and Trucks, sheet 2 of 33.
- d. Account No. 101-3550, Overhead Conductors & Dev., sheet 7 of 33.
- e. Account No. 101-3570, Underground Conduct. & Dev., sheet 8 of 33.
- f. Account No. 101-3633, Street Light - Boulevard, sheet 11 of 33.
- g. Account No. 101-3732, Power Operated Equip., sheet 13 of 33.
- h. Account No. 106-34, Electric Distribution, sheet 16 of 33.
- i. Account No. 106-35, Electric General, sheet 16 of 33.
- j. Account No. 106-75, Common General, sheet 17 of 33.
- k. Account No. 108-75, Common General, sheet 19 of 33.
- l. Account No. 108-3503, Rights of Way, sheet 24 of 33.
- m. Account No. 108-3581, Line Transformers - Trans., sheet 26 of 33.

n. Account No. 108-3731, Autos and Trucks, sheet 30 of 33.

48. The response to Item 16(b) of the November 14, 1991 Order contains a Annual Variance Report for electric accounts, comparing total electric expenses between the test year and the 5 previous years. Provide a detailed explanation as to why ULH&P's total electric expenses have increased:

a. 75.30 percent between July 1989 and July 1990.

b. 65.22 percent between July 1990 and July 1991.

49. Concerning the response to Item 18 of the November 14, 1991 Order, provide the following information:

a. Describe the type of business in which the Tri-State Improvement Company ("Tri-State") and YGK Inc. ("YGK") are involved.

b. Indicate the total dollar value of all transactions during the test year ULH&P conducted with either Tri-State or YGK.

c. For each transaction included in (b) above with a dollar value of \$1,000 or more, prepare a schedule which identifies the seller, the purchaser, a description of the transaction, the amount of the transaction, the date of the transaction, and an explanation of how the transaction was valued. Include any supporting documentation.

50. Concerning the response to Item 23(a) of the November 14, 1991 Order, the information provided on Schedules C-8 through C-8.2 is not responsive to the request. ULH&P was requested to provide an analysis of its advertising expenses which would classify the expenses as either sales or promotional advertising,

institutional advertising, conservation advertising, rate case advertising, and other advertising. The analysis was to identify the medium used for the advertising, such as newspapers, television, radio, etc. Further, the analysis was to specify the purpose of the expense and the expected benefit to be derived. Schedules C-8 and C-8.1 only partially show the medium used for advertising and do not provide the type of advertising analysis or the purpose and benefit discussion. Schedule C-8.2 does not deal with advertising expenses. Provide the requested analysis in the format originally requested.

51. Concerning the response to Item 23(b) of the November 14, 1991 Order, the information provided is not responsive to the request. ULH&P was requested to complete Format 25b for miscellaneous general expenses by providing an analysis showing the date, vendor, document reference, dollar amount, and a brief description of each expenditure for transactions of \$500 or more. The analysis provided only showed the vendor, the total dollar amount, and used a limit of \$5,000. Provide the analysis originally requested, using the dollar cut-off specified.

52. Concerning the response to Item 23(c) of the November 14, 1991 Order, the information provided is not responsive to the request. ULH&P was requested to complete Format 25c for Account No. 426 by providing an analysis showing the date, vendor, document reference, amount, and a brief description of each expenditure for transactions of \$500 or more. The analysis provided only showed the vendor and the total dollar amount. Provide the analysis originally requested.

53. Concerning the response to Item 24 of the November 14, 1991 Order, the information provided is not responsive to the request. ULH&P was requested to provide an analysis of professional services, showing the payee, amount, document reference, account charged, hourly rates and time charged according to each invoice, and a description of the service provided. The analysis provided in Schedule C-8.2 does not reference individual invoices or indicate hourly rates and time charges. The descriptions provided do not adequately describe the services provided. Provide the originally requested information, scheduling the professional services by invoice. Provide copies of the supporting invoices or other documentation. Include detailed descriptions of the services provided to ULH&P.

54. Provide a schedule of professional services expenses for calendar years 1986 through 1990, using a format similar to Schedule C-8.2.

55. Concerning the response to Item 26 of the November 14, 1991 Order, for each of the accounts listed below, provide a detailed explanation of the nature of each transaction recorded in the account during the test year and copies of the supporting invoice or other documentation of each transaction. Where the amounts reflect allocations of costs from CG&E, include a detailed description of the basis for the allocation and documentation supporting the allocation. The accounts are:

a. Account No. 9426-0004, Miscellaneous Income Deductions - Civic and Political.



b. Account No. 9426-0008, Miscellaneous Income Deductions - Political Lobby.

c. Account No. 9426-0014, Miscellaneous Income Deductions - Political Action Committee.

56. Concerning the response to Item 37 of the November 14, 1991 Order, provide the following information:

a. For each of the positions listed on sheet 2 of 2, indicate the salary paid by ULH&P for the month of July 1991.

b. For each of the positions listed on sheet 2 of 2, indicate the allocation factor used to determine the amount of salary to be charged to ULH&P for each calendar year and the test year.

c. For each of the positions listed on sheet 2 of 2, indicate how much of each individual's salary was allocated to gas operations and electric operations during the test year. Include the allocation factors used and describe the basis for the allocation.

d. Explain where the positions of Vice President - Customer Relations and Vice President - Corporate Planning and Information Services are located on the organization chart provided on sheet 1 of 2.

57. Concerning the response to Item 38 of the November 14, 1991 Order, explain what is meant by the reference to an Electric Power Research Institute ("EPRI") Research Subscription. Indicate whether any of this expense reflects ULH&P's share of CG&E's membership in EPRI.

58. Concerning the response to Item 45 of the November 14, 1991 Order, provide the following information for each employee benefit identified in Items 45(a) through 45(r):

a. The total number of ULH&P employees eligible for the benefit as of test year end.

b. The total number of ULH&P employees who were actually participating in or receiving the benefit as of test year end.

c. The total expense of the benefit incurred or allocated to ULH&P during the test year.

d. A description of the allocation method(s) used in assigning expenses to ULH&P.

e. The total expense of the benefit allocated between ULH&P's gas and electric operations during the test year.

f. A description of the allocation method(s) used to assign expenses to the gas and electric operations.

59. Concerning the response to Item 45(u), the Benefit Concession calculations, provide the workpapers and calculations used to determine the amounts shown as Estimated Value in Average Cents per Hour per Employee.

60. Provide a description of any employee incentive pay plans available to the employees of ULH&P. Include any employees whose salaries are allocated to ULH&P by CG&E. Provide copies of any materials which describe the terms and eligibility of participants in the incentive pay plan.

61. The response to Item 47 of the November 14, 1991 Order was not responsive concerning the costs incurred to date for the

preparation of the rate case. The costs incurred to date were to be broken down into the categories of accounting, engineering, legal, and other. ULH&P was to provide for each category the hours actually worked, the rates per hour, and specifically identify other expenses. Copies of invoices, contracts or other documentation which supported the incurred charges were to be provided. ULH&P only identified the total to date cost incurred, and did not provide the requested descriptions or documentation. Provide the information originally requested, in the degree of detail requested.

62. Provide monthly updates of the actual rate case costs incurred by ULH&P. The updates should provide the same detail as was requested in Item 47 of the November 14, 1991 Order. The updates should be filed during each month of this proceeding, through and including the month of the public hearing. The updates should be filed by the 20th of the month following the reporting month.

63. In response to Item 49 of the November 14, 1991 Order, ULH&P provided a schedule of costs and benefits, showing estimates by the management auditor and actual costs and benefits of ULH&P. A review of this response indicates that the costs and benefits listed as "Per Company" reflect amounts for CG&E in total rather than ULH&P specifically. There does not appear to be any distinction between capitalized and expensed amounts nor between amounts applicable to gas operations versus electric operations. It also appears that some of the management audit recommendations were not included in the response. In a format similar to the

response to Item 49, provide a schedule containing the following information:

- a. CG&E total costs and benefits, separating one-time and recurring.
- b. Portion of one-time and/or recurring costs capitalized.
- c. Allocation factor(s) used to assign applicable costs to ULH&P.
- d. ULH&P total costs and benefits, separating one-time and recurring.
- e. Portion of one-time and/or recurring costs capitalized, if applicable.
- f. ULH&P total costs and benefits, separating one-time and recurring, allocated between gas and electric operations.
- g. Allocation factor(s) used to assign applicable benefits to ULH&P.

The costs and benefits should reflect the actual test year amounts, as well as those costs and benefits expected in the future. Explain how ULH&P's costs and benefits are allocated between gas and electric operations. Provide all workpapers and calculations which support the costs and benefits indicated.

64. Several of the management audit recommendations listed in the response to Item 49 indicated that either the costs or the benefits could not be quantified or identified by ULH&P. For each of these types of recommendations, provide a detailed explanation as to why the costs or benefits could not be quantified or identified.

65. Concerning the response to Item 50 of the November 14, 1991 Order, explain whether ULH&P has proposed any adjustments to its revenues and expenses related to one-time costs or benefits.

66. With reference to the following management audit recommendations, provide a thorough, detailed discussion of CG&E/ULH&P activities to date. Include an explanation of all costs and benefits reflected during the test year for ULH&P electric operations. ULH&P should identify whether the costs were capitalized or expensed and explain the basis for any allocations.

a. Recommendation III-1:

Make needed changes in the organization structure.

b. Recommendation IV-1:

Re-assess overhead, underground, and trouble work locations in the ULH&P franchise area.

c. Recommendation IV-9:

Establish task force to select and/or develop a scheduling and resource management system.

d. Recommendation VI-1:

Conduct a comprehensive review of all telephone contact functions with emphasis on consolidation of all Company telephone operations, as well as improvement in management emphasis and visibility of daily telephone workload volumes, and employee performance levels.

e. Recommendation VI-2:

Consolidate job classifications for Customer Service Representatives.

f. Recommendation VI-9:

Conduct an immediate, coordinated effort to comprehensively re-route meter reading routes.

g. Recommendation VI-12:

Reduce the Company's annual bad debt write-offs by increasing new customer deposits to an amount based on 2/12ths of the customer's total annual estimated Company energy bill.

h. Recommendation VIII-10:

Re-evaluate the market rate goal and continue efforts to bring all salaries in line with the goal.

67. Explain why there are no constant terms in the residential equation shown on Exhibit RGS, page 1 and the commercial equation shown on Exhibit RGS, page 3.

68. The following questions relate to the fuel synchronization adjustment shown on Schedule C-3.18 and addressed in the testimony of witness Ochsner:

a. The applicable workpaper reference for this adjustment is WP C-3.18a. Per this workpaper, is it correct that the FAC expense of \$5,612,361 is for the 12 months ended July 31, 1991, while the FAC recoveries of \$5,411,365 are for the 12 months ended September 30, 1991?

b. Is the proposed adjustment on Schedule C-3.18 the same proposal for fuel synchronization made by ULH&P in its rehearing petition filed October 22, 1990, in Case No. 90-041?

69. Workpapers WPE-4k through WPE-4m reflect the calculation of the changes in the amount of the Newport Steel interruptible demand credit, both annualization and proposed increase.

a. When did Newport Steel fix its base and curtailable demands at 8,500 and 6,500 KW, respectively?

b. For what period of time will those base and curtailable demand levels remain in effect?

c. Are these time periods established by contract? If yes, provide the specific provisions that establish these time periods.

70. Referring to page 8 of Mr. Van Curen's testimony, explain why the 12 CP demand ratio allocation factor is used to allocate all production and transmission demand-related items, while the non-coincident demand ratio is used to allocate distribution demand-related items.

71. Using residential customers as an example, demonstrate how non-coincident peaks are developed as explained on page 8 of Mr. Van Curen's testimony.

72. Provide an interpretation of the coincident peak factor of 0.683 as shown on page 8 of Mr. Van Curen's testimony.

73. Explain how Mr. Van Curen determined that 80 percent of the costs associated with distribution conductors and transformers are demand-related and 20 percent of these costs are customer-related, as shown by allocation factor K414.

74. Exhibit PVC-ECOS, Schedule 1 shows total electric and individual class rates of return at proposed rates. Prepare a similar exhibit which shows total electric and individual class rates of return at present rates.

75. Explain how the amounts shown on line 24 of Exhibit PVC-ECOS, Schedule 1 were calculated.

76. Explain how cost-of-service allocation factors K596, NP21, C317, C221, D241, T221, G221, DE41 are derived.

77. Concerning construction work in progress ("CWIP"), provide a description and balances as of test year end for each project in Account No. 107, construction work in progress-electric. Also, provide the same information for common CWIP, describing how a portion of common CWIP was allocated to electric operation. Include a justification for each project listed.

78. Do all of ULH&P's primary electric distribution lines operate at the same voltage? If no, provide the following:

a. The voltages at which the distribution lines operate.

b. ULH&P's latest study containing recommendations for reducing line losses.

Done at Frankfort, Kentucky, this 17th day of December, 1991.

PUBLIC SERVICE COMMISSION

A handwritten signature in cursive script, appearing to read "B. E. ...", is written over a horizontal line. Below the line, the text "For the Commission" is printed. A long, curved flourish extends from the end of the signature line to the right.

ATTEST:

A handwritten signature in cursive script, appearing to read "Lee M. MacCracken", is written above a horizontal line. Below the line, the text "Executive Director" is printed.