COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY UTILITIES COMPANY S PLAN TO ADDRESS THE FUTURE OF THE MERGER SURCREDIT APPROVED BY THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 1997-00300	)))))	CASE NO. 2002-00429

SECOND DATA REQUEST OF COMMISSION STAFF
TO KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company (KU), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due April 10, 2003. 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 person 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 herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to the response to Item 1 of the Commission Staff s February 28, 2003 Initial Data Request, which compares Louisville Gas and Electric Company s (LG&E) and KU s revenues in total and by percentage for the years 1997 and 2002. Provide the same comparison for the years 1998 through 2001.

2. Refer to the response to Item 3 of the Commission Staff s February 28, 2003 Initial Data Request.

a. Provide the total square footage owned and the cost per square foot for 101 East Vine Street in Lexington as of the consummation of the merger.

b. Provide the total square footage owned and the cost per square foot for One Quality Place in Lexington as of the consummation of the merger.

c. Provide the total square footage utilized and the cost per square foot for One Quality Place in Lexington as of January 1, 2003.

3. Refer to the attachment to the response to Item 4(d) of the Commission Staff s February 28, 2003 Initial Data Request regarding the One Utility Initiative, page 5 of 9. This indicates that 31 KU offices were being closed as a result of the One Utility Initiative. Provide the savings expected or realized from closing 31 offices. At a minimum, provide the savings achieved from reductions in office lease expenses, office maintenance expenses, and associated labor expenses.

4. Refer to the response to Item 5 of the Commission Staff s February 28, 2003 Initial Data Request.

a. Provide the assumptions, computations, and all source documents relied upon that support Mr. Seelye s statement that productivity brings the unit cost of labor down relative to inflation.

b. If the documentation requested in part (a) is not available, does Mr. Seelye s statement concerning productivity reflect only his opinion? Explain the response.

5. Refer to the response to Item 7(b) of the Commission Staff s February 28, 2003 Initial Data Request, which shows the escalation rates in the labor rate for 1999 through 2003.

a. For clarification purposes, explain whether the percentages in the column headed Actual shown for the years 1999 through 2002 are actual. If no, how were they derived?

b. Explain how the percentage shown for 2003 was derived.

c. For the period 1999 through 2002, provide a log linear analysis of the actual escalation rates in the same format as was provided for total benefits in the response to Item 9.

6. Refer to the response to Item 8(a) of the Commission Staff s February 28, 2003 Initial Data Request, which refers to escalation rate changes being readily identifiable. How frequently can KU identify that escalation rate changes have occurred or will occur?

7. Refer to the response to Item 14 of the Commission Staff s February 28, 2003 Initial Data Request. KU indicates that it does not plan to apply to the Federal Energy Regulatory Commission to extend the merger surcredit to wholesale customers. If the merger surcredit is not extended to these wholesale customers, it would appear that the 50-50 split of merger savings between shareholders and ratepayers is not being maintained. Indicate whether KU agrees with this interpretation and explain the response.

8. Refer to the response to Item 19 of the March 3, 2003 data request of Kentucky Industrial Utility Customers, Inc. and the Testimony of William Steven Seelye

at pages 24 through 27 concerning the look back approach used in developing the low-case scenario for the level of merger savings in years 6 through 10 after the merger.

a. Is it correct that the calculation of merger savings over provided to ratepayers in years 1 through 5 after the merger reflects differences in the escalation rates used by Deloitte & Touche and those used by Mr. Seelye, and has no relation to the actual level of merger savings that occurred? If no, explain the response in detail.

b. Explain why incorporating the over provided merger savings for years 1 through 5 after the merger into the determination of the merger savings for years 6 through 10 does not constitute retroactive rate-making.

for Thomas M. Dorman
Executive Director
Public Service Commission
Post Office Box 615
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DATED: March 31, 2003

cc: All parties