COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

LOUISVILLE GAS AND ELECTRIC 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. 2002-00430

INITIAL DATA REQUEST OF COMMISSION STAFF
TO LOUISVILLE GAS AND ELECTRIC COMPANY

Louisville Gas and Electric Company (LG&E), 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 March 14, 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. In Mr. Beer s testimony, page 8, he proposes no change to the revenue-based allocation of merger savings between Kentucky Utilities Company (KU) and LG&E. Based upon 2002 revenue, explain whether the actual ratio remains 47 percent LG&E to 53 percent KU.

2. Refer to Mr. Seelye s testimony and Exhibit WSS-2. Mr. Seelye states that he reviewed the Deloitte & Touche (D&T) merger savings analysis included in Mr. Van Den Berg s testimony in Case No. 1997-00300.[1] Did Mr. Seelye have access to D&T s workpapers that supported the analysis? If no, explain how a recalculation of the D&T analysis can be performed without the D&T workpapers.

3. Explain if LG&E believes that the maximum potential savings have been achieved through its utilization of available office space at all facilities. Include in your explanation the assumptions made to produce the savings projected in Exhibit WSS-2 for facilities.

4. Refer to Mr. Seelye s testimony, pages 10 and 11. The D&T analysis projected savings in four broad categories: (1) labor costs; (2) corporate and administrative programs; (3) savings expected to be achieved though purchasing economies; and (4) savings expected to be achieved through generation capacity deferrals. D&T also provided additional detail in the form of sub-categories for the first three categories.

a. Provide the labor reductions and labor cost savings projected in the D&T analysis. Compare the D&T projections with the actual labor reductions and cost savings achieved during the period since the consummation of the merger.

b. Using the categories and sub-categories identified in the D&T analysis, provide the reduction in full-time employees for each category and sub-category.

[1] Case No. 1997-00300, Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of Merger, final Order dated September 12, 1997.

c. Using the categories and sub-categories identified in the D&T analysis, indicate the functions that have been subject to employee reduction and that have since been filled by outside contract labor. Also provide the savings achieved from using outside contract labor.

d. Provide all workforce reductions offered to employees for the period beginning with the consummation of the merger and ending December 31, 2002. Include the incentives offered, incentive starting and ending dates, targeted number of employees, and the number of employees that accepted the offers.

5. Refer to Mr. Seelye s testimony, page 11. D&T expected savings in corporate and administrative programs. Provide a list of the programs D&T identified for savings and indicate which programs have been completed. For each program not completed, provide a detailed explanation of the reasons for the delay and the estimated date of completion.

6. In Mr. Seelye s testimony, page 12, he refers to the D&T projection that the merger would result in a corporate head-count reduction of 201 employees.

a. Provide the actual head-count reduction that has been achieved since the consummation of the merger.

b. Provide a schedule that compares the projected escalation rate in the labor rate of 4.01 percent with the actual escalation rate for the first four years since the consummation of the merger.

c. Explain whether quantifiable differences in such items as the projected head-count reduction in the D&T analysis and actual resulting head-count reductions are taken into consideration in Mr. Seelye s analysis.

7. In Mr. Seelye s testimony, page 19, he indicates that increases in productivity are bringing the unit cost of labor down further, and that the output per labor unit of labor continues to increase, especially in corporate and administrative positions. Provide supporting documentation detailing the reduced unit of labor cost for D&T s categories and sub-categories.

8. In Mr. Seelye s testimony, pages 15 and 16, he states that it is not possible to perform a meaningful post hoc analysis of the merger savings actually realized. However, Mr. Seelye performs a reconstruction of the D&T analysis recognizing adjustments to the escalation and the carrying charge rates used in the original D&T analysis.

a. Explain why Mr. Seelye believes that only changes in these rates can be quantified.

b. Identify any other components of the D&T calculations that Mr. Seelye reviewed for possible revision and explain why escalation rates in these other components are not proposed for revision.

9. In Mr. Seelye s testimony, page 20, he states that although escalation rates for other costs have gone down since the D&T analysis was prepared, the escalation rate for benefits is not expected to be any lower. Explain why Mr. Seelye expects the escalation rate for benefits to be as projected, rather than adjusted for an increase or decrease.

10. Provide the actual number of employees in each of the following functional areas at the time of the consummation of the merger and as of December 31, 2002:

a. Power Production

b. Transmission

c. Distribution

d. Customer Accounts

e. Sales

f. Administrative and General

g. Insurance

h. Employee Pensions and Benefits

i. Regulatory

j. Advertising or Marketing

k. Miscellaneous General

11. Provide the name and title of each LG&E officer at the time of the consummation of the merger and as of December 31, 2002.

12. Provide the actual number of vehicles assigned to each of LG&E s functional areas as listed in Item 10, above, at the time of the consummation of the merger and as of December 31, 2002.

13. Concerning LG&E s annual System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) values:

a. Provide the annual SAIDI and SAIFI values for the period 1992 through 2002.

b. Describe how SAIDI and SAIFI are calculated.

c. Provide a detailed explanation for any deterioration of the SAIDI or SAIFI values for the years since the consummation of the merger. For purposes of this request, a determination that a SAIDI or SAIFI value has deteriorated is based on a comparison of the post-merger year index value with the pre-merger levels.

Thomas M. Dorman
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Public Service Commission
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DATED: February 28, 2003

cc: All parties