

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY UTILITIES COMPANY S ANNUAL)	
EARNINGS SHARING MECHANISM FILING)	CASE NO.
FOR CALENDAR YEAR 2002)	2003-00077

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 7 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before June 6, 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 the Commission Staff s First Data Request dated April 25, 2003, Item 2(d).

a. KU states that part of the overall increase in operating and maintenance (O&M) expenses between 2002 and 2001 is due to a decrease in fuel

burned of \$15.1 million. Does the \$15.1 million reflect the base component of the fuel adjustment clause? Explain the response.

b. Another reason cited by KU for the overall increase in O&M expenses was the full year amortization of the Value Delivery Team (VDT) regulatory asset, an increase of \$6.5 million. According to Form 2(b)(7) of the February 28, 2003 Annual Earnings Sharing Mechanism Filing (2003 ESM Filing), the 2002 amortization expense is \$7.1 million more than the initial \$5.0 million recorded in December 2001.

(1) Explain how KU determined the incremental increase in the VDT amortization was \$6.5 million.

(2) Which amount is the correct incremental increase in the VDT amortization? Explain the response.

(3) Would KU agree that the \$6.5 million increase in the VDT amortization reflects 100 percent of the increased amortization expense? Explain the response.

(4) The shareholder portion of the VDT Net Savings, which includes the recognition of the VDT amortization, has been adjusted from the O&M expense presented on Form 2, Column 6. Explain how the increase in the VDT amortization can be a reason for the overall increase in O&M expenses when the shareholder portion of the VDT net savings has already been excluded from the balances shown on Form 2, Column 6.

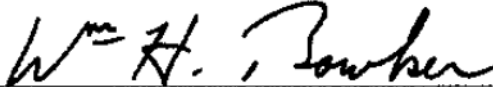
c. The last reason cited by KU concerns the incremental increase in the shareholder merger savings of \$1.2 million. According to the 2003 ESM Filing, Form 2(a) and Form 2(b)(6), the shareholder merger savings is one of the adjustments

that has been recognized in the balances shown on Form 2, Column 6. Explain how the incremental increase in the shareholder merger savings can be a reason for the overall increase in O&M expenses when the shareholder merger savings has already been excluded from the balances shown on Form 2, Column 6.

2. Refer to the response to the Commission Staff's First Data Request dated April 25, 2003, Item 3. Provide the statement number of the applicable generally accepted accounting principle referenced in the response. Include copies of the applicable portions of that accounting pronouncement.

3. Refer to the response to the Commission Staff's First Data Request dated April 25, 2003, Item 6. Included in the response are comparisons of various labor costs and labor-related information for the years 2001 and 2002. In order to have a complete comparison for the entire period covered by the ESM, provide revised responses to Items 6(a), 6(b), and 6(d) that also include costs and related information for the year 2000. Also include the employee headcount as of December 31, 2000.

4. Refer to the response to the Commission Staff's First Data Request dated April 25, 2003, Item 6(f). Explain the reason(s) for the increase in contractor costs between 2001 and 2002 for the A&G Total function.


William H. Bowker
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Public Service Commission
Post Office Box 615
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DATED: May 23, 2003

cc: All Parties