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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF THE GAS AND ELECTRIC RATES, TERMS AND CONDITIONS OF LOUISVILLE GAS AND ELECTRIC COMPANY	)))	**CASE NO: 2003-00433**

SUPPLEMENTAL REQUEST FOR INFORMATION OF THE ATTORNEY GENERAL TO LOUISVILLE GAS AND ELECTRIC COMPANY

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Supplemental Requests for Information to Louisville Gas and Electric Company, to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully Submitted,
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ATTORNEY GENERAL

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CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 1st day of March, 2004, I have filed the original and eight copies of the foregoing with the Executive Director of the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

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Supplemental Requests for Information
Of the Attorney General Posed to
Louisville Gas & Electric Company
Case No. 2003-00433

1. Follow-up to Question 223. The attached table shows that LG&E's EFOR increased significantly during 2002, which includes the test-year.

a) Please provide a detailed explanation as to why the EFOR rose so significantly in 2002 and what is being done to lower the EFOR.

b) Please provide the EFOR for the test year in the same format, plant by plant, as the attachment to this response.

2. Follow-up to Question 229. The answer was not responsive to part (d) of the question. For each of the nine advertising campaigns listed in the attachment that are included in test-year expenses, please provide a sample of the advertising material. For TV, please provide the script used; for newsletters, please provide a copy of the newsletter; and for "labor and related" please provide a complete description of the purpose of this expense.

3. Follow-up to Question 229. During the test year, LG&E did extensive advertising at local sporting events. The LG&E logo is displayed at UofL sports arenas, the Louisville Bats stadium, and has even appeared on UofL game tickets.

a) Please provide the amount spent for advertising and sponsorship at sporting events,

b) the account under which the expense was billed , and the

c) amount of the expense charged to Gas and amount charged to Electric accounts included in the case.

4. Follow-up to Question 232. This response lists expenses associated with MISO.

a) Please provide any revenues generated by MISO during the test-year.

b) Please quantify the benefits received from MISO during the test-year that could not be generated internally.

5. Follow-up to Question 233. This response states "Recent U.S. electric industry trends were also considered."

a) Please provide all reports or studies that outline the trends referenced.

b) Please describe the specific trends referred to, what conclusions that were drawn, and how the conclusions were applied to LG&E rate design.

6. Follow-up to Question 238. Please provide all studies or other analysis that substantiates the statement in this response that any particular company, that has or has not located in the LG&E service territory, believes that LG&E gas prices are an "important factor" in their decision.

7. Follow-up to Question 239. Isn't it true that the purchase of more efficient appliances, which cost more to purchase, is a consumer response to significantly higher gas prices?

8. Follow-up to Question 240. Please clarify this response. Does Mr. Seelye disagree with Mr. Murphy that there is significant risk of industrial customers by-passing the LG&E system or changing from a purchase to a transportation customer, or does Mr. Seelye believe that the risk of losing major customers does not expose LG&E earnings to higher risk?

9. Follow-up to Question 246. Please explain why the annual disconnects for non-payment has nearly doubled since 2000 and what LG&E has done to bring this annual number down.

10. Follow-up to Question 246 and 250. The Winterhelp contributions have gone down significantly since 2000 and 2001 and during the same period disconnect for non-payment has nearly doubled.

   a) Please provide any evidence that the number of disconnects has not increased specifically because the amount of Winterhelp assistance has decreased significantly.

   b) Please explain why LG&E has not increased its participation in Winterhelp as it has seen disconnects risk but instead has decreased its Winterhelp contribution level.

11. Follow-up to Question 254. The responses referred to are simply workpapers. Please provide the actual Seelye Exhibits in electronic format (diskette or CD).

12. Follow-up to Question 260. This response shows that there have been no recent shifts from Rate IGS to Rate FT, but instead two customers have switched back from FT to IGS. Please explain why this is not a new trend that runs counter to Mr. Murphy's testimony. Are there any particular reasons that customers are switching back to the IGS rate?

13. Follow-up to Question 261. In the previous rate cases LG&E used the BIP method to allocate production demand, while KU used the Probability of Dispatch (POD) method. In the present cases, Mr. Seelye chose to use the BIP method for both LG&E and KU.

   a) Please explain why the BIP method was selected over of the POD, which KU has used previously.

   b) Please provide a calculation of a POD production demand allocation for the LG&E/KU system for the test year. If the company is unwilling to provide this calculation, please provide all raw data from the LG&E/KU system that is needed to calculate the POD production demand allocation.

14. Follow-up to Question 263. The proposed residential electric rate charges an additional \$0.01374 per kilowatt-hour during the summer months, over the rate charged during the rest of the year. This is a 28% higher rate for summer power, compared to winter power. Please show where in the electric Cost of Service Study this \$0.01374 per kilowatt-hour additional cost is calculated and provide all calculations used to develop this summer surcharge.

15. Follow-up to Question 265. The response did not address the second part of this question. Please describe how the cost of the second meter would be recovered from ratepayers and how associated costs identified in the Cost of Service Study would be recovered.

16. Follow-up to Question 266.

a) Please provide an explanation as to why the KU maximum load is being moved to the LG&E maximum of 200 KW rather than moving the LG&E maximum load to 5000 KW that KU uses presently.

b) Please provide an explanation as to why LG&E feels that primary voltage customer should be excluded from this rate class.

c) Please provide the number of primary GS customers were served as of the end of the test-year.

d) Please provide the number of secondary GS customers were served as of the end of the test-year.

e) Please provide the average annual Kwh use of primary GS customers in test-year.

f) Please provide the average annual Kwh use of secondary GS customers in test-year.

17. Follow-up to Question 267.

a) Please explain why LG&E is proposing to keep this old promotional rate, while proposing to eliminate its old electric promotional rates.

b) Please show where in the gas Cost of Service Study in this case, a discount for summer air conditioning is justified and calculated.

c) This response states that the discount was calculated in a previous proceeding. Please provide all calculations and justifications from the previous proceeding to which reference is made.

d) The previous proceeding quantified this discount at $0.50 per Mcf. Please provide all documentation that the $0.50 per Mcf discount is still appropriate and has not gone up or down since the previous proceeding.

18. Follow-up to Question 268.

a) If these customers will be charged a customer charge for both meters and the customer charge includes the LG&E calculated customer portion of the distribution system, is it true that this each customer will be paying twice for their customer portion of the distribution system.

b) If so, please explain why it is fair or appropriate to charge these customers twice for the customer portion of the distribution system.

c) Please explain why LG&E is proposing to charge these customers two customer charges, while customers being moved off the Water Heater rider will only be paying one customer charge, though they are being moved to a single rate also (see LG&E response to Question 265).

19. Follow-up to Question 273. Is it true that the assets used to service these customers (meters, services, etc.) in the Cost of Service Study are the assets in place on September 30, 2003, at the end of the test-year, and not the average assets during the test-year?

20. Follow-up to Question 274 and PSC-2 Question 42.

a) If these calculations were not performed for the other rate classes, please provide all calculations used to develop the customer charges proposed for the other rate classes

b) Please provide the calculation of customer related costs for Gas rate classes in the same format as these were calculated for electric classes in your response to PSC- 2

Question 42. Please provide this on both paper and in an electronic format with all embedded formulae left intact. If this calculation is as an addition to the Cost of Service Study, with cell references to values in the Cost of Service Study, please also supply the Cost of Service Study with these cell reference links intact.

21. Follow-up to Question 275. The workpapers referred to in this response do not provide the calculations used to design the proposed rates for each class. Please provide all calculations used to develop the proposed rate design for each rate class.

22. Follow-up to Question 277.

a) Please provide the total OVEC generating capacity in MW.

b) Please provide the LG&E ownership and entitlement in OVEC, both in percent of total and in MW.

c) Please provide the KU ownership and entitlement in OVEC, both in percent of total and in MW.

d) Are these invoices the same as those summarized in LG&E's response to KIUC Question 59?

23. Follow-up to Question 288.

a) Please explain why both "brokered sales" expenses and revenues should not be allocated on "total revenues" as opposed to energy.

b) What does revenues and expenses from brokered sales have to do with the amount of energy sold to a particular rate class?

24. Follow-up to Question 300. Is it true that the assets used to service these customers (meters, services, etc.) in the Cost of Service Study are the assets in place on September 30, 2003, at the end of the test-year, and not the average assets during the test-year?

25. Follow-up to Question 301 and PSC-2 Question 42. It appears that the requested calculations are summarized in the response to PSC-2 Question 42.

a) Please provide all calculations used to develop these customer charge summaries in this response.

b) Please provide the response to PSC- 2 Question 42 in an electronic format, with all embedded formulae left intact. If this exhibit is as an addition to the Cost of Service Study, with cell references to values in the Cost of Service Study, please also supply the Cost of Service Study with these cell reference links intact.

26. Follow-up to Question 305. The workpapers referred to in this response do not provide the calculations used to design the proposed rates for each class. Please provide all calculations used to develop the proposed rate design for each rate class.

27. Follow-up to Question 306. This response states that the SQF tariff is updated every two years. Will LG&E be updating the SQF tariff on or before May 14, 2004? If yes, when?

28. Follow-up to Question 312. This response lists $29,374 for a Direct Mail campaign.

a) Please provide a copy of the material sent out in this direct mail campaign.
b) Please provide number of people or groups this was sent to and a description of the type and persons or groups targeted by this mailing.

29. Follow-up to Question 313. Please provide a description of what "2003 UARG participation" is in this response.

30. Follow-up to Question 313. Please provide a cost benefit analysis that quantifies the benefits of EEI membership for ratepayers and demonstrate that the benefits are greater than the reported cost.

31. Follow-up to Question 314. Please provide a cost benefit analysis that quantifies the benefits of AGA membership for ratepayers and demonstrate that the benefits are greater than the reported cost.

32. Follow-up to Question 316. The response refers to a multi-year re-licensing effort. Please provide the amount spent in each year of the re-licensing so far and a projection of these costs in any future years of this process.

33. Follow-up to Question 322. This response states that only $58,483 of Mr. Freibert's wages and expenses have been charged to LG&E and KU. The response goes on to say that Mr. Freibert is a KU executive that does community and public relations in Lexington and central Kentucky. Please explain why LG&E ratepayers should be charged for a KU executive to do community and public relations for KU in Lexington and central Kentucky.

34. Follow-up to Question 324.
a) Please provide an explanation as to why the number of gas customers drops in September and October of 2003 and then increases again in November.
b) Is this drop in September and October 2003 related to disconnects associated with clearing up outstanding bills before the heating season?

35. Follow-up to Question 325.
a) For the test-year, and each of the last 5 years, please provide the number of requested disconnects (disconnects for reasons other than non-payment) that were later reconnected at the same customer's request at the same residence. Please break this down into gas and electric disconnects.
b) Other gas utilities in the state have had problems with seasonal customers requesting disconnects in the Spring and reconnection in the Fall by customers seeking to avoid paying monthly customer charges during the summer. Please provide any evidence that this practice has not been occurring on the LG&E system.

36. Follow-up to KIUC Question 61.
a) This exhibit shows that in many hours the system lambda is "0." Please explain how the system lambda could be zero when fuel must be bought even for the least expensive plant in all hours.

b) This exhibit shows that in many hours the system lambda is less than 10 mils per kwh., often in the range of 6 mils. Please explain how the system lambda could be under 10 mils, when the cheapest fuel available, coal, costs at least 10 mils per kwh.

c) Please explain the phenomenon that took place on August 23, 2003, where in hour 16 (4 pm), the system lambda was over 58 mils per kilowatt-hour, then in the very next hour (17 – 5 pm) the system lambda is "0." This suggests that the load was such that combustion turbines, late on the dispatch order, were needed in one hour and then in the next hour, no power was generated. How could this take place?

37. Follow-up to MHNA Question 5. Response labeled 3a and 4a are labeled all customers. If these are all customers, do these totals include the customers listed as 3b and 4b, respectively, as part of these totals in 3a and 4a?

38. With regard to the response to AG-1-6, please provide the following information:

a. Both the African American Venture Capital Fund (AAVCF) in account 124 and the Non-Utility Property in account 121 represent "below-the-line" investments that are not used and useful in providing service to LG&E customers. Please explain the rationale behind excluding the AAVCF funds from capitalization for ratemaking purposes but not the Non-Utility Property (note: this rationale should not include the fact that it is "consistent with prior rate proceedings.")

b. Provide a description and quantification of the test year revenues and expenses associated with the Non-Utility Property in account 121 and explain how these revenues and expenses have been treated for ratemaking purposes in this case.

39. Reference response to AG-1-18: From page 1 of the response, it can be derived that of the Company's proposed 13-month average electric M&S balance of $55,832,046, an amount of $332,637 relates to Carbide Lime inventory that was written off by the Company in November 2002, as described on pages 14-15 of Ms. Scott's testimony. Please confirm this. If you do not agree, explain your disagreement.

40. In the response to AG-1-24, Ms. Scott states that gas supply costs should be removed from the determination of the CWC requirement through the "1/8th method" because (1) the "gas supply costs are completely recovered through a separate rate from the base gas rates," and (2) "The gas supply costs are also removed as an adjustment to gas revenue requirements thus an adjustment is appropriate for the cash working capital requirement." In this regard, please provide the following information:

a. Confirm that the Company's gas and electric DSM expenses are completely recovered through a separate rate from the base gas rate (i.e., the DSM Rider).

b. Confirm that, for the reason stated in part a above, the Company has removed all test year gas and electric DSM expenses of $1,527,223 and $3,280,013, respectively, as an adjustment to gas and electric revenue requirements in this case, as shown in Rives Schedule 1.09.

c. Confirm that the Company's ECR related expenses are completely recovered through a separate rate from the base gas rate (i.e., the ECR Rider).

d. Confirm that, for the reason stated in part c above, the Company has removed all test year electric ECR expenses of $1,766,344 as an adjustment to the electric revenue requirement in this case, as shown in Rives Schedule 1.03.

41. In the response to AG-1-24, Ms. Scott states that a portion of electric fuel expenses are included in base rates and base rate revenue requirements. In this regard, please provide the following information:

a. Of the total test year fuel expenses of $198,798,005, what portion is recovered in base rates and what portion is recovered in a separate rate mechanism? Also, identify this separate rate mechanism and describe how the Company's fuel expenses are being recovered through this rate recovery mechanism.
b. Please explain in detail whether and, if so how, the test year fuel expenses being recovered through the separate rate recovery mechanism are removed for ratemaking purposes in this case.

42. With regard to the response to AG-1-25, please provide the following information:

a. Confirm that in calculating the test year Electric Operating Book Taxable Income of $136,461,789, total interest expense of $23,208,685 was used as a taxable income reduction, as shown in the response to AG-1-25 (c). If this is not correct, explain your answer to AG-1-25 (c) in detail.
b. Confirm that in calculating the test year Gas Operating Book Taxable Income of $21,774,028, total interest expense of $2,542,160 was used as a taxable income reduction, as shown in the response to AG-1-25 (c). If this is not correct, explain your answer to AG-1-25 (c) in detail.
c. If it is true that total interest expenses of $23,208,685 were used as a tax deduction in the determination of the per books test year Electric Operating income taxes, then why did the Company reflect per books test year Electric Operating interest expenses of $24,314,933 on Rives Exhibit 1, Schedule 1.37, line 4 in the calculation of the proposed Interest Synchronization adjustment? Please provide a reconciliation between these two interest numbers.
d. If it is true that total interest expenses of $2,542,160 were used as a tax deduction in the determination of the per books test year Gas Operating income taxes, then why did the Company reflect per books test year Gas Operating interest expenses of $4,713,252 on Rives Exhibit 1, Schedule 1.37, line 4 in the calculation of the proposed Interest Synchronization adjustment? Please provide a reconciliation between these two interest numbers.

43. With regard to the response to MHNA/POWER-1-9, please provide the following information:

a. For each of the years 2001, 2002 and 2003, and for the test year ended 9/30/03, provide the total revenues, expenses, and net margins (revenues net of expenses) associated with the Company's electric and gas Disconnect and Reconnect activities.

b. The response to 1-9 (c) indicates that the annual Disconnect/Reconnect expenses are far in excess of the annual Disconnect/Reconnect revenues shown in the response to 1-9 (b). Does this mean that the Company's Disconnect/Reconnect activities increase the revenue requirement for LG&E's across-the-board ratepayers? Please explain.

c. In which O&M account (provide account number and title) are the expenses associated with Disconnect/Reconnect activities shown in the response to 1-9 (c) reflected?

44. With regard to Seelye Exhibit 9, page 1 and the response to PSC-2-32, please provide the following information:

a. In the same format and detail as per the gas sales and customer information on page 12 of 12 of the response to PSC-2-32, provide the actual gas sales and customer information for the month of September 2002.

b. In the same format and customer class detail as shown on Seelye Exhibit 9, page 1, provide, in the first column of this exhibit, the test year average number of customers based on the 13-month period 9/02 through 9/03. In addition, recalculate the proposed revenue, expense and net revenue adjustment on Seelye Exhibit 9 based on the comparison of 9/30/03 number of customers to the test year 13-month average number of customers.

45.. The response to AG-1-30 (d) does not provide the requested information to show the actual monthly number of customers for each of the customer rate classes for which average and year-end number of customers are shown on Seelye Exhibit 9, page 1(i.e., clearly showing the number of customers for Residential RGS, Commercial CGS, Industrial IGS, etc.) The AG is hereby renewing its original request in AG-1-30(d): Please provide a worksheet showing the actual monthly number of customers from 9/30/99 through the most recent month in 2004 for the exact same customer classifications as are shown on Seelye Exhibit 9, page 1 (e.g., Residential RGS, Commercial CGS, Industrial IGS, etc.)

46. In the same format and customer class detail as shown on Seelye Exhibit 25, page 1, provide, in the first column of this exhibit, the test year average number of customers based on the 13-month period 9/02-9/03. In addition, recalculate the proposed revenue, expense and net revenue adjustment on Seelye Exhibit 25 based on the comparison of 9/30/03 number of customers to the test year 13-month average number of customers.

47. The response to AG-1-35 (c) does not provide the requested information to show the actual monthly number of customers for each of the customer rate classes for which average and year-end number of customers are shown on Seelye Exhibit 25, page 1(i.e., clearly showing the number of customers for R, WH, GS, LC, LCTOD, etc.) The AG is hereby renewing its original request in AG-1-35(c): Please provide a worksheet showing the actual monthly number of customers from 9/30/99 through the most recent month in 2004 for the exact same customer classifications as are shown on Seelye Exhibit 25, page 1.\

48. The response to AG-2-36 is not clear to the AG. Please state more clearly and explain in more detail what portion of the adjusted test year fuel expenses of $196,792,705 is being recovered through the FAC rather than through base rates.

49. With regard to the electric weather normalization information contained on page 428 of 441 of the response to KIUC-1-78, please provide copies of all of the study material, workpapers, assumptions and calculations in support of the estimate that LG&E's electric revenue requirement would be reduced by $3 million if an electric temperature normalization adjustment is made for the test year in this case.

50. As described on pages 72-73 of the PSC's Order in Case No. 98-426, LG&E in that case had proposed an electric temperature normalization adjustment with the effect of increasing the electric revenue requirement in that case by almost $5 million. As shown on page 428 of the response to KIUC-1-78, for the current case the Company has estimated that an electric temperature normalization adjustment would have the effect of decreasing the electric revenue requirement by $3 million. While the Company continues to believe that the reflection of an electric temperature normalization adjustment would be appropriate and reflective of "sound ratemaking", it has not included such an adjustment for ratemaking purposes in the current electric rate case. Please comment on these internally inconsistent positions.

51. With regard to the response to AG-1-41, please provide the following information:

a. As shown on Seelye Exhibit 10 and described on page 33 of Mr. Seelye's testimony, the 2 gas customer rate switchings and 1 gas plant closing took place after the end of the test year, i.e. in October and November of 2003. Is it Mr. Seelye's claim that no changes (for rate switchings, new additions or new deletions) in similar type Commercial/Industrial customers took place within the test year? If so, explain how this has been determined.

b. If there were rate switchings, new additions and/or new deletions of similar type Commercial/Industrial customers within the test year, please provide the annualized impact on test year revenues for such major customer changes. Provide this separately for gas and electric operations and include all workpapers.

52. Regarding the response to AG-1-42:

a. Please explain why the test year 1995 Plan ECR revenues recovered in the ECR Surcharge are $2,802,051 while the test year 1995 Plan ECR total operating expenses are $3,949,787. Why are these 1995 Plan ECR expenses not 100% recovered in ECR Surcharge revenues? Explain this in detail.

b. Explain the reasons why LG&E is proposing in this case to remove the 1995 Plan ECR expense recovery from the ECR recovery mechanism and, instead, recover these expenses through base rates; and explain why this proposal should be allowed by the PSC as a reasonable and appropriate action.

53. With regard to the response to AG-1-43 (a), please provide the following information:

a. Volume 3, Tab 42 shows that the entire test year Sales for Resale revenues of $157,302,060 are credited to jurisdictional customers (i.e., are treated as "above-the-line" revenues) for ratemaking purposes in this case. Please confirm this. If you do not agree, explain your disagreement in detail.

b. If the answer to part a is in the affirmative, this means that the $53,542,739 revenues from intercompany sales to KU and $11,354,261 revenues from intercompany sales to Energy Marketing Inc. (which are both included in the total test year Sales for Resale revenues of $157,302,060) are treated as "above-the-line" revenues for ratemaking purposes in this case. Please confirm this. If you do not agree, explain your disagreement.

c. Explain in detail the rationale for only excluding the KU intercompany sales revenues of $53,542,739 to arrive at the "Off-system Sales Revenues Less Intercompany" numbers in column (3) of Rives Schedule 1.05 while not excluding the LG&E Energy Marketing intercompany sales revenues of $11,354,261. If your answer is that this was done because the PSC used this methodology in Case No. 98-426, please also provide your own opinion as to why it is appropriate to exclude the KU intercompany sales number but not the LG&E Energy Marketing intercompany sales number in the calculation of the ECR costs allocated to the Company's Off-System sales on Rives Schedule 1.05.

54. Please provide an updated copy of the response to PSC-1-57 containing the actual rate case expenses for the electric and gas rate cases incurred to date.

55. With regard to the Company's rate case expenses, please provide the following information:

a. Confirm that in the prior gas rate case, Case No. 2000-080, the Company had proposed estimated rate case expenses of $420,000 (see Williams Exh. 1, Schedule M) but had actual rate case expenses of $296,460 as of September 2000, which actual rate case expense amount was allowed for ratemaking purposes by the PSC. If you do not agree, explain your disagreement.

b. For the current gas rate case, the Company is claiming rate case expenses of $651,393 as originally estimated and has increased this to $820,688 as an update in its response to AG-1-47. Please explain the reasons why the $651,393 expenses (as updated to $820,688) estimated for the current gas rate case are so much higher than the actual rate case expenses for Case No. 2000-080 that was completed late in 2000. Provide this explanation particularly in light of the fact that, due to the consolidated nature of the current electric and gas rate cases, many of the rate case expenses to be incurred for these two cases can be shared.

c. The response to AG-1-47 shows that in the Company's updated rate case expense estimates, it has estimated that for both the electric and gas cases it will incur $169,295 for "newspaper, media, etc," i.e., a total expense of almost $339,000 for such miscellaneous expenses. Please explain how the Company arrived at this estimate, and why this high expense amount is reasonable in light of the fact that, due to the consolidated nature of these two cases, many of the "newspaper, media, etc." activities can be shared.

56. In the prior gas rate case, Case No. 2000-080, LG&E eventually agreed with the AG that $45,139 worth of test year expenses for various promotional activities (reflected in the response to AG-150 (i) in that case) should be removed for ratemaking purposes. Are any similar type of promotional expenses (separately for both gas and electric operations) included in the current electric and gas test year expenses? If so, provide all details regarding these promotional expenses, the test year dollar amounts, and the expense accounts in which these expenses have been reflected.

57. Regarding the response to PSC-2-16 (k)(4): Please quantify the TIA expense reduction adjustment associated with the IT staff reduction and verify that these TIA expenses were not included in the total "burdened" labor expense adjustment amount of $945,821 referenced in the response to AG-1-62.

58. Regarding the response to AG-1-65 (c): The AG is still not clear on this response. The Ratepayers are due another Merger Savings credit amount of $2,758,795 through the Merger Surcredit mechanism for the test year. Why should this result in a base rate revenue requirement of $2,758,795 in this case, i.e., why should the Company receive a base rate increase of $2,758,795 in order to provide the ratepayers with a Merger Surcredit true up for the test year of $2,758,795? Please explain this in detail and, if possible, illustrate the Company's response with a simplified example.

59. Please expand the response to AG-1-71(b) by providing the monthly average Gas Stored Underground Unit Costs (cost per Mcf) for the years 1999 and 2000.

60. For the test year 1999 in the Company's most recent gas rate case, Case No. 2000-080, provide, in the same format as per Rives Exhibit 1, Schedule 1.34, the following information:

a. Test year (1999) Purification Mcf volume, Average Unit Cost and resulting total Purification expenses.
b. Test year (1999) Storage Field Loss Mcf volume, Average Unit Cost and resulting total Storage Field Loss expenses.

61. With regard to the response to AG-1-73 (c), please provide the following information:

a. The actual total clean-up costs incurred from 1/1/2000 to 9/30/03 are $363,821. What are the additional actual clean-up costs incurred from 10/1/03 up to 2/28/04?
b. Provide the basis for the projected additional clean up costs of $395,200. What is the projected timing for these costs; provide a breakout of the projected activities underlying this cost estimate of $395,200; provide all bids, contracts and/or any other actual source documentation in support of this cost estimate.
c. The Company is requesting an annual amortization expense of $305,400 for ratemaking purposes in this case based on an unamortized balance on its books that includes an accrual for estimated clean up costs of $395,200. Under the hypothetical that this estimated cost of $395,200 will not be incurred by the Company, how would the Company treat the reversal of this expense accrual for book and ratemaking purposes?

62. On page 48 of its Order in Case No. 2000-080, the PSC ordered that ..."LG&E should cease its current accounting practice concerning the treatment of outside legal expenses. LG&E should adopt accounting practices that provide for the direct assignment of outside legal expenses to either electric or gas operations, as appropriate." Please provide a management summary of all actions taken by LG&E to satisfy this PSC directive and explain whether the test year outside legal expenses for electric and gas operations shown in the responses to AG-1-54 and AG-1-55 have been recorded in accordance with this PSC directive.

63. Of the test year contribution expenses of $22,446 contained in the response to PSC-1-32, provide a breakout of the portions of these total expenses chargeable to gas and electric operations.

64. With regard to the response to AG-1-313, please explain the nature and purpose of the EEI related costs of $62,829 for "2003 UARG participation."

65. Please provide a detailed NARUC description of the nature and purpose of each of the NARUC Operating Expense Categories listed on page 2 of 2 of the response to AG-1-85 regarding the Company's EEI membership dues.

66. The response to AG-1-324, pages 4, 5 and 6 show the average annual as well as monthly number of gas customers for the last 5 years. In this regard, please provide the following information:

a. The monthly customer information on pages 4, 5 and 6 shows that there are very significant monthly fluctuations in the number of residential gas customers within a calendar year. For example, for the year 2003, while the actual residential customers in September were 287,183, they increased to 289,046 in November and then decreased to 286,868 in December. The same up and down number of customer fluctuation can be observed in January through May of 2003. Please explain these monthly residential number of customer fluctuations throughout any particular year.

b. As shown on Seelye Exhibit 9, under the Company's proposed customer annualization adjustment method, it compared the 9/30/03 number of customers to the average test year number of customers, resulting, for example, in a calculated residential customer increase of 593.

i. If the test year had been the 12-month period ended November 2003, the Company's customer annualization method would have produced residential customer increase of 1,930 (November 2003 number of customers of 289,046 compared to average number of customers during the 12-month period ended November 30, 2003 of 287,116). Please confirm this. If you do not agree, explain your disagreement.

ii. On the other hand, if the test year had been the 12-month period ended December 2003, the Company's customer annualization method would have produced a residential customer number decrease of 388 (December 2003 number of customers of 286,868 compared to average number of customers during the 12-month period ended

December 31, 2003 of 287,252). Please confirm this. If you do not agree, explain your disagreement.

c. Page 4 shows that there is a consistent growth trend for the average annual commercial customers from 21,274 in 1999 to 21,824 in 2000 to 22,175 in 2001 to 22,817 in 2002 to 23,459 in 2003. This represents an average annual compound growth rate of 2.5% from 1999 to 2003. Please confirm this. If you do not agree, explain your disagreement.

d. Despite the very consistent annual growth in commercial customers pointed out in part c above, the Company's customer annualization method on Seelye Exhibit 9 calculates a pro forma decrease in the average test year commercial customers just because the Company chose to compare the commercial number of customers that happened to be present in September 2003 to the average test year commercial customers. This conclusion would appear to be completely contrary to the empirical data presented in part c above. Please comment on this and explain any disagreement you may have.

e. Please confirm that the average number of residential customers from 1999 to 2003 shown on page 4 of the AG-1-324 response indicates an average annual compound growth rate of 1.52%. If you do not agree, explain your disagreement.

67. The response to AG-1-324, pages 1, 2 and 3 show the average annual as well as monthly number of electric customers for the last 5 years. In this regard, please provide the following information:

a. The monthly customer information on pages 1, 2 and 3 shows that there are significant monthly fluctuations in the number of residential electric customers within a calendar year. For example, for the year 2003, while the actual residential customers in August were 339,079, they decreased to 338,772 and 337,772 in September and October, increased again to 340,203 in November and then decreased again to 337,102 in December. Please explain these monthly residential number of customer fluctuations during the year.

b. As shown on Seelye Exhibit 25, under the Company's proposed customer annualization adjustment method, it compared the 9/30/03 number of customers to the average test year number of customers, resulting, for example, in a calculated residential customer increase of 1,883.

i. If the test year had been the 12-month period ended November 2003, the Company's customer annualization method would have produced residential customer increase of 2,639 (November 2003 number of customers of 340,203 compared to average number of customers during the 12-month period ended November 30, 2003 of 337,564). Please confirm this. If you do not agree, explain your disagreement.

ii. On the other hand, if the test year had been the 12-month period ended December 2003, the Company's customer annualization method would have produced a residential customer number decrease of 666 (December 2003 number of customers of 337,102 compared to average number of customers during the 12-month period ended

December 31, 2003 of 337,768). Please confirm this. If you do not agree, explain your disagreement.

c. Please confirm that the average number of residential customers from 1999 to 2003 shown on page 1 of the AG-1-324 response indicates an average annual compound growth rate of 1.30%. If you do not agree, explain your disagreement. 30.

68. By Order dated 12 September 1997 in PSC Case No. 97-300, KU and LG&E individually or jointly were directed to file detailed plans to address whether or not it would continue under traditional regulation or would move to "non-traditional" regulation. In PSC Case No. 98-426 LG&E elected non-traditional regulation, ultimately in the form of acceptance of the Commission's proposal of an ESM rather than in the form of the PBR initially proposed by the Company.

a. Does the filing of this traditional rate case mean that LG&E is now prepared to end "non-traditional" regulation and return to traditional regulation? Explain the answer in detail.

b. If so, when does LG&E propose that the alternative regulation represented by the ESM end? Please explain in detail why KU deems the end point it has chosen as the appropriate end point.

c. If this rate case represents the end of non-traditional regulation, how does LG&E propose to wind up recoveries under the ESM?

d. Please explain why LG&E should be allowed to continue ESM recovery past the date on which this rate case was filed.

e. Please explain why it would be appropriate to both grant LG&E a rate increase under traditional regulation and to continue non-traditional regulation.

f. Please provide an estimate of the impact of the continuation of the ESM on rates if the ESM were to be discontinued effective the date the rate case was filed and if it were to be discontinued the latest date new rates could go into effect under this filing or at the end of the next complete year cycle of the ESM. In the response, please indicate both the date the anticipated amount of the recovery and the date it would begin and end and the assumptions underlying the answer.

69. Follow-up to AG 1-148. Please provide Attachment 148 as referenced in the response.

70. Follow-up to AG 1-162. Please provide Attachment 162-a as referenced in the response.

71. Follow-up to AG 1-180. Please provide the audit reports which were not included in the response.

72. Follow-up to AG 1-181.

a. See the 10/29/03 email to Skaggs from Robinson. What is the "scrubber issue" and what is the "site decommissioning and site reuse issue"?

b. See the 9/25/03 email from Skaggs to Robinson. Please provide the "FERC amortization authorization letter."