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**

INITIAL 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 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,
A. B. CHANDLER, III
ATTORNEY GENERAL

ELIZABETH E. BLACKFORD
ASSISTANT ATTORNEY GENERAL
Office for Rate Intervention
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601
(502) 696-5358

CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 3rd day of February, 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.

MICHAEL S BEER
VICE PRESIDENT, RATES & REGULATORY
KENTUCKY UTILITIES COMPANY
C/O LOUISVILLE GAS & ELECTRIC CO.
P O BOX 32010
LOUISVILLE KY 40232-2010

HONORABLE LINDA S PORTASIK
SENIOR CORPORATE ATTORNEY
KENTUCKY UTILITIES COMPANY
C/O LOUISVILLE GAS & ELECTRIC CO
P O BOX 32010
LOUISVILLE KY 40232-2010

JOHN WOLFRAM
MANAGER REG POLICY
LOUISVILLE GAS & ELECTRIC CO
LOUISVILLE KY 40232-2010

HONORABLE KENDRICK R RIGGS
OGDEN NEWELL & WELCH, PLLC
1700 CITIZENS PLAZA
500 WEST JEFFERSON STREET
LOUISVILLE KY 40202

HONORABLE MICHAEL L KURTZ
BOEHM KURTZ & LOWRY
36 EAST SEVENTH STREET SUITE 2110
CINCINNATI OH 45202

HONORABLE DAVID R. BROWN
STITES & HARBISON
P O BOX 634
FRANKFORT KY 40602-0634

HONORABLE JOE F CHILDERS
201 WEST SHORT STREET SUITE 310
LEXINGTON KY 40507

HONORABLE LISA KILKELLY
LEGAL AID SOCIETY
425 WEST MUHAMMAD ALI BOULEVARD
LOUISVILLE KY 40202

HONORABLE DAVID A MCCORMICK
DAJA-RL 4118
901 N STUART STREET ROOM 700
ARLINGTON VA 22203-1837

Assistant Attorney General

Attorney General's Initial
Requests for Information to
Louisville Gas and Electric Company
Case No. 2003-00433

1. For each of LG&E's most recent 3 gas and electric base rate proceedings, provide:

    a. Case number, filing date and rate effective date
    b. Rate increase requested and granted (in dollars and percentages)

2. For both the electric and gas rate cases, please identify and describe any ratemaking adjustments and/or rate making methodologies that have not previously been addressed and/or adopted by the KY PSC.

3. Rives Exhibit 1, Schedule 1.39 shows the use of a PSC assessment rate of .1823% and a bad debt factor of .49% in the determination of the Gross Up Revenue Factor. In this regard, provide the following information:

    a. Worksheet showing the derivation of the .1823% and .49% factors.
    b. Provide the actual PSC assessment rate for electric and gas revenues in the test year and the current assessment rate for 2004.

4. Please reconcile the revenue deficiency amounts of $63,764,203 (electric) and $19,106,269 (gas) shown on Rives Exhibit 7 to corresponding rate increase amounts of $63,631,993 (electric) and $18,980,514 (gas) shown on Tab 23 of filing Volume 1.

5. The total company Short Term Debt balance was $75,132,051 as of 9/30/03. Please provide the actual month-end Short Term Debt balances for each month in 2002, 2003 and 2004 to date. In addition, explain the major reasons for the monthly variations in these balances.

6. LG&E has reduced its capitalization by $490,000 to remove its investment in Ohio Valley Electric Corporation. In this regard, please provide the following information:

    a. In its prior electric and gas rate cases, the Company also removed from its capitalization its investment in the African American Venture Capital Fund. What is the Company's investment level in this fund as of 9/30/03 and why has the Company not similarly removed this investment from the capitalization in this case?
    b. Please provide a breakout and description of the investments included in Non-Utility Property Account 121 as of 9/30/03 and explain why such non-utility investments have not been removed from the capitalization, similar to the removal of the OVEC investment.

7. With regard to the response to PSC-1-43, please provide the following information:

a. There are two updated embedded cost of LT debt numbers: 3.576% and 3.533%. What is the difference between these two LT debt cost rates and, if the PSC were to consider this LT debt cost update for ratemaking purposes in this case, which of these cost rates would be the appropriate cost rate to consider?
b. Does the response indicate that the 9/30/03 LT Debt balance of $797,769,753 has a pro forma updated embedded debt cost rate of 3.576% (or, alternatively, 3.533%) and that this updated cost rate should be used for ratemaking purposes rather than the filed cost rate of 3.77%? Please explain.
c. Does the response indicate that the 9/30/03 Preferred Stock balance of $70,424,594 has a pro forma updated cost rate of 2.464% and that this updated cost rate should be used for ratemaking purposes rather than the filed cost rate of 2.51%? Please explain.
d. Based on the response to PSC-1-43, is it the Company's position that it would be reasonable to use the updated Short Term Debt cost rate of 1.000% for the 9/30/03 ST debt balance of $75,132,051 and use the updated A/R Securitization cost rate of 1.439% for the 9/30/03 A/R Securitization balance of $74,800,000 for ratemaking purposes in this case? Please explain.

8. In the same format and detail as per Appendix A attached to the PSC's 1/7/2000 Order in Case No. 98-426, provide a table listing all of the adjustments made by the Company to its capitalization, rate base, revenues, expenses and taxes other than income taxes to exclude LG&E's Environmental Surcharge Components. In addition, indicate the filing exhibits/schedules where all of these adjustments are reflected.

9. Based on the AG's review of the Company's proposed electric rate base, it does not appear that the Company has removed from its electric plant in service, accumulated depreciation and accumulated deferred income tax balances as of 9/30/03 the net investments that are covered in the Environmental Surcharge. In this regard, please provide the following information:

   a. Please confirm the above-stated facts. If you do not agree, explain your disagreement. If you agree, explain why the Company has not followed this approach consistent with what the PSC did in its determination of the Company's electric rate base on page 63 of its Order in Case No. 98-426?
   b. What are the dollar amount balances in the Company's 9/30/03 plant in service, depreciation reserve and accumulated deferred income tax rate base components for items that are covered in the Environmental Surcharge?
   c. Reconcile the ECR dollar amount balances to be provided in the response to part (b) above to the Environmental Surcharge dollar balance of $210,531,273 removed from the electric capitalization on Rives Exhibit 2, page 2, col. (8).

10. With regard to the 75/25 electric/gas common plant ratio used in this case, please provide the following information:

a. What is the basis for this allocator and what was the date of the study underlying this allocator?
b. If a more recent study has been performed to update this allocator, indicate the date and allocation results of this study.
c. If the Company is planning on performing a new study to update this allocator, provide all relevant details.

11. In the prior LG&E gas rate case, Case No. 2000-080, the Company proposed to increase its test year depreciation expenses by $80,513 and, consistent with that position, also proposed a pro forma increase in its test year depreciation reserve of $80,513 (see Williams Exhibit 1, Schedule F and Williams Exhibit 3, page 1, Case No. 2000-080). Please confirm the above facts. If you do not agree, explain your disagreement.

12. In the prior LG&E gas rate case, Case No. 2000-080, the PSC adopted a pro forma adjustment to reduce the Company's test year depreciation expenses by $167,448 and, consistent with that position, also reflected a pro forma decrease in LG&E's test year depreciation reserve of $167,448 (see pages 20 and 23 of the PSC Order, Case No. 2000-080). Please confirm the above facts. If you do not agree, explain your disagreement.

13. In the current case, the Company has proposed to increase its annual electric and gas depreciation expenses by $8,959,740 and $1,605,685, respectively, to reflect its proposed new depreciation rates as applied to the test year end depreciable plant balances. In this regard, please provide the following information:

    a. Why has the Company not proposed a pro forma increase to its test year depreciation reserve balances consistent with this depreciation expense proposal and consistent with the approach it took in Case No. 2000-080?
    b. Under the assumption that the PSC were to decide that such a pro forma depreciation reserve adjustment would be appropriate (as it did in Case No. 2000-080), would you agree that this would increase the Company's test year electric depreciation reserve by $8,959,740 and test year gas depreciation reserve by $1,605,685? If not, explain your disagreement.

14. Please provide schedules showing the detailed derivation of the proposed pro forma annualized electric depreciation expenses of $103,381,770 and gas depreciation expenses of $18,275,279 shown on Rives Exhibit 1, Schedule 1.11. These schedules should be in the same format and detail as shown on Mr. Robinson's Table 1 and should show that the application of Mr. Robinson's proposed depreciation rates to the Company's proposed depreciable test year-end plant as of 9/30/03 would result in the annualized depreciation expense levels of $103,381,770 and $18,275,279.

15. The Financial Exhibits in Volume 1 show that the test year's per books Electric Depreciation/Amortization amount of $90,459,063 consists of depreciation expense of

$91,121,777, amortization expense of $4,706,188, regulatory credits of ($5,831,421) and accretion expense of $462,519. In this regard, please provide the following information:

a. Explain the nature and purpose of the negative regulatory credits and the accretion expense of $462,519.
b. Reconcile the total net per books test year electric depreciation/amortization amount of $90,459,063 to the test year per books depreciation expense of $94,422,021 shown on line 1 of Rives Exhibit 1, Schedule 1.11.
c. In calculating the proposed pro forma annualized test year electric depreciation expense amount of $103,381,770, was any calculation made or consideration given to regulatory credits and accretion expenses which are included in the comparative test year per books depreciation/amortization expenses? If not, why not? If so, show where and how.
d. Please show how, where, and in what dollar amount the Company removed the depreciation expense associated with post-1995 ECR related electric plant in service in its determination of the proposed pro forma electric depreciation expense of $103,381,770.

16. For the Company's proposed rate base components shown on Rives Exhibit 3, page 1, indicate which components have "common" elements that are allocated between gas and electric. In addition, explain what were the electric/gas allocation ratios used in Case Nos. 98-426 and 2000-080 for all "common" rate base components, what are the comparable allocation ratios used in the current case and what is the basis for the use of these allocation ratios.

17. For <u>each item</u> included in the test year above-the-line operating expenses that involve an amortization of unamortized balances, please provide the following information:

a. Account number and title of the amortization and the amortization expense included in the test year for rate making in this case.
b. The date and amount of the original unamortized balance, the established amortization period and resultant annual amortization amount.
c. The unamortized balance as of 9/30/03 and the expected expiration date of the amortization.
d. Explanation whether the amortization has been approved for rate inclusion by the PSC and a reference in which Order the PSC granted this rate making treatment.

18. With regard to the average test year electric and gas M&S and prepayment balances shown on lines 13 and 15 of Rives Exhibit 3, page 1, please provide the following information:

a. Schedule showing the actual monthly M&S and prepayment balances from which the 13-month average rate base inclusions shown on Rives Exhibit 3 were derived. In addition, show the calculations of all M&S and prepayment balance adjustments for the PSC fee exclusion, Trimble County inventories and Emission Allowances.

b. Actual monthly M&S and prepayment balances for all month after the test year through to date.

19. The Company's balance sheet as of 9/30/03 shows total accumulated deferred income tax (ADIT) balances of $387,806,457 (electric) and $68,331,982 (gas) under Deferred Credits and total prepaid ADIT balances of $97,333,425 (electric) and $14,645,458 (gas) under Deferred Debits. In this regard, please provide the following information:

    a. Provide detailed breakout and a description of all of the components making up the above-referenced total ADIT balances, also indicating which of these ADIT components have been considered for rate base inclusion and which have not and why not.
    b. Reconcile the ADIT components to be identified in part (a) above as having been considered for rate base inclusion to the electric and gas ADIT balances shown on Rives Exhibit 3, page 1, lines 7 and 8.

20. Please provide a breakout and description of all of the components making up the following balance sheet accounts shown on LG&E's balance sheet as of 9/30/03:

    a. Miscellaneous Deferred Debit balance of $34,420,274 (electric) and $39,452,817 (gas).
    b. Other Regulatory Assets of $70,080,065 (electric) and $16,625,036 (gas).
    c. Other Deferred Credits of $25,135,177 (electric) and $9,263,504(gas).
    d. Other Regulatory Liabilities of $42,297,171 (electric) and $2,482,414 (gas).

21. With regard to the unadjusted test year Taxes Other Than Income Taxes of $12,603,252 (electric) and $3,888,055 (gas), please provide the following information:

    a. Breakout of these total tax amounts by Taxes Other Than Income Tax components.
    b. Actual electric and gas Taxes Other Than Income Taxes, in total and broken out by tax component, for the years 2001, 2002 and 2003.

22. What is the reason why LG&E has removed all of its test year Gas Supply expenses of $220,775,974 from its test year expenses for purposes of determining the Cash Working Capital requirement through the "1/8th method"? [Note: if the Company's answer is that this is because the PSC has historically ordered this, please give the Company's opinion as to why it believes the PSC has taken this position.]

23. Ms. Scott explains on page 3 of her testimony that Brokered Sales transactions do not utilize Company generation or transmission assets and, therefore, Brokered Sales revenues and expenses should be eliminated from base rate consideration. However, in calculating the claimed electric cash working capital requirement, Mr. Rives has reflected a cash working capital requirement of $976,415 (12.5% x test year Brokered Sales O&M expenses of $7,811,321) associated with Brokered Sales. Please explain this internal inconsistency.

24. Given that the Company has removed all of its Gas Supply expenses in the determination of the gas cash working capital requirement, why has the Company not similarly removed all of its electric fuel expenses in the determination of its proposed electric cash working capital requirement? Please explain this in detail.

25. Volume 3 – Tab 42, line 14 (electric) and line13 (gas) show that the unadjusted test year total income taxes amount to $50,987,079 (electric) and $7,592,206 (gas). In this regard, please provide the following information:

    a. In the same format and detail as shown in LG&E's response to data request No. 72 in the PSC's Order Dated April 28, 2000 in Case No. 2000-080, provide all of the income tax components and calculations that make up the total unadjusted per books test year electric income taxes of $50,987,079 and the gas income taxes of $7,592,206. Show this information separately for the Electric Operating Accounts and Gas Operating accounts.
    b. Please provide the permanent timing difference items and amounts (e.g., preferred dividends paid, ESOP reinvestments, non-deductible meals and entertainment, non-taxable dividends paid, etc) included in the calculations of the electric and gas Operating Account income taxes of $50,987,079 and $7,592,206. Show these items separately for electric and gas operations and indicate whether they involve taxable income deductions or additions.
    c. Please provide the total interest expenses used as taxable income deductions in the calculations of the electric operating income taxes of $50,987,079 and gas operating income taxes of $7,592,206. Provide such interest amounts in total and broken out by interest expense component.

26. For each of the miscellaneous operating revenue categories of Forfeited Discounts, Miscellaneous Service Revenues, Rent from Electric/Gas Property, Interdepartmental Rents, Other Electric Revenues and Other Gas Revenues shown on page 6 of 8 of Volume 1 – Financial Exhibits, provide the actual revenues for each of the 12-month periods ending 9/30/2002, 9/30/2001, 9/30/2000, and 9/30/1999. Provide this separately for the Company's gas and electric operations. Also, provide a brief description of the nature of each of these miscellaneous revenue categories.

27. With regard to the Company's proposed incremental miscellanous charges described on page 84 of Mr. Seelye's testimony, please provide the following information:

    a. Confirmation that the total incremental gas and electric annual miscellaneous operating revenues of $124,200 and $133,331, respectively, have not been treated as additional pro forma test year operating revenues in the Company's determination of the gas and electric rate increase amounts of $19,106,269 and $63,764,203, respectively, shown on Rives Exhibit 7.
    b. Explanation as to in what way the Company is proposing to treat these incremental revenues for ratemaking purposes in this case.

28. With regard to the electric and gas unbilled revenue numbers shown on Rives Exhibit 1, Schedule 1.00, please provide the following information:

    a. In the prior gas rate case, Case No. 2000-080, LG&E's proposed gas unbilled revenue adjustment on Williams Exhibit 1, Schedule B was supported by two schedules entitled "Estimated Unbilled Revenue at 12/31/98" and "Estimated Unbilled Revenue at 12/31/99", both of which schedules presented the estimated kwh/Mcf numbers associated with the Company's gas and electric unbilled revenues at 12/31/989 and 12/31/99. Please provide this same supporting information for the unbilled revenue numbers claimed in the current case, i.e., provide the Kwh/Mcf numbers associated with the Company's gas and electric unbilled revenues at 9/30/02 and 9/30/03.
    b. Please confirm that the electric and gas unbilled revenues booked as of 9/30/2003 are revenues associated with electric and gas services rendered in the test year ending 9/30/03 for which the Company's customers were not yet billed on 9/30/03. If you do not agree, explain your disagreement.
    c. Please confirm that the electric and gas unbilled revenues booked as of 9/30/02 are revenues associated with electric and gas services rendered prior to the test year ending 9/30/03 for which the Company's customers were not yet billed on 9/30/02. If you do not agree, explain your disagreement.

29. How exactly did the Company verify with 100% reliability and accuracy that the proposed electric and gas unbilled revenue adjustment amounts did not include unbilled DSM revenues, unbilled GSC revenues, unbilled ECR revenues and/or FAC revenues all of which full-recovery cost tracker revenues are separately removed for ratemaking purposes in this case?

30. With regard to the customer rate classes shown on Seelye Exhibit 9, page 1, please provide the following information:

    a. What kind of customers do each of the rate classes shown on this exhibit represent?
    b. Do these customer rate classes include Transportation customers and Sales to Public Authorities customers and, if so, specify in which customer rate classes.
    c. Do the revenues in column 7 only include base revenues or do they also include DSM and GSC revenues that are eventually removed for ratemaking purposes in this case? If the latter, provide the DSM and GSC revenues included for each customer rate class in the column 7 total temperature adjusted revenues.
    d. For each of the customer rate classes for which average and year-end number of customers are shown, provide actual monthly number of customers from 9/30/99 through the most recent month in 2004 for which actual customer data are available.
    e. Please provide the monthly number of customers from which the average number of customer for each of the rate classes in the first column on Seelye Exhibit 9, page 1 were derived.
    f. Reconcile the test year average and test year-end customer numbers shown for each rate class on Seelye Exhibit 9 to the test year monthly average and year-end customer numbers shown in the response to PSC-1-48, page 2.

31. With regard to Seelye Exhibit 9, page 2, please provide the following information:

   a. The exhibit shows that the Company calculated the Gas Operating Ratio exclusive of GSC revenues and expenses. What would be the Gas Operating Ratio if calculated with the removal of the test year DSM revenues of $1,526,197 from the denominator and with the removal of the test year DSM expenses of $1,527,223 from the numerator?
   b. GSC and DSM revenues and expenses have been removed for ratemaking purposes in this case. Consistent with this position, the Company has property removed the GSC revenues and expenses from the calculations of the Gas Operating Ratio. Why hasn't the Company similarly removed the DSM revenues and expenses from the calculations of the Gas Operating Ratio?

32. With regard to the PSC assessment rate of .1823% (see Rives Exhibit 1, Schedule 1.39), please provide the following information:

   a. Do the test year per books PSC assessments include PSC assessments associated with the Company's gas and electric DSM revenues, gas GSC revenues, electric FAC revenues, electric ECR revenues, electric Brokered Sales revenues and electric ESM revenue collections? If not, explain why not.
   b. If the answer to part a is in the affirmative, explain why the Company did not remove the associated PSC assessment expenses from the test year consistent with its removal from the test year of all of the revenue types listed in part a above.

33. With regard to the Bad Debt ratio of .49% (see Rives Exhibit 1, Schedule 1.39), please provide the following information:

   a. Do the test year per books uncollectible expenses include PSC assessments associated with the Company's gas and electric DSM revenues, gas GSC revenues, electric FAC revenues, electric ECR revenues, electric Brokered Sales revenues and electric ESM revenue collections? If not, explain why not.
   b. If the answer to part a is in the affirmative, explain why the Company did not remove the associated uncollectible expenses from the test year consistent with its removal from the test year of all of the revenue types listed in part a above.

34. For each month in 2001, 2002, 2003 and 2004 to date, provide the actual Gas Stored Underground balances showing (1) dollar balance, (2) Mcf volume associated with dollar balance, and (3) resulting monthly average Gas Stored Undergroung cost per Mcf.

35. With regard to the customer rate classes shown on Seelye Exhibit 25, page 1, please provide the following information:

   a. What kind of customers do each of the rate classes shown on this exhibit represent?
   b. Do the revenues in column 7 only include base revenues or do they also include DSM, FAC, ECR and Brokered Sales revenues that are eventually removed for ratemaking purposes in this case? If the latter, provide the DSM, FAC, ECR and

Brokered Sales revenues included for each customer rate class in the column 7 total revenues.

c. For each of the customer rate classes for which average and year-end number of customers is shown, provide actual monthly number of customers from 9/30/99 through the most recent month in 2004 for which actual customer data are available.
d. Please provide the monthly number of customers from which the average number of customer for each of the rate classes in the first column on Seelye Exhibit 25, page 1 were derived.
e. Reconcile the test year average and test year-end customer numbers shown for each rate class on Seelye Exhibit 25 to the test year monthly average and year-end customer numbers shown in the response to PSC-1-48, page 1.

36. Volume 3 – Tab 42 shows that the test year adjusted electric operating expenses include $196,792,705 for Fuel and $75,797,605 for Purchased Power. What portion of these expenses is being recovered under the separate FAC cost tracking mechanism? How much of the adjusted electric test year operating revenues of $727,479,761 represents revenues recovered as FAC revenues? Please explain in detail.

37. With regard to Seelye Exhibit 25, page 2, please provide the following information:

    a. Do the revenues of $766,658,784 and the net expenses of $427,699,321 include revenues and expenses associated with Brokered Sales, and the DSM, ECR and FAC rate recovery mechanisms?
    b. What would be the Electric Operating Ratio if calculated with the removal of the test year Brokered Sales, DSM, ECR and FAC revenues and expenses from the numerator and denominator of the Electric Operating Ratio calculation? Show all calculations and calculation components.
    c. GSC and DSM revenues and expenses have been removed for ratemaking purposes in this case. Consistent with this position, the Company has property removed the GSC revenues and expenses from the calculations of the Gas Operating Ratio. Why hasn't the Company similarly removed the DSM revenues and expenses from the calculations of the Gas Operating Ratio?

38. Why has the Company not reduced test year gas uncollectible expenses, PSC assessments and other O&M expenses (based on the Gas Operating Ratio of 29.87% calculated on Seelye Exhibit 9, page 2) associated with the assumed Mcf sales reduction from the temperature normalization adjustment on Seelye Exhibit 8?

39. Why has the Company not reduced test year gas uncollectible expenses, PSC assessments and other O&M expenses (based on the Gas Operating Ratio of 29.87% calculated on Seelye Exhibit 9, page 2) associated with the assumed Mcf sales reduction from the post-test year Customer C plant closing adjustment on Seelye Exhibit 10?

40. As described on page 33 of Mr. Seelye's testimony, the Company has reflected the annualized impact on test year revenues of known and measurable electric and gas customer rate switchings as well as one gas customer loss (from a plant closing) that

occurred after the end of the test year but before the filing date of these two cases. Please update this post-test year customer change analysis by reflecting the annualized impact on test year revenues of all electric and gas customer rate switchings, major customer losses and major customer additions after the end of the test year through January 31, 2004 and anticipated after January 31, 2004 until the hearing phase of these cases. Provide this revenue annualization information separately for electric and gas customer changes and provide supporting workpapers for all calculations.

41. Similar to what the Company did regarding the revenue annualization for customer changes taking place after the end of the test year, please provide the annualized impact on test year revenues of all electric and gas customer rate switchings, major customer losses and major customer additions that took place *within* the test year. Provide this revenue annualization information separately for electric and gas customer changes and provide supporting workpapers for all calculations.

42. Regarding Rives Exhibit 1, Schedule 1.03, please provide the following information:

    a. Of the total test year ECR related revenues of $11,228,429, what dollar amount relates to ECR recoveries for the 1995 Plan?
    b. What are the test year expenses/taxes associated with the 1995 Plan? Provide these expenses/taxes in total and broken out by expense/tax category (e.g., depreciation, property tax, insurance, etc.)

43. With regard to Rives Exhibit 1, Schedule 1.05, please provide the following information:

    a. Reconcile the test year Intercompany Off-System Sales revenues of $53,542,739 in column (2) of Schedule 1.05 to the corresponding test year Intercompany Off-System Sales revenues of $64,897,000 shown in response to PSC-1-21, page 4 of 22.
    b. What is the basis for the actual test year monthly ECR factors shown in column (4)?
    c. Please provide the actual monthly Environmental Surcharge factors for the two 12-month periods prior to the test year and for the 12-month period ended January 31, 2004.
    d. Confirm that the application of the actual test year ECR factors in column (4) to the net Off-System Sales revenues in column (3) results in total ECR costs of $1,735,641 as compared to the Company's calculated ECR cost amount of $1,929,923.
    e. Confirm that the actual test year dollar-weighted average Environmental Surcharge Factor is 1.67% ($1,735,641/$103,759,321)
    f. Explain why the Company believes it is more appropriate to use a test year "simple arithmetic average" ECR factor of 1.86% rather than a test year "dollar-weighted average" ECR factor of 1.67% for purposes of calculating the pro forma test year ECR costs associated with Off-System Sales.

44. With regard to Rives Exhibit 1, Schedules 1.02 and 1.04, please provide the following information:

a. Generally explain how the Company calculated the base rate revenue increase of $723,260 on Schedule 1.04 (i.e., when did the roll-in take place, what was the annualized base rate revenue impact, how much of this revenue impact was already included in the actual test year results, what part of the test year does the $723,260 relate to, and how was this latter amount calculated).
b. In a manner similar to what was requested in part a above, generally explain how the Company derived the gross full year FAC amounts of $10,782,944 and $10,235,700 and, within that context, what exactly represents the net revenue amount of $547,244.
c. What would be the Company's updated ECR roll-in adjustment to reflect the additional 12/11/03 ECR roll-in described in the response to PSC-1-43. Explain the derivation of this updated adjustment (if any), including any calculations.

45. Please provide the basis for, and all source documentation in support of, the derivation of each of the ESM revenue line items shown on Rives Exhibit 1, Schedule 1.07.

46. Page 3 of 6 of the response to PSC-1-23(b) shows that the actual test year electric operating expenses include $158,431 for expenses in account 928 – Regulatory Commission expenses. Please provide a breakout and description of all of the regulatory expenses making up this total expense amount of $158,431, if applicable by regulatory activity and Case number.

    In addition, page 6 of 6 of this same response shows that the actual test year gas operating expenses had $0 for expenses in account 928 – Regulatory Commission expenses. Explain the reason for this as compared to the $158,431 electric account 928 expenses.

47. With regard to Rate Case Expenses, please provide the following information:

    a. Breakout of the projected electric and gas rate case expenses of $1,000,739 and $651,393 by rate case expense type (at a minimum, this breakout should include the type of expenses listed in the request PSC-1-57 (a).
    b. Basis for the rate case expense projections listed in part a above.
    c. Actual rate case expenses, in total and broken out by expense category, for the Company's most recent gas rate case in Case No. 2000-080. In addition, provide the Case No. 2000-080 rate case expense level allowed for ratemaking purposes by the PSC in Case No. 2000-080.
    d. Actual rate case expenses, in total and broken out by expense category, for the Company's electric Case No. 98-426.

48. In the same format and detail as per the response to AG-1-70 in Case No. 2000-080, provide the following information regarding Account 912001 – Economic Development Research Electric ($13,177) and Gas ($5,382) and Account 912005 – Market Management expenses Electric ($51,455) and Gas ($21,017):

a. General explanation of the type and purpose of the expenses included in these accounts.
b. Detailed breakout and brief descriptions of the various types of expenses (with associated cost amounts) included in these accounts.

49. In the same format and detail as per the response to AG-1-69 in Case No. 2000-080, please provide a detailed listing of all of the expense items (with associated cost amounts) included in the following accounts for the test year:

    a. Account 908009 – Misc Marketing expenses for gas and, separately, electric.
    b. Account 909001 – Public Info expenses for gas and, separately, electric.
    c. Account 910001 – Misc Customer Info expenses for gas and, separately, electric.
    d. Account 909013 – Safety Program expenses for electric.

50. On page 18 of her testimony (as also presented on Rives Exhibit 1, Schedule 1.19), Ms. Scott has proposed a test year Injury and Damage expense normalization adjustment that, as claimed by Ms. Scott, is "calculated consistent with the adjustment used in Case No. 2000-080." Referring to pages 40-41 of the PSC's Order in Case No. 2000-080, please confirm that the PSC in that case ordered normalized test year I&D expenses for LG&E (gas) of $643,883 and that it derived this normalized test year expense level by taking the actual test year I&D expenses as the starting point and then subtracting out $404,400 worth of test year I&D expenses that were deemed to be abnormal and non-recurring. If you do not agree, explain your disagreement.

51. Please provide the Company's actual I&D expenses, separately for electric and gas, for each of the years 1994 through 1997 and for calendar year 2003.

52. With regard to the deferred ESM Audit expenses of $175,000 shown on Rives Exhibit 1, Schedule 1.17, please provide the following information:

    a. Were any of these expenses included in the test year operating expenses? If so, in which account and in what dollar amount?
    b. Provide a schedule showing the monthly expenditure incurrence for these ESM audit expenses from the date of inception until the anticipated date of completion. Distinguish between actual and projected monthly expenditures. In addition, indicate in which account (number and title) these expenditures are recorded.
    c. Why is this audit being conducted? Was this audit required by the PSC? Is this type of audit a recurring or non-recurring event?

53. With regard to the MISO costs discussed on pages 13-15 of Mr. Beer's testimony and page 10 of Ms. Scott's testimony, please provide the following information:

    a. Page 5 of 8 of the response to PSC-1-13(a) shows that the test year includes $3,082,104 for MISO administrative expenses in accounts 566101 and 566102. Please reconcile this to Mr. Beer's claim that the test year includes $2.6 million of such MISO administrative costs.

b. Explain how the claimed MISO administrative expense level of $2.6 million (presumably representing gross expenses of $3.3 million net of $710,000 for expense credits) can be derived from the expense accounts shown in the electric trial balance in the response to PSC-1-13(a).
c. Assuming that LG&E will remain a member of MISO, what will be the annual MISO administrative expenses on a going forward basis for 2004 and 2005? In addition, provide any source documentation in support of these annual expense levels.
d. What is the dollar level of Fixed Exit Fee that LG&E will be liable for if it were to withdraw its membership to MISO?
e. Regarding the ratemaking approach described on lines 9-13 of page 15 of Mr. Beer's testimony, what exact rate methodology does the Company envision to accomplish the base rate reduction for the annual MISO administrative expenses and the concomitant rate increase for the amortization of the exit fees?

54. With regard to Legal expenses charged to LG&E's *electric* operation and maintenance expenses, please provide the following information:
    a. Total Legal expenses booked in the test year as compared to total Legal expenses booked in the years 1999, 2000, 2001, 2002 and 2003.
    b. The E.W. Brown legal expenses included in the annual total Legal expenses for the test period and the other years listed in part a above.
    c. Breakout of actual test year Legal expenses by major legal issue (e.g., E.W. Brown combustion turbines issue; etc.) and an indication as to which test year Legal expenses can be considered recurring or non-recurring.

55. With regard to Legal expenses charged to LG&E's *gas* operation and maintenance expenses, please provide the following information:

    a. Total Legal expenses booked in the test year as compared to total Legal expenses booked in the years 1999, 2000, 2001, 2002 and 2003.
    b. Breakout of actual test year Legal expenses by major legal issue and an indication as to which test year Legal expenses can be considered recurring or non-recurring.

56. With regard to (total company) corporate office lease expenses discussed on page 13 of Ms. Scott's testimony, please provide the following information:

    a. Annualized corporate office lease expenses booked in 2003 and to be booked in 2004 and 2005. In addition, provide actual source documentation in support of these annualized expenses.
    b. Actual corporate office lease expenses included in the test year. These lease expenses should be stated without considering the non-recurring lease expense credit.
    c. Total net corporate office lease expenses (net of non-recurring lease expense credit) booked in the test year. In addition, indicate the account number(s) in which these expenses and expense credits were recorded.

57. With regard to Rives Exhibit 1, Schedule 1.12, page 2 of 4, please provide the following information:

   a. In the same format and detail as shown for the test year Operating/Construction & Other/Total labor on lines 1-5, provide the equivalent actual Operating/Construction & Other/Total labor numbers for each of the years 1999, 2000, 2001, 2002 and 2003.
   b. Reconcile the test year employees of 885 shown on lines 8-11 to the test year total gas and electric employees of 901 shown in the response to PSC-1-39.
   c. For the same employee categories as shown on lines 8-11, provide the equivalent actual number of employees for each month in 2002, 2003 and January 2004. In addition, provide the projected equivalent number of employees for the remainder of 2004 in accordance with the Company's 2004 budget.
   d. Reconcile the test year total labor costs of $57,216,321 (line 5) to the total test year labor costs of $84,834,000 shown in the response to PSC-1-23(c).

58. With regard to the Company's 401(k) expenses, please provide the following information:

   a. Reconcile the actual test year 401(k) expenses of $1,191,502 shown on Rives Exhibit 1, Schedule 1.12, page 4 to the corresponding test year 401(k) expenses of $1,128,425 shown in the response to PSC-1-50(b), (c), (d).
   b. Show where the test year expense of $1,191,502 can be found in the test year electric and gas Trial Balance 926 accounts on pages 6 of 6 and 8 of 8 of the response to PSC-1-13(b).
   c. Provide the actual 401(k) expenses and the associated direct total payroll costs for each of the years 2000, 2001 and 2002.

59. Is the Company booking any incentive compensation award expenses in below-the-line accounts? If so, provide the actual incentive compensation expenses booked below-the-line in the test year, explain what these expenses represent and why they are booked below-the-line. Also provide the account number in which these expenses are recorded.

60. With regard to the Pension and Post Retirement expenses shown on Rives Exhibit 1, Schedule 1.13, please provide the following information:

   a. Explain whether the dollar amounts shown on Schedule 1.13 represent expenses charged to O&M expense or total costs prior to capitalization. If the latter, state these costs on an O&M expense basis and explain how the Company has accounted for the capitalized portion of these costs.
   b. Show where the test year expense total of $13,025,204 can be found in the test year electric and gas Trial Balance 926 accounts on pages 6 of 6 and 8 of 8 of the response to PSC-1-13(b).
   c. Reconcile the actual test year $13,025,204 expense amount to the test year Pension and FAS-106 expense total shown in the response to PSC-1-50(b), (c), (d).

d. Provide actual Mercer Study source documentation and show how the numbers included in this source documentation result in the annualized expense amount of $16,505,447 allocated to LG&E electric and gas.
e. Please explain how the information attached to PSC-1-54 (c) support the FAS-106 expenses included in the total annualized Pension and FAS-106 cost number of $16,505,447.
f. Please provide the actual Pension expenses (on an equivalent basis as the pension expenses included in the actual test year cost amount of $13,025,204) for each of the years 2000, 2001, 2002 and 2003.
g. Please provide the actual FAS-106 expenses (on an equivalent basis as the FAS-106 expenses included in the actual test year cost amount of $13,025,204) for each of the years 2000, 2001, 2002 and 2003.
h. Please provide the total number of test year employees that form the basis for the annualized Pension and FAS-106 expenses of $16,505,447. Would that be the same 885 number of employees as used in the labor expense adjustment?

61. With regard to employee benefit expenses other than Pensions and SFAS-106, please provide the following information on a total company (gas and electric) basis:

a. Actual test year employee benefit expenses (other than pensions and FAS-106), in total and broken out by employee benefit expense component (e.g., medical insurance, dental insurance, life insurance, LT disability, etc.). Indicate as to whether these represent expenses charged to O&M or total costs prior to capitalization. If the former, what are the total costs and what portion has been capitalized. If the latter, what portion of these costs has been charged to O&M?
b. Show where the test year expenses to be provided in response to part a can be found in the test year electric and gas Trial Balance 926 accounts on pages 6 of 6 and 8 of 8 of the response to PSC-1-13(b).
c. Please provide the total number of test year employees that form the basis for the test year employee benefit expenses (other than pensions and FAS-106) to be provided in response to part a above. Would that be the same 885 number of employees as used in the labor expense adjustment?
d. Has the Company proposed any pro forma adjustments to the test year employee benefit expenses (other than pensions and FAS-106) to be provided in response to part a above? If not, explain why not. If so, explain where and how this is reflected in the filing schedules.
e. In the same format and detail as per your response to part a above, provide the actual employee benefit expenses (other than pensions and FAS-106), in total and broken out by expense component, booked in the years 2001, 2002 and 2003.

62. With regard to the IT Staff reduction expense adjustment on Rives Exhibit 1, Schedule 1.26, please provide the following information:

a. Provide source documentation showing how the reduction of the 27 IT employees actually resulted in an operating labor expense reduction of $638,831. In addition, describe what type (grade level, etc.) of employees the 27 IT employees represent.

b. The labor expense reduction of $638,831 for 27 reduced employees implies an average labor (O&M) expense per employee of $23,660. Rives Exhibit 1, Schedule 1.12, page 2, line 25 shows that the equivalent average labor (O&M) expense per employee for LG&E's total employee force is $50,830 ($44,984,414/885 employees). Please reconcile these discrepant average employee labor expense amounts.
c. What are the pension, FAS-106, medical insurance, dental insurance, life insurance, LT disability and other labor overhead expenses associated with the 27 IT employees that are included in the pro forma adjusted test year operating expenses charged to O&M?
d. Why has the Company only removed the payroll taxes and 401(k) expenses associated with the reduced 27 IT employees and not the other labor overhead expenses listed in part c above?

63. Is the Company planning another force reduction program in the near-term future? If so, provide all relevant details of this program.

64. With regard to the VDT to Settlement Agreement adjustment shown on Rives Exhibit 1, Schedule 1.21, please reconcile the VDT Surcredit Per Settlement numbers on line 2 to the Electric Value Delivery Surcredit Rider numbers on the current tariff sheet entitled First Revision of Original Sheet No. 23-Q, PSC of Ky. Electric No. 5 and the current tariff sheet entitled Third Revision of Original Sheet No. 11-F, PSC of Ky. Gas No. 5. How do the numbers on Schedule 1.21 relate to the numbers on these tariff sheets?

65. With regard to the Merger Savings adjustment on Rives Exhibit 1, Schedule 1.22, please provide the following information:

a. The Settlement Agreement approved by the PSC's 10/16/03 Order in Case No. 2002-00430 and the tariff sheet entitled Second Revision of Original Sheet No. 23-M, Electric No. 5 provide that the Shareholder's 50% share of the Merger Savings for the next 5 years will be $18,045,255. Please reconcile this to the stockholder's merger savings share of $19,427,401 shown on Schedule 1.22.
b. Provide actual source documentation showing that the revenue returned to the ratepayers through the merger surcredit in the test year amount to $16,668,606.
c. Explain in detail why the customer credit true up of $2,758,795 is treated as a pro forma test year operating revenue reduction for purposes of determining the Company's base rates in this case.

66. Please indicate in which account (number and account description) the test insurance recovery proceeds of $3,588,000 for the Cane Run Station were booked. In addition, provide actual source documentation showing this test year account booking.

67. On page 14 of her testimony, witness Scott states that "the original costs (of the parts now deemed to be obsolete) were prudent business expenditures at the time of purchase..." Please indicate in what month and year the original purchase of these parts was made.

68. How many times (indicate month and year) during the 10-year period 1994 through 2003 did the Company make a charge-off on its electric books to write down electric steam plant inventory that was deemed to be obsolete?

69. Please indicate in which account (number and account description) the Carbide Lime write-off of $2,125,067 for the Cane Run Station was booked. In addition, provide actual source documentation showing this test year account booking.

70. How many times (indicate month and year) during the 10-year period 1994 through 2003 did the Company make a charge-off on its electric books to write down a contract payment similar to the Carbide Graphite contract payment discussed on pages 14-15 of Ms. Scott's testimony?

71. With regard to the Storage Field Losses and Purification Expenses shown on Rives Exhibit 1, Schedule 1.34, please provide the following information:

    a. The test year purification expenses of $391,419 are based on a purification volume of 103,103 Mcf at an average cost of $3.80. Please provide the equivalent actual annual purification Mcf volume, average cost per Mcf and resulting purification expenses for each of the years 1999, 2000, 2001, 2002 and 2003.
    b. The cost of ga s stored underground in September 2003 amounts to $5.38. Please provide the actual cost of gas stored underground for each month of the years 2001, 2002, 2003 and January 2004.
    c. The test year storage field losses of $1,136,313 are based on losses of 260,502 Mcf at an average cost of $4.36. Please provide the equivalent actual annual storage field losses Mcf volume, average cost per Mcf and resulting storage field loss expenses for each of the years 1999, 2000, 2001, 2002 and 2003.
    d. Provide the 12 or 13 monthly purification unit costs from which the average unit cost of $3.80 has been derived.
    e. Provide the 12 or 13 monthly storage loss unit costs from which the average unit cost of $4.36 has been derived.

72. With regard to uncollectible expenses, please provide the following information:

    a. Reconcile the gas and electric uncollectible expense amounts for the test year, 2002, 2001 and 2000 shown on pages 3 of 6 and 6 of 6 in PSC-1-23(b) to the corresponding uncollectible provisions for these same years in the response to PSC-1-35.
    b. For the test year and each of the years 2000, 2001, 2002 and 2003, provide the amount of uncollectibles charged off by LG&E. Show this separately for gas and electric.
    c. For the test year and each of the years 2000, 2001, 2002 and 2003, provide (1) the uncollectible provisions and (2) the uncollectible write-offs expressed as percentages of the associated revenue base. Show this separately for gas and electric. Also, show all calculations and calculation components underlying these percentages.

d. Explain why the Company used a bad debt ratio of .49% in the determination of the Revenue Gross Up Factor for both its gas and electric operations.

73. In Case No. 2000-080, the Company's unamortized MGP clean-up costs amounted to $1,684,835 which the PSC allowed the Company to amortize over 8 years for an annual ratemaking amortization amount of $210,604. In this regard, please provide the following information:

a. When (month and year) did the Company actually start amortizing the 12/31/99 deferred cost balance of $1,684,835 on its books and at what annual amortization amount?
b. Of the $1,684,835 beginning balance, what was the remaining unamortized balance as of 9/30/03?
c. What are the additional MGP clean-up costs incurred over and above the deferred balance of $1,684,835 from 1/1/2000 through 9/30/03? In addition, also provide (separately identified) the additional actual MGP clean-up costs from 1/1/03 through to date and any additional clean-up costs projected to be incurred to complete all clean-up activities.
d. When did the Company start amortizing the additional MGP clean-up costs incurred over and above the deferred balance of $1,684,835 from 1/1/2000 through 9/30/03 and at what annual amortization amount? In addition, explain the basis for the amortization period underlying this annual amortization amount.
e. Reconcile all amortization information to be provided in parts a and d above to the annual MGP amortization amount of $305,400 included in the test year operating expenses.

74. With regard to the Outside Services expenses charged to account 923 for the gas operations and, separately, for the electric operations, please provide the following information:

a. In the same format and detail as per the Company's response to AG-1-94 in Case No. 2000-080, provide a breakout, by major outside service expense category, of the actual Account 923 expenses in the test year and in the years 2000, 2001, 2002 and 2003.
b. For any consulting fees included in the actual annual Account 923 expense components to be provided in response to part a above, provide another breakout showing the types of consulting activities making up these total annual consulting fees for the test year and calendar years 2000 through 2003.

75. Please provide the actual annual electric tree trimming expenses booked by LG&E in the test year as compared to the expenses booked in 1998, 1999, 2000, 2001, and 2002.

76. With regard to the Property Insurance expenses charged to account 924 for the gas operations and, separately, for the electric operations, please provide the following information:

a. Provide a breakout, by major property insurance expense category, of the actual Account 924 expenses in the test year and in the years 2000, 2001, 2002 and 2003.
b. Explanation for the reasons behind the large expense increases for electric property insurance in 2002 and the test year as compared to prior years.

77. Separately for the Company's gas and electric operations, please provide a description and the associated dollar amounts of all expenses booked in the above-the-line test year results relating to;

- employee gifts and award banquets
- social events and parties
- other employee related social expenses
- lobbying and legislative expenses
- charitable contributions
- fines and penalties.

78. Please provide a listing, associated dollar amounts and a description of all expenses incurred and/or proceeds received during the test year relating to law suits, the settlement of law suits or other legal action and indicate in which account(s) these expenses and/or proceeds were recorded. Provide this separately for the gas and electric operations.

In addition, indicate to what extent these expenses and/or proceeds have been incorporated into the above-the-line gas and electric test year operating results.

79. Separately for the Company's electric and gas operations, provide all employee moving expenses included in the above-the-line test year expenses. Provide these moving expenses in total, as well as broken out by specific employee move with brief descriptions of the purpose of each employee move.

80. The response to PSC-1-30(b), page 2 shows that the Gas test year expenses include $103,752 for EPRI and AGA dues. In this regard, please provide the following information:

a. What portions of the $103,752 are for the AGA dues?
b. Why is a portion of the Company's EPRI dues charged to the Company's gas customers?
c. What approximate percentage of the AGA activities is dedicated to lobbying and legislative activities? And how are these AGA expense portions treated for book and ratemaking purposes by the Company?

81. Separately for the electric and gas operations, please provide the following expenses (if included in the above-the-line test years operating expenses):

a. Employee memberships to clubs and associations. In addition, identify the nature of these clubs and/or associations.

b. Employee memberships to professional organizations. In addition, identify the nature of these organizations.

82. With regard to the response to PSC-1-30(b), page 2 of 3, please provide the following information:

    a. What represents the costs booked for "Diversity Adventures, Inc.?"
    b. What represent the expenses booked as "American Express Corp" in accounts 930101 and 930207?

83. Provide an explanation of the nature and purpose of the "401K Stock Drop-In" expenses included in account 926114 and 926914.

84. Provide an explanation of the nature and purpose of the "Nondeductible Penalties" expenses included in gas and electric account 930209 for the test year.

85. With regard to expenses related to the Edison Electric Institute ("EEI"), please provide the following information:

    a. The total EEI expenses booked in the test year. Indicate in which account these expenses are booked.
    b. Description of the purpose, nature and activities performed by EEI on behalf of its members.
    c. Breakout (in approximate percentages) of the various EEI activities performed on behalf of its members (e.g., legislative advocacy, legislative policy research, regulatory advocacy, regulatory policy research, advertising, contributions and club dues, litigation, etc.)

86. Please provide any "Holding Company" expenses included in the above-the-line test year gas and electric operating expenses. Also, describe the nature of these expenses.

87. Provide a copy of the 2003 FERC Form 1 for LG&E-electric as soon as it becomes available.

88. Provide a copy of the 2003 FERC Form 2 for LG&E-gas as soon as it becomes available.

Questions for Mr. Rives

89. Refer to Commission's First Data Request for LG&E Dated December 19, 2003, the response to question 3, page 1 of 3, and the Final Report of the Barrington-Wellesley Group, Inc. Dated August 31, 2003, page V-10, Exhibit V-3. Reconcile the 2001, 2002, and 2003 capital structures in the BW report with the data in the response to PSC 3, page 1 of 3.

90. Refer to the pre-filed testimony for LG&E, page 20, line 17. Provide the definition for the term "business position."

91. Refer to the pre-filed testimony for LG&E, page 20, lines 17-23. Is the percentage of preferred stock treated as an "equity component" in the S&P utility financial targets?

92. Refer to the pre-filed testimony for LG&E page 22, lines 8-16, that deal with the capital structure adjustment for the repairs to the E.W. Brown Power Station.

a. What is the ownership structure of the E.W. Brown Power Station.
b. Who is Alstom?
c. What is the authority for including Alstom's cost of repairs as a deferred cost in LG&E's capitalization?

Questions for Mr. Rosenberg

93. Refer to the topic heading "IV. Rationale for Using Several Equity Costing Methodologies" page 10 in the LG&E testimony. Is it your position that prior to deregulation, it was not necessary to use several equity costing methodologies? Please explain.

94. Refer to pages 10-13 of the LG&E testimony.

a. Explain the role that deregulation had in prompting the quotations that are provided on these pages of the testimony.
b. What role do you believe that utility management had in causing some of the "flux" and increased risk in the electric utility and gas distribution industry?

95. Refer to page 14, line 15, of the pre-filed testimony for LG&E. The testimony states that the selection of the companies used as a proxy group started with companies that were listed in The Value Line Investment Survey's Electric Utility category and used Moody's and Standard and Poor's bond ratings as the first selection criteria.

a. Provide a listing of the Value Line Electric Utility companies that were used in the initial consideration and the dates of the publication of Value Line page for each company.
b. Provide the Moody's and Standard and Poor's bond ratings for the senior bonds for each of the Value Line companies in the initial consideration.
c. Provide a copy of the Value Line page for each company selected.
(Note: this request for information addresses the same issues raised for KU in request for information 1-13. If the answers are the same, simply refer to the response to KU request for information 1-13.)

96. Refer to page 15, lines 6 and 7, of your pre-filed testimony for LG&E. The testimony states that: "Companies were excluded from the proxy group that were currently involved in any major merger activity."

a. Provide the definition for major merger activity that was used.

b. Provide the data sources used to determine which companies had major merger activity and which did not have major merger activity.
c. Provide all work papers that were used to determine the amount of major merger activity and indicate whether the company was included in the proxy group or excluded from the proxy group.
(Note: this request for information addresses the same issues raised for KU in request for information 1-14. If the answers are the same, simply refer to the response to KU request for information 1-14.)

97. Refer to page 15, lines 12 and 13, of your pre-filed testimony for LG&E. The testimony states that: "Companies were also excluded from the proxy group if they had significant unregulated operations."

a. Provide the definition for significant unregulated operations that was used.
b. Provide the data sources used to determine which companies had significant unregulated operations and which did not.
c. Provide all work papers that were used to determine the amount of significant unregulated operations and indicate whether the company was included in the proxy group or excluded from the proxy group.
(Note: this request for information addresses the same issues raised for KU in request for information 1-15. If the answers are the same, simply refer to the response to KU request for information 1-15.)

98. Refer to Schedule 3, page 1 of 3, in the pre-filed testimony for LG&E. For each of the thirteen companies shown on Schedule 3 provide:

a. a print-out of the source of the indicated dividend that was derived from data on the MSN Money Central website and an explanation of how the indicated dividend was "derived" from that data.
b. a print-out copy of the source of the First Call Projected 5-year growth estimate.
c. a copy of the Annual Energy Outlook, 2003 which provided data for column 6.
d. a work paper showing the calculation of the DCF Cost of equity estimate shown in column 7.
e. an explanation of the work paper provided in "d." above.
(Note: this request for information addresses the same issues raised for KU in request for information 1-16. If the answers are the same, simply refer to the response to KU request for information 1-16.)

99. Refer to Schedule 3, page 2 of 3, in the pre-filed testimony for LG&E. For each of the thirteen companies shown on Schedule 3, page 2, provide:

a. a work paper showing the calculation of the Long-term Projected Sustainable Growth shown in column 6.
b. a copy of the data source or sources used for calculating each of the variables; "b", "r", "s", and "v"; for Long-term Projected Sustainable Growth that is shown in column 6 and discussed in footnote 3 on page 21.

c. a work paper showing the calculation of the DCF Cost of equity estimate shown in column 7.
(Note: this request for information addresses the same issues raised for KU in request for information 1-17. If the answers are the same, simply refer to the response to KU request for information 1-17.)

100. Refer to Schedule 3, page 3 of 3, in the pre-filed testimony for LG&E. For each of the thirteen companies shown on Schedule 3, page 3 provide a copy of the Zacks, Value Line, S&P and First Call projected growth for the industry that is discussed on pages 18 lines 14 through 18 and page 19, lines 1 through 2.
(Note: this request for information addresses the same issues raised for KU in request for information 1-18. If the answers are the same, simply refer to the response to KU request for information 1-18.)

101. Refer to page 28, line 5, in the pre-filed testimony for LG&E. This shows the equation used for the "empirical formulation" of the CAPM model used.

a. Please provide a work paper that shows the derivation of the "0.75" and the "0.25" used to partition beta.
b. Explain the calculations of the "0.75" and "0.25" in the work paper provided in a above.
c. Provide a copy of the pages in the book, REGULATOARY FINANCE, by Roger Morin that derives, explains, and presents the "empirical" CAPM.

(Note: this request for information addresses the same issues raised for KU in request for information 1-19. If the answers are the same, simply refer to the response to KU request for information 1-19.)

102. Refer to page 28, lines 11 and 12, in the pre-filed testimony for LG&E. Provide the Value Line beta for each of the companies in the proxy group that was used to determine the average beta.
(Note: this request for information addresses the same issues raised for KU in request for information 1-20. If the answers are the same, simply refer to the response to KU request for information 1-20.)

103. Refer to page 29, lines 20-22, in the pre-filed testimony for LG&E. Provide copies of the six Federal Reserve Statistical Releases for the April-September 2003 period.
(Note: this request for information addresses the same issues raised for KU in request for information 1-21. If the answers are the same, simply refer to the response to KU request for information 1-21.)

104. Refer to page 31, lines 4-6, in the pre-filed testimony for LG&E. Provide a copy of the Risk Premia Over Time Report: 2003.
(Note: this request for information addresses the same issues raised for KU in request for information 1-22. If the answers are the same, simply refer to the response to KU request for information 1-22.)

105. Refer to page 35, lines 16-19 in the pre-filed testimony for LG&E.

a. Provide work papers that show your calculation of the "current cost of equity estimate for the market."
b. Provide a copy of the data source for the 1.75% dividend yield on page 35, line 14.
c. Provide a copy of the print-out of the First Call projected earnings growth for the companies in the S&P 500 that shows it to be "about 12.0 percent" and include the date of that publication.
d. Provide a copy of the source that shows that the S&P projects earnings growth for the companies in the S&P 500 to be "about 14.0 percent" and include the date of that publication.
(Note: this request for information addresses the same issues raised for KU in request for information 1-23. If the answers are the same, simply refer to the response to KU request for information 1-23.)

106. Refer to page 36, lines 13-20, in the pre-filed testimony for LG&E. The testimony indicates that a 60 basis point adjustment was added to the CAPM results that were determined from the 82 and 152 basis point adjustment for the mid- or low- capitalization companies. Provide copies of the pages in the Risk Premium Over Time Report: 2003 that indicates the derivation of the suggested adjustment.
(Note: this request for information addresses the same issues raised for KU in request for information 1-24. If the answers are the same, simply refer to the response to KU request for information 1-24.)

107. Refer to page 39, lines 27-28, in the pre-filed testimony for LG&E. Provide a copy of the source that contained the information that the Moody's stock index achieved a market return of 10.93 percent between 1932 and 2001.
(Note: this request for information addresses the same issues raised for KU in request for information 1-25. If the answers are the same, simply refer to the response to KU request for information 1-25.)

108. Refer to page 40, lines 3-4, in the pre-filed testimony for LG&E. Provide a copy of the source that contained the information that the Moody's composite bond yields for utilities was 6.64 percent between 1932 and 2001.
(Note: this request for information addresses the same issues raised for KU in request for information 1-26. If the answers are the same, simply refer to the response to KU request for information 1-26.)

109. Refer to page 40, lines 9-10, in the pre-filed testimony for LG&E. Provide a copy of the work papers that show that the average bond yield for Moody's "A" rated utility bonds was 6.52%.
(Note: this request for information addresses the same issues raised for KU in request for information 1-27. If the answers are the same, simply refer to the response to KU request for information 1-27.)

110. Refer to page 41 lines 4-12, and page 42, lines 13-15, in the pre-filed testimony for LG&E.

a. Provide a copy of the Regulatory Focus that shows the quarterly average allowed returns for the first quarter 1980 through the third quarter 2003.
b. Provide the work papers that show the regression of the lagged returns on equity allowed relative to the average yield for Moody's Utility Composite Bond Index that resulted in an intercept of 6.477 and a regression coefficient of –0.432.
c. Provide the statistics that were evaluated to assure that a –0.432 is significantly different from zero.
d. Provide a complete discussion of the underlying economic logic that indicates that an increase in the interest rate causes the size of the risk premium to decrease.
e. At what rate of interest would the risk premium go to zero?
(Note: this request for information addresses the same issues raised for KU in request for information 1-28. If the answers are the same, simply refer to the response to KU request for information 1-28.)

111. Refer to page 41, beginning on line 8,in the pre-filed testimony of LG&E. The testimony describes the use of a two quarter lag in the regression analysis used for determination of a risk premium.

a. Were other lagged quarters, say a 3 quarter lag, a 4 quarter lag, etc., evaluated in the regression analysis?
b. What statistical analysis, for example: an Almon scheme or a Koyck scheme, did you perform to evaluate the appropriate the length of the lag?
(Note: this request for information addresses the same issues raised for KU in request for information 1-29. If the answers are the same, simply refer to the response to KU request for information 1-29.)

112. Refer to page 42, lines 16-19, in the pre-filed testimony for LG&E. The testimony refers to an "adjusted R2" of 0.78.

a. Explain the adjustment.
b. What effect does autocorrelation have on the coefficient of correlation?
c. What adjustment did you make for autocorrelation?

d. Might the presence of autocorrelation change the conclusion of the sentence on line 16 and 17?

e. Provide all of the data used in the regression analysis.

(Note: this request for information addresses the same issues raised for KU in request for information 1-30. If the answers are the same, simply refer to the response to KU request for information 1-30.)

113. Refer to page 43, lines 10-11, in the pre-filed testimony for LG&E. What was the average yield on Moody's Utility Composite Bond Index for the six months ending September 2003?

(Note: this request for information addresses the same issues raised for KU in request for information 1-31. If the answers are the same, simply refer to the response to KU request for information 1-31.)

114. Refer to page 47, lines 21-23, in the pre-filed testimony for LG&E. The testimony states that Value Line derives the Safety Rank by averaging two variables: (1) … its Index of Price Stability and (2) the Financial Strength Rating. Describe how an Index of Price Stability averaged with the Financial Strength letter assignment of A++ down to C?

(Note: this request for information addresses the same issues raised for KU in request for information 1-32. If the answers are the same, simply refer to the response to KU request for information 1-32.)

115. Refer to page 48, lines 17-20, and page 49, lines 1-12, in the pre-filed testimony for LG&E.

a. Provide the names of each of the companies with a Safety Factor of 2 that you used in the Comparable Earnings Analysis, its recent earned returns on shareholders equity over two recent historic years, and its projected returns on shareholders equity in 2003, 2004, for for a period 3-5 years into the future.

b. Provide a Value Line sheet for each of the companies listed in : "a" above and indicate the source of the recent earned returns and projected returns on equity.

c. What were the Moody's and Standard and Poor's bond ratings of the companies that were selected?

d. If you did not use bond ratings in the selection, explain why it was important to use bond ratings to select the electric comparison companies and not important to use bond ratings to select the unregulated comparison companies?

(Note: this request for information addresses the same issues raised for KU in request for information 1-33. If the answers are the same, simply refer to the response to KU request for information 1-33.)

116. Refer to page 49, lines 13-20, in the pre-filed testimony for LG&E. Provide the work paper that shows the determination of the median returns on shareholders' equity in 2001, 2002, 2003, 2004, and for 2006-2008.

(**Note**: this request for information addresses the same issues raised for KU in request for information 1-34. If the answers are the same, simply refer to the response to KU request for information 1-34.)

117. Refer to page 49, lines 13-20, in the pre-filed testimony for LG&E. Why isn't the range 13.7-14.5 percent instead of 14.0-14.5 percent?
(**Note**: this request for information addresses the same issues raised for KU in request for information 1-35. If the answers are the same, simply refer to the response to KU request for information 1-35.)

118. Refer to page 51, lines 10-11, in the pre-filed testimony for LG&E. How did you determine these ranges when the CAPM results which were different then those shown?
(**Note**: this request for information addresses the same issues raised for KU in request for information 1-36. If the answers are the same, simply refer to the response to KU request for information 1-36.)

119. Refer to page 51, line 18 in the pre-filed testimony for LG&E. How did you determine a range of 10.75-11.25 percent from the data given on lines 10-11?
(**Note**: this request for information addresses the same issues raised for KU in request for information 1-37. If the answers are the same, simply refer to the response to KU request for information 1-37.)

120. Refer to page 54, lines 5-13, of the pre-filed testimony for LG&E. The testimony states that the selection of the companies used as a proxy group started with companies that were listed in The Value Line Investment Survey's Gas Distribution category and used Moody's and Standard and Poor's bond ratings as the first selection criteria.

a. Provide a listing of the Value Line Gas Distribution companies that were used in the initial consideration.
b. Provide the Moody's and Standard and Poor's bond ratings for the senior bonds for each of the Value Line companies in the initial consideration.
c. Provide a copy of the Value Line page for each company selected.

121. Refer to page 54, lines 14 and 15, of your pre-filed testimony for LG&E. The testimony states that: "Companies were excluded from the proxy group that were currently involved in any major merger activity."

a. Provide the definition for major merger activity that was used.
b. Provide the data sources used to determine which companies had major merger activity and which did not have major merger activity.
c. Provide all work papers that were used to determine the amount of major merger activity and indicate whether the company was included in the proxy group or excluded from the proxy group.

122. Refer to page 54, lines 15 and 18, of your pre-filed testimony for LG&E. The testimony states that: "Companies were also excluded from the proxy group if they had significant unregulated operations."

a. Provide the definition for significant unregulated operations that was used.
b. Provide the data sources used to determine which companies had significant unregulated operations and which did not.
c. Provide all work papers that were used to determine the amount of significant unregulated operations and indicate whether the company was included in the proxy group or excluded from the proxy group.

123. Refer to Schedule 6, page 1 of 3, in the pre-filed testimony for LG&E. For each of the six companies shown on Schedule 6 provide:

a. a print-out of the source of the indicated dividend that was derived from data on the MSN Money Central website and an explanation of how the indicated dividend was "derived" from that data.
b. a print-out copy of the source of the First Call Projected 5-year growth estimate.
c. a copy of the <u>Annual Energy Outlook</u>, 2003 which provided data for column 6.
d. a work paper showing the calculation of the DCF Cost of equity estimate shown in column 7.
e. an explanation of the work paper provided in "d." above.

124. Refer to Schedule 6, page 2 of 3, in the pre-filed testimony for LG&E. For each of the six companies shown on Schedule 6, page 2 provide:
a. a work paper showing the calculation of the Long-term Projected Sustainable Growth shown in column 6.
b. a copy of the data source or sources used for calculating each of the variables; "b", "r", "s", and "v"; for Long-term Projected Sustainable Growth that is shown in column 6 and discussed in footnote 3 on page 21.
c. a work paper showing the calculation of the DCF Cost of equity estimate shown in column 7.

125. Refer to Schedule 6, page 3 of 3, in the pre-filed testimony for LG&E. For each of the six companies shown on Schedule 6, page 3 provide a copy of the Zacks, Value Line, S&P and First Call projected growth for the industry that are discussed on page 56 lines 18-22.

126. Refer to the pre-filed testimony for LG&E, page 60, line 10. Explain how a 11.00%-11.75% range is estimated based on the results in the table on lines 6-7.

127. Refer to the pre-filed testimony for LG&E at page 61, lines 3-4. Provide the work papers that contain the calculation of the of the 12.09 market return on Moody's gas distribution common stock index.

128. Refer to the pre-filed testimony for LG&E at page 61, lines 7-8. Provide the work papers that contain the calculation of the of the 8.12% Moody's composite bond yields.

129. Refer to the pre-filed testimony for LG&E at page 61, lines 18-22, and on page 62, lines 1-7. Did you use lagged variables in the regression analysis?

130. Refer to page 62 lines 1-17, in the pre-filed testimony for LG&E.

a. Provide a copy of the Regulatory Focus that shows the quarterly average allowed returns for the first quarter 1980 through the third quarter 2003 assuming that this is the source of the allowed returns on the gas distribution companies.
b. Provide the work papers that show the regression of the lagged returns on equity allowed relative to the average yield for Moody's Utility Composite Bond Index that resulted in an intercept of 6.406 and a regression coefficient of –0.439.
c. Provide the statistics that were evaluated to assure that a –0.439 is significantly different from zero.
d. Provide a complete discussion of the underlying economic logic that indicates that an increase in the interest rate causes the size of the risk premium to decrease.
e. At what rate of interest would the risk premium go to zero?

131. Refer to page 62, lines 1-17, in the pre-filed testimony of LG&E. The testimony describes the use of a regression analysis used for determination of a risk premium in which a lagged regression is assumed.

a. Were other lagged quarters, say a 3 quarter lag, a 4 quarter lag, etc., evaluated in the regression analysis?
b. What statistical analysis, for example: an Almon scheme or a Koyck scheme, did you perform to evaluate the appropriate the length of the lag?

132. Refer to page 62, lines 5-6, in the pre-filed testimony for LG&E. The testimony refers to an "adjusted R^2" of 0.80.

a. Explain the adjustment.
b. What effect does autocorrelation have on the coefficient of correlation?
c. What adjustment did you make for autocorrelation?
d. Provide all of the data used in the regression analysis.

133. Please provide hard copies of all workpapers underlying the Louisville Gas and Electric Company ("LG&E") Depreciation Studies (Robinson Appendices C, D and E) performed by AUS Consultants ("AUS").

134. Please provide on diskette or CD all tabulations included in the Depreciation Studies and all data necessary to recreate in their entirety, all analyses and calculations performed for the preparation of the study. Please provide this and all electronic data in Excel (or .txt format if appropriate), with all formulae intact. Please provide any record layouts necessary to interpret the data. Please include in the response electronic spreadsheet

copies of all of the tables included in Section 2 on the Depreciation Studies, with all formulae intact.

135. If not provided elsewhere, please provide the calculation of the proposed depreciation accruals and rates for the "Mandated NOX Projects" as included in the Electric Depreciation Study. Please provide the calculations in Excel format and please provide a source or rationale for all parameters used.

136. Please provide the book reserves by account for the Gas Storage, Transmission, Distribution and General functions per the Company books, before re-allocation by AUS in conjunction with the Depreciation Studies.

137. If not provided elsewhere, please provide on diskette or CD the workpapers supporting estimated terminal net salvage estimates for each account for which terminal net salvage is a factor. Please include all calculations in electronic format, with all formulae intact. Also, please include the workpapers supporting the terminal net salvage experienced by the Company in conjunction with the retirement of its Pineville plant.

138. Were future terminal net salvage estimates for all accounts based on data relating to the retirement of the Pineville plant? If not, please provide the information or data that supports the terminal net salvage estimates for those accounts for which the Pineville data was not used.

139. Please provide the calculation of the 2.75% inflation factor used in Mr. Robinson's net salvage analyses (Depreciation Studies, Section 7).

140. Please provide all information obtained by Mr. Robinson and AUS from Company management relative to current operations and future expectations (Robinson Testimony, page 3). Please identify by name and title, all LG&E personnel who provided the information. Please explain the extent of their participation and the information they provided.

141. Is Mr. Robinson proposing Amortization Accounting for any accounts? If so, please list the accounts.

142. Please provide all notes taken during any meetings with Company representatives or facility tours attended by Mr. Robinson or any of his associates.

143. Please identify all plant tours taken during the preparation of the Depreciation Studies.

   a. Identify those in attendance and their titles and job descriptions.
   b. Provide all conversation notes taken during the tour.
   c. Provide all photographs and images taken during the tour.

144. Please identify and provide the final retirement dates for all accounts and locations for which Mr. Robinson is proposing the life span method. Include the original source

documentation for these final retirement dates. Also, if not already provided, please provide the installation date for each location.

145. Please identify all electric and gas companies of which Mr. Robinson is aware that do not use the life-span method for production plant.

146. Was the life span methodology utilized in the prior studies? If so, please provide a comparison, by account and location, of the probable retirement year forecasted in the prior studies, with the probable retirement year forecasted in Mr. Robinson's studies.

147. Please provide the specific calculation of each probable retirement year in the Depreciation Studies.

148. For all accounts and locations for which Mr. Robinson is proposing the life span method, provide the following information to support the final retirement dates. Please respond to each item.

    a. Economic studies. (NARUC, p. 146)
    b. Retirement plans. (NARUC, p. 146)
    c. Forecasts. (NARUC, p. 146)
    d. Studies of technological obsolescence. (NARUC, p. 146)
    e. Studies of adequacy of capacity. (NARUC, p. 146)
    f. Studies of competitive pressure. (NARUC, p. 146)
    g. Relationship of type of construction to remaining life span.
    h. Relationship of attained age to remaining life span.
    i. Relationship of observed features and conditions at the time of field visits to remaining life span.
    j. Relationship of specific plans of management to remaining life span.

149. Does Mr. Robinson's life span analyses include interim additions? If so, please provide a detailed explanation of how and why interim additions are included.

150. Please provide annual additions, retirements, adjustments, and transfers and end of year balances for each plant account from the inception of the account. Provide in both hard copy and electronic form. Please provide any record layouts necessary to interpret the data.

151. Please provide the following annual amounts for all plant accounts for the last 20 years (up to, and including, 2002). If the requested data is not available for the last 20 years, please provide the data for as many years as are available. Please provide data in both hard copy and electronic format.
    a. Beginning and ending reserve balances,
    b. Annual depreciation expense,
    c. Annual retirements,
    d. Annual cost of removal and gross salvage,
    e. Annual third party reimbursements.

152. Please provide a copy of the most recent prior studies and the Order(s) establishing the present deprecation rates.

153. Identify and explain all changes between the current studies and the most recent prior studies.

154. Please provide the derivation of the present depreciation rates.

155. If not provided elsewhere, please provide a comparison of the existing depreciation parameters (including survivor curve, probable retirement year and interim survivor curve), rates and expense to Mr. Robinson's proposed depreciation parameters, rates and expense. Please include the actual calculation of the existing depreciation rates and expense.

156. For each study, please provide a table summarizing separately by account the depreciation expense changes caused by life changes, net salvage changes, and other changes. Please provide additional explanations of the "other changes."

157. For each study, please provide the best fit Iowa curve for each plant account fitting to the complete Observed Life Table in the analysis. Please plot the curve against the complete Observed Life Table and provide a graph for each account.

158. For each account where SPR was used for life analysis, please explain why SPR was used instead of the Retirement Rate Method. If the response is that aged data was not available for these accounts, please explain why the Company keeps aged data for some accounts and not for others.

159. Which accounting method is reflected in the life studies; "location-life" or "cradle-to-grave"?

160. What is impact of the accounting method used, i.e., "location-life or "cradle-to-grave" on the lives calculated in the Depreciation Studies?

161. Did Mr. Robinson use reciprocal, harmonic, or ELG weighting in any of his calculations? If yes, please provide all calculations using direct weighting. Also, provide this in hardcopy and on diskette.

162. Please provide sample copies of the Continuing Property Records from which the plant data used in the studies were drawn. Please provide a sample for each account in the studies.

163. Please provide the following information for all final retirements for the last 15 years. If requested data is not available for the last 15 years, please provide the data for as many years as are available.

a. Date of retirement
b. Amount of retirement
c. Account
d. Reason for retirement
e. Whether or not retirement was excluded from historical interim retirement rate studies.

164. Please provide the Company's retirement unit list.

165. Please explain, and provide examples of, the Company's retirement unit cost procedures for each account. Identify all changes to retirement unit costs which have occurred over the years.

166. Were any retirements, classified as sales or reimbursements, excluded to the extent to which the salvage receipt represents recovery of original cost? If yes:

a. Please provide, by account, the annual retirements and the related salvage that has been excluded for the 10 years ending 2002.
b. Please provide the Commission Orders and Decisions approving this practice.
c. Please demonstrate that the retirements were excluded from the life studies.

167. Please explain the Company's procedures for gross salvage and cost of removal. Also, please explain how cost of removal relating to replacements is allocated between cost of removal and new additions. Provide copies of actual source documents showing this allocation.

168. Please provide narrative explanations of the Company's aging and pricing procedures.

169. Please identify and explain the Company's expectations with respect to future removal requirements and markets for retired equipment and materials. Please provide the basis for these expectations.

170. Please provide a summary of annual maintenance expense by USOA account for the last 20 years. If the requested data is not available for the last 20 years, please provide the data for as many years as are available. Please provide data in both hard copy and electronic format.

171. Please provide the Company's capital budget for the next five years. Please identify all retirements, replacements, new additions and cost of removal reflected in this budget. Please provide by account where available and explain how the cost estimates are derived for these items.

172. Please provide the retirements cost of removal reflected in the Company's construction budget for the years 2002-2008 inclusive. Provide by account.

173. Please provide explanatory examples of the debits and credits relating to customer advances and contributions-in-aid of construction.

174. Please provide explanatory examples of the debits and credits relating to the accounts for which depreciation is charged to clearing accounts.

175. Please explain how the Company accounts for third party reimbursements and how they are reflected in the depreciation study.

176. If Mr. Robinson excluded third-party reimbursements from the net salvage studies, was the related retirement also excluded from the life studies?

177. Please provide a copy of the Company's capitalization policy.

178. Identify and explain all Company programs which might affect plant lives.

179. Please provide all internal life extension studies prepared by the Company. Life extension refers to any program, maintenance of capital, designed to extend lives and/or increase capacity of its existing plants.

180. Provide all internal and external audit reports, management letters, consultants' reports etc. which address in any way, the Company's property accounting and/or depreciation practices.

181. Provide all correspondence between AUS and the Company which deals in any way with the depreciation study and/or retirement unit costs.

182. Please provide copies of all Board of Director's minutes and internal management meeting minutes in which the subject of the Company's depreciation rates or retirement unit costs were discussed.

183. lease provide copies of all internal correspondence which deals in any way with the Company's retirement unit costs, electric depreciation rates, and/or the AUS depreciation studies.

184. Please provide copies of any and all actuarial and semi-actuarial studies prepared by the Company since the last depreciation studies.

185. Please provide the Company's FERC Form 1 and Form 2 reports for the years 1997 - 2002.

186. Please reconcile the 12/31/2002 plant balances in the depreciation studies with the plant balances shown in the Company's 12/31/02 FERC Form 1 and Form 2 reports.

187. Please provide depreciation studies submitted to FERC during the last 10 years and all related correspondence including any approvals and disapprovals.

188. Please identify and provide the parameters, methods, procedures and techniques that underlie the depreciation rates the company uses for FERC reporting and ratemaking versus those used for intrastate reporting and ratemaking. Also, provide a comparison of the actual calculation of the depreciation rates used for FERC ratemaking and reporting versus those used for intrastate ratemaking and reporting.

189. Please provide a comparison by plant account of the annual FERC versus intrastate depreciation rates for the last 30 years.

190. Provide all FERC audit reports and the Company's responses thereto during the last 10 years.

191. Please provide copies of all correspondence between the Company and the FERC concerning any life extension plan or maintenance program, or any request to treat retirement units or minor items of property differently than as prescribed by the FERC USOA.

192. Please provide the Company's most recent Integrated Resource Plan dealing with plant lives.

193. Please identify all Kentucky statutes specifying or addressing depreciation practices in Kentucky.

194. Please provide copies of all industry statistics available to the Company and AUS relating to electric and gas company depreciation rates.

195. Please identify all industry statistics upon which Mr. Robinson relied in formulating the depreciation proposals.

196. Please provide any and all internal studies and correspondence concerning the Company's implementation of FASB Statement No. 143, the FERC NOPR and Order No. 631 in RM-02-7-000, and the current draft AICPA Statement of Position on Property, Plant and Equipment (SOP-PPE).

197. Please provide complete copies of all correspondence with the following parties regarding the Company's implementation of FASB Statement No. 143 the FERC NOPR and Order 631 in RM02-7-000, and the current draft AICPA Statement of Position on Property, Plant and Equipment (SOP-PPE):

a. External auditors and other public accounting firms.
b. Consultants
c. External counsel
d. Federal and State regulatory agencies
e. Internal Revenue Service

198. Regarding FASB Statement No. 143 and the FERC NOPR and Order No. 631 in Docket No. RM02-7-000, on a plant account-by-plant account basis, please identify any and all "legal obligations" associated with the retirement of the assets contained in the account that result from the acquisition, construction, development and (or) the normal operation of the assets in the account. For the purposes of this question, please use the definition of a "legal obligation" provided in FASB Statement No. 143: "an obligation that a party is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract under the doctrine of promissory estoppel."

199. For any asset retirement obligations identified above, please provide the "fair value" of the obligation. For the purposes of the question, fair value means "the amount at which that liability could be settled in a current [not future] transaction between willing parties, that is, other than in a forced or liquidation transaction." Please provide all assumptions and calculations underlying these amounts.

200. Please provide complete copies of all Board of Director's minutes and internal management meeting minutes during the past five years in which any or all of the following subjects were discussed: the Company's electric, gas and common general plant depreciation rates; retirement unit costs; SFAS No. 143; FERC RM02-7-000; and, the AICPA SOP on PPE.

201. Please provide an electronic copy of the SFAS 143 Cash Flow Model as discussed in the Company's response to PSC Question No. 56(c). Please provide the Model with all formulae intact.

202. Please provide electronic copies, with all formulae intact, of the tables included in Appendix D of the Company's response to PSC Question No. 56(c). Also, please provide any workpapers supporting these calculations, both in hardcopy and in electronic format where available.

203. Please provide the results of the "continuous assessments being completed to reduce the operating cost of each of the units plus bring the facilities into compliance with ever changing environmental regulations" (Electric Depreciation Study, page 4-3).

204. Please list the "ongoing and increasing risks concerning the continued utilization of various units" (Electric Depreciation Study, page 4-3).

205. Please list the "numerous ongoing changes" expected to occur that will "result in many uncertainties concerning the future of all generation plants" (Electric Depreciation Study, page 4-3).

206. Please provide any reports, studies, etc. relating to the Company's anticipation that it will experience significant cost of removal relating to Account 342, Fuel Holders, Products and Accessories due to the level of environmental regulations surrounding fuel storage facilities, etc. (Electric Depreciation Study, page 4-13).

207. Please provide all internal and/or external studies, reports, etc. concerning the future removal and disposal of asbestos material from the Company's generating stations (Electric Depreciation Study, pages 4-2, 4-4).

208. Please provide any industry reports, studies, etc. regarding the "increasing levels of failures of various generations" of underground conductors and devices experienced by the industry in recent years (Electric Depreciation Study, page 4-27).

209. Please explain the extent of the customer responsibility for maintaining underground services (Electric Depreciation Study, page 4-29). Is the customer responsible for removal of the services upon retirement?

210. What is "Project 289" in regards to Hydraulic and Transmission Plant (Electric Depreciation Study)? Why is plant related to "Project 289" depreciated separately from other hydro and transmission plant?

211. Please provide a narrative explanation of the "anticipated pending future changes/upgrades/replacements within the Company's operating system" as discussed on page 4-10 of the Gas Depreciation Study. Please include any reports, studies, etc. relating to these changes/upgrades/replacements.

212. Please explain the 47,265,376.12 shown at the top of column (d) of Table 3 of the Common Study.

213. Please provide all manuals, guidelines, memoranda or other documentation that deals with the Company's policies with regard to the physical removal of retired mains and, separately, services from the ground as opposed to capping these pipes and leaving them in place.

214. Please explain the process by which the labor associated with Mains and Services replacement projects is split between the new asset and cost of removal.

215. Please provide a summary of the last 20 years of Mains and Services additions. Identify on a year-by-year basis the new additions vs. replacement additions. Please explain any anticipated changes to these proportions.

216. Please identify and explain the three largest Mains and Services replacement projects currently taking place.

217. Please identify and explain the three smallest Mains and Services replacement projects currently taking place.

218. Please provide a summary of all Main and Service Replacement projects during 2002. Separately identify all major costs, including the removal of the existing Main and/or Service.

219. Please provide a narrative explanation of a typical Main and Service replacement project.

220. Please identify all Main and Service additions during 2002, and indicate whether they were replacements, new additions or other. Please explain the "other" category.

221. Please provide a sample work order showing the retirement of a gas main.

222. On page 9, line 16, of his testimony, Mr. Thompson states that LG&E steam plants had a November 2003 year-to-date capacity factor of almost 81%.

a. Provide the monthly capacity factors by plant that made up this composite figure.
b. Provide the same year-to-date figure for each of LG&E's steam plants, and also for each of the previous 10 years.

223. On page 10 of his testimony, Mr. Thompson describes how LG&E's EFOR compares favorably to the national average.

a. Please provide the described analysis.
b. Please provide the benchmark and actual EFOR for each of LG&E's plants for the each of the last 10 years.

224. On page 12, lines 17 and 18, of his testimony, Mr. Thompson states that transmission reliability has consistently surpassed performance targets on an annual basis. Please provide the targets and the actual performance for each of the last 10 years.

225. At the bottom of page 4 and top of page 5 of his testimony, Mr. Hermann states that LG&E provides "energy conservation options to our customers". Is it an LG&E policy to encourage their customers to conserve energy?

226. On page 16, line 1, of his testimony, Mr. Hermann states that there is an upward trend in duration and frequency of interruptions. Please provide an explanation as to why this is happening and any proof that this is not related to LG&E reductions in workforce, especially the reduction in linemen.

227. On page 17 of his testimony, Mr. Hermann describes the "Demand Conservation" program. Is it true that this program is available only to residential customers who have central air conditioning, and that smaller users with just a window air conditioning unit or no air conditioning can not participate?

228. In Rives Exhibit 1, Reference Schedule 1.15, inappropriate advertising expenses are eliminated. For the advertising and customer information expenses that were left in and are still included in the company's rate proposal, please provide a list of each account (both gas and electric) containing these costs, and a total of how much of these costs are remaining after the Schedule 1.15 adjustments are made.

229. In Rives Exhibit 1, Reference Schedule 1.15, inappropriate advertising expenses are eliminated. For each test-year advertising or customer information expense that was left in and still included in the company's rate proposal, please provide the following:

a. the name of the advertisement or information piece,
b. the benefit of the information to ratepayers (safety or energy conservation),
c. the type of media used such as Radio, TV, newspaper, brochure, bill stuffer,
d. a sample of the material (for radio and TV, please provide the script),
e. the account under which the expense was billed,
f. the amount of the expense charged to Gas and the amount charged to Electric accounts, and
g. if the material includes both promotional material that was excluded in Schedule 1.15 and acceptable customer information, an explanation of how the division was made.

230. The Commission generally does not allow lobbying expenses to be included in customer rates. Please show where in Mr. Rives expense adjustments lobbying expenses were removed?

231. At the bottom of page 7 and top of page 8 of his testimony, Ms. Scott talks about the adjustment for Account 925 "Injuries and Damages" being consistent with the methodology used to adjust the Storm Damage account. If the two are consistent, please explain the follwoing:

a. Why does the Account 925 adjustment not use the test year as the first year to be averaged as was done with storm damages rather than leaving the actual year out of the averaging calculation?
b. Why use only 5 years in the average instead of using 10 years as was done with storm damages?
c. Please provide the Account 925 "Injuries and Damages" amounts for each of years 1994, 1995, 1996 and 1997, broken down into gas and electric accounts as was done in Schedule 1.19.
d. Please provide any specific quote from the Commission's Order in Case 2000-080 that Ms. Scott refers to at the bottom of page 7 that the Commission accepted this adjustment and associated methodology in that case.

232. On page 10 of her testimony, Ms. Scott discusses MISO expenses deferred until 2007. Please provide a list of total MISO expenses paid by LG&E in each of the last 5 years, and the projected expenses associated with MISO for each of the next five years. With these expenses, please separate out the portion that is associated with Schedule 10 administrative costs.

233. On page 11 of his testimony, Mr. Beers states that he believes that a 29% rate increase "would simply have too significant an impact on our residential customers." Instead a 12.32% increase for residential electric customers has been proposed. What is the maximum percentage electric increase that Mr. Beers believes isn't "too significant" for a residential customer to bear?

234. On page 13 through 15 of his testimony, Mr. Beers discusses MISO membership. Please provide a cost-benefit analysis that quantifies both the cost and benefits to ratepayers of MISO membership, as compared to not being a member.

235. On page 14 of his testimony, Mr. Beers discusses exit fees if LG&E withdraws from MISO. Please provide the level of these fees and all documents that support and document this figure.

236. On page 12, line 6 of his testimony, Mr. Beers states that the proposed residential gas increase is "only 7.60%." Please provide both the total dollars and the percentage increase that the Commission approved in the 2000 gas rate case.

237. On page 7 of his testimony, Mr. Murphy discusses physical bypass by industrial customers. Please list all LG&E customers that have physically bypassed in the last 10 years, and for each, please also provide the year they left the LG&E system and their through-put volumes lost from the LG&E system.

238. On page 8 of his testimony, Mr. Murphy discusses five businesses that have closed in recent years. For each customer, please provide any documentation that this customer moved or went out of business as a result of LG&E natural gas prices.

239. On page 8 of his testimony, Mr. Murphy discusses reduced residential consumption in recent years. Does Mr. Murphy agree that this is an expected response to the steep increases in natural gas prices, both because of commodity price increases and the LG&E rate increase in 2000? Does he agree that there has been a similar response nationwide to the dramatic increases in gas commodity prices?

240. Mr. Murphy's discusses the possibility of industrial customers leaving the gas system. Have Mr. Seelye and/or Mr. Beers considered the fact that serving industrial customers poses a greater risk to the utility and earnings because of the potential for leaving the system when considering what rate of return is appropriate from each rate class?

241. On page 10 of Mr. Murphy's testimony, he states that it is "difficult to economically add small residential customers" to the gas system. With respect to adding new residential gas customers:

   a. Please provide the average cost of adding a new residential gas customer. Please break this cost down by components (meters, services, mains, regulators, etc.), and the average cost of each component.

   b. On line 8 of page 10 of his testimony, Mr. Murphy identifies 16,000 new customers added since the last gas rate case (mostly residential).

      i. Please provide the number of these customers that were residential

      ii. The average weather-normalized test-year consumption of gas (in Mcf) for the new residential customers identified above, excluding customers added during the test-year that did not have a full year of consumption

iii. The average square foot area of the new residences identified above.

242. With respect to Mr. Cockerill's Exhibit 1, please provide all calculations assumptions and workpapers used to develop the 45 minute employee time used in this exhibit.

243. With respect to Mr. Cockerill's Exhibit 2:

a. Please provide all calculations assumptions and workpapers used to develop the One Hour employee time used in this exhibit.
b. Please explain why the labor cost is $26.00 in this exhibit, but the labor cost is $25.50 in Exhibit 1.

244. With respect to Mr. Cockerill's Exhibit 3:

a. Please provide all calculations assumptions and workpapers used to develop the $55.83 labor cost in this exhibit.
b. Please provide all calculations assumptions and workpapers used to develop the $13.44 meter test in this exhibit.

245. On page 4 of his testimony, Mr. Cockerill discusses customers that are exempt from reconnection charges. Please describe which customers would be exempt from this charge.

246. On page 4 of his testimony, Mr. Cockerill discusses reconnection charges. For each of the last 10 years, please provide the number of customers that were disconnected for non-payment.

247. On page 5 of his testimony, Mr. Cockerill states that LG&E will now review customer accounts for budget payment plans based on the KU methodology. Please describe the KU methodology and how it differs from the current LG&E methodology.

248. On page 6 of his testimony, Mr. Cockerill discusses changing to KU motor start provisions. Please provide the KU provisions and explain how they differ from the current LG&E provisions.

249. On page 7 of his testimony, Mr. Cockerill discusses harmonizing LG&E gas tariffs with KU tariffs. KU has no gas business or gas tariffs. What does Mr. Cockerill mean?

250. Please provide the LG&E test-year contributions, and well as contributions in each of the 10 previous years to the following programs:

a. WinterHelp
b. Project Warm
c. WeCare.

251. On page 3, line 17 of his testimony, Mr. Seelye states that residential block rate structures "cannot be supported by the cost of service study." Does Mr. Seelye believe that the cost of

service study should be the only factor to be considered in rate design? If not, please list other factors that should be considered in rate design.

252. What rate design manual or manuals did Mr. Seelye rely upon in the construction of the gas cost of service study and the design of gas rates?

253. What rate design manual or manuals did Mr. Seelye rely upon in the construction of the electric cost of service study and the design of electric rates?

254. Please provide Mr. Seelye's Cost of Service Studies contained in Volume 5 of the filing, as well as all of the other Seelye exhibits in Volume 5, in an electronic format on diskette or CD. Please also provide the format in which the exhibits were prepared (such as EXCEL 2000).

255. Please provide all calculations, assumptions and workpapers used the construct the gas cost of service study that have not already been provided.

256. Please provide all calculations, assumptions and workpapers used the construct the electric cost of service study that have not already been provided.

257. Please provide a list of all the changes that were made to the electric cost of service study methodology between the current study and the study filed by LG&E in Case. No. 90-158.

258. In the footnote on page 20 of Mr. Seelye's testimony, Mr. Seelye discusses the development of allocator CUST04. Please provide all calculations, assumptions and workpapers used to develop this allocator, including the development of the class weighting factors.

259. In the footnote on page 20 of Mr. Seelye's testimony, Mr. Seelye discusses the Account 904 and bad debt write-offs. Please provide the amount of actual bad debt written-off for each customer class during the test-year.

260. On page 38 of his testimony, line 18, Mr. Seelye discusses industrial customers switching from Rate IGS to Rate FT. Please provide a list of all customers that have made this switch from Rate IGS to Rate FT in the last 10 years, the year the company left, and the annual gas volume for that customer. Please also provide a separate list containing the same information over the same time period of industrial customers that transferred from Rate FT back to Rate IGS.

261. On page 44 of his testimony, Mr. Seelye discusses using a "modified" BIP method to allocate electric demand costs.

a. Please describe in detail how Mr. Seelye has modified the BIP method and why Mr. Seelye made these modifications.
b. Please describe how the BIP method used in this current Cost of Service Study is different from the method used in previous LG&E electric Cost of Service Studies.

c. Please provide the summer peak loads by class used in the BIP methodology. If calculations were used to derive these figures, please provide all calculations, assumptions and workpapers used to calculate these class peaks.

d. Please provide the winter peak loads by class used in the BIP methodology. If calculations were used to derive these figures, please provide all calculations, assumptions and workpapers used to calculate these class peaks

e. Please provide the monthly system peak demand for each month of the test year for the LG&E/KU system, as well as the date and time of the peak.

f. Please provide the minimum system demand for the test year for the LG&E/KU system, as well as the date and time that demand was recorded.

g. Please provide the monthly system sales for each month of the test year the LG&E/KU system.

h. Please provide the monthly system generation for each month of the test year the LG&E/KU system.

i. Please provide the minimum system demand during the test year for the LG&E system alone, as well as the date and time this demand was recorded.

j. Please provide the monthly system peak demand for each month of the test year for the LG&E system alone, as well as the date and time of the peak.

k. Please provide the monthly system sales for each month of the test year the LG&E system alone.

l. Please provide the monthly system generation for each month of the test year the LG&E system alone.

262. Please provide all calculations, assumptions and workpapers used to produce the graph on page 60 of Mr. Seelye's testimony.

263. On page 61, lines 17 and 18 of his testimony, Mr. Seelye states that a seasonal rate structure "can be supported by LG&E's cost of service study". Please provide any analysis that would support this statement, or any other basis for this statement.

264. On page 62, lines 5 and 6 of his testimony, Mr. Seelye states that "A declining-block rate structure is still a pricing structure that is commonly used within the industry." Please provide a list of all electric utilities in the Commonwealth other than LG&E and KU that still use declining block rates for residential customers.

265. On page 69, line 13, of his testimony, Mr. Seelye discusses eliminating the Water Heater rider. Customers on this rider have been billed with two meters. Under the LG&E proposal, all service would be billed under a single tariff. Since the customer has two meters, will they be paying two monthly customer charges under this proposal? If not, please describe how the cost of the second meter would be recovered from ratepayers.

266. On page 70 of his testimony, Mr. Seelye proposes lowering the maximum Rate GS secondary load to no greater than 200 kW.

a. What is the current maximum load?

b. Please provide the additional costs associated with demand metering.

c. Provide all evidence that putting these customers on a demand rate will have any impact on these customers' load factors.
d. Has LG&E discussed this proposed change with GS customers to see if they believe the proposed change in maximum load is appropriate?

267. On page 70, line 15 of his testimony, Mr. Seelye discusses eliminating the General Service Space Heating rider because it is an "old promotional rate that is no longer justified." LG&E is not proposing to eliminate the old promotional Gas Summer Air Conditioning rider. With respect to the Gas Summer Air Conditioning rider:

a. Why isn't the Gas Summer Air Conditioner rider also being eliminated?
b. Please provide all justification for the continuation of this rider.
c. Please provide all calculations, assumptions and workpapers used to calculate the $0.50 per Mcf discount offered under this rider.
d. Please demonstrate that this discount is justified based on cost in the gas Cost of Service Study.

268. On page 70, line 15 of his testimony, Mr. Seelye discusses eliminating the General Service Space Heating rider. Customers on this rider have been billed with two meters. Under the LG&E proposal, all service would be billed under a single tariff. Since the customer has two meters, will they be paying two monthly customer charges under this proposal? If not, please describe how the cost of the second meter is to be recovered from ratepayers.

269. On page 72 of his testimony, Mr. Seelye discusses shifting costs away from energy in the LP TOD class. Please provide all the calculations that support this shift in rate design.

270. In the Gas Cost of Service Study, in Account 903, please provide an estimate of what portion of this expense is associated with sending bills to customers and what portion is associated with the collection and processing of payments.

271. Mr. Seelye discusses both a rate freeze and a 12.2% increase for public lighting on page 76 of his testimony. Looking at the current and proposed rates, it is difficult to figure out what is being frozen and what is receiving a large rate increase. Please provide a better description of how the proposed lighting rates were designed and why.

272. Please provide a list of all the changes that were made to the gas cost of service study methodology between the current study and the study filed by LG&E in Case. No. 2000-080.

273. Please refer to Seelye Exhibit 15. Please explain why the customer month used in this calculation was not based on the end-of-year number of customers?

274. Please refer to Seelye Exhibit 15. Please provide this same calculation for the other gas rate classes.

275. Please provide all calculations assumptions and workpapers used to design the gas rates for each rate class. Please demonstrate how these designs follow the costs identified in the Cost of Service Studies.

276. On page 1 of Seelye Exhibit 18, Total Hydraulic Production Plant is classified as Production Demand. It is assumed that this cost is the Falls of the Ohio plant. In LG&E Integrated Resource Plans, it has been stated that run-of-river hydro plants like the Falls of the Ohio plant cannot be dispatched and thus are plants that produce energy because their capacity cannot be relied upon. Considering LG&E's position on these types of plants, please explain why these hydro plant costs were classified as production demand instead of production energy.

277. Seelye Exhibit 18, page 13, item "555 Purchased Power" lists Demand charges of $10,996,878. All of these demand charges were classified at "Peak" costs, meaning they occurred during the summer peak hours. Provide all documentation, including actual power invoices, that show that all of these demand charges were for power purchased during the summer month peak hours.

278. Seelye Exhibit 18, page 13, item "556 System Control and Load Dispatch", classifies this entire expense as Production Demand. A major portion of this function is dispatching plants using economic dispatch to ensure the lowest fuel or energy costs are achieved at all times. Please explain why this cost was classified as Production Demand instead of Production Energy, or whybthese costs were not divided between Demand and Energy.

279. In Seelye Exhibit 18, page 21, item "903 Records and Collection" is listed. Please provide a description of all programs and tasks that are booked in this account.

280. In the Electric Cost of Service Study, in Account 903, please provide an estimate of what portion of this expense is associated with sending bills to customers and what portion is associated with the collection and processing of payments.

281. In Seelye Exhibit 18, page 21, item "905 Misc Cust Accounts" is listed. Please provide a description of all programs and tasks that are booked in this account.

282. In Seelye Exhibit 18, page 21, item "908 Customer Assistance Expenses" is listed. Please provide a description of all programs and tasks that are booked in this account.

283. In Seelye Exhibit 18, page 21, item "909 Informational and Instructional" is listed. Please provide a description of all programs and tasks that are booked in this account.

284. In Seelye Exhibit 18, page 21, item "910 Miscellaneous Customer Service" is listed. Please provide a description of all programs and tasks that are booked in this account.

285. In Seelye Exhibit 18, page 21, item "912 Demonstration and Selling Exp" is listed. Please provide a description of all programs and tasks that are booked in this account.

286. On page 7 of Seelye Exhibit 19, $1,194,234,012 is identified in the electric Cost of Service Study as the Net Cost Rate Base for the Total Power Production Plant.

a. Please break this cost down into the portion associated with baseload plants (steam and hydro) and the portion associated with peaking plants (combustion turbines).
b. Please provide the capacity rating of baseload plants included in this ratebase.
c. Please provide the capacity rating of peaking plants included in this ratebase.

287. Please refer to the Electric Cost of Service Study, Seelye Exhibit 19. Please explain why Off-system sales revenues were allocated with the allocator OSSALL on page 34, but the adjustment to Off-system sales revenues was made with a different allocator on page 40, PLPPT. Why wasn't the same allocator used in both places?

288. Please provide a detailed description of what "brokered sales expenses" are. In Ms. Scott's testimony she states that this is not related to the company's energy production. In that case, why was the expense adjustment in the electric cost of service study, Exhibit 19, page 43, allocated with the energy allocator?

289. Please refer to the Electric Cost of Service Study, Seelye Exhibit 19, page 43. Why was the merger credit adjustment allocated using a labor allocator instead of using the actual credits and associated ratios that were paid to each rate class as reported in Seelye Exhibit 29?

290. Please refer to the Electric Cost of Service Study, Seelye Exhibit 19, page 43. Why was the VDT net savings to shareholders adjustment allocated using a labor allocator instead of using the actual calculated VDTREV allocator that is used for the VDT Amortization and Surcredit on the same page of the study?

291. Looking at Seelye Exhibit 19, page 58, Production Residual Base Demand Allocator and the Energy allocator on page 55, does Mr. Seelye agree that these two allocators are the same and that the average demand used in the BIP method is mathematically the same as the energy allocator?

292. Please provide supporting data, calculations, assumptions and workpapers used to calculate the Forfeited Discount allocator, FDIS, in the Electric Cost of Service Study, Exhibit 19, page 61. Please make sure to supply the actual test-year forfeited discounts collected from each customer class.

293. Please provide supporting data, calculations, assumptions and workpapers used to calculate the Miscellaneous Revenue allocator, MISCR, in the Electric Cost of Service Study, Exhibit 19, page 61. Please supply the actual test-year miscellaneous revenues collected from each customer class broken down into the different types of revenue collected.

294. Please provide supporting data, calculations, assumptions and workpapers used to calculate the Other Electric Revenue allocator, OREV, in the Electric Cost of Service Study, Exhibit 19, page 34. Please supply the actual test-year other revenues collected from each customer class broken down into the different types of revenue collected.

295. Please provide the level of Uncollectibles written off by both the gas and electric side of the business for the test-year and for each of the ten previous years.

296. Please refer to Seelye Exhibit 22. Please explain how the zero-intercept methodology used accounts for one small transformer serving multiple small residential customers as is common in urban areas.

297. Provide all evidence of the correlation between the coincident peak demand in the electric Cost of Service Study and the non-coincident peaks upon which commercial and industrial customers are billed.

298. In Seelye Exhibit 32, the graph on page 2 of 2 shows "CP Load Factors varying from 0 to 5." This would imply load factors as high as 500%. Since load factors by definition can not exceed 100%, please explain what is meant by "CP Load Factor" on this graph.

299. In Seelye Exhibit 33, the graph on page 2 of 2 shows "CP Load Factors varying from 0 to 5." This would imply load factors as high as 500%. Since load factors by definition can not exceed 100%, please explain what is meant by "CP Load Factor" on this graph.

300. Please refer to Seelye Exhibit 34. Please explain why the customer month used in this calculation was not based on the end-of-year number of customers since that is the total number of customer over which these customer-costs are spread?

301. Please refer to Seelye Exhibit 34. Please provide this same calculation for the other electric rate classes.

302. Please provide all calculations assumptions and workpapers associated with the production of Seelye Exhibit 35. In particular, please provide those demonstrating how the 10.30% fixed charge rate was calculated.

303. Please refer to Seelye Exhibit 40. page 1 of 3. This exhibit shows the number of Disconnect/Reconnect charges during the test-year for both gas and electric. Please break these two figures down into the number actually recorded in the test-year for each rate class.

304. Please refer to Seelye Exhibit 40, page 2 of 3. This exhibit shows the number of Meter Test charges during the test-year for both gas and electric. Please break these two figures down into the number actually recorded in the test-year for each rate class.

305. Please provide all calculations assumptions and workpapers used to design the electric rates for each rate class. Please demonstrate how these designs follow the costs identified in the Cost of Service Studies.

306. With respect to the SQF tariff:
a. Please explain why the Supplemental and Stand-by rate is being increased, but the SQF tariff that is based on the same calculations is not being changed.

b. When was the last time the SQF tariff was updated?
c. Please provide all calculations assumptions and workpapers used to calculate the SQF tariff levels filed in this case.

307. In this case, LG&E is proposing to eliminate the division of Public Street Lighting into pre- and post-1991 installed fixtures, which was put in place in the last rate case.

a. Why is this elimination of the pre-1991 category of fixtures being proposed.
b. This classification was put in place to avoid charging the City of Louisville a higher rate, based on new fixtures, on the City's depreciated lights. Has anyone discussed this proposed change with the City of Louisville? If so, please provide any documentation that the City is comfortable with this proposed change. If not, why wasn't your largest lighting customer consulted about a change that might have a major impact on the City?

308. Please provide the total amount the company has invested in Pay-As-You-Go pre-payment meters and in-home display units as of September 30, 2003. This request does not seek the cost of individual meters. Please provide both the original cost and the net book value as of September 30, 2003, and the account under which these items are booked.

309. Please provide the amount the company has invested in Pay-As-You-Go equipment and other capitalized items (such as Diebold payment machines and software), other than meters and in-home displays as of September 30, 2003. Please provide this in the form of a list of items, the original cost, and the net book value as of September 30, 2003 for each item, and the account under which each of these items are booked.

310. Please provide the test-year expenses associated with the Pay-As-You-Go program, including all labor costs, direct and indirect. Please provide this in the form of a list of items and the associated test-year expenditures and the account under which each of these items are booked.

311. Please provide the number of customers on the Pay-As-You-Go program at the following times:

a. Number of customers on program on September 30, 2003
b. Average number of customers on the program during the test-year
c. Number of customers currently on the program
d. Projected number of customers on the program as of January 1, 2005.

312. Please provide a list of all test-year expenses associated with trade groups and economic development activities. For each item, list the organization, the amount allocated to gas and electric accounts, the account numbers, and description of the purpose of the expense.

313. Please provide all expenses during the test-year associated with the Edison Electric Institute. For each item, list the amount allocated to gas and electric accounts, the account numbers, and description of the purpose of the expense.

314. Please provide all expenses during the test-year associated with the American Gas Association. For each item, list the amount allocated to gas and electric accounts, the account numbers, and description of the purpose of the expense.

315. For each charitable contribution that was included in the company's rate proposal, please provide a list of recipient organization, the amount, each account (both gas and electric) where the contribution was booked, and how ratepayers benefited from the contribution.

316. Please provide the all expenses during the test-year associated with the FERC relicensing of the Falls of the Ohio plant. Please provide the account in which each of the expenses were recorded. Since this non-recurring expense is only necessary once every 30 years, please explain why these expenses were not amortized over a period of years?

317. It was recently announced that LG&E Energy was changing is corporate structure to an LLC business. Please describe all the ways this change will affect LG&E, including tax implications.

318. Please supply the account number and cost of service category where Demand Side Management costs and other energy conservation costs are included in the Gas Cost of Service Study and the specific page(s) and line(s) where they are in the study. Please also state what portion of this Cost of Service entry is associated with Demand Side Management and other conservation programs.

319. Please supply the account number and cost of service category where Demand Side Management costs and other energy conservation costs are included in the Electric Cost of Service Study and the page(s) and line(s) where they are in the study. Please also state what portion of this Cost of Service entry is associated with Demand Side Management and other conservation programs.

320. In LG&E's response to the Commission's First Data Request, Item 31, page 14, there is an expense item listed of $8398.88 for the Edison Electric Institute for account 923100. There is no description listed for this item. Please provide a complete description of this expense and include the how ratepayers benefited from this expense.

321. In LG&E's response to the Commission's First Data Request, Item 31, page 34, two payments were made to J.D. Powers and Associates that totaled $60,000. Please provide a complete description of these expenses, including what they were for, and how the expenditures were of benefit to ratepayers and were not simply promotional in nature.

322. In LG&E's response to the Commission's First Data Request, Item 33, LG&E excluded 34% of External Affairs salaries from recovery from ratepayers.

a. Please provide where in the expense adjustments presented in this case these expenses were removed.

b. Please provide all calculations assumptions and workpapers used to calculate the 34% exclusion.

c. Please provide a list of all of the activities of Mr. Siemens and Mr. Friebert that should be paid by ratepayers.

323. In LG&E's response to the Commission's First Data Request, Item 47, LG&E expended $329,983 for EPRI. Please provide a cost-benefit analysis quantifying the benefits of these expenses and demonstrate that ratepayers received at least this level of benefit from this expenditure.

324. In LG&E's response to the Commission's First Data Request, Item 48, LG&E provided the number of gas and electric customers by rate class for each month during the test year. In this same format, please provide the number of both gas and electric customers for each rate class on a monthly basis for each of the last five years.

325. In LG&E's response to the Commission's First Data Request, Item 48, it appears that the number of gas customer decreased during summer months of the test year.

a. Does LG&E have seasonal customers that request to be disconnected during summer months to avoid paying the monthly customer charge?

b. If the answer to part a. is yes:

i. How many customers seasonally disconnect?

ii. Is there any charge to reconnect these customers? If so, how much?

iii. What action has LG&E taken to avoid this practice?

c. If the answer to part a. is no, please explain why the number of customers declined in the summer months.

O:\ORI\BBlackford\Public\LG&E\LG&E gen rate 03-433\rfi-1 2003-00433 LG&E.doc