

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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COMMISSION

In the Matter of:

AN ADJUSTMENT OF THE ELECTRIC)
RATES, TERMS AND CONDITIONS OF) **CASE NO: 2003-00434**
KENTUCKY UTILITIES COMPANY)

INITIAL REQUEST FOR INFORMATION
OF THE ATTORNEY GENERAL TO
KENTUCKY UTILITIES 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 Kentucky Utilities 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



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ASSISTANT ATTORNEY GENERAL
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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
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LOUISVILLE KY 40232-2010

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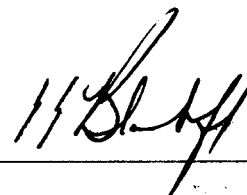
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A handwritten signature in black ink, appearing to read "M. S. Beer", is written over a horizontal line.

Attorney General's Initial
Request for Information from
Kentucky Utilities Company
Case No. 2003-00434

1. Provide a copy of the 2003 FERC Form 1 for KU as soon as it becomes available.

Questions for Mr. Rives

2. Refer to Commission's First Data Request for KU Dated December 19, 2003, the response to question 4(a), page 2 of 2, Line 20, indicates a "Mark to Market" interest expense of \$1,158,258 and Note 3 indicates a \$15,882,000 outstanding long-term debt mark to market.
 - a. Please provide an explanation of what is meant by "Mark to Market" debt and interest expense.
 - b. If the outstanding long-term Mark to Market outstanding debt was included on line 20 of column d, what would the "Annualized Cost Rate" be?
3. Refer to Commission's First Data Request for Kentucky Utilities Dated December 19, 2003, the response to question 4(a), page 2 of 2, and the response to question 43, page 1 of 1. Reconcile the amount shown in column d of question 4(a) with the amount in the column labeled "Principal" in question 43.
4. Refer to Commission's First Data Request for Kentucky Utilities Dated December 19, 2003, the response to question 3, page 1 of 4, and the Final Report of the Barrington-Wellesley Group, Inc. Dated August 31, 2003, page V-10, Exhibit V-3, and reconcile the 2001, 2002, and 2003 capital structures.
5. Refer to the pre-filed testimony for Kentucky Utilities, page 17, line 6. Provide the definition for the term "business position."
6. Refer to the pre-filed testimony for Kentucky Utilities, page 17, lines 6-10. Is the percentage of preferred stock treated as an "equity component" in the S&P utility financial targets?
7. Refer to the pre-filed testimony for KU, page 17, line 18. Provide a copy of "*Standard and Poor's* recently released review of KU."
8. Refer to the pre-filed testimony for KU, page 17, lines 19 and 20, where it is indicated that *Standard and Poor's* imputed \$125 million in debt for 2003.
 - a. What cost rate for debt did S&P use?
 - b. Should the imputed debt be considered long-term debt or short-term debt?
 - c. What would be the cost of long-term or short-term debt depending on the answer in b?
 - d. If the \$125 million imputed debt component was included in KU's capital structure at the cost rates provided in "c" above, what would be KU's capital structure proportions and its weighted average cost of capital?

9. Refer to the pre-filed testimony for KU, Rives Exhibit 2, page 1 of 1, column 3.
 - a. What is (are) the name(s) of the company or companies that is (are) holding the undistributed subsidiary earnings?
 - b. When KU invested in the subsidiary, what safeguards were used to assure that none of KU's debt or preferred stock financial capital were used in the investment so that all of the investment represents equity capital?
 - c. What was KU's capital structure at the time the investment in the subsidiary was made?
10. Refer to the pre-filed testimony for KU, page 19, lines 9-14, 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 KU's LG&E's capitalization?

Questions for Mr. Rosenberg

11. Refer to the topic heading "IV. Rationale for Using Several Equity Costing Methodologies" on page 8 in the KU testimony. Is it your position that prior to deregulation, it was not necessary to use several equity costing methodologies? Please explain.
12. Refer to pages 8-10 of the KU 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?
13. Refer to page 11, line 15, of the pre-filed testimony for KU. 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.
14. Refer to page 12, lines 5 and 6, of your pre-filed testimony for KU. 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.

15. Refer to page 12, lines 11 and 12, of your pre-filed testimony for KU. 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 were 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.

16. Refer to Schedule 3, page 1 of 3, in the pre-filed testimony for KU. 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.

17. Refer to Schedule 3, page 2 of 3, in the pre-filed testimony for KU. 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 18.
- c. a work paper showing the calculation of the DCF Cost of equity estimate shown in column 7.

18. Refer to Schedule 3, page 3 of 3, in the pre-filed testimony for KU. 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.

19. Refer to page 24, line 19, in the pre-filed testimony for KU. 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, REGULATORY FINANCE, by Roger Morin that derives, explains, and presents the "empirical" CAPM.

20. Refer to page 25, lines 5 and 6, in the pre-filed testimony for KU. Provide the *Value Line* beta for each of the companies in the proxy group that was used to determine the average beta.

21. Refer to page 26, lines 14-16, in the pre-filed testimony for KU. Provide copies of the six *Federal Reserve Statistical Releases* for the April-September 2003 period.

22. Refer to page 27, lines 10-11, in the pre-filed testimony for KU. Provide a copy of the *Risk Premia Over Time Report: 2003*.

23. Refer to page 32, lines 11-15, in the pre-filed testimony for KU.
 - 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 32, line 10.
 - 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.

24. Refer to page 33, lines 6-13, in the pre-filed testimony for KU. 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.

25. Refer to page 36, lines 14-15, in the pre-filed testimony for KU. 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.

26. Refer to page 36, lines 18-19, in the pre-filed testimony for KU. 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.
27. Refer to page 37, lines 1-2, in the pre-filed testimony for KU. Provide a copy of the work papers that show that the average bond yield for Moody's "A" rated utility bonds was 6.52%.
28. Refer to page 37, lines 16-19, and page 38, lines 1-3 in the pre-filed testimony for KU.
- Provide a copy of the *Regulatory Focus* that shows the quarterly average allowed returns for the first quarter 1980 through the third quarter 2003.
 - 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.
 - Provide the statistics that were evaluated to assure that a -0.432 is significantly different from zero.
 - Provide a complete explanation of the underlying economic logic that indicates that an increase in the interest rate causes the size of the risk premium to decrease.
 - At what rate of interest would the risk premium go to zero?
29. Refer to page 39, lines 1-5, in the pre-filed testimony of KU. The testimony describes the use of a two quarter lag in the regression analysis used for determination of a risk premium.
- Were other lagged quarters, say a 3 quarter lag, a 4 quarter lag, etc., evaluated in the regression analysis?
 - What statistical analysis, for example: an Almon scheme or a Koyck scheme, did you perform to evaluate the appropriate number of quarters to establish the length of the lag?
30. Refer to page 39, lines 5-9, in the pre-filed testimony for KU. The testimony refers to an "adjusted R²" of 0.78.
- Explain the adjustment.
 - What effect does autocorrelation have on the coefficient of correlation?
 - What adjustment did you make for autocorrelation?
 - Might the presence of autocorrelation change the conclusion of the sentence on line 6 and 7?
 - Provide all of the data used in the regression analysis.
31. Refer to page 40, lines 1-5, in the pre-filed testimony for KU. What was the average yield on Moody's Utility Composite Bond Index for the six months ending September 2003?
32. Refer to page 44, lines 12-18 in the pre-filed testimony for KU. 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?

33. Refer to page 45, lines 11-13, lines 20-22, and page 46, lines 1-5, in the pre-filed testimony for KU.

- 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?

34. Refer to page 46, lines 6-13, in the pre-filed testimony for KU. Provide the work paper that shows the determination of the median returns on shareholders’ equity in 2001, 2002, 2003, 2004, and for 2006-2008.

35. Refer to page 46, lines 11-13, in the pre-filed testimony for KU. Why isn’t the range 13.7-14.5 percent instead of 14.0-14.5 percent?

36. Refer to page 48, lines 5-8, in the pre-filed testimony for KU. How did you determine these ranges when the CAPM results were different then those shown?

37. Refer to page 48, line 14, in the pre-filed testimony for KU. How did you determine a range of 10.75-11.25 percent from the data given on lines 6-8?

General

38. Please provide the following exhibits in electronic worksheet format with all formulae intact.

- a. Volume 1 of 6, Financial Exhibit (807 KAR 5:001 SEC 6)
- b. Volume 1 of 6, 807 KAR 5:001 Section 10(6)(h)
- c. Volume 1 of 6, 807 KAR 5:001 Section 10(6)(i)
- d. Volume 2 of 6, 807 KAR 5:001 Section 10(6)(o), each document described in the List of Software, Programs, and Models Used. This request does not include the software, merely the documents prepared using that software.
- e. Volume 2 of 6, Monthly Managerial reports, 807 KAR 5:001 Section 10(6)(r).

- f. Volume 2 of 6, Pro forma Statements, 807 KAR 5:001 Section 10(7)(a).
- g. Volume 2 of 6, Income Statement (\$000's) Commitments, 807 KAR 5:001 Section 10(7)(d).

Staffieri Testimony

39. Please provide all internal studies during the last 5 years concerning the company's need for increased cash flow and the various sources of that cash flow.

40. Please provide the most recent information available concerning the status of KUs employee pension and post-retirement expenses giving recognition to recent turnarounds in financial market performance.

41. Page 8 lines 6-7, Mr. Staffieri states that "our rates are among the lowest in the nation." Provide all support for that statement.

42. Page 9 lines 5-6; please provide support for Mr. Staffieri's statement that "we have now exhausted all prudent means of reducing costs internally."

43. Page 9 lines 14-16. How much of the \$4.00 monthly increase relates to depreciation? Also, what are the other constituent elements of the \$4.00 monthly increase?

44. Page 10, lines 10-16. Please explain how the company can prove that "not one dollar of these donations is paid by our customers. Instead, the gifts are funded solely by our shareholders."?

Thompson Testimony

45. Please explain "performance and investment life" as used on page 4, lines 1 to 2.

46. At pages 4-5, Mr. Thompson discusses "improved system analysis techniques, best practices, and technological advances designed to optimize the performance of KC's assets."

- a. Please identify and explain each of the "improved system analysis techniques, best practices, and technological advances designed to optimize the performance of KU's assets. Please categorize each as either improved system analysis technique, best practice, or technological advance."
- b. Please provide a table summarizing each of the individual system improvements, best practices, and technological advances, showing the date of implementation, cost,

classification (capital vs. expense), and location within the company's revenue requirement filing.

- c. Provide a table summarizing the plans in each category during the next 5 years and the next 10 years.

47. Please provide documentation relating to both the "reliability-based maintenance model" and "MAXIMO maintenance system" discussed on page 6, and "Energy Management System" discussed on page 7.. Also, provide representative copies of all actual reports generated by these models.

48. Provide the comparisons of LG&E/KU units and system with benchmark groups as described on page 10 of Mr. Thompson's testimony.

Hermann Testimony

49. Provide documentation of the "One Utility" and "Value Delivery" initiative discussed on page 5.

50. Please provide the "(1) operating policies and standards, (2) investment strategy, and (3) asset information" involved in the asset management process discussed on page 6 of Mr. Hermann's testimony.

51. Please identify, provide and explain the "short-and long-term investment activities" discussed on page 6, lines 16-18 of Mr. Hermann's testimony.

52. Please provide documentation and representative copies of actual reports relating to the "Reliability Centered Maintenance ("RCM") processes discussed on page 7.

53. Please provide documentation and representative copies of actual reports relating to the GEMINI, MAXIMO, IVRU and SMILE systems discussed on page 9.

Rives Testimony

54. Provide an electronic copy of all of Mr. Rives's exhibits and the underlying work papers. Provide in electronic spreadsheet format with all formulae intact.

55. Provide supporting studies and all other documents required to support the propriety and accuracy of all of Mr. Rives's proposed adjustments.

56. Please identify and explain all figures and adjustments specifically proposed by Mr. Rives as opposed to other witnesses. Identify the specific revenue requirement impact of each of Mr. Rives's proposed adjustments.

57. How did Mr. Rives treat Consolidated tax savings? If he did not allocate a proportionate share to KU's regulated operations, please provide a revised calculation reflecting this allocation.

58. Provide a copy of the tax allocation policy/agreement to which KU is subject within the consolidated group.

59. Provide the Standard and Poor's documentation discussed on page 17.

60. Provide complete detailed explanations of all adjustments discussed on pages 17 to 19, line 18.

61. Provide a narrative discussion of the background and a debit and credit summary of the minimum pension liability adjustment, using actual figures, discussed on pages 19 to 22. Also show the revenue requirement impact of each component of the adjustment. Provide all ratemaking models prepared by the company relating to this adjustment. Provide copies of all related internal and external correspondence associated with the adjustment.

Scott Testimony

62. Provide an electronic copy of all of Ms. Scott's exhibits and the underlying work papers. Provide in electronic spreadsheet format with all formulae intact.

63. Provide supporting studies and all other documents required to support the propriety and accuracy of all of Ms. Scott's proposed adjustments.

64. Please identify and explain all figures and adjustments specifically proposed by Ms. Scott as opposed to other witnesses. Identify the specific revenue requirement impact of each of Mr. Scott's proposed adjustments.

Seelye Testimony

65. Provide an electronic copy of all of Mr. Seelye's exhibits and the underlying work papers. Provide in electronic spreadsheet format with all formulae intact.

66. Provide supporting studies and all other documents required to support the propriety and accuracy of all of Mr. Seelye's proposed adjustments.

67. Please identify and explain all of Mr. Seelye's figures and adjustments specifically proposed by Mr. Seelye as opposed to other witnesses. Identify the specific revenue requirement impact of each of Mr. Seelye's proposed adjustments.

Cockerill Testimony

68. Provide an electronic copy of all of Mr. Cockerill's exhibits and the underlying work papers. Provide in electronic spreadsheet format with all formulae intact.

69. Provide supporting studies and all other documents required to support the propriety and accuracy of all of Mr. Cockerill's proposed adjustments.

70. Please identify and explain all of Mr. Cockerill's figures and adjustments specifically proposed by Mr. Cockerill as opposed to other witnesses. Identify the specific revenue requirement impact of each of Mr. Cockerill's proposed adjustments.

Robinson Testimony

71. Please provide hard copies of all workpapers underlying the Kentucky Utilities Company ("KU") Depreciation Study performed by AUS Consultants ("AUS").

72. Please provide on diskette or CD all tabulations included in the Depreciation Study (including those related to the amortization of certain general plant accounts) 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 Study, with all formulae intact.

73. If not provided elsewhere, please provide the calculation of the proposed depreciation accruals and rates for the "Mandated NOX Projects" as included in the Depreciation Study.

Please provide the calculations in Excel format and please provide a source or rationale for all parameters used.

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

75. 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.

76. 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.

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

78. Please explain exactly what consideration was given to the impact of past reuse salvage for account 353.1 (Depreciation Study, page 4-19), and any other applicable accounts. Please provide any workpapers supporting adjustments to the net salvage analysis made to reflect the impact of reuse salvage.

79. 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 KU personnel who provided the information. Please explain the extent of their participation and the information they provided.

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

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

82. Please identify all plant tours taken during the preparation of the Depreciation Study.
- 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.
83. 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.
84. Please identify all electric companies of which Mr. Robinson is aware that do not use the life-span method for production plant.
85. Was the life span methodology utilized in the prior study? If so, please provide a comparison, by account and location, of the probable retirement year forecasted in the prior study, with the probable retirement year forecasted in this study.
86. Please provide the specific calculation of each probable retirement year in the Depreciation Study.
87. 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.
88. 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.

89. 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.

90. 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.

91. Please provide a copy of the most recent prior study and the Order(s) establishing the present depreciation rates.

92. Identify and explain all changes between the current study and the most recent prior study.

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

94. 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.

95. 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."

96. 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.

97. 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.

98. Which accounting method is reflected in the life studies; “location-life” or “cradle-to-grave”?

99. What is impact of the accounting method used, i.e., “location-life or “cradle-to-grave” on the lives calculated in the Depreciation Study?

100. 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.

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

102. 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.

103. Please provide the Company’s retirement unit list.

104. 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.

105. 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.

106. 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.

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

108. 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.

109. 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.

110. 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.

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

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

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

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

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

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

117. Identify and explain all Company programs which might affect plant lives.
118. 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.
119. 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.
120. Provide all correspondence between AUS and the Company which deals in any way with the depreciation study and/or retirement unit costs.
121. 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.
122. Please 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 study.
123. Please provide copies of any and all actuarial and semi-actuarial studies prepared by the Company since the last depreciation study.
124. Please provide the Company's FERC Form 1 reports for the years 1997 - 2002.
125. Please reconcile the 12/31/2002 plant balances in the depreciation study with the plant balances shown in the Company's 12/31/02 FERC Form 1 report.
126. Please provide depreciation studies submitted to FERC during the last 10 years and all related correspondence including any approvals and disapprovals.
127. 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.

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

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

130. 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.

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

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

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

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

135. 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).

136. 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

137. 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.”

138. 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.

139. 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, general and common general plant depreciation rates; retirement unit costs; SFAS No. 143; FERC RM02-7-000; and, the AICPA SOP on PPE.

140. 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.

141. 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.

142. Please provide a narrative explanation of the “various projects, required to maintain and upgrade the operating efficiency of the facilities as well as to comply with the ever increasing pollution abatement requirements” that caused large retirements in account 312 during the 1990’s. (Depreciation Study, page 4-3)

143. Please provide a narrative explanation of the “various additional changes and modifications related to pollution control which requires the Company to expand (sic) more than \$300 over the next three (3) years. (Depreciation Study, page 4-3) Also, is the \$300 in millions or thousands, or is that the actual amount?

144. Please provide any reports related to 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” as discussed on page 4-3 of the Depreciation Study.

145. 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 (Depreciation Study, pages 4-2, 4-4).

146. Please provide a narrative explanation of the “joint owner transactional activity with an affiliated Company” (Depreciation Study, pages 4-13 through 4-16,) as it relates to the positive salvage.

147. Please provide any industry reports, studies, etc. regarding the “increasing failures and replacements” of underground conductors and devices experienced by various operating companies in recent years (Depreciation Study, page 4-29).

148. Please provide the workpapers supporting the \$10,357,542 depreciation related adjustment shown in the Income Statement provided in response to Filing Requirement 807 KAR 5:001 Section 10(7)(a). Please provide support for each of the three components of this amount, in both hard copy and electronic format, with all formulae intact. If not already provided in the response, please demonstrate exactly how the depreciation rates proposed by Mr. Robinson are used in the calculations.

149. On page 4, line 10 of his testimony, Mr. Thompson provides a list of KU plants. This list does not include KU’s Lock 7 hydro plant. Has this plant been retired? If so, please provide the date on which the plant was retired.

150. On page 9, line 15, of his testimony, Mr. Thompson states that KU steam plants had a November 2003 year-to-date capacity factor of almost 70%.

- 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 KU’s steam plants, and also for each of the previous 10 years.
- c) Please explain why the KU coal-plant capacity factor is so much lower than the LG&E coal-plant capacity factor of almost 81%, especially since the two system are being jointly dispatched.

151. On page 10 of his testimony, Mr. Thompson describes how KU’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 KU's plants for the each of the last 10 years.

152. On page 12, lines 14 and 15, 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.

153. At the bottom of page 4 of his testimony, Mr. Hermann states that KU provides "energy conservation options to our customers". Is it a KU policy to encourage their customers to conserve energy?

154. On page 15, line 4, 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 KU reductions in workforce, especially the reduction in linemen.

155. On page 17 of his testimony, Mr. Hermann describes the "Demand Conservation" program. Isn't it true that this program is not available to all residential customers, you must have central air conditioning, and that smaller users with just a window air conditioning unit or no air conditioning can not participate?

156. 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 containing these costs, and a total of how much of these costs are remaining after the Schedule 1.15 adjustments are made.

157. 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) Name of the advertisement or information piece
- b) The benefit of the information to ratepayers (safety or energy conservation)
- c) Type of media used such as Radio, TV, newspaper, brochure, bill stuffer
- d) Sample of the material (for radio and TV, please provide the script)
- e) What account the expense was billed under
- f) If the material includes both promotional material that was excluded in Schedule 1.15 and acceptable customer information, please explain how the division was made.

158. In Rives Exhibit 1, Reference Schedule 1.37, expenses for the retirement of Green River 1 and 2 are included.

- a) Why is this plant being retired now, when in the recent joint LG&E/KU Integrated Resource Plan, KU did not anticipate retiring any plants.
- b) Please state why these units are being retired.
- c) Please provide any studies or analysis that would justify the retirement of these units.
- d) Please provide a recalculation of KU's reserve margin without these units in the generating fleet.

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

160. 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. Are there some differences in methodology? In particular, please address the following:

- a) Why doesn't this Account 925 adjustment use the test year as the first year to be averaged, as was done with storm damages, but instead leaves the actual year out of the averaging calculation?
- b) Why do you only use 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 year, 1994, 1995, 1996 and 1997.
- d) Please provide any specific quote from the Commission's Order in Case 2000-080 where Ms. Scott refers to at the bottom of page 7 that the Commission accepted this adjustment and associated methodology in that case.

161. On page 10 of her testimony, Ms. Scott discusses MISO expenses deferred until 2007. Please provide a list of total MISO expenses paid by KU 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.

162. On page 9 of his testimony, Mr. Beers states that he believes that a 25% rate increase "would simply have too significant an impact on our residential customers". Instead a 8.54% 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?

163. On page 10 through 12 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.

164. On page 11 of his testimony, Mr. Beers discusses exit fees if KU withdraws from MISO. Please provide the level of these fees and all documents that support and document this figure.

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

166. 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 \$25.60 in Exhibit 1.

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

- a) Please provide all calculations assumptions and workpapers used to develop the \$2.45 Average Bank Return Payment Charge in this exhibit.
- b) Please provide all calculations assumptions and workpapers used to develop the \$6.13 KU Administration Cost in this exhibit.

168. On page 3 of his testimony, Mr. Cockerill discusses customers that are exempt from reconnection charges. Please describe which customers would be exempt from this charge.

169. On page 3 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.

170. Please provide the KU test-year contributions, and well as contributions in each of the 10 previous years to the following programs:

- a) WinterCare
- b) WeCare.

171. On page 2, line 17 of his testimony, Mr. Seelye states that residential block rate structures "cannot be strongly 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.

172. 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?

173. Please provide Mr. Seelye's Cost of Service Study 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).

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

175. 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 KU in Case No. 8624.

176. Please provide the amount of actual bad debt written-off for each customer class during the test-year.

177. On page 13 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 explain why KU did not use the Probability of Dispatch (POD) method that was used in the last rate case, especially since the POD method is more accurate in modeling actual production plant costs and periods plants were used.
- 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 for the LG&E/KU system.
- h) Please provide the monthly system generation for each month of the test year for the LG&E/KU system.
- i) Please provide the minimum system demand during the test year for the KU 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 KU 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 KU system alone.
- l) Please provide the monthly system generation for each month of the test year the KU system alone.

178. Please provide all calculations, assumptions and workpapers used to produce the graph on page 32 of Mr. Seelye's testimony.

179. On page 34, lines 9 and 10 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.

180. On page 39, lines 13 and 14 of his testimony, Mr. Seelye states that a seasonal rate structure "could be supported based on the results of the cost of service study". Please provide any analysis that would support this statement, or any other basis for this statement.

181. On page 41, line 2 of his testimony, Mr. Seelye discusses eliminating the Combined Off-Peak Water Heating rider. Under the KU proposal, all service would be billed under a single tariff. Will customers served under this rider have two meters, if so, 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.

182. On page 41 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 KU discussed this proposed change with GS customers to see if they believe the proposed change in maximum load is appropriate.

183. Please provide an explanation as to why the All electric School tariff does not include a monthly customer charge.

184. On page 42, line 6 of his testimony, Mr. Seelye discusses eliminating the Electric Space Heating Rider Rate 33. Under the KU proposal, all service would be billed under a single tariff. Will customers served under this rider have two meters, if so, 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.

185. On page 43 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.

186. In Seelye Exhibit 1, the Jurisdictional Separation Study, on pages 10 and 19, accounts 512 and 513 are classified as energy accounts, while in the class Cost of Service Study, Seelye Exhibit 4, page 13, the same accounts are classified as demand only. Please explain why this same account and same expenses are classified differently in these two studies.

187. In Seelye Exhibit 1, the Jurisdictional Separation Study, on 19, accounts 514 is classified as a labor demand expense, while in the class Cost of Service Study, Seelye Exhibit 4, page 29, the same accounts is classified as energy only. Please explain why this same account and same labor expense is classified differently in these two studies.

188. Please refer to Seelye Exhibit 4, page 1. Please provide a detailed explanation as to why the Intangible Plant account “301.00 Organization” is classified as being strictly a function of Production Demand. Please provide a description of all of the expenses that are included in this account.

189. Please refer to Seelye Exhibit 4, page 1. Please provide a detailed explanation as to why the Intangible Plant account “302.00 Franchise and Consents” is classified as being strictly a function of Production Demand. Please provide a description of all of the expenses that are included in this account.

190. Please refer to Seelye Exhibit 4, page 1. Please provide a detailed explanation as to why the Intangible Plant account “303.00 Software” is classified as being strictly a function of Production Demand. Please provide a description of all of the expenses that are included in this account.

191. On page 1 of Seelye Exhibit 4, Total Hydraulic Production Plant is classified as Production Demand. Does this figure include the cost of the Lock 7 hydro station?

a) If yes:

i) What portion of Plant in Service and Rate Base are associated with the Lock 7 plant.

ii) In KU Integrated Resource Plans, it has been stated that the Lock 7 run-of-river hydro plants cannot be dispatched, has no capacity value, and thus is a plant that

produces energy. Considering KU's position on this plant, please explain why the Lock 7 costs were classified as production demand instead of production energy.

- b) If no, please explain why Lock 7 costs were not included in the Cost of Service Study if the plant is still on KU's books.

192. Please provide the Operations and Maintenance costs during the test-year associated with the Lock 7 hydro plant.

193. In Seelye Exhibit 4, page 17, item "555 Purchased Power" lists Demand charges of \$30,164,256. 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.

194. In Seelye Exhibit 4, page 17, item "556 System Control and Load Dispatch" classifies this entire expense as Production Demand. Considering that 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 possibly dividing these costs between Demand and Energy.

195. In Seelye Exhibit 4, page 24, item "903 Records and Collection" is listed. Please provide a description of all programs and tasks that are booked in this account.

196. 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.

197. In Seelye Exhibit 4, page 24, item "905 Misc Cust Accounts" is listed. Please provide a description of all programs and tasks that are booked in this account.

198. In Seelye Exhibit 4, page 24, item "908 Customer Assistance Expenses" is listed. Please provide a description of all programs and tasks that are booked in this account.

199. In Seelye Exhibit 4, page 24, item "909 Informational and Instructional" is listed. Please provide a description of all programs and tasks that are booked in this account.

200. In Seelye Exhibit 4, page 24, item “910 Miscellaneous Customer Service” is listed. Please provide a description of all programs and tasks that are booked in this account.

201. In Seelye Exhibit 4, page 24, item “912 Demonstration and Selling Exp” is listed. Please provide a description of all programs and tasks that are booked in this account.

202. On page 9 of Seelye Exhibit 5, \$858,170,406 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.

203. Please refer to the Electric Cost of Service Study, Seelye Exhibit 5. Please explain why Off-system sales revenues were allocated with the allocator OSSALL on page 45 but the adjustment to Off-system sales revenues was made with a different allocator on page 49, PLPPT. Why wasn't the same allocator used in both places?

204. 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 5, page 53, allocated with the energy allocator.

205. Please refer to the Electric Cost of Service Study, Seelye Exhibit 5, page 53. 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 13?

206. Please refer to the Electric Cost of Service Study, Seelye Exhibit 5, page 53. 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?

207. Looking at Seelye Exhibit 5, please state where the “Production Base Demand Allocator” is calculated and listed. If this allocator is not in the Cost of Service Study, please provide the calculation of this allocator for each rate class.

208. Does Mr. Seelye agree that the Production Residual Base Demand Allocator (or average demand) and the Energy allocator, when using the BIP method, are mathematically the same allocator?

209. Does KU charge a late fee or Forfeited Discount on late payments?

a) If yes:

i) Please supply the actual test-year late fees or forfeited discounts collected from each customer class.

ii) Please show where in the Electric Cost of Service Study, Exhibit 5, these fees are included and how they were allocated between rate classes.

b) If no, please explain why not.

210. Please provide supporting data, calculations, assumptions and workpapers used to calculate the Miscellaneous Revenue allocator, MISCA, in the Electric Cost of Service Study, Exhibit 5, page 69. Please make sure to supply the actual test-year miscellaneous revenues collected from each customer class and broken down into the different types collected.

211. 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 5, page 45. Please make sure to supply the actual test-year other revenues collected from each customer class and broken down into the different types collected.

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

213. Please refer to Seelye Exhibit 8. Please explain how your zero-intercept methodology accounts for one small transformer serving multiple small residential customers, which is common in urban areas.

214. 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.

215. In Seelye Exhibit 18, 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.

216. In Seelye Exhibit 19, 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.

217. Please refer to Seelye Exhibit 20. 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 customers over which these customer-costs are spread?

218. Please refer to Seelye Exhibit 20. Please provide this same calculation for the other electric rate classes.

219. Please provide all calculations assumptions and workpapers associated with the production of Seelye Exhibit 21. In particular please provide how the 10.30% fixed charge rate was calculated. Please also explain why this rate differs from the rate being offered by LG&E for the same combustion turbines.

220. Please refer to Seelye Exhibit 25, page 1 of 3. This exhibit shows the number of Disconnect/Reconnect charges during the test-year. Please break this figure down into the number actually recorded in the test-year for each rate class.

221. Please refer to Seelye Exhibit 40, page 2 of 3. This exhibit shows the number of test year Meter Test charges during the test-year. Please break this figure down into the number actually recorded in the test-year for each rate class.

222. 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.

223. With respect to the SQF tariff:

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

224. Please provide the amount the company has invested for experimenting with and implementing the Pay-As-You-Go program in the KU service territory as of September 30, 2003.

225. 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.

226. 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.

227. 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.

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

229. 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, including which page and line this item is included in the study. Please also state what portion of this Cost of Service entry that is associated Demand Side Management and other conservation programs.

230. In KU's response to the Commission's First Data Request, Item 31, page 12, there is an expense item listed of \$6,562.30 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.

231. In KU's response to the Commission's First Data Request, Item 31, page 27, a payment was made to J.D. Powers and Associates for \$60,000. Please provide a complete description of these expense, including what they were for, and how the expenditures were of benefit to ratepayers.

232. In KU's response to the Commission's First Data Request, Item 33, KU excluded 37% 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 37% exclusion.

- c) Please provide a list of all of the activities of Mr. Siemens and Mr. Friebert that are not lobbying and promoting the company's image.

233. In KU's response to the Commission's First Data Request, Item 47, KU expended \$434,083 for EPRI. Please provide a cost-benefit analysis that quantifies the benefits of these expenses and demonstrates that ratepayers received at least this level of benefit from this expenditure.

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