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PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of: An Investigation Pursuant to KRS 278.260 of the Earnings Sharing Mechanism Tariff of Kentucky Utilities Company	Case No. 2003-00334
In The Matter Of: An Investigation Pursuant to KRS 278.260 of the Earnings Sharing Mechanism Tariff of Louisville Gas and Electric Company	Case No. 2003-00335

RESPONSE TO THE FIRST SET OF DATA REQUESTS OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS TO BARRINGTON-WELLESLEY GROUP, INC.

FILED: October 20, 2003

Barrington-Wellesley Group, Inc.
Management Consultants

2479 Lanam Ridge Road • Nashville, IN 47448 • Tel: (812) 988-0190 • Fax (812) 988-0194

October 20, 2003

Mr. Thomas Dorman, Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, Kentucky 40601

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RE: ***AN INVESTIGATION PURSUANT TO KRS 278.260 OF THE EARNINGS SHARING MECHANISM TARIFF OF KENTUCKY UTILITIES COMPANY***
CASE NO. 2003-0334

and

AN INVESTIGATION PURSUANT TO KRS 278.260 OF THE EARNINGS SHARING MECHANISM TARIFF OF LOUISVILLE GAS AND ELECTRIC COMPANY
CASE NO. 2003-0335

Dear Mr. Dorman,

Please find enclosed one original and four copies of Barrington-Wellesley Group, Inc.'s (BWG) response to the September 29, 2003, First Set of Data Requests of Kentucky Industrial Utility Customers, Inc. to Barrington-Wellesley Group, Inc.

Please contact me if you have any questions concerning this filing.

Sincerely,

Michael A. Laros

Michael A. Laros
Managing Director

Enclosures

cc: Hon. Elizabeth E. Blackford, Assistant Attorney General
Hon. Michael L. Kurtz, Boehm, Kurtz & Lowry
Hon. Kendrick R. Riggs, Ogden, Newell & Welch, PLLC
Hon. Linda S. Portasik, LG&E Energy Corp.
Mr. Michael S. Beer, LG&E Energy Corp
Mr. John Wolfram, LG&E Energy Corp.

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BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

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Response to the First Set of Data Requests of Kentucky Industrial Utility Customers, Inc. Dated September 29, 2003

Question No. 1

Responding Witness: Charles R. Parmelee

Q-1. Please state BWG's recommendation regarding whether the Commission should retain the ESM, either as is or modified as proposed in the Final Report, or terminate it.

A-1. BWG's overall assessment of the ESM, as shown on Page I-2 of the Report, is "BWG believes the existing Kentucky Earnings Sharing Mechanism is an effective alternative to traditional cost of service regulation, although we recommend some modification to the current structure." We are recommending that the ESM be retained with the modifications identified in the report.

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated September 29, 2003

Question No. 2

Responding Witness: Michael A. Laros and Joel F. Jeanson

Q-2. Refer to page I-10 of the Final Report and the statement that "Current projections indicate that the Companies will remain in an under-earning position for the next several years." Please identify and describe the support for this statement. Provide a copy of all documentation relied upon for this statement, regardless of whether provided by the Companies, obtained from other sources, or developed by BWG.

A-2. This statement was based on BWG's review of Company forecasts for the period 2003-2006 provided in response to BWG data requests 1-20 and 6-90. The information was confirmed in interviews with Mr. Bradford Rives and Ms. Valerie Scott. The documents provided in response to BWG DR 1-20 were provided under terms of the project confidentiality agreement and are not in the possession of the Barrington-Wellesley Group, Inc.

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated September 29, 2003

Question No. 3

Responding Witness: Joel F. Jeanson

Q-3. Please provide copies of all written discovery requests from BWG to LG&E/KU and the Companies' answers.

A-3. A copy of the BWG data request log is attached to this response. This log includes all BWG data requests as well as descriptions of the Company responses. All non-confidential Company responses to these data requests are on file at the Commission and available for review. The Company is in the possession of all confidential responses.

Kentucky Public Service Commission
LGE / KU Focused ESM Audit
Barrington-Wellesley Group, Inc.
Data Request Log

DR No.	Date Issued	Description	Date Received	Response
BWG 1-1	Initial	All KY and SEC requirements covering affiliated transactions	4/25/03	Attached hereto the Companies provide the following: ▪ KPSC Order in Case No. 2000-00095 – Powergen Acquisition of LG&E Energy; ▪ KPSC Order in Case No. 2001-00104 – E.ON acquisition of Powergen and LG&E Energy; ▪ Public Utility Holding Company Act of 1935 as Amended; ▪ General Rules and Regulations Under the Public Utility Holding Company Act of 1935; and ▪ Kentucky Revised Statutes ("KRS") applicable to Affiliate Relations.
BWG 1-2	Initial	The most recent audit or other reports that relate to LG&E and KU affiliate relations in any way from internal auditors, external auditors, the SEC, and the KY PSC staff	4/25/03 6/12/2003	The Companies have no recent audit reports, or other reports, from either the SEC or the KPSC regarding affiliate relations. The Companies do have some internal audit reports related to affiliate relations. However, following historical practice, these audit reports will be available for review and discussion from the Companies' office in downtown Louisville. The Companies are providing copies of the applicable affiliate relations chapters from the most recent audits conducted for the Kentucky Commission. These include: ▪ Chapter VIII from Kentucky Utilities Company's 1994 Management Audit Report; ▪ Chapter XII from Louisville Gas and Electric Company's 1995 Management Audit Report; ▪ Chapter III.C.7 from Louisville Gas and Electric Company's 2002 Gas Procurement Audit Report.
BWG 1-3	Initial	The most recent annual reports from LG&E and KU to the KY PSC and any filings related to affiliated interests	4/25/03	Attached hereto, and provided separately on CD, are the following reports : ▪ E.ON's 2002 Annual Report on SEC Form 20-F; ▪ Powergen's 2002 Annual Report ; and ▪ Powergen's 2001 Annual Report on SEC Form 20-F The Companies also herewith provide a copy of the following : ▪ LG&E Energy Services Inc.'s SEC Form U-13-60, for the period January 1, 2001 through December 31,

Exhibit 3-1

DR No.	Date Issued	Description	Date Received	Response
				2001, a copy of which was filed with the Kentucky Commission on May 20, 2002 ; (Note: FY 2002 U-13-60 also provided) and, ▪ Kentucky Utilities Company's Intercompany Allocation Report, for the period January 1, 2001 through December 31, 2001, a copy of which was fled with the Kentucky Commission on May 20, 2002. Finally, please see the Companies' responses to Questions 1-5, 1-7, 1-25, and 1-26.
BWG 1-4	Initial	E.ON, Powergen and LG&E Energy tax legal entity organization charts	4/25/03	Attached hereto the Companies provide the following information: ▪ E.ON AG's SEC Form U-5-B for December 31, 2001, filed with the SEC on 9/27/02 and filed with the KPSC on 3/31/03, in electronic form; ▪ Powergen's SEC Form U-5-B filed with the KPSC in 2002 as part of the Companies' commitments in KPSC Case No. 2000-00095; and ▪ LG&E Energy corporate hierarchy chart
BWG 1-5	Initial	List and description of all affiliates and the services involved of LG&E and KU and the to and from transaction values (for LG&E and KU) for each of the last five years. This should include all transactions with holding companies as well	4/25/03	The Companies have attached the following: For E.On AG et al, the relevant SEC Forms U-9C-3s for ▪ The Quarter ended December 31, 2002 and ▪ The Quarter ended September 30, 2002 For Powergen plc (renamed Powergen ltd), et al, the relevant SEC Form U-9C-3s for ▪ The Quarter ended June 30, 2002, ▪ The Quarter ended March 31, 2002, ▪ The Quarter ended December 31, 2002, ▪ The Quarter ended September 30, 2001, ▪ The Quarter ended June 30, 2001, ▪ The Quarter ended March 31, 2001,and ▪ The Quarter ended December 31, 2000. Also, please see the Service Agreements and Service Level Agreements provided in the Companies' responses to Question 1-7.
BWG 1-6	Initial	List of the responsible executive on each side (LG&E/KU and the affiliate) of each affiliate	4/25/03	Please see the listing of officers noted as Executive Officers of the Companies in the Table of Contents within

DR No.	Date Issued	Description	Date Received	Response
		relationship		the Companies SEC Form 10-Ks which are provided in response to Question 1-25. Also, please see the relevant Service Level Agreements provided in response to Questions 1-7.
BWG 1-7	Initial	Copies of all contracts, agreements, letters of understanding and the like that bear on LG&E's and KU's relationships with affiliates	4/25/03	Attached hereto the Companies provide the following: ▪ SEC Application – Money Pool Portions Only ▪ Secured Financing Applications and relevant Orders ▪ Power System Sharing Agreement ▪ Code of Conduct among LG&E, KU, and LG&E Energy Marketing ▪ Western Kentucky Energy Corp. Code of Conduct ▪ Tax Allocation Agreement ▪ Transmission Coordination Agreement ▪ Fuel Procurement Policies and Practices ▪ Reagent Procurement Polices and Practices ▪ Cantrell testimony – KPSC Case No. 2001-00497-B ▪ Service Agreements ▪ Service Level Agreements ▪ Combustion turbine Applications and Orders
BWG 1-8	Initial	All E.ON, Powergen, LG&E Energy, LG&E Energy Services, LG&E and KU written policies or practices that address affiliate relationships, procurement, cost allocation (including any Cost Allocation Manuals), ethics, and codes of conduct.	4/25/03	As members of the E.ON registered holding company, LG&E and KU are subject to the regulations of the United States Securities and Exchange Commission ("SEC"). The affiliate transactions rules of the SEC take precedence over Kentucky's statutes governing affiliate transactions for goods and services. The SEC policy generally requires that affiliate transactions involving LG&E or KU be at cost, fairly or equitably allocated among such companies. Attached hereto the Companies provide: ▪ Code of Business Conduct; ▪ Cost Allocation Manual; and ▪ Purchasing Policies and Sourcing Guidelines which await final officer approval to recent revisions. Also, please see the documents provided in response to Question 1-7.

DR No.	Date Issued	Description	Date Received	Response
BWG 1-9	Initial	Personnel organization charts for LG&E, KU and each affiliate	4/25/03	Attached hereto the Companies provide the requested personnel organization charts showing major lines of business and major staff functions, to the manager level.
BWG 1-10	Initial	LG&E's and KU's managements' summaries of changes in organization, staffing, affiliate relationships, policies, procedures, systems, technology, tools or practices since 2000 that were intended to reduce capital or O&M costs	4/25/03	Attached hereto the Companies provide: • Semi-Annual Value Delivery Team Best Practices Progress Reports for: ▪ For six-months ended December 31, 2002 and filed with the KPSC on February 14, 2003; ▪ For the six-months ended June 30, 2002 and filed with the KPSC on August 14, 2002; ▪ For six-months ended December 31, 2001 and filed with the KPSC on February 14, 2002; ▪ For the six-months ended June 30, 2001 and filed with the KPSC on August 14, 2001; and ▪ For six-months ended December 31, 2000 and filed with the KPSC on February 14, 2001. ▪ LG&E's response to Questions No. 87 form the Attorney General in KPSC Case No. 2000-00080, on the Companies' One Utility effort. Also, please see the Companies' response to Question 1-12.
BWG 1-11	Initial	Companion analyses of changes from the 1997-1999 timeframe	4/25/03	Attached hereto the Companies provide the following: ▪ Mr. M. Lee Fowler's pre-filed testimony in KPSC Case No. 1997-00300 (LG&E Energy/KU Energy Merger); ▪ Mr. Ronald L. Whilhite's pre-filed testimony in KPSC Case No. 1997-00300 (LG&E Energy/KU Energy Merger); and ▪ Mr. A. Joseph Van den Berg's pre-filed testimony in KPSC Case No. 1997-00300 (LG&E Energy/KU Energy Merger).
BWG 1-12	Initial	Any budget documents, internal analyses, business cases, management memos or the like that provide evidence of management initiatives to reduce costs from 2000 through 2002	4/25/03	Attached hereto the Companies provide: • Responses to relevant data requests in KPSC Case No. 2001-00104 (E.ON Acquisition of Powergen and LG&E Energy) and • Mr. John Gallagher's testimony in KPSC Case No. 2001-00104. Also please see Companies' response to Question 1-10.

DR No.	Date Issued	Description	Date Received	Response
BWG 1-13	Initial	Spreadsheets showing actual annual O&M costs and capital expenditures by FERC account from 1996 through 2002 for LG&E and KU with related measures of new and existing customers by class and circuit miles by type	4/25/03	For O&M by FERC Account, please see pages 320 through 323 from the Companies' FERC Form 1s for 1996 and 1997 attached hereto, and provided on CD. Also please see pages 320-323 from the Companies FERC Form 1 s for 1998 through 2002 provided in response to Questions 1-26, and provided on CD. For customer count information, please see pages 304 through 304 .1 from the Companies'. FERC Form 1s for 1996 and 1997 attached hereto, and provided on CD. Also please see pages 304 through 304.1 from the Companies FERC Form is for 1998 through 2002 provided in response to Questions 1-26, and provided on CD. For circuit miles by type, for transmission only, please see pages 422 through 423.2 from the Companies' FERC Form 1s for 1996 and 1997 attached hereto, and provided on CD. Also please see pages 304 through 304.1 from the Companies FERC Form is for 1998 through 2002 provided in response to Questions 1-26, and provided on CD.
BWG 1-14	Initial	Annual activity related capital and O&M cost trends (cost per new customer, cost per existing customer, etc.) for the period 1996 through 2002 that demonstrate actual cost changes.	5/5/2003	The Companies do not have the requested information for 1996 and 1997. However, the information for 1998 through 2002 is provided in the file named *Energy Delivery – Question 1-14.pdf.*
BWG 1-15	Initial	All Company filings relating to ESM issues including recent LG&E & KU report on electric operations	4/25/03	Attached hereto the Companies provide the following: • ESM Filing and Order(s) for the operating period of 2000 (billing period of April 1, 2001 through March 31, 2002). • ESM Filing and Order(s) for the operating period of 2001 (billing period of April 1, 2002 through March 31, 2003). • ESM Filing and Order(s) for the operating period of 2003 (billing period of April 1, 20031 through March 31, 2004). • Copies of the Companies' respective ESM tariffs.
BWG 1-16	Initial	Documentation of the proceedings regarding those filings	4/25/03	Attached the Companies provide the following: ▪ Discovery from the Companies' 2000 ESM Proceeding;

DR No.	Date Issued	Description	Date Received	Response
				▪ Discovery from the Companies' 2001 ESM proceeding; and ▪ The Companies' Quarterly Jurisdictional Financial Statements filed with the KPSC in 2001 and 2002. Also, please see the Companies' responses to Questions 1-3 and 1-15.
BWG 1-17	Initial	Any generic orders or other orders which define KPSC standards and definitions for ESM	4/25/03	Attached hereto the Companies provide the following: ▪ KPSC Orders form January, February, and June 2000, in Case No. 1998-0426 (LG&E Electric PBR proceedings); and ▪ KPSC Orders, from January, February, and June 2000, in Case No. 1998-00474 (KU Electric PBR proceeding)
BWG 1-18	Initial	Any testimony or correspondence documenting the KPSC's and/or the Company's position or opinion on the filings or the ESM in general.	4/25/03	Attached hereto the Companies provide the following: Excerpts from the Transcripts of Evidence from the: ▪ KPSC Hearing in Case Nos. 1998-00426 and 1998-00474 (LG&E and KU, respectively, Electric PBR proceedings); ▪ KPSC Hearing in Case No. 2000-00080 (LG&E Gas Rate Case proceeding); ▪ KPSC Hearing in Case No. 2000-00095 (Powergen Acquisition of LG&E Energy); and ▪ KPSC Hearing in Case No. 2001-00104 (E.ON Acquisition of Powergen and LG&E Energy). Excerpts from the Companies' Post-Hearing Brief in KPSC Case Nos. 1998-00426 and 1998-00474.
BWG 1-19	Initial	Order relating to November 2002 Settlement agreement	4/25/03	Attached hereto the Companies provide a copy of the December 2002 Settlement and the related KPSC Order
BWG 1-20	Initial	Strategic and operational plans and budgets for 1998 through 2002.	May 13, 2003 May 29, 2003	Copies of the: ⇨ 2002 LG&E Strategic Plan ⇨ 2001 LG&E Strategic Plan ⇨ 2000 LG&E Strategic Plan ⇨ 1999 LG&E Strategic Plan ⇨ 1998 LG&E Strategic Plan 2001 – 2005 Business Unit Plans 2002 – 2005 Line of Business Presentations

DR No.	Date Issued	Description	Date Received	Response
BWG 1-21	Initial	Responsibility reports for 1998-2002 (budgets, actual costs, variances) including O&M, capital and other.	5/29/2002	Utility Operations Financial Analysis Update - December 2002 December 2001 Final Analysis – LG&E and KU Utilities December 2000 Final Analysis – LG&E and KU Utilities December 1999 Final Analysis – LG&E and KU Utilities December 1998 Final Analysis – LG&E and KU Utilities **Received soft copy of files on 6/23/2003.**
BWG 1-22	Initial	Capital budget prioritization / justification policies and procedures.	4/25/03	Attached hereto the Companies provide the following: LG&E Energy Corp.'s Capital Policy plus related forms and documents, and Powergen plc's Investment Decision Procedure. Also, please see the Companies' response to Question No. 1-24 referring to the FERC Uniform System of Accounts which is the first level of analysis.
BWG 1-23	Initial	Budgeting manual for 2002 and 2003.	May 13, 2003	LG&E Energy Corp. U.S. Planning Guidance 2002 – 2006
BWG 1-24	Initial	Company policies and procedures regarding the capitalization of expenditures. Identify any changes in procedures that have occurred during the last five years.	4/25/03	In response the Companies have attached a copy of the Federal Energy Regulatory Commission's relevant rules and regulations. Also, please see the Companies' response to Question 1-22.
BWG 1-25	Initial	Copies of Form 10-K for 1998 through 2002.	4/25/03	Attached hereto the Companies have provided the SEC Form 10-Ks for : • December 31, 2002; • December 31, 2001; • December 31, 2000 ;

DR No.	Date Issued	Description	Date Received	Response
				• December 31, 1999 ; and • December 31, 1998 This information is also provided on CD.
BWG 1-26	Initial	Copies of FERC Form 1 or equivalent that would provide information for Kentucky-only financial and operating information for both LG&E and KU for the years 1998 through 2002.	4/25/03	Attached hereto the Companies have provided their respective FERC Form 1 s for: • December 31, 2002; • December 31, 2001; • December 31, 2000; • December 31, 1999; and • December 31, 1998. This information is also provided on CD. Also, please see the Companies response to Questions 1-13 and 1-16.
BWG 1-27	Initial	Audit adjustments proposed by the external auditors for 2000, 2001 and 2002. Indicate which, if any, of the proposed adjustments were booked.	4/25/03	Please see the proposed audit adjustments which are attached. Further note that none of these adjustments were booked.
BWG 1-28	Initial	AFUDC-rate calculations.	4/25/03	For over fifty (50) years the Kentucky Public Service Commission has allowed 100% of Construction Work in Progress (CWIP) for ratemaking purposes. Therefore, there are no AFUDC-rate calculations for the Companies' Kentucky retail jurisdictions.
BWG 1-29	Initial	Management reports identifying Customer Service, Distribution, Transmission, and Distribution operations performance benchmarks and/or performance trends.	4/30/2003	Attached hereto the Companies are providing the following electronic files: Energy Delivery [Distribution] – Question 1-29.pdf and Energy Delivery [Retail] – Question 1-29.pdf.
BWG 1-30	Initial	Description of executive compensation program and details regarding incentive performance objectives and targets, if any, for key management areas of Company.	5/5/2003	**Annual Compensation Review** Annually, LG&E Energy Corp. engages Towers Perrin to provide an independent external market pricing evaluation of executive compensation. Using position descriptions, organizational charts and current scope data, Towers

DR No.	Date Issued	Description	Date Received	Response
				Perrin matches officer positions to benchmark positions within the relevant industry. LG&E Energy's compensation practice is to determine salaries by referencing the market for base, total cash compensation and total direct compensation. This has been the compensation philosophy and practice since at least 1989. Annual adjustments to base compensation are recommended by the Chief Executive Officer after referencing the market base, overall projected market increases and budget parameters. Adjustments to short and long-term incentive compensation target percents have been addressed historically on an individual level or as market data supported adjustments. **Performance Objectives and Targets** LG&E Energy rewards executives through Short-Term and Long-Term Incentive Plans. The purpose of the Short-Term Incentive Plan is to provide key employees of the LG&E Energy Corp. and Subsidiaries with a meaningful annual incentive opportunity geared toward the achievement of specific corporate, business unit, line of business, and/or individual goals. Corporate and individual goals and targets are established annually. The purpose of the Long-Term Incentive Plan is to promote the success of LG&E Energy Corp. and Subsidiaries by providing incentives to key employees that will link their personal interests to the long-term financial success of LG&E Energy Corp. and Subsidiaries, and to growth in the parent company's shareholder value. The Long-Term Incentive Plan is designed to provide flexibility to LG&E Energy Corp. and Subsidiaries in their ability to motivate, attract, and retain the services of key employees upon whose judgment, interest, and special effort lead to the successful performance of their operations. Company long-term measures and targets are established annually.

DR No.	Date Issued	Description	Date Received	Response
BWG 1-31	4/24/2003	Please provide an electronic copy of personnel organization charts for LG&E, KU and each affiliate which were provided in hard copy in response to Question 1-9.	4/30/2003	Attached hereto with the e-mail conveying this response is a Word file containing the requested personnel organization charts.
BWG 1-32	4/24/2003	Three Party Kick-Off Meeting Presentation Dated April 24, 2003 (electronic copy provided 4/30/03)	4/24/2003	Attached hereto with the e-mail conveying this response is an electronic copy of the Companies' presentation from the Three-Party Kick-Off Meeting of April 24, 2003.
BWG 1-33	4/25/2003	2003 Ice Storm Summary – Report to the KPSC dated March 18, 2003 (electronic copy provided 4/30/03)	4/25/2003	Attached hereto with the e-mail conveying this response is an electronic copy of the Ice Storm 2003 presentation from Chris Herman's interview of April 25. No later than May 8, 2003, the Companies will also prepare and deliver copies of the Ice Storm photos, on CD, and the Ice Storm video which Chris Hermann referenced in his meeting of April 25.
BWG 2-34	5/2/2003	Budget and forecast information now available for the year 2003 which could be used to predict ESM results for that year.		Not provided due to nature of documents (i.e., forecasts) requested.
BWG 2-35	5/2/2003	Reports of internal audits completed to verify compliance with operating budgeting and capital planning and budgeting procedures.	6/13/2003	Received copy of 2000 Property Cycle Audit Report dated October 4, 2000.
BWG 2-36	5/2/2003	Provide spreadsheets that show budgeted and actual capital expenditures by category (i.e., those categories used by LG&E and KU to manage capital spending) by year for 1998 through 2002 along with the appropriate metric (e.g., customers added., units replaced).	5/29/2003	See response to BWG 1-21
BWG 2-37	5/2/2003	Provide a spreadsheet that shows earnings targets budgeted and achieved (total, regulated and non-regulated) for each year 1998 through 2002.	5/29/2003	See response to BWG 1-21

DR No.	Date Issued	Description	Date Received	Response
BWG 2-38	5/2/2003	Analyses of charges to deferred asset accounts by account for each year from 1998 through 2002, including explanations for any significant increases in amounts deferred.	6/12/2003	Provided explanations for significant increases and spreadsheet analysis.
BWG 2-39	5/2/2003	Flowcharts or procedures that describe the system of internal controls related to capital expenditures or charges to the deferred asset accounts.	6/10/2003	The attached electronic file contains the flowchart in question.
BWG 2-40	5/2/2003	Reports of internal audits completed since January 1, 2000 to verify compliance of expenditures capitalized or deferred with existing policies and procedures.	6/13/2003	Received copy of IAD Report on IT VOLTS Post-Implementation Audit dated October 31, 2002.
BWG 2-41	5/2/2003	Minutes of investment committee meetings from 2000 through 2002.	6/12/2003	Received with non-utility projects redacted.
BWG 2-42	5/2/2003	Document T&D planning ice load and other related design standards used by Companies	5/12/2003	LG&E/KU utilizes the National Electrical Safety Code (NESC) as a basis for its distribution design standards. The NESC provides guidelines for electrical distribution system design, construction and maintenance including minimum clearances and design parameters. LG&E/KU design their overhead lines to comply at least with the minimum NESC Medium Loading criteria contained in Section 250 which corresponds to the loading district for this area of the United States. The loading criteria provides combined wind and ice loading to be used in calculating loads for overhead lines. The NESC Medium Loading criteria per Table 250-1 specifies the following values for loading calculations: • a radial thickness of ice of .25 inches • horizontal wind pressure of 4 pounds per square foot • temperature of +15 degrees Fahrenheit Along with these loading calculations, LG&E/KU also comply with the other NESC safety rules and requirements for overhead clearances from ground, structures, buildings, other company's facilities, etc.

DR No.	Date Issued	Description	Date Received	Response
				The NESC also provides guidelines for the installation and maintenance of underground electrical distribution supply lines and electric supply stations.
BWG 2-43	5/2/2003	Document distribution reliability-related capital investment, operational expenses, and staffing levels for past five years		Data available for years 2000-2002 only due to consolidated and process reporting initiated in the year 2000.
BWG 2-44	5/2/2003	Five year history of LGE / KU key performance indicators for: Energy Services ▪ Regulated Generation ▪ Energy Marketing ▪ Fuels ▪ Transmission		An Excel file with the requested information was provided.
BWG 2-45	5/2/2003	Five year history of LGE / KU key performance indicators for: Energy Delivery ▪ Retail ▪ Revenue Collection ▪ Operations		Table with requested information provided.
BWG 2-46	5/7/2003	Regarding the Company's response to DR-1-30, please provide, or make available for review, the following additional information: a. Documents that describe the executive incentive compensation plan. b. A description of the specific factors used to establish incentive compensation levels for Mssrs. Staffieri (CEO), Thompson (Energy Services), Hermann (Energy Delivery), Smith (Project Engineering),	6/12/03	Received.

DR No.	Date Issued	Description	Date Received	Response
		Aitken-Davies (Finance), Beer (Rates & Regulatory), Henriques (Regulated Generation) Gallus (Energy Marketing), Thomas (Director- Energy Delivery), and Vogel (Retail & Gas Storage Operations). c. Actual incentive compensation payments made to each of the above individuals for FY 2000, 2001, & 2002. d. The portion of the above payments attributable to LGE / KU earnings performance in 2000, 2001, and 2002. e. Documents that describe the non-executive incentive compensation plan.		
BWG 3-47	5/12/2003	Please provide a copy of the Annual Plan for the Internal Auditing department for each year – 2000 through 2003.	6/12/2003	The requested information for the years 2000 through 2002 was provided. Per the audit guidelines discussed by John McCall of LG&E Energy and Aaron Greenwell of the KPSC, the information for 2003 is not supplied.
BWG 3-48	5/12/2003	Please provide copies of any reports, in addition to those provided in response to data request 1-10, which were filed in response to item 12 of KPSC Order for Case # 2000-00095 (Powergen acquisition of LG&E Energy.) "12. The Applicants should file semi-annually a report detailing the adoption and implementation of best practices at LG&E and KU. The report should be filed 45 days after the close of the reporting period." Please provide copies of any reports, in addition to those provided in response to data request 1-10, which were filed in response to item 14. and/or 15. of KPSC order for Case # 2001-00104 (E.ON acquisition of Powergen and LG&E Energy.) "14. E.ON, Powergen, LG&E Energy, LG&E,	5/22/2003	The Companies responses to BWG 1-10 and BWG 1-12 constitute the only information filed with the KPSC to date in response to the Commission's Order in Case No. 2000-00095, *Summary of Findings No. 12*, and to the Commission's Order in Case No. 2001-00104, *Summary of Findings No. 14*. Regarding the Commission's Order in Case No. 2001-00104, *Summary of Findings No. 15*, the Companies are providing the following electronic copies: From 2000: Summary of Findings No. 11 - SAIDI & SAIFI Analysis (Summary) 12-31-2000.xls From 2001: Summary of Findings No. 11 - SAIDI & SAIFI Analysis (Summary) 12-31-2001.xls

DR No.	Date Issued	Description	Date Received	Response
		and KU commit to advising the Commission at least annually on the adoption and implementation of best practices at both LG&E and KU following the consummation of the acquisition of Power Gen by E.ON. 15. E.ON, Powergen, LG&E Energy, LG&E, and KU commit to provide such information as the Commission may request regarding the implementation of best practices, customer service, reliability, and safety."		From 2002: Annual Reports and 4th Quarter 2002 Summary of Findings No. 11 - SAIDI & SAIFI Analysis (Summary) 12-31-2002.xls. Summary of Findings No. 11 - SAIDI & SAIFI Analysis (Summary) 12-31-2002 - SUPPLEMENTAL DATA.xls 1st, 2nd, and 3rd Quarter 2002 Reports Appendix A - Service Quality and Reliability No. 31 - SAIDI and SAIFI Analysis 03-31-2002.xls. Appendix A - Service Quality and Reliability No. 31 - SAIDI and SAIFI Analysis 03-31-2002 - SUPPLEMENTAL DATA.xls Appendix A - Service Quality and Reliability No. 31 - SAIDI and SAIFI Analysis 06-30-2002.xls. Appendix A - Service Quality and Reliability No. 31 - SAIDI and SAIFI Analysis 06-30-2002 - SUPPLEMENTAL DATA.xls Appendix A - Service Quality and Reliability No. 31 - SAIDI and SAIFI Analysis 09-30-2002.xls. Appendix A - Service Quality and Reliability No. 31 - SAIDI and SAIFI Analysis 09-30-2002 - SUPPLEMENTAL DATA.xls.
BWG 3-49	5/12/2003	Audit Services Charter	6/12/2003	A copy of the requested charter is supplied.
BWG 3-50	5/12/2003	Corporate Information Book from the Legal Department	5/27/2003	Word document with information requested attached to e-mail.
BWG 3-51	5/12/2003	Answers to miscellaneous follow-up questions from the May 12, 2003 Ron Miller interview	5/22/2003	Answers provided. See response to the data request.

DR No.	Date Issued	Description	Date Received	Response
BWG 3-52	5/13/2003	Allocation of Kent Blake's costs for March and April 2003 to each LEC entity charged by entity and dollar amount. Please reconcile the cost distribution to the total cost for Kent.	5/22/2003	Per the Rules of Engagement as discussed with Aaron Greenwell of the KPSC Staff, the Companies are not obligated to provide costs for 2003.
BWG 3-53	5/13/2003	Final Report on E.ON World-wide Best Practices Review (February 2003)	6/6/2003	No such report can be provided because the E.ON best practices initiative is still very much a work-in-progress. Moreover, the efforts with respect to LG&E and KU have been focused primarily on long-term implementation issues that will not be fully developed until 2006 and beyond. Any information that LG&E and KU may have relative to its expectations for these long-term implementation issues is, therefore, well beyond the time-frame that is the subject of this audit. **Roger to follow-up. He needs to ask for Chris Hermann's PowerPoint presentation.**
BWG 3-54	5/13/2003	Percent of Capital Spending Approved Using Blanket AIPs.	6/2/2003	In 2002, LG&E blanket projects were 16% of the total LG&E capital budget. For KU, blanket projects were 17% of the total KU capital budget in 2002.
BWG 3-55	5/13/2003	Budgeting Process Flowchart	5/13/2003 6/2/2003	Provided at time of interview with Lynda Clark. Please see the electronic files attached.
BWG 3-56	5/14/2003	Copy of recent monthly financial performance report for Energy Delivery prepared by Marcelo Paciorek's group.	8/22/2003	December 2002 report provided.
BWG 3-57	5/14/2003	Copies of the most rating agency (Moody's, S&P) reports	6/2/2003	An electronic file, with the applicable rating agency reports, is attached.
BWG 3-58	5/14/2003	Copies of the LG&E Energy Corp. consolidated financial statements for 2000 through 2002.	6/2/2003	The requested financial statements are attached in electronic files.

DR No.	Date Issued	Description	Date Received	Response
BWG 3-59	5/14/2003	Capital project prioritization rating / ranking scales and/or categories together with a list of capital projects budgeted for 2002 with prioritization rating / ranking.		Note: See BWG 5-80.
BWG 3-60	5/14/2003	List of assets owned by LG&E Energy Corp.	6/2/2003	Please see the attached spreadsheet for a listing of assets owned by LG&E Service Company Inc. (Servco).
BWG 3-61	5/14/2003	Strategic Plan dated December 2002 covering the period 2003 through 2005.		Not provided because it includes forecasted information.
BWG 3-62	5/14/2003	Notice to Commission of Dividends to be Paid – 2000 through 2002.	6/12/2003	Received electronically
BWG 3-63	5/14/2003	All Value Delivery project justifications (scheme investment papers)	6/11/2003	Received with certain projected financial information redacted.
BWG 3-64	5/15/2003	Accounts Receivable Securitization Calculation as of December 31, 2002	6/2/2003	Received electronic files attached to e-mail.
BWG 3-65	5/15/2003	Excel spreadsheet (electronic file) supporting March 1, 2003 ESM filings for LG&E and KU. Excel spreadsheet (electronic file) supporting March 1, 2003 ESM filings for LG&E and KU.	6/2/2003	Attached are the electronic Excel spreadsheets files which support the February 28, 2003 and revised May 22, 2003 ESM filings for LG&E and KU.
BWG 3-66	5/15/2003	For the March 1, 2003 KU ESM Filing, please reconcile the amounts in Form 3b (column 7) to Form 3f (columns 8 & 9)	6/2/2003	The requested reconciliation is attached to e-mail.
BWG 4-67	5/27/2003	Please provide copy of TIA Plan brochure.	6/2/2003	An electronic copy of the Team Incentive Award ("TIA") brochure is attached to e-mail.
BWG 4-68	5/27/2003	Please provide back-up data for generation service key performance indicators broken down by plant and utility company. Please provide summary chapter(s) of October 2002 IRP filing	6/6/2003	An electronic file containing the requested information is attached to e-mail. An electronic file containing Chapter 5 – Summary from the October 2002 IRP filing is attached.

DR No.	Date Issued	Description	Date Received	Response
BWG 4-69	5/28/3003	Please provide copies of all correspondence, including data requests and responses, associated with the 2002 ESM filing case.	6/2/2003	Please see the attached electronic files.
BWG 4-70	5/28/2003	⇨ Copy of A&G Capitalization study used for 2002. ⇨ Copy of Common Utility Plant Study (used as basis for utility plant / asset allocator) ⇨ List of allocation factors by common account that allocate costs between gas and electric for LG&E (Scott's "one-pager").	6/10/03	a., b., and c. Please see the attached electronic file.
BWG 4-71	5/28/03	Copy of business case prepared for the Worthington substation project.	6/12/2003	Received with certain forward looking financial information redacted.
BWG 4-72	5/28/2003	Set of vegetation management contractor forms.	5/28/2003	Received during interview with Bill Wheeler.
BWG 4-73	5/29/2003	⇨ Narrative December 2002 Final Analysis – LG&E and KU Utilities ⇨ Electronic version of response to DR BWG 1-21.	6/6/2003	With the December 2002 reports, the Companies moved from a narrative analysis to a more summarized analysis, with tables, etc. That analysis appears approximately on pages 6 through 9 of the December 2002 report.
BWG 4-74	5/29/2003	Is the incremental cost of fuel associated with forced outages lasting over six hours included in the ESM calculation?	6/6/2003	Yes. During 2002 some fuel associated with forced outages was not deemed recoverable through the FAC. Those 2002 non-recoverable amounts were $1.9 million for LG&E and $3.5 million for KU.
BWG 4-75	6/3/2003	All FAC filings in 2002 and also the Polish Coal Case documentation.	6/10/2003	Received the FAC filings
BWG 4-76	6/3/2003	Cost of service study used for KU jurisdictional split in 2002 ESM filing.	6/6/2003	An excel file (electronic version) containing the applicable cost-of-service study is attached.
BWG 4-77	6/3/2003	PSC commitments made as part of merger and acquisition proceedings Rating agency news clippings	6/6/2003	The Companies provide the following response: a. The merger commitments are listed in the appendices to the Commission's Orders in Case Nos. 2000-00095 (Powergen Acquisition) and 2001-00104 (E.ON Acquisition). For Case No. 2000-00095, please see

DR No.	Date Issued	Description	Date Received	Response
		Calculation of $100 million imputed purchase power debt		Appendix A and Appendix B. For Case No. 2001-00104, please see Appendix A. Additionally, there was some discussion in Case No. 2001-00104 subsequent to the Commission's initial Order regarding a commitment on headquarters. Accordingly, for Case No. 2001-00104, two Commission Orders are attached. b. To be provided. c. Attached hereto is an electronic file (*.htm) which contains a credit report on Kentucky Utilities. Please note that there are two calculations of Total Debt to Total Capitalization, with the second being labeled *Adjusted* Total debt to Total Capitalization. The latter represents the effect of capitalizing the capacity payments in KU's existing Purchase Power Agreements.
BWG 4-78	6/3/2003	The June 1998 Christensen Report referenced on page 6 of the 98-426 order dated January 7, 2000 (PBR Case)	6/6/2003	An electronic version of the June 1998 Christensen Report is attached.
BWG 5-79	6/5/2003	For Kentucky Utilities, please explain why (1) actual "O&M expenses – labor" exceeded budget in the month of December 2002 by $730,000 and (2) actual "O&M expenses – non labor" exceeded budget in the month of December 2002 by $3,370,000. This information came from the materials provided in response to BWG DR 1-21.	6/24/2003	Received.
BWG 5-80	6/10/2003	Please provide supporting documentation for the response to BWG DR 2-43 as discussed in the interview.	7/1/2003	The attached word document shows the calculations used to estimate reliability spending in years 2000-2002. As you can see, we have continued to refine our project categories over the last few years. The attached represents our best estimate of reliability related investments.
BWG 5-81	6/11/2003	Please provide, by program, the difference in 2002 between actual incentive compensation payments based on the guaranteed, 100% payout resulting from the E.On merger negotiations and the amounts that would have been paid based on the existing plan given actual performance in 2002 (as discussed in	6/23/2003	Received information for executives. (Received information for TIA program participants on 7/1/2003).

<table>
<tr><th>DR No.</th><th>Date Issued</th><th>Description</th><th>Date Received</th><th>Response</th></tr>
<tr><td></td><td></td><td>the interview).</td><td></td><td></td></tr>
<tr><td>BWG 5-82</td><td>6/13/2003</td><td>Please complete the following table:
INTER-COMPANY CASH FLOWS
<table>
<tr><th>Category</th><th>1999</th><th>2000</th><th>2001</th><th>2002</th></tr>
<tr><td>Common Stock Dividends</td><td></td><td></td><td></td><td></td></tr>
<tr><td>From LG&E to LEC</td><td></td><td></td><td></td><td></td></tr>
<tr><td>From KU to LEC</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Total from Utilities</td><td></td><td></td><td></td><td></td></tr>
<tr><td>From LEC to shareholders</td><td></td><td></td><td></td><td></td></tr>
<tr><td>From LEC to Powergen</td><td></td><td></td><td></td><td></td></tr>
<tr><td>From LEC to E.ON</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Federal Income Tax Payments</td><td></td><td></td><td></td><td></td></tr>
<tr><td>From LG&E to LEC</td><td></td><td></td><td></td><td></td></tr>
<tr><td>From KU to LEC</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Total from Utilities</td><td></td><td></td><td></td><td></td></tr>
<tr><td>From LEC to Powergen US, E.ON US or to the US Treasury</td><td></td><td></td><td></td><td></td></tr>
<tr><td>From Powergen US or E.ON US to the US Treasury</td><td></td><td></td><td></td><td></td></tr>
</table></td><td>6/27/03</td><td>See response for detail.</td></tr>
<tr><td>BWG 5-83</td><td>6/13/2003</td><td>Line item listing of all (short and long-term) inter-company (from or to any legal entity in the LEC, Powergen, or E.ON families of companies) loans involving LG&E, KU or LEC as the borrower or lender. Please list the lender, borrower, date the loan was made, amount, term and interest rate from 1999 to date.</td><td>6/27/2003</td><td>See response for detail.</td></tr>
<tr><td>BWG 5-84</td><td>6/13/2003</td><td>The "Corporate Wide and Policy Compliance Audits" section of the IAD Work Plan 2002 lists "Capital Expenditures Tracking" and "SERVCO Financial Audit" audits. Please describe the intended objectives of these two audits, the status of these audits, and any findings or recommendations.</td><td>6/2003</td><td>The SERVCO Financial Audit has already been submitted in response to DR 1-2. The Capital Expenditures Tracking Audit was late getting started, is essentially complete, and the report is being drafted for circularization.</td></tr>
<tr><td>BWG 6-85</td><td>6/23/2003</td><td>Please provide monthly loading rates for KU and LG&E-Electric for payroll, stores, transportation, etc. and the amounts cleared to capital and O&M for the period 1998 through 2002.</td><td>7/17/2003</td><td>See response for detail.</td></tr>
</table>

DR No.	Date Issued	Description	Date Received	Response
BWG 6-86	6/23/2003	For LG&E – Electric, please explain why construction overheads increased from $9.2 million in 2000 to $33.4 million in 2001. Please provide the comparable information for 2002 (page not included in the 2002 FERC Form 1). For KU, please provide comparable information for the period 1998 – 2002. The page this information would normally be reported on was not included in the KU FERC Form 1s provided for 1996 through 2002.	7/17/2003	See response for detail.
BWG 6-87	6/23/2003	Based on the VDT project justifications provided in response to DR BWG 3-63, the cost of capital used in the NPV calculation is 7.57%. Please explain how this rate was calculated. Please provide comparable rates used for the period 1998 through 2002.	6/25/2003	The 7.57% was the composite after-tax Weighted Average Cost of Capital for LG&E and KU. The 7.57% rate was used for both 2002 and 2001. Earlier rates used were 8.11% for 2000, 8.44% for 1999, and 8.25% for 1998.
BWG 6-88	6/23/2003	1. PA Benchmarking Reports for Transmission Reliability 2. EEI/SE Electric Exchange Benchmark Reports for all years available (1999-2003) 3. Discovery in PBR proceeding relating to SAIFI/SAIDI or other reliability performance issues • Distribution • Transmission • Customer Service • Generation	6/30/2003	a. An electronic file with the PA Benchmarking results for Transmission Reliability is attached. However, this report is only for 2000. LG&E and KU did not participate in the Transmission portion of the 2002 benchmarking study. The 2002 Benchmarking Study is being complied at this time. b. Attached please find three files including: o 2001 EEI Reliability Report, o EEI 2001 Reliability Graphs, and o 2001 SE Electric Reliability Report. c. An electronic file showing the SAIFI and SAIFI discovery from the Electric PBR cases is attached.
BWG 6-89	6/24/2003	In your response to Second Data Request of Commission Staff dated May 23, 2003, Question No. 3, you separate employee O&M labor costs between labor and burdens, and provide detail for labor burden. Please provide the same detail for Capital labor costs (both KU and LG&E). Related to the same response, for KU vacation and holiday burdens increased by 24.6% and	7/25/2003	See response for detail.

DR No.	Date Issued	Description	Date Received	Response
		hospitalization increased by 30.2% from 2001 to 2002. Please explain. For LG&E, vacation and holiday burdens increased by 38.4% and workers comp increased by 868.7% from 2001 to 2002. Please explain. In your response to Second Data Request of KIUC dated May 21, 2003, Question No. 2, you provide the breakdown of MISO expenses by Utility. Schedule A to Transmission Coordination Agreement (included as Attachment 2 KIUC Q-4, page 28 of 31) indicates that TSO costs shall be allocated to LG&E (30.48%) and KU (69.52%). This allocation is significantly different than the actual allocation provided in your response. Please explain. In your response to Second Data Request of Commission Staff dated May 23, 2003, Question No. 1b(1) you indicate that LG&E booked $23.9 million for jurisdictional amortization of VDT costs for 2002. The analysis of regulatory assets, Account 182, included in the FERC Form 1 indicates that $30 million was amortized in 2002. Please explain.		
BWG 6-90	6/26/2003	1. With regard to the 2002-2005 strategic plan provided in response to DR-1-20, please explain what the Strategic Overview described on page 16, 4th bullet refers to – provide a copy of this document if available 2. Confirm that the actual 2002 ESM requested recovery is less than what was projected at the beginning of the year and identify the primary factors that contributed to the decrease. 3. Identify when the Company first became aware that it would be in an under-earning situation with reference to the ESM dead-	7/17/2003	See response for detail.

DR No.	Date Issued	Description	Date Received	Response
		band for 2002. 4. Identify the major factors contributing to the projected under-earning situation for 2002.as understood at the release of the 2002-2005 strategic plan (December 2001). 5. Explain what significant factors changed between the time of the Strategic Overview (assumed to be May 2001) and the release of the Strategic Plan (December 2001). 6. Identify the factors that contributed to continuing projected ESM recoveries for 2003, 2004 and 2005 as shown on page 16 of the 2002-2005 strategic plan. Explain why the ESM projected recovery declines in 2004 and then increases again in 2005. 7. Identify if the Companies' most recent projected ESM recovery estimates for 2003, 2004, and 2005 have increased or decreased from those that existed at the issuance of the 2002 Strategic Plan (Dec 2001).		
BWG 6-91	6/26/2003	1. Please provide the Company's written request to the Commission regarding deferred treatment of storm related costs, the response, and all related correspondence. 2. Please list for each company the monthly ESM factors that have been applied in each month since the ESM was implemented.	6/27/2003	See response for detail.

<table>
<tr><th>DR No.</th><th>Date Issued</th><th>Description</th><th>Date Received</th><th>Response</th></tr>
<tr><td>BWG 6-92</td><td>6/27/2003</td><td>Please provide listing of budgeted and capital expenditures by project for each generating station (by unit if possible) for the period 2000 – 2002, together with the project description.</td><td>6/27/2003</td><td>Expenditures provided.</td></tr>
<tr><td>BWG 6-93</td><td></td><td>The Commission's Order in Case No. 2001-00104, approving the E.ON acquisition of Powergen and LG&E Energy, stipulates that:

E.ON, PowerGen, LG&E Energy, LG&E, and KU commit to notifying the Commission in writing 30 days prior to any material changes in their participation in funding for research and development. Material changes include, but are not limited to, any change in funding equal to or greater than 5 percent of any individual company's previous year's budget for research and development. The written notification shall include an explanation and the reasons for the change in policy.

a. Have any notifications been made to the Commission regarding such material changes and if so, please provide copies of such notifications?
b. Please identify LG&E/KU research and development expenditure levels for 1998, 1999, 2000, 2001 and 2002</td><td>7/1/2003</td><td>a. The Companies have made no notification to the Kentucky Public Service Commission under the aforementioned commitment from the Commission's Order in Case No. 2001-00104.
b. Research and Development Expenditures for 1998-2002 area as follows:

<table><tr><th colspan="3">evelopment Expenditures ($ 000s)</th></tr><tr><th></th><th>LG&E</th><th>KU</th></tr><tr><td>1998</td><td>0.0</td><td>1,351.1</td></tr><tr><td>1999</td><td>0.0</td><td>840.9</td></tr><tr><td>2000</td><td>0.0</td><td>0.0</td></tr><tr><td>2001</td><td>0.0</td><td>0.0</td></tr><tr><td>2002</td><td>0.0</td><td>0.0</td></tr></table></td></tr>
<tr><td>BWG 6-94</td><td>6/30/2003</td><td>Evidence that affiliate transactions with affiliates are at arms length, are at or below market rates, and are favorable to LG&E/KU for:
Letters of credit with E.ON North America
Borrowing form E.ON North America
Borrowing from Fidelia
Insurance from Ergon/Powergen (also please include the amounts of coverage and</td><td>7/14/2003</td><td>See response for detail.</td></tr>
</table>

DR No.	Date Issued	Description	Date Received	Response
		premiums paid by date)		
BWG 6-95	6/30/2003	Missing information on E.ON, Fidelia and Powergen loans, lines of credit and letters of credit	7/14/2003	Included in response to 6-94.
BWG 6-96	7/7/2003	Please provide the filing that established the (.180%) ESM factor for LG&E for May 2002.	7/9/2003	An electronic file containing the requested filing is attached.
BWG 6-97	7/8/2003	Please explain why non Kentucky jurisdictional NOI increased from $6.5 million in 2001 to $14.1 million in 2002 (based on the ESM filings) when NOI for all of KU decreased from 2001 to 2002 (based on FERC Form 1) by $12.7 million.	8/22/03	See response for detail.
BWG 6-98	7/16/2003	Please provide a copy of the Cost-of-Service study used for the Kentucky Utilities jurisdictional split in 2000 and 2001 ESM filings.	7/16/2003	See response for detail.
BWG 6-99	7/21/2003	Please provide a copy of the PA distribution reliability benchmarking results mentioned by Marcelo Paciorek that identifies separate bars for LG&E and KU.	7/22/2003	Reliability Charts from 2001 PA Consult

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated September 29, 2003

Question No. 4

Responding Witness: Joel F. Jeanson

Q-4. Please describe and provide a copy of all financial projections obtained by BWG from LG&E, KU, LEC on behalf of LG&E and KU, or from other sources. Provide all related documentation, including assumptions, data, computations, and electronic spreadsheets with formulas intact. If no such financial projections were obtained by BWG, please indicate whether they were requested. Provide a copy of all such requests and the Companies' responses.

A-4. Information regarding financial projections was requested in BWG data request numbers 1-20, 2-34, 3-61, and 6-90. In general, documents provided by the Companies had all forecasted information redacted. Some un-redacted financial forecast information was included in the response to question 1-20 that was reviewed by BWG and became the subject for additional inquiries reflected in DR 6-90. All information and documents were provided subject to the project confidentiality agreement and BWG has not retained any documents that include projected financial information. Financial projections used as part of operating plans and budgets for 2003 and beyond were among the topics reviewed in interviews with various executives and managers as part of the audit.

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated September 29, 2003

Question No. 5

Responding Witness: Charles R. Parmelee

Q-5. Refer to page I-9 through I-10 entitled Comparison to Traditional Ratemaking. There is no discussion regarding customer class allocation and rate design issues. Does BWG agree that the structure of the ESM perpetuates and perhaps compounds existing differences between class rates of return? Please explain your response.

A-5. A review of rate design issues was not in the scope of this audit. The ESM process has a very limited effect on class rates of return, due to the small magnitude of the revenue adjustments, and the fact that adjustments may be positive or negative.

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of Kentucky Industrial Utility Customers, Inc. Dated September 29, 2003

Question No. 6

Responding Witness: Charles R. Parmelee

Q-6. Refer to page I-9 through I-10 entitled Comparison to Traditional Ratemaking. There is no discussion regarding customer class allocation and rate design issues. Does BWG agree that the ability of the Commission to consider class allocation and rate design issues is an advantage of COS traditional ratemaking compared to the ESM? Please explain your response.

A-6. The ESM does not provide for the consideration of class allocation and rate design issues. However, as mentioned above, the scope of this audit did not include rate design and class allocation issues, so BWG has not formed an opinion regarding the need to change rate designs and class allocations at this time. The ability of the Commission to consider class allocation and rate design issues is an advantage of COS traditional ratemaking in comparison to ESM only if one assumes that rate cases were filed more frequently without an ESM. We do not consider frequent rate cases to be advantageous to consumers, as explained in our report, page I-10.

> *"COSR certainly provides much better cost control incentives when the regulated utility files rate cases infrequently, and a long-cycle filing schedule is also usually in the utility's best economic interests."*

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of Kentucky Industrial Utility Customers, Inc. Dated September 29, 2003

Question No. 7

Responding Witness: Charles R. Parmelee

Q-7. Refer to Exhibit II-2 and the detailed work task under ESM structure listed as "Compare results under the ESM to results that would have occurred under traditional regulation." Please provide all quantitative analyses performed or obtained by BWG pursuant to this objective. Also provide copies of all source documents relied upon for these analyses, if any. If no such analyses were performed, please so state and explain why such analyses were not performed.

A-7. The results of each company's ESM filings are summarized in Exhibit V-1 on page V-9 of our report. These analyses show that LG&E would recover ESM revenues of $13,175,964 for the three filings, assuming the May 22, 2002 filing is approved as filed. Kentucky Utilities would recover $10,575,982 for the same period. With the additional assumption that the utilities would not have filed a rate case under traditional regulation, and would have operated in the same manner, these amounts represent the difference in results under ESM. The average revenue adjustments for the three years as a percentage of revenues are +0.797% for LG&E and +0.573% for KU. Source documents for this analysis were the referenced ESM filings and certain associated orders, which are in the Company responses to data requests BWG 1-15 and BWG 4-69.

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated September 29, 2003

Question No. 8

Responding Witness: Charles R. Parmelee

Q-8. Please describe and provide copies of all quantitative analyses performed or otherwise obtained by BWG comparing the continued operation of the ESM, either as is or modified as proposed in the Final Report, to the termination of it.

A-8. No quantitative analyses were performed or otherwise obtained by BWG comparing the continued operation of the ESM, either as is or modified as proposed in the Final Report, to the termination of it other than as provided as Exhibits V-I through V-III in the Report.

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated September 29, 2003

Question No. 9

Responding Witness: Charles R. Parmelee

Q-9. In the event that the Commission continues the ESM, either as is or modified as proposed in the Final Report, is it BWG's understanding that the ESM is a substitute for the traditional COS ratemaking and that the Companies are precluded from filing a traditional COS base rate case for rates to be effective during the term of the new ESM? This question does not seek a legal opinion, but rather BWG's understanding as to the status of the ESM during its term. Please provide a copy of all support relied upon for the response to this question.

A-9. No. BWG is not aware of any restrictions in the Orders authorizing the ESM that preclude the filing of a traditional COS base rate case for new rates to be effective during the term of the ESM. Please see the KPSC January 7, 2000 Orders in Case No. 98-476 and Case No. 98-474.

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated September 29, 2003

Question No. 10

Responding Witness: Charles R. Parmelee

Q-10. In the event that the Commission continues the ESM, either as is or modified as proposed in the Final Report, is it BWG's understanding that the ESM is a substitute for the traditional COS ratemaking and that the Commission on its own motion or by show cause order is precluded from setting base rates pursuant to a traditional COS base rate case for rates to be effective during the term of the new ESM? This question does not seek a legal opinion, but rather BWG's understanding as to the status of the ESM during its term. Please provide a copy of all support relied upon for the response to this question.

A-10. No. Our understanding is that the Commission may determine and specify the status of the ESM during its term.

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated September 29, 2003

Question No. 11

Responding Witness: Charles R. Parmelee

Q-11. In the event that the Commission continues the ESM, either as is or modified as proposed in the Final Report, is it BWG's understanding that the ESM is a substitute for the traditional COS ratemaking and that ratepayers are precluded from seeking a reduction in base rates pursuant to a traditional COS base rate case for rates to be effective during the term of the new ESM? This question does not seek a legal opinion, but rather BWG's understanding as to the status of the ESM during its term. Please provide a copy of all support relied upon for the response to this question.

A-11. No. Our understanding is that the Commission may determine and specify the status of the ESM during its term.

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated September 29, 2003

Question No. 12

Responding Witness: Charles R. Parmelee

Q-12. Refer to page V-6 and the bullet on Large Capital Additions of the Final Report. Please describe the basis for the statement that "The ESM was never expected to yield acceptable results in the event the company made a large capital addition ... such an addition likely would result in one or more rate filings, and possibly the suspension of the ESM for some period of time. Provide copies of all source documents and/or interview notes/transcripts relied upon for this statement.

A-12. During the Company's Three Party Kick-Off Meeting Presentation, the Company indicated that "ESM does not address large projects." A copy of this presentation was provided as a response to data request BWG 1-32.

In addition, Howard Bush, LG&E Manager of Regulatory Compliance, stated in the May 13, 2003, interview that "CWIP is allowed in rate base, but CWIP for a major project would drive the ROR below the lower threshold and allow only 40 percent recovery."

KIUC, Q13

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of Kentucky Industrial Utility Customers, Inc. Dated September 29, 2003

Question No. 13

Responding Witness: Charles R. Parmelee

Q-13. If the Companies are not bound by the ESM during its term and can unilaterally file for COS base rate increases, then describe the value that the ESM offers ratepayers.

A-13. See Finding V-2 of the report.

> *"The existing Kentucky ESM is an effective alternative to traditional cost of service regulation. Within the dead-band, the ESM provides the same incentives as traditional regulation, and outside the dead-band the incentive is reduced by the 40 percent customer share. The ESM operates to stabilize the companies' return on equity, by reducing the return when it exceeds the upper dead-band limit, and by increasing the return when it drops below the lower limit. Therefore the ESM represents a compromise between maximizing incentives and stabilizing return on equity. The ESM could be described as traditional regulation with a shock-absorber.*
>
> *The ESM also serves to encourage longer periods between rate cases. Under ESM, when the ROR is above the dead-band, the ESM discount will lower the effective rates used to bill customers, which lessens the need for intervenors to call for a rate case to reduce rates. Likewise, when ROR is below the dead-band, the ESM adder will increase the effective rates used to bill customers, which lessens the Companies' need to file a rate case to increase rates. This structure can work to extend the period between rate cases."*

KIUC, Q14

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated September 29, 2003

Question No. 14

Responding Witness: Charles R. Parmelee

Q-14. Please identify and describe each new "large capital addition" planned by each of the Companies during the next ten years of which BWG is aware.

A-14. The Companies have discussed the need for the construction of a solid fuel, base load generating station. However, we are not aware of specific plans for this, or other, large projects.

KIUC, Q15

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated September 29, 2003

Question No. 15

Responding Witness: Joel F. Jeanson

Q-15. Refer to pages I-11 through I-13 of the Final Report. Please provide the data utilized for each of the graphs on these pages, including the dollars, customers, and sales for each year.

A-15. See attached.

BWG Response to KIUC Question No. 15

	1997	1998	1999	2000	2001	2002
LG&E	$ 5.46	$ 6.08	$ 5.96	$ 5.59	$ 5.12	$ 5.22
KU	$ 3.37	$ 3.08	$ 2.96	$ 3.16	$ 2.90	$ 3.53

	1997	1998	1999	2000	2001	2002
LG&E	$ 13.09	$ 19.12	$ 21.91	$ 22.59	$ 21.70	$ 56.24
KU	$ 20.11	$ 21.05	$ 19.39	$ 19.77	$ 21.03	$ 34.42

	1997	1998	1999	2000	2001	2002
LG&E	$ 68.06	$ 74.12	$ 63.93	$ 64.74	$ 60.23	$ 63.30
KU	$ 63.24	$ 63.13	$ 57.84	$ 57.42	$ 46.47	$ 49.26

	1997	1998	1999	2000	2001	2002
LG&E	$ 30.53	$ 31.48	$ 33.57	$ 39.17	$ 26.58	$ 29.75
KU	$ 65.61	$ 63.52	$ 54.59	$ 46.44	$ 37.13	$ 41.43

	1997	1998	1999	2000	2001	2002
LG&E	$ 3.86	$ 4.36	$ 4.07	$ 3.35	$ 6.10	$ 7.39
KU	$ 3.88	$ 3.54	$ 3.30	$ 2.88	$ 4.54	$ 4.71

	1997	1998	1999	2000	2001	2002
LG&E	$ 0.4446	$ 0.6299	$ 0.7141	$ 0.7358	$ 0.7172	$ 1.8161
KU	$ 0.6130	$ 0.6255	$ 0.5719	$ 0.5705	$ 0.6270	$ 0.9814

	1997	1998	1999	2000	2001	2002
LG&E	$ 113.6578	$ 132.3081	$ 124.9209	$ 102.8771	$ 184.7380	$ 228.8652
KU	$ 127.2125	$ 119.0848	$ 112.0268	$ 99.8286	$ 152.1319	$ 165.2497

LG&E	Total Sales To Ultimate Consumers - Avg No Cust	354,810	359,291	365,149	369,043	375,949	381,358
LG&E	Total Sales To Ultimate Consumers - Mwhrs Sold	10,448,878	10,903,610	11,203,916	11,329,221	11,377,267	11,810,125
LG&E	Transmission - Total Op And Maint Expenses	$ 4,645,848	$ 6,868,046	$ 8,000,238	$ 8,336,038	$ 8,159,613	$ 21,448,835
LG&E	Distribution - Total Op And Maint Expenses	$ 24,148,999	$ 26,630,059	$ 23,342,466	$ 23,891,698	$ 22,644,026	$ 24,140,127
LG&E	Customer Accts - Total Cust Acc Expenses	$ 8,203,804	$ 8,263,893	$ 8,671,222	$ 11,052,554	$ 8,699,760	$ 9,075,386
LG&E	Customer Service - Total Cust Serv & Info Exp	$ 1,625,668	$ 1,753,960	$ 1,743,150	$ 1,796,599	$ 1,278,083	$ 2,268,593
LG&E	Sales - Total Sales Expenses	$ 1,004,046	$ 1,292,814	$ 1,842,271	$ 1,607,180	$ 15,689	$ 1,187
LG&E	A&G - Total Operation And Maintenance Expense	$ 40,326,934	$ 47,537,101	$ 45,614,724	$ 37,966,079	$ 69,452,076	$ 87,279,569
LG&E	Steam-Operation-Fuel	$ 148,738,259	$ 153,931,519	$ 157,947,673	$ 157,680,097	$ 155,917,909	$ 184,106,845
LG&E	Total Pwr Prod Op And Maintenance Expenses	$ 245,130,981	$ 289,216,210	$ 415,270,461	$ 337,570,097	$ 317,366,912	$ 358,986,756
LG&E	Coal Plant Non-Fuel O&M/Mwh - Reg.	$ 5.4624	$ 6.0837	$ 5.9635	$ 5.5873	$ 5.1187	$ 5.2152
LG&E	Total Plant Non-Fuel O&M/Mwh - Reg.	$ 5.5645	$ 6.1690	$ 6.0149	$ 5.6642	$ 5.1948	$ 5.2526
LG&E	Owned Coal Plant Capacity Factor - Reg.	64.76%	65.06%	67.75%	70.15%	69.67%	70.38%
LG&E	Owned Coal Plant Capacity - Regulated	2,414	2,414	2,390	2,414	2,404	2,434

BWG Response to KIUC Question No. 15

Name	Data Item	1997	1998	1999	2000	2001	2002
KU	Total Sales To Ultimate Consumers - Avg No Cust	464,126	472,458	481,039	489,784	495,988	502,698
KU	Total Sales To Ultimate Consumers - Mwhrs Sold	15,227,946	15,899,451	16,307,547	16,973,550	16,636,318	17,633,139
KU	Transmission - Total Op And Maint Expenses	$ 9,334,363	$ 9,945,063	$ 9,326,612	$ 9,683,694	$ 10,431,768	$ 17,304,551
KU	Distribution - Total Op And Maint Expenses	$ 29,350,435	$ 29,827,916	$ 27,824,093	$ 28,124,553	$ 23,048,686	$ 24,761,017
KU	Customer Accts - Total Cust Acc Expenses	$ 20,024,572	$ 19,802,032	$ 18,630,316	$ 17,886,671	$ 16,962,298	$ 17,746,520
KU	Customer Service - Total Cust Serv & Info Exp	$ 4,309,769	$ 3,654,547	$ 3,247,184	$ 1,460,787	$ 1,219,666	$ 2,948,543
KU	Sales - Total Sales Expenses	$ 6,115,288	$ 6,553,669	$ 4,384,272	$ 3,398,359	$ 232,751	$ 131,394
KU	A&G - Total Operation And Maintenance Expense	$ 59,042,613	$ 56,262,560	$ 53,889,242	$ 48,894,445	$ 75,455,596	$ 83,070,681
KU	Steam-Operation-Fuel	$ 186,302,609	$ 208,401,333	$ 212,108,429	$ 208,257,867	$ 227,678,154	$ 232,323,658
KU	Total Pwr Prod Op And Maintenance Expenses	$ 319,116,665	$ 403,192,165	$ 519,375,421	$ 447,328,687	$ 449,360,043	$ 469,413,898
KU	Coal Plant Non-Fuel O&M/Mwh - Reg.	$ 3.3685	$ 3.0781	$ 2.9555	$ 3.1602	$ 2.9040	$ 3.5349
KU	Total Plant Non-Fuel O&M/Mwh - Reg.	$ 3.3836	$ 3.0978	$ 3.0709	$ 3.2160	$ 3.0153	$ 3.5952
KU	Owned Coal Plant Capacity Factor - Reg.	57.50%	63.48%	64.45%	66.62%	65.90%	60.98%
KU	Owned Coal Plant Capacity - Regulated	3,123	3,123	3,126	3,126	3,069	3,046

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated September 29, 2003

Question No. 16

Responding Witness: Joel F. Jeanson

Q-16. Refer to Exhibits I-5 and I-6. Please provide the tables separately for LG&E and KU.

A-16. See attached.

BWG Response to KIUC Question No. 16

Exhibit I-5

Description	Increase / Decrease		
	LG&E	KU	Total
Expense Items			-
MISO-Related expenses	$ (7.8)	$ (3.5)	$ (11.3)
VDT Amortization	$ (8.3)	$ (1.6)	$ (9.8)
Steam Operation Expense	$ (2.0)	$ (3.2)	$ (5.2)
Depreciation	$ (2.8)	$ (4.4)	$ (7.2)
Property Insurance	$ (1.3)	$ (1.7)	$ (3.0)
Employee Benefits	$ (1.7)	$ (2.9)	$ (4.6)
Margin Items			-
Off-System Sales	$ (10.8)	$ (14.1)	$ (24.9)
Other Margins (primarily weather-related)	$ 9.9	$ 10.8	$ 20.7
Accrued ESM Revenues	$ 6.3	$ 7.4	$ 13.7
			-
Other	$ (2.5)	$ 0.4	$ (2.0)
Total	**$ (20.9)**	**$ (12.7)**	**$ (33.7)**

BWG Response to KIUC Question No. 16

Exhibit I-6

Description	Increase / Decrease		
	LG&E	KU	Total
KU - Non-KY Jurisdictional NOI	$ -	$ (4.5)	$ (4.5)
ESM Revenues	$ (6.4)	$ (7.7)	$ (14.1)
Environmental Surcharge	$ -	$ (2.4)	$ (2.4)
Other	$ (1.7)	$ (0.7)	$ (2.4)
Total	**$ (8.0)**	**$ (15.4)**	**$ (23.4)**

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of Kentucky Industrial Utility Customers, Inc. Dated September 29, 2003

Question No. 17

Responding Witness: David P. Vondle

Q-17. Refer to the Findings on affiliate transactions on page I-18 of the Final Report. Please reconcile the statement that "documents are in place ... that adequately protect the regulated companies' interests from a legal and accounting perspective" with the concerns regarding "opportunities for conflicts of interest," "a lack of organizational separation," and "significant reductions in resource commitments" of Internal Audit.

A-17. These are two separate issues. On one hand, the Companies have the necessary and appropriate documents and manuals in place. On the other hand, we found that there was not adequate organizational separation between regulated and unregulated operations. An example of this is the Service Level Agreements. The documents were in place as a good management practice, but they were not used as intended due to the lack of organizational separation.

The finding that "Internal Audit has had significant reductions in resource commitments between 2000 and 2002" is more fully explained on pages III-8 and III-9 of the Report. With the reduction in internal audit resources, we questioned whether sufficient internal audit resources were available to provide the appropriate level of support. We did not form an opinion regarding whether or not this was the case. Recommendation 3 on Page III-10 is to "assure adequate internal audit resources are available to the executive responsible for the integrity of Kentucky regulated operations."

In addition, please see BWG response to KU/LG&E Initial Data Request Question 38.

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated September 29, 2003

Question No. 18

Responding Witness: David P. Vondle

Q-18. Refer to the Findings on affiliate transactions on page I-18 of the Final Report, which state that "no abuses of the LG&E/KU affiliate relationships were found during this study of the ESM." Describe specifically all audit steps undertaken to search for abuses and/or cross-subsidies between regulated and unregulated activities.

A-18. Our Audit Approach is described in Chapter II and the Detailed Work Tasks are listed in Exhibit II-2 on page II-3.

KIUC, Q19

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated September 29, 2003

Question No. 19

Responding Witness: Joel F. Jeanson

Q-19. Refer to the Findings on management practices on page I-19 of the Final Report and the finding that "improvement initiatives have been successful in containing direct expenses for operating and maintaining the utilities through 2002. However, they have not fully offset cost increases in other areas." Please provide for each of the Companies the non-fuel O&M expense by year 1997-2002 by FERC account summed to functional area (production, transmission, distribution, A&G, etc.) and summed in total. Also provide any analyses of the total non-fuel O&M expense performed by BWG, but not presented in the Final Report, such as average annual growth rates on total non-fuel O&M dollars or average annual growth rates on total non-fuel O&M per customer.

A-19. See attached for the detailed expenses by FERC account. The BWG analysis of LG&E expense trends for the periods 1997-1999 and 2000-2002 is presented in Exhibit IV-1 in the Final Report.

BWG Response to KIUC Question No. 19

KPSC ESM Audit
LG&E - KU
Review of O&M Trends - Electric Only
Source: FERC Form 1

Acct No.	Description	1995	1996	1997	1998	1999	2000	2001	2002
Power Production Expenses									
500 - 509	Steam Power Generation - Operation	$ 206,959,404	$ 215,285,276	$ 205,253,225	$ 228,025,949	$ 231,595,874	$ 228,285,864	$ 248,006,751	$ 252,597,931
510 - 514	Steam Power Generation - Maintenance	34,882,665	36,058,493	36,488,909	35,982,124	32,674,862	37,628,239	31,120,294	37,228,931
	Total Power Production Expenses - Steam Power	$ 241,842,069	$ 251,343,769	$ 241,742,134	$ 264,008,073	$ 264,270,736	$ 265,914,103	$ 279,127,045	$ 289,826,862
535 - 540	Hydraulic Power Generation - Operation	$ 94,879	$ 87,834	$ 95,727	$ 76,825	$ 70,256	$ 38,173	$ 7,097	$ 15,743
	Hydraulic Power Generation - Maintenance	255,699	258,818	258,414	337,466	354,137	375,761	225,423	240,457
	Total Power Production Expenses - Hydraulic Power	$ 350,578	$ 346,652	$ 354,141	$ 414,291	$ 424,393	$ 413,934	$ 232,520	$ 256,200
546 - 550	Other Power Generation - Operation	$ 1,013,340	$ 2,015,969	$ 1,736,559	$ 9,143,518	$ 9,170,293	$ 11,670,446	$ 9,422,333	$ 18,239,409
551 - 554	Other Power Generation - Maintenance	967,891	974,474	670,921	757,356	1,007,368	1,150,143	2,212,948	1,914,009
	Total Power Production Expenses - Other Power	$ 1,981,231	$ 2,990,443	$ 2,407,480	$ 9,900,874	$ 10,177,661	$ 12,820,589	$ 11,635,281	$ 20,153,418
555 - 557	Other Power Supply Expenses	$ 71,473,865	$ 64,485,364	$ 74,612,910	$ 128,868,927	$ 244,502,631	$ 168,180,061	$ 158,365,197	$ 159,177,418
	Total Power Production Expenses	$ 315,647,743	$ 319,166,228	$ 319,116,665	$ 403,192,165	$ 519,375,421	$ 447,328,687	$ 449,360,043	$ 469,413,898
				$ 1,241,684,251			$ 1,366,102,628		
Transmission Expenses									
560 - 567	Transmission - Operations	$ 2,533,844	$ 2,496,189	$ 2,517,312	$ 3,368,674	$ 3,500,334	$ 5,608,662	$ 5,094,121	$ 12,501,832
568 - 573	Transmission - Maintenance	6,448,152	6,294,443	6,817,051	6,576,389	5,826,278	4,075,032	5,337,647	4,802,719
		$ 8,981,996	$ 8,790,632	$ 9,334,363	$ 9,945,063	$ 9,326,612	$ 9,683,694	$ 10,431,768	$ 17,304,551
				$ 28,606,038			$ 37,420,013		
Distribution Expenses									
580 - 589	Distribution - Operations	$ 11,019,732	$ 11,395,172	$ 11,189,180	$ 11,386,821	$ 11,128,023	$ 11,850,268	$ 8,653,746	$ 9,248,146
590 - 598	Distribution - Maintenance	18,804,957	19,001,266	18,161,255	18,441,095	16,696,070	16,274,285	14,394,940	15,512,871
		$ 29,824,689	$ 30,396,438	$ 29,350,435	$ 29,827,916	$ 27,824,093	$ 28,124,553	$ 23,048,686	$ 24,761,017
				$ 87,002,444			$ 75,934,256		
Customer Accounts Expense									
901- 905	Customer Accounts Expense	$ 18,896,691	$ 19,887,048	$ 20,024,572	$ 19,802,032	$ 18,630,316	$ 17,886,671	$ 16,962,298	$ 17,746,520
				$ 58,456,920			$ 52,595,489		
Customer Service and Informational Expense									
907 - 910	Customer Service and Informational Expenses	$ 6,101,373	$ 4,912,496	$ 4,309,769	$ 3,654,547	$ 3,247,184	$ 1,460,787	$ 1,219,666	$ 2,948,543
				$ 11,211,500			$ 5,628,996		
Sales Expenses									
911 - 916	Sales Expenses	$ 4,383,945	$ 4,505,601	$ 6,115,288	$ 6,553,669	$ 4,384,272	$ 3,398,359	$ 232,751	$ 131,394
				$ 17,053,229			$ 3,762,504		
Administrative and General Expenses									
920	A&G Salaries	$ 12,741,071	$ 13,023,320	$ 13,332,613	$ 10,255,992	$ 6,604,439	$ 6,187,843	$ 734,782	$ 1,238,937
921	Office Supplies and Expenses	8,548,295	8,759,849	7,469,428	7,605,156	7,348,327	7,258,529	491,500	1,004,254
922	less: Administrative Expenses - Transferred	8,646	(1,944)	(1,706)	1,027	-	-	(946,361)	(1,191,415)
923	Outside Services Employed	1,764,310	3,950,558	3,641,848	8,204,993	12,450,779	11,135,847	32,452,076	37,376,934
924	Property Insurance	3,133,010	3,053,468	3,203,993	(283,425)	966,414	1,152,224	2,181,333	4,947,713
925	Injuries and Damages	4,496,799	4,579,884	3,355,659	2,187,039	2,126,017	1,637,520	1,609,827	2,510,515
926	Employee Pensions and Benefits	22,016,498	20,634,026	20,677,303	20,014,873	16,351,154	9,361,878	15,085,264	16,624,301
927	Franchise Requirements	2,684	2,996	2,440	2,478	2,342	2,246	2,244	2,199
928	Regulatory Commission Expenses	1,200,400	792,373	572,446	517,841	467,141	556,009	-	375,820
929	less: Duplicate Charges	(2,412)	(2,446)	(2,440)	(2,368)	(2,291)	(1,167)	(2,244)	(2,199)
930.1	General Advertising Expenses	11,618	37,560	115,598	315,975	291,998	487,011	137,349	570,089
930.2	Miscellaneous General Expenses	4,384,584	3,566,826	3,759,590	5,648,955	5,850,194	8,626,821	19,617,881	19,326,212
931	Rents	302,513	307,724	321,542	280,547	672,962	349,997	362,601	204,219
	Administrative and General - Operation	$ 58,608,016	$ 58,704,194	$ 56,448,314	$ 54,749,083	$ 53,129,476	$ 46,754,758	$ 71,726,252	$ 82,987,579
935	Maintenance of General Plant	1,232,839	1,573,554	2,593,669	1,513,477	759,766	2,139,687	3,729,344	83,102
	Total A&G Expenses	$ 59,840,855	$ 60,277,748	$ 59,041,983	$ 56,262,560	$ 53,889,242	$ 48,894,445	$ 75,455,596	$ 83,070,681
				$ 169,193,785			$ 207,420,722		
	Total Electric Operation and Maintenance Expenses	$ 443,677,292	$ 447,936,191	$ 447,293,075	$ 529,237,952	$ 636,677,140	$ 556,777,196	$ 576,710,808	$ 615,376,604
				$ 1,613,208,167			$ 1,748,864,608		

BWG Response to KIUC Question No. 19

KPSC ESM Audit
LG&E - KU
Review of O&M Trends - Electric Only
Source: FERC Form 1

Acct No.	Description	1995	1996	1997	1998	1999	2000	2001	2002
Power Production Expenses									
500 - 509	Steam Power Generation - Operation	$ 172,104,817	$ 186,639,425	$ 191,061,343	$ 202,845,067	$ 201,052,480	$ 195,881,839	$ 192,792,195	$ 224,347,913
510 - 514	Steam Power Generation - Maintenance	33,887,598	35,122,527	30,122,065	32,367,959	38,929,798	38,858,583	35,615,404	35,306,840
	Total Power Production Expenses - Steam Power	$ 205,992,415	$ 221,761,952	$ 221,183,408	$ 235,213,026	$ 239,982,278	$ 234,740,422	$ 228,407,599	$ 259,654,753
535 - 540	Hydraulic Power Generation - Operation	$ 1,396,120	$ 1,201,540	$ 3,928,828	$ 1,207,800	$ 1,266,739	$ 1,454,003	$ 1,161,628	$ 907,651
	Hydraulic Power Generation - Maintenance	572,769	582,937	458,087	688,234	510,472	437,340	612,336	999,984
	Total Power Production Expenses - Hydraulic Power	$ 1,968,889	$ 1,784,477	$ 4,386,915	$ 1,896,034	$ 1,777,211	$ 1,891,343	$ 1,773,964	$ 1,907,635
546 - 550	Other Power Generation - Operation	$ 359,995	$ 636,142	$ 1,374,451	$ 1,430,158	$ 2,734,998	$ 2,039,133	$ 3,465,933	$ 11,266,881
551 - 554	Other Power Generation - Maintenance	647,466	722,616	215,938	241,553	260,876	1,007,617	1,083,260	689,132
	Total Power Production Expenses - Other Power	$ 1,007,461	$ 1,358,758	$ 1,590,389	$ 1,671,711	$ 2,995,874	$ 3,046,750	$ 4,549,193	$ 11,956,013
555 - 557	Other Power Supply Expenses	$ 17,508,059	$ 17,134,943	$ 17,970,269	$ 50,435,439	$ 170,515,098	$ 97,891,582	$ 82,636,156	$ 85,468,355
	Total Power Production Expenses	$ 226,476,824	$ 242,040,130	$ 245,130,981	$ 289,216,210	$ 415,270,461	$ 337,570,097	$ 317,366,912	$ 358,986,756
				$ 949,617,652			$ 1,013,923,765		
Transmission Expenses									
560 - 567	Transmission - Operations	$ 3,162,055	$ 4,026,604	$ 3,571,205	$ 5,367,467	$ 6,487,508	$ 6,802,862	$ 6,754,294	$ 19,852,699
568 - 573	Transmission - Maintenance	1,226,779	1,279,068	1,074,643	1,500,579	1,512,730	1,533,176	1,405,319	1,596,136
		$ 4,388,834	$ 5,305,672	$ 4,645,848	$ 6,868,046	$ 8,000,238	$ 8,336,038	$ 8,159,613	$ 21,448,835
				$ 19,514,132			$ 37,944,486		
Distribution Expenses									
580 - 589	Distribution - Operations	$ 14,145,640	$ 14,305,359	$ 15,523,721	$ 16,583,694	$ 14,523,133	$ 14,875,073	$ 12,558,282	$ 13,598,861
590 - 598	Distribution - Maintenance	8,257,085	10,176,732	8,625,278	10,046,365	8,819,333	9,016,625	10,085,744	10,541,266
		$ 22,402,725	$ 24,482,091	$ 24,148,999	$ 26,630,059	$ 23,342,466	$ 23,891,698	$ 22,644,026	$ 24,140,127
				$ 74,121,524			$ 70,675,851		
Customer Accounts Expense									
901- 905	Customer Accounts Expense	$ 8,567,049	$ 8,450,809	$ 8,203,804	$ 8,263,893	$ 8,671,222	$ 11,052,554	$ 8,699,760	$ 9,075,386
				$ 25,138,919			$ 28,827,700		
Customer Service and Informational Expense									
907 - 910	Customer Service and Informational Expenses	$ 1,523,827	$ 1,756,482	$ 1,625,668	$ 1,753,960	$ 1,743,150	$ 1,796,599	$ 1,278,083	$ 2,268,593
				$ 5,122,778			$ 5,343,275		
Sales Expenses									
911 - 916	Sales Expenses	$ 841,985	$ 849,187	$ 1,004,046	$ 1,292,814	$ 1,842,271	$ 1,607,180	$ 15,689	$ 1,187
				$ 4,139,131			$ 1,624,056		
Administrative and General Expenses									
920	A&G Salaries	$ 15,402,378	$ 15,323,226	$ 14,612,480	$ 14,529,424	$ 11,650,383	$ 9,705,001	$ 1,448,040	$ 1,097,779
921	Office Supplies and Expenses	4,326,739	4,065,381	3,910,967	4,809,819	4,538,866	1,460,403	797,718	521,923
922	less: Administrative Expenses - Transferred	(3,425,811)	(3,314,263)	(3,149,767)	(3,311,307)	(2,831,388)	(2,103,246)	(1,446,053)	(1,230,769)
923	Outside Services Employed	3,917,684	3,529,409	5,109,296	7,594,508	8,622,051	4,713,734	32,563,585	32,609,902
924	Property Insurance	946,479	1,013,839	805,116	741,023	938,063	975,517	1,839,360	4,046,845
925	Injuries and Damages	(5,085,639)	(1,006,929)	1,286,765	1,666,969	1,912,057	1,750,482	726,180	3,369,044
926	Employee Pensions and Benefits	14,157,775	12,341,660	13,182,505	13,574,008	10,176,878	5,743,725	13,045,904	15,872,558
927	Franchise Requirements	16,179	16,531	17,878	15,821	15,610	15,690	14,621	13,298
928	Regulatory Commission Expenses	638,584	418,295	406,840	260,909	352,844	346,539	357,974	380,731
929	less: Duplicate Charges	(120,608)	(113,056)	(109,408)	(104,618)	(91,780)	(76,168)	(97,505)	79,394
930.1	General Advertising Expenses	743,925	744,108	384,124	673,198	150,849	12,384	58,050	568,302
930.2	Miscellaneous General Expenses	3,118,174	4,747,078	(320,103)	2,658,704	4,863,715	6,224,948	16,570,946	29,932,910
931	Rents	3,033,978	2,918,893	2,728,098	2,352,132	2,640,777	2,745,373	27,955	13,927
	Administrative and General - Operation	$ 37,669,837	$ 40,684,172	$ 38,864,791	$ 45,460,590	$ 42,938,925	$ 31,514,382	$ 65,906,775	$ 87,275,844
935	Maintenance of General Plant	1,615,577	1,416,314	1,462,143	2,076,511	2,675,799	6,451,697	3,545,301	162,513
	Total A&G Expenses	$ 39,285,414	$ 42,100,486	$ 40,326,934	$ 47,537,101	$ 45,614,724	$ 37,966,079	$ 69,452,076	$ 87,438,357
				$ 133,478,759			$ 194,856,512		
	Total Electric Operation and Maintenance Expenses	$ 303,486,658	$ 324,984,857	$ 325,086,280	$ 381,562,083	$ 504,484,532	$ 422,220,245	$ 427,616,159	$ 503,359,241
				$ 1,211,132,895			$ 1,353,195,645		

KIUC, Q_{20}

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of Kentucky Industrial Utility Customers, Inc. Dated September 29, 2003

Question No. 20

Responding Witness: David P. Vondle

Q-20. Refer to the Findings on management practices on page I-19 of the Final Report and the finding that "executive short-term compensation program is not adequately in alignment with the ESM program" and the recommendation on page I-22 to "[d]irectly link executive short-term incentive program to the ESM . . . to the two utility operating companies meeting and exceeding their allowed rates of return." Please explain why linking compensation to reductions in O&M expense would not be more appropriate since that seems to be a factor that is more controllable by the Companies' executives than revenues, depreciation, or other taxes, all of which are other factors that affect the earned rate of return but seem to be less controllable than O&V1 expense.

A-20. This was a study of the Earnings Sharing Mechanism and our findings and recommendations focused on the ESM. Our recommendation is to tie the executive short-term incentive compensation to the ESM to encourage the Companies to fall within or above the dead-band. The executives would be encouraged to manage all of the factors involved in the Companies' ESM results.

KIUC, Q21

BARRINGTON-WELLESLEY GROUP, INC.

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Response to the First Set of Data Requests of Kentucky Industrial Utility Customers, Inc. Dated September 29, 2003

Question No. 21

Responding Witness: Charles R. Parmelee

Q-21. Refer to the Findings on ESM structure on pages I-19 through I-20 of the Final Report. These findings do not address the sharing percentages or the midpoint return on common equity around which the deadband was developed. Please describe the review conducted by BWG of the current sharing percentages and the return on common equity, if any.

A-21. As stated on page I-2 of the report in the section titled "Overall Assessment" BWG found that:

> *"The structure of the Kentucky ESM, in particular the 60/40 sharing of over- or under-earnings, is intended to provide LG&E and KU with incentive to be in an over-earning situation. The deadband, symmetry, and 60/40 split of the existing Kentucky ESM are reasonable. This mechanism equitably shares risks and benefits between shareholders and ratepayers and enables the Companies to delay the need to file rate cases, which also benefits ratepayers. The Commission PBR Order does not specifically provide for the recalibration of the allowed return on equity and a review of the appropriateness of the return on equity was not in the scope of this study."*

See BWG response to First Set of Data Requests of KU/LG&E Questions 1 and 30 for additional information regarding the review conducted by BWG of the current sharing percentages.

BWG's conclusion is based on Mr. Parmelee's expert opinion, in light of the objectives initially set out for the ESM by the Commission in its Order to Case No. 1998-476.

KIUC, Q22

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

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Kentucky Industrial Utility Customers, Inc.
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Question No. 22

Responding Witness: Charles R. Parmelee

Q-22. To the extent that the Commission determines it to be appropriate to continue the ESM for the Companies, does BWG recommend that the Commission reconsider the sharing percentages? Please explain your response.

A-22. No. BWG believes "the deadband, symmetry, and 60/40 split of the existing Kentucky ESM are reasonable. This mechanism equitably shares risks and benefits between shareholders and ratepayers and enables the Companies to delay the need to file rate cases, which also benefits ratepayers." (Report, Page I-2)

BARRINGTON-WELLESLEY GROUP, INC.

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Response to the First Set of Data Requests of
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Question No. 23

Responding Witness: Charles R. Parmelee

Q-23. To the extent that the Commission determines it to be appropriate to continue the ESM for the Companies, does BWG recommend that the Commission reconsider the midpoint return on common equity in order to reflect current market conditions? Please explain your response.

A-23. BWG has not made a recommendation to reconsider the midpoint return on common equity. A review of the appropriateness of the return on equity on which the ESM is based was not included in the scope of this assignment.

BARRINGTON-WELLESLEY GROUP, INC.

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Response to the First Set of Data Requests of Kentucky Industrial Utility Customers, Inc. Dated September 29, 2003

Question No. 24

Responding Witness: Charles R. Parmelee

Q-24. Refer to the statement in the recommendations on page V-8 that states "[t]here are a number of ways that a multi-year ESM could be structured," which is followed by "one example." Please describe all structures for a multi-year ESM that BWG considered.

A-24. BWG initially considered multi-year ESM structures that were based on projections, with true-ups based on actual results. None of these were developed in detail. The details of ESM implementation were not within the scope of this assignment.

KIUC, Q23

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated September 29, 2003

Question No. 25

Responding Witness: Charles R. Parmelee

Q-25. If a multi-year ESM is adopted, would a COS traditional rate case be permitted during the ESM process? Please describe the process and procedure for handling a COS rate case during a multi-year ESM.

A-25. Please see responses to Q-9, 10, and 11. Analysis of the process and procedure for handling a COS rate case during a multi-year ESM was not included in the scope of this assignment.

KIUC, Q26

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
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Question No. 26

Responding Witness: Charles R. Parmelee and Joel F. Jeanson

Q-26. Refer to the statement in the recommendations on page V-8 that states "ESM should not preclude the Companies from petitioning for, nor preclude the Commission from allowing, the deferral of costs incurred as a result of extraordinary events." What should be the threshold, dollars or otherwise, that the Commission should employ for this purpose? Describe whether this recommended threshold represents a change from the threshold currently employed by the Commission. Please provide a copy of all source documents relied upon by BWG to obtain its understanding of the threshold currently employed by the Commission.

A-26. BWG has not recommended a specific threshold that the Commission should employ for this purpose. In addition, BWG is not aware of the threshold currently employed by the Commission.

KIUC, Q27

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of Kentucky Industrial Utility Customers, Inc. Dated September 29, 2003

Question No. 27

Responding Witness: Charles R. Parmelee

Q-27. Refer to the statement in the recommendations on page V-8 that states "ESM should not preclude the Companies from petitioning for, nor preclude the Commission from allowing, the deferral of costs incurred as a result of extraordinary events." Should the ESM preclude other parties from petitioning for, or preclude the Commission from allowing, the deferral of revenues or cost savings as a result of extraordinary events? Please explain your response. In addition, identify and describe the basis for any thresholds that BWG believes should be applied in such circumstances.

A-27. BWG is recommending no changes from the current process for petitioning for the deferral of revenues or cost savings as a result of extraordinary events but, instead, is recommending the Commission consider the impact of ESM in how it responds to these requests. BWG has not identified specific thresholds but believes it is appropriate for the Commission to consider the significance of the un-recovered amount of the extraordinary expenditure if the expenditure were part of the annual ESM filing.

KIUC, Q28

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
Dated September 29, 2003

Question No. 28

Responding Witness: Charles R. Parmelee

Q-28. If some form of ESM is retained, should the return-on-equity continue to be calculated on average capitalization?

A-28. Yes.

KIUC, Q29

BARRINGTON-WELLESLEY GROUP, INC.

CASE NOS. 2003-00334 & 2003-00335

Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
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Question No. 29

Responding Witness: Charles R. Parmelee and Michael A. Laros

Q-29. Does BWG have an opinion as to whether the Commission should follow through with its observation made in the Order approving the VDT Global Settlement (Audit I-6) and open a formal investigation to determine whether increased costs for employees or contractors should be included in ESM calculations?

A-29. No, BWG does not have an opinion as to whether a formal investigation to determine whether increased costs for employees or contractors should be included in ESM calculations should be opened.

BARRINGTON-WELLESLEY GROUP, INC.

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Response to the First Set of Data Requests of
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Dated September 29, 2003

Question No. 30

Responding Witness: Charles R. Parmelee

Q-30. Does BWG have an opinion as to whether the margin from brokered sales should continue to be excluded from the ESM? Is BWG aware whether expenses associated with brokered sales (i.e., employee costs for those who make the brokered sales) are included in the ESM?

A-30. Yes, in our opinion the margin from brokered sales should continue to be excluded from the ESM. From the May 22, 2002 LG&E ESM filing, expenses associated with brokered sales, including labor, are shown on Form 2b(5) of the ESM filings and are excluded from the ESM on Form 2a, line 15.

BARRINGTON-WELLESLEY GROUP, INC.

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Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
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Question No. 31

Responding Witness: Michael A. Laros

Q-31. In communications between the Companies and Staff regarding issues related to the ESM, does BWG believe that ratepayer representatives such as KIUC and the Attorney General should be excluded?

A-31. A review of communication protocols between the Companies and Staff regarding issues related to the ESM is not within the scope of this assignment.

BARRINGTON-WELLESLEY GROUP, INC.

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Response to the First Set of Data Requests of
Kentucky Industrial Utility Customers, Inc.
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Question No. 32

Responding Witness: Charles R. Parmelee

Q-32. If an ESM is continued, then under what circumstances should the Company, ratepayers or the Commission be entitled to propose a change to the after-tax return-on-equity component currently set at 11.5%? Please describe the process for changing the after-tax return-on-equity.

A-32. Please see response to Q. 23. A description of the process for changing the after-tax return-on-equity is not within the scope of this assignment.