COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY UTILITIES COMPANY S PLAN TO ADDRESS THE FUTURE OF THE MERGER SURCREDIT APPROVED BY THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 1997-00300	)	CASE NO. 2002-00429
LOUISVILLE GAS AND ELECTRIC COMPANY S PLAN TO ADDRESS THE FUTURE OF THE MERGER SURCREDIT APPROVED BY THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 1997-00300	)	CASE NO. 2002-00430

THIRD DATA REQUEST OF COMMISSION STAFF
TO KENTUCKY UTILITIES COMPANY AND TO
LOUISVILLE GAS AND ELECTRIC COMPANY

Kentucky Utilities Company (KU) and Louisville Gas and Electric Company (LG&E), pursuant to 807 KAR 5:001, are requested to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due September 11, 2003. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Provide the following amounts related to the merger non-fuel savings contained in the proposed Settlement Agreement. Include all workpapers and supporting calculations.

a. The total merger non-fuel savings for years 6 through 10.

b. The allocation of the total merger non-fuel savings for years 6 through 10 between shareholders and customers, for both LG&E and KU.

c. The allocation of the customer portion of the total merger non-fuel savings for LG&E and KU. Show both the annual amounts and the total for years 6 through 10.

d. The allocation of the KU customer portion of the total merger non-fuel savings between Kentucky jurisdictional customers, Virginia jurisdictional customers, and other jurisdictional customers. Show both the annual amounts and the total for years 6 through 10.

2. Does KU plan to file applications with the Virginia State Corporate Commission and the Federal Energy Regulatory Commission to distribute the jurisdictional portions of the merger non-fuel savings to customers in those respective jurisdictions?

a. If yes, state the date that each such application will be filed.

b. If no, explain why such application will not be filed and why this will not result in changing the sharing ratio between LG&E and KU and their customers as discussed in the direct testimony of Michael S. Beer at page 8, lines 16-18.

3. Refer to Section 1.3.2 of the proposed Settlement Agreement.

a. Provide the calculations showing how the $168,074 resulting from the difference between the 10 percent present value discount factor and the authorized weighted average cost of capital for LG&E and KU was determined. Include all workpapers and assumptions used to determine the $168,074 amount.

b. Explain why the weighted average cost of capital for LG&E and KU was used in this calculation instead of LG&E s last authorized weighted average cost of capital. Include in this response a discussion of why this approach is reasonable.

c. Exhibit 2 to the proposed Settlement Agreement shows 11 industrial customers being eligible for the one-time payment.

(1) If some of the 11 industrial customers do not elect to receive the one-time payment, will the $168,074 amount be revised? Explain the response.

(2) If some of the 11 industrial customers do not elect to receive the one-time payment, will LG&E increase its added contribution of savings so that the total from the discounting and the added contribution remains $500,000? Explain the response.

(3) Explain in detail why the eligibility for the one-time payment is limited to the 11 named customers and why allowing only these named customers to elect a one-time payment does not violate KRS 278.170(1) by giving the named customers an unreasonable preference or advantage over all other customers in the same class of service.

4. Refer to Section 1.3.3 of the proposed Settlement Agreement.

a. Provide the calculations showing how the $112,024 resulting from the difference between the 10 percent present value discount factor and the authorized weighted average cost of capital for LG&E and KU was determined. Include all workpapers and assumptions used to determine the $112,024 amount.

b. Explain why the weighted average cost of capital for LG&E and KU was used in this calculation instead of KU s last authorized weighted average cost of capital. Include in this response a discussion of why this approach is reasonable.

c. Exhibit 4 to the proposed Settlement Agreement shows 10 industrial customers being eligible for the one-time payment. Exhibit 5 to the proposed Settlement Agreement shows 8 Lexington-Fayette Urban County Government Accounts (LFUCG accounts) being eligible for the one-time payment.

(1) If some of the 10 industrial customers or the 8 LFUCG accounts do not elect to receive the one-time payment, will the $112,024 amount be revised? Explain the response.

(2) If some of the 10 industrial customers or the 8 LFUCG accounts do not elect to receive the one-time payment, will KU increase its added contribution of savings so that the total from the discounting and the added contribution remains $500,000? Explain the response.

(3) Explain in detail why the eligibility for the one-time payment is limited to the 18 named customers and why allowing only these named customers to elect a one-time payment does not violate KRS 278.170(1) by giving the named customers an unreasonable preference or advantage over all other customers in the same class of service.

5. Refer to Sections 2.1 and 2.2 of the proposed Settlement Agreement. Will the unamortized balance of the deferred debits established by these sections of the proposed Settlement Agreement be excluded from the determination of LG&E s and KU s rate base in any base rate case proceeding that may occur during the 5-year amortization period? Explain the response.

6. Refer to Sections 3.1.1.6 and 3.2.1.6 of the proposed Settlement Agreement.

a. Using the customer savings shown in Section 3.1.1.6, provide the estimated annual impact on an average LG&E residential customer s bill of the merger surcredit for each calendar year. Include all workpapers and supporting calculations.

b. Using the customer savings shown in Section 3.2.1.6, provide the estimated annual impact on an average KU residential customer s bill for the merger surcredit for each calendar year. Include all workpapers and supporting calculations.

Wm H. Bowker

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DATED: September 5, 2003

cc: All parties