

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of:

GENERAL ADJUSTMENT OF RATES)
OF KENTUCKY UTILITIES COMPANY) CASE NO. 7804

O R D E R

IT IS ORDERED that Kentucky Utilities Company (K.U.) shall file with the Commission by June 18, 1980, the following information:

1. Provide details, including the total dollar amount for the test period, of expenses incurred due to flood or other disasters. Also, include an analysis of any other extraordinary or nonrecurring revenue or expense items contained in the test period.
2. Please respond to item 10 of the Commission Order dated May 2, 1980, in greater detail. The additional information should include detailed support for all revenue, expense, and Net Operating Income adjustments including the basis of the determination of monthly accruals where used to annualize costs, and comparative details of the actual test year costs.
3. Provide an analysis of the effect on Depreciation expense of using the depreciation rates effective January, 1980, as compared to the rates in effect during the test year.
4. In Order to complete the response to item 2 in the Order dated May 2, 1980, please provide the trial balance in each underlying subaccount as of the last day of the test year.
5. Kentucky Utilities applies depreciation rates to beginning of year depreciable plant balances. How long has K.U. used this accrual method? Have you changed methods in past ten years? Why did you select this method?
6. A summary of K.U.'s most recent depreciation study, completed in December, 1979, was provided to this Commission in February, 1980. In this summary it is stated that "recommended rates have been calculated using a method that allows the recognition of the existence of retirement dispersion in the rates."

- A. What method was used in the prior depreciation study?
- B. Was there enough data to do a mortality study to determine average service life?
- C. Explain more fully this new method of determining depreciation rates.
- D. Is this the same equal life group method that A.T. & T. has proposed to the Federal Communication Commission?
- E. Are you aware or do you know if the equal life group method of depreciation has been approved by the Federal Energy Regulatory Commission or by any other state regulatory commission?
- F. What is the effect of using equal life group depreciation? Would this method have the effect of increasing the amount of annual depreciation expense in the earlier years when compared to the old method.
- G. Provide the attained age and the depreciation reserve applicable to each production unit.
- H. Who estimated the service life years and are these whole lives rather than average lives?
- I. Was a life study done to obtain the dispersion curves for transmission, distribution and general plant?
- J. Provide all back up data showing how the new depreciation rates that you are using in this proceeding were derived.

Done at Frankfort, Kentucky, this 6th day of June, 1980.

ENERGY REGULATORY COMMISSION



For the Commission

ATTEST:

Acting Secretary