COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| LOUISVILLE GAS AND ELECTRIC COMPANY'S ANNUAL EARNINGS SHARING MECHANISM FILING FOR CALENDAR YEAR 2001 | ) ) ) ) | CASE NO. 2002-00071 |

COMMISSION STAFF S FIRST DATA REQUEST
TO LOUISVILLE GAS AND ELECTRIC COMPANY

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Louisville Gas and Electric Company ( LG&E ) file the original and 5 copies of the following information with the Commission no later than May 17, 2002, with a copy to all parties of record. Each copy of the information 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 witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the March 1, 2002 filing, Form 3f, line 4.

a. Provide a schedule showing the determination of the Total Company 13-Month Average (1995 Plan) amount for Accumulated Deferred Taxes. Include all supporting calculations and assumptions.

b. Match the 13 months of accumulated deferred tax balances with the amounts reported to the Commission by LG&E in its monthly Environmental Surcharge reports. Explain any differences between the accumulated deferred tax balances shown on the monthly Environmental Surcharge reports and the balances used to determine the 13-month average balance shown on Form 3f.

2. Refer to the March 1, 2002 filing, Form 3a, column 7. Explain why LG&E believes the Settlement Agreement should be an adjustment to Common Equity only.

3. Refer to the March 1, 2002 filing, Form 3g. Explain why LG&E reflected the impacts of the Value Delivery Team workforce reduction ( VDT reduction ) as a lump sum adjustment to its 13-month average capitalization rather than recalculating the capitalization for each month impacted by the Global Settlement.

4. Refer to the March 1, 2002 filing, Form 3. For purposes of this question, assume the following:

- The depreciation rates approved as part of the Global Settlement in Case No. 2001-00141[1] were in effect for all of calendar year 2001.
- Costs associated with the VDT reduction were not expensed in March 2001.
- The costs associated with the VDT reduction were deferred and the deferred asset was created on March 31, 2001.

[1] Case No. 2001-00141, Application of Louisville Gas and Electric Company for an Order Approving Revised Depreciation Rates.

- Amortization of the VDT reduction deferred asset began in April 2001, following the amortization approach approved in the Global Settlement in Case No. 2001-00169.[2]
- The adjustments to the VDT reduction deferred asset to reflect employees decisions to rescind their acceptance of voluntary termination or retirement are to be made in December 2001.
- The VDT surcredit began in April 2001 in accordance with the provisions of the Global Settlement in Case No. 2001-00169.

Using the above assumptions:

a. Recalculate the 13-Month Average Capitalization Schedule shown on pages 2 and 3 of 3 and the Adjusted Electric Capitalization determination shown on page 1 of 3.

b. To the extent the calculations required in part (a) above impact other forms provided in the March 1, 2002 filing, provide revised forms reflecting this impact on LG&E s determination of its Earnings Sharing Mechanism Factor.

5. Refer to Appendix B of the March 1, 2002 filing. In the December 3, 2001 Order in Case No. 2001-00169 approving the Global Settlement, the Commission stated:

> In conjunction with our approval of the Settlement Agreement, the Commission finds it necessary to establish a monitoring mechanism to track employment and contractor levels. LG&E and KU should file an annual schedule that details the numbers of additional employees hired and <u>the number of additional contractors utilized</u>. The schedule should compare the reporting period s levels with the levels in effect as of December 31, 2001, and detail the additional expenses incurred for each group.[3] (emphasis added)

[2] Case No. 2001-00169, Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for an Order Approving Proposed Deferred Debits and Declaring the Amortization of the Deferred Debits to be Included in Earnings Sharing Mechanism Calculations.

[3] Case No. 2001-00169, December 3, 2001 Order at 11.

In the response provided in Appendix B, LG&E states that it does not track the specific number of contractors and this data is not available.

a. Explain in detail why LG&E does not track the contractor information.

b. Considering the Commission s December 3, 2001 Order, explain why LG&E did not establish a system to track the required contractor information.

c. Provide the number of contractors utilized by LG&E as of December 31, 2001. Separately indicate the number of former employees retained on contract to provide LG&E with services such as consulting and other personal services.

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DATED: May 3, 2002

cc: Parties of Record