

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY UTILITIES COMPANY S ANNUAL)	
EARNINGS SHARING MECHANISM FILING)	CASE NO.
FOR CALENDAR YEAR 2002)	2003-00077

FIRST DATA REQUEST OF COMMISSION STAFF
TO KENTUCKY UTILITIES COMPANY

Kentucky Utilities Company (KU), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before May 6, 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. Refer to the February 28, 2003 Annual Earnings Sharing Mechanism Filing (2003 ESM Filing), Form 1. Does KU know why the net operating income for 2002 was \$15,610,563 below the lower equity limit? If yes, provide the reason(s) for the lower net operating income and include any documentation, calculations, or

assumptions supporting the reason(s). If no, explain why KU has not attempted to determine why the 2002 net operating income was below the lower equity limit.

2. Refer to the 2003 ESM Filing, Form 2, Column 6 Adjusted Electric and the October 28, 2002 Revised Annual Earnings Sharing Mechanism Filing, Form 2, Column 6 Adjusted Electric filed in Case No. 2002-00072.¹ For each account listed below, describe the reason(s) for the change in the account balance shown in Column 6 between December 31, 2001 and December 31, 2002.

- a. Total Sales to Ultimate Consumers.
- b. Sales for Resale.
- c. Other Operating Revenues.
- d. Operation Expenses.
- e. Maintenance Expenses.
- f. Depreciation Expense.

3. Refer to the 2003 ESM Filing, Form 2(b)(3). Provide a detailed explanation of what the KU ESM Revenue Recovery adjustment represents, how the \$13,500,000 adjustment was determined, and why this adjustment is necessary for the ESM calculations.

4. Refer to the 2003 ESM Filing, Form 2(b)(4). The information provided on Form 2(b)(4) has been compared to the monthly Fuel Adjustment Clause (FAC) filings submitted by KU. The expense shown for March on Form 2(b)(4) does not agree with

¹ Case No. 2002-00072, Kentucky Utilities Company's Annual Earnings Sharing Mechanism Filing for Calendar Year 2001.

the amount reflected in the corresponding monthly FAC filing. Indicate which amount is the correct expense for March.

5. Refer to the 2003 ESM Filing, Form 2(b)(7). Provide the accounts utilized when KU records the amortization of the VDT Costs.

6. Refer to the 2003 ESM Filing s cover letter from Michael S. Beer, Vice President Rates and Regulatory and Appendix B of the filing.

a. The cover letter indicates that the employee and contractor costs in Appendix B for 2001 and 2002 exclude capitalized amounts. For both employee labor costs and contractor costs, provide the capitalized amounts and the total amounts (capitalized plus expensed) for each year. Also provide the capitalization ratios for employee labor and contractor costs for 2001 and 2002.

b. Employee headcount was 1,281 at December 31, 2001 and 1,280 at December 31, 2002, a decrease of .08 percent. Explain why employee labor costs increased from \$79,179,107 in 2001 to \$84,596,426 in 2002, an increase of 6.8 percent.

c. Define the meaning of the phrase *burdened labor costs* as used in Appendix B.

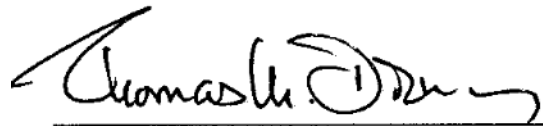
d. Identify the types of costs included in the *burdened labor costs* and provide the specific percentage increases in the various components of *burdened labor costs* between 2001 and 2002.

e. Identify whether changes in the ratios of capitalized costs and expensed costs impacted the percentage increase for employee labor.

f. Contractor costs increased from \$42,096,562 in 2001 to \$55,065,901 in 2002, an increase of 30.8 percent. Has KU performed an analysis

examining why contractor costs increased between 2001 and 2002? If yes, provide copies of that analysis. If no, explain why such an analysis has not been undertaken.

g. Provide a detailed explanation for the increase in contractor costs between 2001 and 2002, including the extent to which changes in the ratios of capitalized and expensed costs impacted the magnitude of the increase.

A handwritten signature in black ink, appearing to read "Thomas M. Dorman", written over a horizontal line.

Thomas M. Dorman
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

DATED: April 25, 2003

cc: All Parties