COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF THE ELECTRIC RATES,	)	
TERMS, AND CONDITIONS OF KENTUCKY	)	CASE NO.
UTILITIES COMPANY	)	2003-00434

COMMISSION STAFF'S THIRD DATA REQUEST
TO KENTUCKY UTILITIES COMPANY

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Kentucky Utilities Company ("KU") file the original and 8 copies of the following information with the Commission with a copy to all parties of record. The information requested herein is due March 11, 2004. 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. When applicable, the requested information should be provided for total company operations and jurisdictional operations, separately.

1. Provide a statement of the work experience and education for Paula H. Pottinger, Ph.D. If individuals, other than Dr. Pottinger or those who have filed direct testimony provide responses to this data request or the requests of the Intervenors due on March 1, 2004, provide statements of those individuals' work experience and education.

2. Refer to the response to the Commission Staff's Second Data Request dated February 3, 2004 ("Staff Second Request"), Item 1.

a. Concerning the schedule showing the post-retirement benefit plans for KU, are the amounts shown for the benefit obligation, fair value of plan assets, and the accrued benefit costs determined for KU on a stand-alone basis or an allocation of the total amounts for each item? Explain the response.

b. Concerning the schedule showing the post employment benefits for disabled employees for KU, is the amount shown for KU determined on a stand-alone basis or an allocation of the total amount? Explain the response.

c. Explain why the liability amount shown for post employment benefits for disabled employees for KU is approximately double the liability shown for Louisville Gas and Electric Company ("LG&E").

3. Refer to the response to the Staff Second Request, Item 1, the invoices for legal services included in this response.

a. The invoices from Ogden Newell & Welch PLLC ("Ogden") include several references to a regulatory oversight counsel meeting or a regulatory oversight committee. Explain the purpose of this regulatory oversight group and why costs associated with it should be included in the rate case expenses of KU.

b. Several of the Ogden invoices make reference to work on testimony by Howard Bush. Mr. Bush did not file testimony in the KU rate case.

(1) Explain why hours associated with the preparation of testimony by Mr. Bush have been included as rate case expenses.

(2) For the invoices provided in this response, provide the total number of hours by “timekeeper” for Mr. Bush’s testimony preparation.

c. In this response, KU notes that is has redacted some of the information on the legal invoices to protect privileged information. A review of the invoices from Ogden reveals that 114.6 hours of legal services costing $18,928.50 contain no disclosure of the services provided. Given its stated desire to protect privileged information, how can KU demonstrate that these legal costs actually represent costs associated with its rate case?

4. Refer to the response to Staff Second Request, Item 7(a). KU was requested to provide an updated version of the corporate organization section of the LG&E Energy Services Inc. (“LG&E Services”) Cost Allocation Manual (“CAM”). KU’s response discusses why the CAM has not been updated and when revision of the CAM would be required. KU has misunderstood the nature of this request, which sought current information concerning the corporate organization. This request is similar to the update of KU’s “Energy Trading & Risk Management Activities” provided in the response to Staff Second Request, Item 5. Given this clarification, provide an updated narrative discussing the corporate organization.

5. Refer to the response to Staff Second Request, Items 8(a) through 8(d).

a. Explain how the decision to invest in the Distributed Control Systems ("DCS") was cost justified given Mr. Thompson's response in Item 8(a) that "Recontrolling each unit provides benefits that cannot be necessarily quantified."

b. Concerning the response to Item 8(b), indicate the year when KU began the transition from a time-based preventive maintenance approach to a predictive, reliability-centered maintenance process and when KU believes this transition will be completed.

c. Concerning the response to Item 8(b) describe and calculate the savings from transitioning to a predictive reliability-centered maintenance approach.

d. Concerning the response to Item 8(c), if predictive technologies do not provide sufficient information to extend the run time of units between normally scheduled overhauls, explain how DCS differs from the previous time-based schedule approach. In addition, quantify the savings associated with the use of predictive technologies.

e. Concerning the response to Item 8(d), quantify the "avoided costs" from unplanned equipment failures resulting from the use of predictive technologies.

6. Refer to the response to Staff Second Request, Item 10. KU states that the installation of MAXIMO® was associated with KU's activities in response to the "Year 2000" computer problem. However, on page 6 of the Testimony of Paul W. Thompson, the implication is that MAXIMO® was implemented in conjunction with technological initiatives to support KU's reliability-centered maintenance process. Indicate which response accurately states the reason for installing MAXIMO®.

7. Refer to the response to Staff Second Request, Item 12(b), page 2 of 2.

a. Is DCS designed to alert the system operator to the types of events listed in the response to Item 12(b)? Explain the response.

b. Would KU's previous approach of a time-based maintenance schedule have alerted the system operator to the types of events listed in the response to Item 12(b)? Explain the response.

8. Refer to the response to Staff Second Request, Item 13(b)(ii), page 2 of 2.

a. Do the amounts shown for the test year for the vegetation management program include any expenses associated with KU's response to the February 2003 ice storm? If yes, identify the amounts.

b. Does KU believe the test-year expense for its vegetation management program reflects a reasonable, on-going level of expense? Explain the response.

9. Refer to the response to Staff Second Request, Item 15(a) and the attachment to that response, pages 1 through 6 of 6. Provide verification of the following:

a. Correction of the fuel cost recovery adjustment in Rives Exhibit 1, Reference Schedule 1.01, decreases KU's adjusted net operating income by approximately $1.9 million.

b. This decrease in KU's adjusted net operating income results in its overall revenue deficiency, $58.25 million, being understated by roughly $3.18 million compared to the revenue deficiency that would have been determined if the correct fuel cost recovery adjustment calculation had been included in KU's rate application.

10. Refer to the response to Staff Second Request, Item 15(b).

a. Explain in detail how KU determined that the retirement of Green River Units 1 and 2 constitutes a "partial" retirement. Include copies of the applicable Federal Energy Regulatory Commission ("FERC") guidelines referenced in the response.

b. Were Green River Units 1 and 2 fully depreciated on KU's books? Explain the response.

c. Provide copies of all accounting entries made to KU's books to reflect the December 31, 2003 retirement of Green River Units 1 and 2.

11. Refer to the response to Staff Second Request, Item 15(c).

a. Provide a complete copy of the FERC Order 627, Docket No. RM02-3-000.

b. Has FERC responded to the correspondence from the Edison Electric Institute ("EEI"), shown as an attachment to Item 15(c)(3)? If yes, provide a copy of FERC's reply. If no, indicate when a response is expected.

c. Given the provisions of General Instructions Number 23, part C, of the FERC Uniform System of Accounts ("USoA"), explain in detail why EEI believed it was necessary to seek FERC guidance on establishing a regulatory asset for the portion of the minimum pension liability included in other comprehensive income.

d. The EEI correspondence repeatedly refers to appropriate rate-making treatment when discussing the proposal that a regulatory asset should be created to reflect the portion of the minimum pension liability that is recognized as other comprehensive income. Is EEI in its correspondence seeking an accounting or a rate-making ruling from FERC? Explain the response.

e. Refer to page 10 of 16 of the attachment to Item 15(c)(3). Included in the EEI correspondence are the following statements:

> Furthermore, the unusual economic circumstances that lead to the recording of a minimum pension liability are expected to be temporary. Ratemaking should not include the effects of temporary contingent liabilities recorded solely on the balance sheet to satisfy the FASB's theoretical accountants who focus mainly on the completeness of the balance sheet liabilities at a point in time.

If the minimum pension liability that has been included in other comprehensive income is expected to be a temporary occurrence, explain in detail how a regulatory asset as defined by the FERC USoA can be created for such a temporary item.

f. The account description in the FERC USoA for Account No. 182.3, Other Regulatory Assets, includes the following:

> The amounts included in this account are to be established by those charges which would have been included in net income determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that such items will be included in a different period(s) for purposes of developing the rates that the utility is authorized to charge for its utility services.[1]

(1) Would the minimum pension liability that has been recognized as other comprehensive income have been included in KU's net income determinations in the test year under the general requirements of the USoA?

(2) Would the current amount of the minimum pension liability that has been recognized as other comprehensive income have been included in a different period for purposes of developing the rates of KU?

g. Provide complete copies of the Massachusetts Department of Telecommunications and Energy orders in D.T.E. 02-78 and D.T.E. 03-47-A.

[1] 18 CFR Part 101, Account No. 182.3, subpart B.

12. Refer to the response to Staff Second Request, Item 15(d)(3). In this response, KU indicates that it will provide regular updates of the changes affecting the capital cost and structure since September 30, 2003.

a. Does KU intend to propose that the capital structure used in this case should reflect a period of time other than test-year end? Explain the response.

b. Is KU aware that the Commission in previous cases has recognized the impact on the capital structure of significant post-test-year issues of debt or equity?

13. Refer to the response to Staff Second Request, Item 15(e)(3).

a. Is KU aware that the Commission has accepted on a trial basis the use of the effective Kentucky income tax rate[2] for the determination of income tax effects in general rate cases?

b. Explain why this trial use of the effective Kentucky income tax rate should not be extended to KU in this case.

14. Refer to the response to Staff Second Request, Item 16(b) and the attachment to that response.

a. The Target Award Participation levels are shown on page 2 of 24 of the attachment. Explain how the Target Award for each group was determined.

b. Page 13 of 24 shows the Regulated Generation Team Effectiveness Targets. Provide an explanation of what each effectiveness target represents and how the targets were used to determine awards. Also explain why there is no reference to 50 percent, 100 percent, and 150 percent payouts.

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[2] See Case No. 2001-00092, Adjustment of Gas Rates of The Union Light, Heat and Power Company, final Order dated January 31, 2002 at 58-60.

15. Refer to the response to Staff Second Request, Item 16(e) and the attachment to that response, pages 1 and 2 of 5. Based on the information provided on pages 1 and 2 of 5 of the attachment, state whether KU's pension plan and post-retirement benefit plan are over-funded or under-funded as of test-year end.

16. Refer to the response to Staff Second Request, Items 16(g)(1) through 16(g)(3).

a. Does KU agree that the injuries and damages expense adjustment contained in the Commission's September 27, 2000 Order in Case No. 2000-00080[3] did not include a Consumer Price Index - Urban factor in the calculations?

b. In Items 16(g)(2) and 16(g)(3), KU was requested to explain why its proposed adjustment to injuries and damages was not based on 10 years' experience, and to explain why the test-year level of expense was not included in the calculation of the average. KU's responses did not address these requests. Provide the originally requested information.

17. Refer to the response to Staff Second Request, Item 16(h).

a. Concerning the Value Delivery Team ("VDT") Workforce Reduction surcredit refunded to customers, does the adjustment to the revenues in effect result in the pro forma test year reflecting more than 12 months of revenues? Explain the response.

[3] Case No. 2000-00080, The Application of Louisville Gas and Electric Company to Adjust Its Gas Rates and to Increase Its Charges for Disconnecting Service, Reconnecting Service and Returned Checks.

b. Provide the calculations, workpapers, and assumptions used to determine the “Actual VDT costs” and “VDT settlement cost amortization” as shown on Rives Exhibit 1, Schedule 1.21.

(1) Include the total beginning balance of the “Actual VDT costs” and “VDT settlement cost amortization.”

(2) Include the accounting journal entries KU filed with the Commission under the terms of the settlement agreement.

(3) Include a reconciliation between the amounts shown as “VDT settlement cost amortization” and the KU cost amortization as shown in KU’s response to the First Data Request of Kroger dated February 3, 2004, Item 2, attachment to the response, page 36 of 38.

c. Does KU agree that pursuant to the settlement agreement approved in Case No. 2001-00169,[4] the amount of the deferred debit to be amortized associated with the VDT Workforce Reduction was capped at $56,300,000? If not, explain in detail why KU disagrees.

d. Explain in detail why the actual costs incurred by KU for the VDT Workforce Reduction exceeded the amounts included in the settlement agreement approved in Case No. 2001-00169.

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[4] 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.

e. Explain in detail why KU has been recording the actual amount of VDT expenses on its books rather than the amounts agreed to in the settlement agreement in Case No. 2001-00169.

18. Refer to the response to Staff Second Request, Item 16(i).

a. In Item 16(i)(1), KU was asked to identify any savings and/or benefits anticipated at the time of the merger of LG&E Energy with KU Energy Corp. that had not been realized. KU's response stressed that savings could not be specifically tracked once the merger was consummated. The request did not seek an identification of actual dollar savings. In the merger case, KU had identified potential savings in the areas of labor, corporate and administrative programs, purchasing economies, and capacity deferrals. The information sought in the request was whether, for any of these areas, efforts to achieve some level of savings and/or benefits had not been undertaken. With this clarification, provide the originally requested information.

b. In Item 16(i)(5), KU states that the discontinuance of the Merger Surcredit in this case would be "clearly contrary" to the settlement agreement reached by the parties and approved by the Commission in Case No. 2002-00429.[5] Are there any provisions in that settlement agreement that prohibit the Commission from considering whether the Merger Surcredit should be continued as part of a general rate case? If yes, identify the specific provisions contained in the settlement agreement.

c. In order to maintain the balance between ratepayers and shareholders in the Merger Surcredit, KU's revenue requirement in this case has been

[5] Case No. 2002-00429, 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.

increased by approximately $19.0 million plus the applicable tax effect. KU has proposed an increase in its electric rates of $58.3 million. However, under the terms of the settlement agreement approved in Case No. 2002-00429, KU will be refunding to ratepayers approximately $19.0 million through the Merger Surcredit. In effect, if KU is granted its proposed increase in electric rates, it will be returning through the Merger Surcredit $19.0 million of its $58.3 million increase to ratepayers. In light of these statements, explain why it is reasonable to continue this mechanism.

19. Refer to the response to Staff Second Request, Item 16(j).

a. Have any of the costs incurred by Midwest Independent Transmission System Operator, Inc. ("MISO") in conjunction with the August 2003 "blackout" been charged to KU, either directly or indirectly? Explain the response.

b. If yes to part (a) above, provide the actual or a best estimate of the amount charged to KU.

c. If MISO should file for bankruptcy, would KU become liable for any of MISO's indebtedness? Explain the response.

20. Refer to the response to Staff Second Request, Item 16(j)(1) and the attachment to that response. As shown on the attachment, KU's MISO revenues approximately double the level of its MISO expenses. Explain why KU's MISO revenues are higher than its MISO expenses?

21. Refer to the response to Staff Second Request, Item 16(k). Provide the test-year Team Incentive Award payments to the IT employees recorded on KU's books. Separate the amount between Kentucky jurisdictional and other jurisdictional operations.

22. Refer to the response to Staff Second Request, Item 16(l) and the attachment to that response.

a. Provide the following information concerning the existing purchase power contract with Owensboro Municipal Utilities ("OMU") and the 2002-A and 2002-B series bonds:

(1) The date the existing purchase power contract expires.

(2) The face amount, interest rate, and life of each bond series.

b. Refer to the attachment to Item 16(l)(1), page 2 of 3. Provide the monthly debt service schedule for the Series 2002-A and 2002-B bonds for 2006 through and including 2010.

c. Refer to the attachment to Item 16(l)(1), page 3 of 3.

(1) Provide the KU "Representative 12-Month Obligation for OMU Series 2002 A & B Debt Service" for 2006 through and including 2010. Use the same format as shown in the attachment.

(2) Explain in detail how the percentage factor that determines KU's share of the debt service is calculated. Include all supporting assumptions, documentation, and workpapers.

23. Refer to the response to Staff Second Request, Item 17(c). Explain how KU concludes that it has met the provision of the settlement agreement in Case No. 2001-00140[6] with the filing of a depreciation study in this case, considering that the new depreciation study is based on plant-in-service as of December 31, 2002 while the

[6] Case No. 2001-00140, Application of Kentucky Utilities Company for an Order Approving Revised Depreciation Rates.

settlement agreement states that the next depreciation study is to be based on plant-in-service as of December 31, 2003.

24. Refer to the response to Staff Second Request, Item 28(a).

a. Mr. Rosenberg states that if a three-year Earning Sharing Mechanism ("ESM") were to be adopted without the opportunity to file a rate case in the interim, KU's cost of equity would be substantially higher than if it has the opportunity to file a rate case. Provide an estimate of the additional cost of equity that KU would incur if not allowed an opportunity to file a rate case while an ESM was in effect.

b. Describe and compare the effect on the cost of equity to KU between not having an ESM at all and having one that does not allow interim rate case filings.

25. Refer to the response to Staff Second Request, Item 29.

a. Provide a schedule similar to Seelye Exhibit 11, which calculates an adjustment based on the average number of customers for the 13-month period ending September 30, 2003, rather than the 12-month period used in Exhibit 11.

b. The response to Item 29(b) includes "bill frequency supplemental reports" for the months of October 2002 through September 2003. Provide the "bill frequency supplemental report" for September 2002.

26. Refer to the response to Staff Second Request, Item 31, which states that KU's marketing efforts to acquire more all-electric customers have been curtailed.

a. Explain KU's position regarding whether electric heat has become more or less cost competitive with gas heat in recent years. Include in the explanation the effect of improvements in heating system efficiencies and market trends in natural gas cost.

b. Explain whether KU would like to expand its residential heating market share in its service territory.

c. Explain why KU believes that eliminating rate FERS is equitable considering that many of the customers on that rate chose electric heat due to its marketing effort offering an all-electric rate.

27. Refer to the response to Staff Second Request, Item 34 and pages 24 and 25 of the Direct Testimony of William Steven Seelye ("Seelye Testimony"). On page 25 of the Seelye Testimony is the statement, "Because KU is proposing to eliminate the 1994 Plan from its monthly Environmental Surcharge filings on a going-forward basis, only the operating expenses associated with the post-1994 Plan are eliminated in this adjustment."

a. Where has KU made the referenced proposal to eliminate the 1994 Environmental Surcharge Compliance Plan ("1994 Plan") costs from its monthly surcharge filings on a going-forward basis?

b. Explain why KU believes the environmental surcharge adjustment in this case should be based on whether the cost is associated with the 1994 Plan or the post-1994 Environmental Surcharge Compliance Plan ("Post-1994 Plan").

c. Explain how KU's approach reasonably reflects the impact of the "roll in" calculation of the surcharge in Case No. 2003-00068.[7]

d. Provide the calculation of the "roll in" amount determined in Case No. 2003-00068. The calculations should show separately the environmental surcharge rate base and operating expenses.

e. Using the rate base and operating expense amounts used to determine the "roll in" in Case No. 2003-00068 and the corresponding balances for the environmental surcharge rate base and operating expenses as of September 30, 2003, provide an example demonstrating KU's concerns about the alternative method suggested in Item 34(b).

f. Explain in detail why KU believes that if the alternative method suggested in Item 34(b) were utilized,

(1) The reduction to the monthly billing factor that is currently performed would be eliminated.

(2) KU would start using a new baseline elimination of rate base and operating expenses and in effect stop using the base-current methodology.

28. Refer to the response to Staff Second Request, Item 35. Have the costs associated with the 500 kV transmission line in Virginia been consistently allocated to all jurisdictions in the Jurisdictional Separation Study since 1980? Explain the response.

[7] Case No. 2002-00068, An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Utilities Company for the Six-Month Billing Periods Ending January 31, 2001, July 31, 2001, January 31, 2002, and January 31, 2003 and for the Two-Year Billing Periods Ending July 31, 2000 and July 31, 2002.

29. Refer to the response to Staff Second Request, Item 36. Labor in the amount of $6.13 is required for returned payments. Provide the average hourly rate (including overheads) for employees that typically process returned payments.

30. Refer to the response to Staff Second Request, Item 39.

a. Refer to the response to Item 39(a). Describe the customer centric database, the manner in which the database is utilized, and the benefits anticipated from this expenditure.

b. Refer to the response to Item 39(i). Explain the use of route personal computers and related equipment.

31. Refer to the response to Staff Second Request, Item 41

a. Refer to the response to Item 41(b). Provide the date when the Pineville Station was retired.

b. Refer to the response to Item 41(c). What was the percentage reduction in combustion turbine generation in the test year?

c. Refer to the response to Item 41(l). Concerning the costs for medical and insurance coverage for employees:

(1) Explain in detail the reason(s) for the increase of $1.9 million.

(2) Explain in detail the reason(s) for the decrease in retiree medical expenses of $1.2 million.

32. Refer to the response to Staff Second Request, Item 43. Explain the reason(s) for the increase in total overtime hours between 2002 and the test year.

33. Refer to the response to Staff Second Request, Item 47(a) and the attachment to that response. For each of the vendors listed below, provide a more detailed description of the services provided to KU:

a. American Payment Systems, Inc. – Credit Card Processing Service, pages 3 and 4 of 108.

b. Commercial Movers Inc. – Office relocation movers, page 21 of 108.

c. Davis H. Elliot Company Inc. – O&M work on installation of OH/UG lines, pages 22 through 27 of 108.

d. William W. Gamblin – Budget Support - Retail, page 48 of 108.

e. Heidrick and Struggles Inc. – Management Recruitment Services, page 53 of 108.

f. ICR – Customer Survey, pages 56 and 57 of 108.

g. Jarboe – Customer Demonstration/Sales, page 57 of 108.

h. Lakeshore Financial Staff – Training Supervisor and Janitorial services for office and grounds, pages 63 and 64 of 108.

i. Lakeshore Staffing Group – Training Supervisor and Sourcing Contractor, pages 65 through 68 of 108.

j. Greggory Keith Long – External communications, pages 68 through 70 of 108.

k. R. E. Lyon – Sourcing Contractor, page 71 of 108.

l. Neace Lukens Inc. – Risk Management Services, page 74 of 108.

m. Schmidt Consulting Services Inc. – Customer educational services, page 83 of 108.

34. Refer to the response to Staff Second Request, the attachment to Item 47(a).

a. Refer to page 1 of 108. Explain in detail why invoice numbers 09504580 through 09888033 from Robert Half Management Resources are identified in KU's response as "Temporary Help" while the same invoice numbers were identified in LG&E's response to the Commission Staff's Second Data Request dated February 3, 2004, Item 56, pages 4 and 5 of 270 as "Contract Auditor."

b. Refer to pages 27 through 34 of 108. Explain why the costs associated with services provided by Dewolff Boberg and Associates are recurring.

c. Refer to pages 106 and 107 of 108. Based on the information contained in these pages, KU spent approximately 340,000 on line locating services.

(1) Were these costs associated with line locating related to locating KU's entire system of lines or on an "as needed" basis for individual projects?

(2) Does KU believe that the test-year expense for this item reflects the reasonable on-going level, is higher that the on-going level, or is lower than the on-going level? Explain the response.

35. Refer to the response to Staff Second Request, Item 48. Would KU agree that the charitable contributions recorded in error in accounts other than Account No. 426 should be removed for rate-making purposes?

36. Refer to the response to Staff Second Request, Item 56(c). Provide an amount for the 5 percent of Mr. Rosenberg's invoiced amounts that related to KU's

Earnings Sharing Mechanism case. Include all assumptions and calculations used to determine the amount.

37. Refer to the attachment to the response to the Commission Staff's First Data Request dated December 19, 2003 ("Staff First Request"), Item 43. On this schedule KU shows its "Actual Embedded Cost" for long-term debt and "Embedded Cost per KY PSC Case No. 98-474."

a. Is the use of the "Actual Embedded Cost" for long-term debt consistent with previous decisions of the Commission? Explain the response.

b. Which cost of long-term debt does KU believe is appropriate for rate-making purposes? Explain the response in detail.

38. Refer to Volume 4 of 6 of the Application, the Testimony of S. Bradford Rives, Rives Exhibit 6.

a. In calculating the requested rate of return on Kentucky jurisdictional net original cost rate base as shown on line 12, why didn't KU use a pro forma rate base amount? Explain the response.

b. Why hasn't KU prepared and submitted in this case a pro forma rate base for Kentucky jurisdictional operations, other jurisdictional operations, and total company? Explain the response.

c. Prepare a pro forma rate base for KU's Kentucky jurisdictional operations, other jurisdictional operations, and total company. Include the appropriate references for all pro forma adjustments recognized in determining the pro forma rate base.

39. Provide a description and associated dollar amounts of all expenses booked “above-the-line” during the test year relating to the following items:

a. Employee gifts and award banquets.

b. Social events and parties.

c. Other employee-related social expenses.

Separate the amounts between Kentucky jurisdictional and other jurisdictional operations. Also include an explanation as to why these expenses should be included for rate-making purposes.

40. Does KU believe that the portion of its EEI dues associated with Legislative and Regulatory Advocacy, Advertising, Marketing, and Public Relations should be included for rate-making purposes? Explain the response.

41. Refer to the response to the Attorney General’s First Data Request dated February 3, 2004 (“AG First Request”), Item 181, regarding the elimination of the Combined Off-Peak Water Heating rider. The response indicates that under a single tariff, the customers will not be billed two customer charges and that, over time, the extra meters will be removed. The response to the AG First Request, Item 184 regarding elimination of the Electric Space Heating rider indicates that, while all service will be billed under a single tariff, the customers will have two meters and will pay two customer charges. Considering the similarity of the tariffs proposed for elimination, explain why KU proposes this disparate treatment for the former customers served under the two riders.

42. Refer to the response to the Kentucky Industrial Utility Customers, Inc. (“KIUC”) First Data Request dated February 3, 2004 (“KIUC First Request”), Item 109.

The response states that the Redundant Capacity Rider is being offered in response to customer requests over the years. KU also states that it has not had any communication with customers regarding the rate schedule either before, or subsequent to, filing this case.

a. Provide a narrative description of the customer interest in the Redundant Capacity Rider. Include an estimate of the number of customers making a request for such a service and state when the most recent inquiries were made.

b. KU states that, as a new offering, there are no test year revenues or billing determinants, or estimates of revenues or determinants. Based on the information provided in response to 4(a), provide KU's best estimate of the level of revenues the rider will generate.

43. Refer to the response to the KIUC First Request, Item 111. KU states that, as a new offering, there are no test year revenues or billing determinants, or estimates of revenues or determinants for the Intermittent and Fluctuating Loads Rider. Provide KU's best estimate of the level of revenues the rider will generate.

44. Refer to the response to the KIUC First Data Request, Item 112(b). As requested, provide a schedule comparing present revenues and proposed revenues for the customers served under rate HLF that are proposed to be served under the LP rate.

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

Dated March 1, 2004

cc: All Parties