

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

LOUISVILLE GAS AND ELECTRIC COMPANY'S	)	
ANNUAL EARNINGS SHARING MECHANISM	)	CASE NO.
FILING FOR CALENDAR YEAR 2003	)	2004-00069

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 7 copies of the following information with the Commission with a copy to all parties of record. The information requested herein is due April 30, 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. Refer to the March 1, 2004 Annual Earnings Sharing Mechanism Filing (“2004 ESM Filing”), Form 1. Does LG&E know why the net operating income for 2003 was \$19,388,059 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 LG&E has not attempted to determine why the 2003 net operating income was below the lower equity limit.

2. Refer to the 2004 ESM Filing, Form 2, Column 6 – Adjusted Electric and the February 28, 2003 Annual Earnings Sharing Mechanism Filing, Form 2, Column 6 – Adjusted Electric filed in Case No. 2003-00076.<sup>1</sup> For each account listed below, describe the reason(s) for the change in the account balance shown in Column 6 between December 31, 2002 and December 31, 2003.

- a. Total Sales to Ultimate Customers.
- b. Sales for Resale.
- c. Operation Expenses.
- d. Depreciation Expense.

3. Refer to the 2004 ESM Filing, Form 3(b). Explain why it is necessary to adjust the determination of the cost of long-term debt for the “Environmental Compliance Rate Base” in Column 7 and the “Environmental Interest Expense” in Column 8. Include with the explanation the reason(s) supporting the environmental-related adjustments.

4. Refer to the 2004 ESM Filing, Form 3(f), pages 2 and 3 of 3.

---

<sup>1</sup> Case No. 2003-00076, Louisville Gas and Electric Company’s Annual Earnings Sharing Mechanism Filing for Calendar Year 2002.

a. On page 2 of 3, in the “Post-1995 Plan” section, Column D, the amounts shown for April and May 2003 for Accumulated Depreciation do not agree with the corresponding amounts included in LG&E’s monthly environmental surcharge reports. Indicate which amounts for the April and May 2003 Accumulated Depreciation are correct. If the amounts shown on page 2 of 3 are incorrect, resubmit all schedules impacted by the correction of the Accumulated Depreciation amounts.

b. On page 3 of 3, reference is made to Exhibit CAF-2 from Case Nos. 2002-00193<sup>2</sup> and 2003-00236.<sup>3</sup> Provide copies of Exhibit CAF-2 as submitted in the referenced cases.

5. Refer to the 2004 ESM Filing, Appendix B.

a. For both employee labor costs and contractor costs, provide the capitalized amounts, the expensed amounts, and the total amounts (capitalized plus expensed) for 2002 and 2003. Also provide the capitalization ratios for employee labor and contractor costs for 2002 and 2003.

b. The employee headcount was 1,272 at December 31, 2002 and 1,245 at December 31, 2003, a decrease of 2.12 percent. Explain why employee labor costs increased from \$94,498,537 in 2002 to \$100,590,877 in 2003, an increase of 6.45 percent.

---

<sup>2</sup> Case No. 2002-00193, An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Louisville Gas and Electric Company for the Six-Month Billing Periods Ending April 30, 2000, October 31, 2000, October 31, 2001, and April 30, 2002 and for the Two-Year Billing Period Ending April 30, 2001.

<sup>3</sup> Case No. 2003-00236, An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Louisville Gas and Electric Company for the Two-Year Billing Period Ending April 30, 2003.

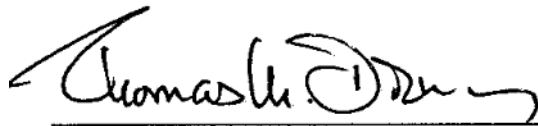
c. Identify the types of costs included in the burdened labor costs and provide the specific percentage increases in the various components of burdened labor costs between 2002 and 2003.

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

e. Contractor costs decreased from \$64,494,415 in 2002 to \$58,483,807 in 2003, a decrease of 9.46 percent.

(1) Provide a schedule summarizing the increases or decreases in operation and maintenance contractor costs by functional areas.

(2) Provide a detailed explanation for the decrease in contractor costs between 2002 and 2003, including the extent to which changes in the capitalization ratios impacted the magnitude of the decrease.



---

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

DATED April 15, 2004

cc: All Parties