

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 2003)	2004-00070

COMMISSION STAFF'S FIRST 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 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 KU know why the net operating income for 2003

was \$24,157,776 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 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. 2003-00077.¹ 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. When determining the net operating income for the 2004 ESM Filing, explain how KU treated expenses associated with the February 2003 ice storm.

4. 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.

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

¹ Case No. 2003-00077, Kentucky Utilities Company’s Annual Earnings Sharing Mechanism Filing for Calendar Year 2002.

a. On page 2 of 3, in the “1994 Plan” section, Column E, the amount shown for March 2003 for Emission Allowances does not agree with the corresponding amount included in KU’s monthly environmental surcharge report. Indicate which amount for the March 2003 Emission Allowances is correct. If the amount shown on page 2 of 3 is incorrect, resubmit all schedules impacted by the correction of the Emission Allowances amount.

b. On page 3 of 3, reference is made to Exhibit CAF-3 from Case No. 2003-00068.² Provide copies of Exhibit CAF-3 as submitted in Case No. 2003-00068.

6. 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 1,280 at December 31, 2002 and 1,283 at December 31, 2003, an increase of 0.23 percent. Explain why employee labor costs increased from \$84,596,426 in 2002 to \$93,294,055 in 2003, an increase of 10.28 percent.

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.

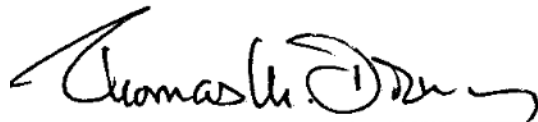
² Case No. 2002-00068, An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Utilities Company for the Six-Month Billing Periods Ending January 31, 2001, July 31, 2001, January 31, 2002, and January 31, 2003 and for the Two-Year Billing Periods Ending July 31, 2000 and July 31, 2002.

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

e. Contractor costs increased from \$55,065,901 in 2002 to \$57,322,911 in 2003, an increase of 4.10 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
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DATED April 15, 2004

cc: All Parties