

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT)
AND POWER COMPANY D/B/A DUKE) CASE NO. 2006-00172
ENERGY KENTUCKY FOR AN)
ADJUSTMENT OF ELECTRIC RATES)

FIRST DATA REQUEST OF COMMISSION STAFF
TO DUKE ENERGY KENTUCKY

The Union Light, Heat and Power Company, d/b/a Duke Energy Kentucky (“Duke Kentucky”), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 6 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before either 14 days after the initial submission of the rate application or 28 days after the date of this Data Request, whichever is later. 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 witness 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 requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. Provide a copy of the current bylaws. Indicate any changes made to the bylaws since the year utilized as the test year in Duke Kentucky's last rate case.

2. Provide the current organization chart, showing the relationship between Duke Kentucky and any affiliated companies. Include the relative positions of all entities and affiliates with which Duke Kentucky routinely has business transactions.

3. Provide a complete copy of the workpapers, calculations, and assumptions Duke Kentucky used to develop its electric operation's forecasted test-period financial information.

4. Provide a complete copy of all of Duke Kentucky's internal accounting manuals, directives, and policies and procedures.

5. Provide a complete copy of all of Duke Kentucky's budget instructions, assumptions, directives, manuals, policies and procedures, timelines, and descriptions of budget procedures.

6. Provide a comparison of Duke Kentucky's electric monthly operating budgets to the actual results, by account, for 2003, 2004, and 2005. Explain in detail any yearly account variance greater than 5 percent. In the response include comparisons for the following major expenses:

- a. Fuel.
- b. Total Purchased Power.
- c. Transmission Expenses – Operation.
- d. Distribution Expenses – Operation.
- e. Distribution Expenses – Maintenance.
- f. Customer Accounts Expense.

- g. Administrative and General Salaries.
- h. Office Supplies and Expenses.
- i. Rents.

7. Provide the same information requested in Item 6 for 2006 as it becomes available.

8. Provide a reconciliation and detailed explanation of each difference, if any, in the electric capitalization and the electric net investment rate base of Duke Kentucky for the base period.

9. Provide a rate base, capital structure, and statement of income for Duke Kentucky's total company and for its electric operations for the most recent actual 12-month period at the time of the company's application for rate adjustment and for the base period used in the company's application. Provide detailed explanations necessary to reconcile this data with the filed base period revenue requirement information.

10. Describe the procedures that Duke Kentucky uses to plan and approve construction projects for its electric operations.

11. Provide Duke Kentucky's long-term construction planning program for its electric operations.

12. Concerning Duke Kentucky's construction projects:

a. For each electric construction project begun during the last 10 calendar years, provide the information requested in the format contained in Schedule 1a. For each project, include the amount of any cost variance and delay encountered, and explain in detail the reasons for such variances and delays.

b. Using the data included in Schedule 1a, calculate the annual “Slippage Factor” associated with Duke Kentucky’s electric construction projects. The Slippage Factor should be calculated using the format contained in Schedule 1b.

c. Duke Kentucky is a combined electric and gas utility. In this proceeding, Duke Kentucky is seeking an increase in its electric revenues and is utilizing a forecasted test period. In previous Duke Kentucky rate cases, a jurisdictional rate base ratio has been calculated based upon the electric and total company rate bases. In order to have the information available to accurately calculate the jurisdictional rate base ratio, provide the same information requested in parts (a) and (b) above for Duke Kentucky’s gas construction projects, utilizing the formats contained in Schedules 1a and 1b.

d. In determining the capital additions to be reflected in the base period and forecasted test period for electric and gas operations, did Duke Kentucky recognize a Slippage Factor in the calculations? Explain the response.

13. Provide, in the format provided as Schedule 2, an analysis of the electric Construction Work in Progress (“CWIP”) as defined in the Uniform System of Accounts for the 12 months preceding the base period, the base period, and the forecasted test period.

14. Provide the information requested in Schedule 3 for each construction project in progress listed on Schedule 2.

15. Provide the information requested in Schedule 4 for budgeted and actual regular wages, overtime wages, and total wages for electric operations by employee group, by month, for the most recent two years available. Explain in detail any variance

exceeding 5 percent in any one month. Update as further information becomes available.

16. Provide a complete copy of all wage, compensation, and employee benefits studies, analyses, or surveys conducted within the past 5 years or currently utilized by Duke Kentucky.

17. For each electric operation employee group, state the amount, percentage increase, and effective dates for general wage increases and, separately, for merit increases granted for the years 2004, 2005, the base period, and the forecasted test period.

18. Provide complete details of all early retirement plans or other staff reduction programs Duke Kentucky or its parent holding company have offered or intend to offer its electric employees during either the base period or the forecasted test period. Include all cost-benefit analyses associated with these programs.

19. Concerning employee fringe benefits:

a. Provide a detailed list of all fringe benefits available to Duke Kentucky electric employees and the expected cost of each benefit in the base period and the forecasted test period. Indicate which fringe benefits, if any, are limited to management employees.

b. Provide comparative cost information for the 2 years preceding the base period and the base period. Explain any changes in fringe benefits occurring over this period.

20. List separately the budgeted and actual numbers of the electric operation's full- and part-time employees by employee group, by month and by year, for

the 5 years immediately preceding the base period, the base period, and the forecasted test period.

21. Provide complete details of Duke Kentucky's Other Post-retirement Employee Benefits package(s) provided to electric employees.

22. Provide all current labor contracts and the most recent contracts previously in effect for electric operations.

23. Provide a complete copy of each group medical insurance policy that Duke Kentucky currently maintains for its electric employees.

24. Provide, in the format provided as Schedule 5, an analysis of the gross additions, retirements, and transfers for each major functional plant property group or account for Duke Kentucky occurring in the forecasted test period. Provide this information for both electric operations and total company operations. For any account in which transfers regularly occur in the normal course of business, also include a general description of the nature of the transfers.

25. List all properties leased to the utility and improvements to leased properties, together with annual lease payments which are capitalized, in the format provided in Schedule 6. Provide this information for both electric operations and total company operations.

26. List all property held for future use included in rate base in the format provided in Schedule 7. In addition, for each property listed, provide its expected in-service date and its expected use. Provide this information for both electric operations and total company operations.

27. Provide the information requested in Schedule 8 regarding Certain Deferred Credits, Accumulated Deferred Income Taxes, and Other Rate Base items included in the forecasted test-period rate base. Provide this information for both electric operations and total company operations.

28. Provide the following monthly account balances and a calculation of the average (13 month) account balances for both the total company and the electric operations (original cost):

- a. Plant in Service.
- b. Plant Purchased or Sold.
- c. Property Held for Future Use.
- d. CWIP (Separate this balance into CWIP eligible for capitalized interest and other CWIP).
- e. Completed Construction Not Classified.
- f. Accumulated Depreciation and Amortization.
- g. Plant Acquisition Adjustment.
- h. Amortization of Utility Plant Acquisition Adjustment.
- i. Materials and Supplies.
- j. Balance in Accounts Payable Applicable to each account in (i) above (If actual cannot be determined, give reasonable estimate).
- k. Unamortized Investment Tax Credit - Pre-Revenue Act of 1971.
- l. Unamortized Investment Tax Credit - Revenue Act of 1971.
- m. Accumulated Deferred Income Taxes.
- n. A Summary of Customer Deposits.

- o. Computation and Development of Minimum Cash Requirements.
- p. Balance in accounts payable applicable to amounts included in utility plant in service (If actual cannot be determined, give reasonable estimate).
- q. Balance in accounts payable applicable to prepayments by major category or subaccount.
- r. Balance in accounts payable applicable to amounts included in plant under construction (If actual cannot be determined, give reasonable estimate).
- s. All Current Assets and Current Liability Accounts not included above.

29. Provide a calculation of federal and state income tax expense for electric operations, including a reconciliation of book to taxable income for the base period and the forecasted period in the format provided in Schedule 9. Indicate whether the calculation reflects the income tax expense from a stand-alone or consolidated company basis.

30. Provide a trial balance as of the last day of the base period showing account number, account title, and actual base period accounts. All income statement accounts should show activity for 12 months. Provide this information for both the electric operations and total company operations.

31. For each of the Statement of Financial Accounting Standards ("SFAS") identified below, provide the information listed concerning implementation for Duke Kentucky's electric operations.

- a. SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

- (1) The date that Duke Kentucky adopted the SFAS.
- (2) The effect on the financial statements.
- (3) Whether the base period or forecasted test period includes

any impact of the implementation. If so, provide detailed information regarding the impact.

b. SFAS No. 109, "Accounting for Income Taxes."

- (1) The date that Duke Kentucky adopted the SFAS.
- (2) The effect on the financial statements.
- (3) Whether the base period or forecasted test period includes

any impact of the implementation. If so, provide detailed information regarding the impact.

c. SFAS No. 112, "Employers' Accounting for Postretirement Benefits."

- (1) The date that Duke Kentucky adopted the SFAS.
- (2) The effect on the financial statements.
- (3) Whether the base period or forecasted test period includes

any impact of the implementation. If so, provide detailed information regarding the impact.

d. SFAS No. 143, "Accounting for Asset Retirement Obligations."

- (1) The date that Duke Kentucky adopted the SFAS.
- (2) The effect on the financial statements.

(3) Whether the base period or forecasted test period includes any impact of the implementation. If so, provide detailed information regarding the impact.

(4) A schedule comparing the depreciation rates utilized by Duke Kentucky prior to and after the adoption of SFAS No. 143. The schedule should identify the assets corresponding to the affected depreciation rates.

32. Provide copies of all service agreements and contracts that Duke Kentucky has with any affiliate company. Include a narrative discussion of the pricing policies of Duke Kentucky and its affiliates with regard to affiliate company transactions.

33. Concerning transactions between Duke Kentucky's electric operations and any affiliated companies:

a. Provide a comprehensive list and detailed description of any goods or services that have been provided to Duke Kentucky by any affiliated company or are expected to be provided during the forecasted test period.

b. Describe the benefits that Duke Kentucky derives from having affiliates provide the goods or services identified in part (a).

c. Provide a comprehensive list and detailed description of any goods or services that Duke Kentucky has provided to any affiliated companies or are expected to be provided during the forecasted test period.



Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

DATED May 17, 2006

cc: All Parties

Duke Energy Kentucky
Case No. 2006-00172
Construction Projects

As of _____

Data: _____ Base Period _____ Forecasted Period _____
Type of Filing: _____ Original _____ Updated _____ Revised _____
Workpaper Reference No(s):: _____

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Pa
Wi

Project No.	Project Budget Title/Description Start	Annual Original Actual Budget Cost End	Annual Original Actual Budget Start	Variance Date In Actual Dollars End	Variance Date As Percent Percent	Percent Of Budget	Total Actual Project Cost	Total Budget Project Cost	Variance In Dollars
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Duke Energy Kentucky
Case No. 2006-00172
Calculation of Capital Construction Project Slippage Factor

Source: Schedule 1a – Construction Projects

Years	Annual Actual Cost	Annual Original Budget	Variance in Dollars	Variance as Percent	Slippage Factor
2005					
2004					
2003					
2002					
2001					
2000					
1999					
1998					
1997					
1996					
Totals					
10 Year Average Slippage Factor (Mathematic Average of the Yearly Slippage Factors / 10 years)					

The Annual Actual Cost, Annual Original Budget, Variance in Dollars, and Variance as Percent are to be taken from Schedule 1a. Total all projects for a given year.
The Slippage Factor is calculated by dividing the Annual Actual Cost by the Annual Original Budget. Calculate a Slippage Factor for each year and the Totals line. Carry Slippage Factor percentages to 3 decimal places.

Duke Energy Kentucky
Case No. 2006-00172
Construction Projects

As of _____

Data: _____ Base Period _____ Forecasted Period _____
Type of Filing: _____ Original _____ Updated _____ Revised _____
Workpaper Reference No(s): _____

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			Accumulated Costs			
Line No. (A)	Project No. (B) (G=D+E+F)	Description of Project (C) (H)	Construction Amount (D)	AFUDC Capitalized (E)	Indirect Costs Other (F)*	Total Cost
			\$	\$	\$	\$

TOTAL

*Explain the nature of all other indirect costs in footnotes.

Duke Energy Kentucky
Case No. 2006-00172
Construction Work in Progress – Percent Complete*
As of _____

Data: _____ Base Period _____ Forecasted Period _____
Type of Filing: _____ Original _____ Updated _____ Revised _____
Workpaper Reference No(s): _____

Line No.	Project Total Project No. (B)	Date Construction Total Work Began Expenditures (C)	Estimated Project Completion Date (D)	Percent of Elapsed Time (E)	Original Budget Estimate (F)	Most Recent Budget Estimate (G)	(H)
					\$	\$	\$

*Should be based on expenditures including AFUDC.

Duke Energy Kentucky
Case No. 2006-00172
Monthly Payroll Variance Analysis
As of _____

Data: _____ Base Period _____ Forecasted Period _____
Type of Filing: _____ Original _____ Updated _____ Revised _____
Workpaper Reference No(s): _____

<u>Employee</u>		<u>Monthly Budget</u>			<u>Monthly Actual</u>			
<u>Variance Percent</u>	<u>Group</u>	Reg.	OT	Total	Reg.	OT	Total	Reg.
<u>Date</u>								

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OT

Duke Energy Kentucky
Case No. 2006-00172
Gross Additions, Retirements, and Transfers
As of _____

Data: _____ Base Period _____ Forecasted Period _____
Type of Filing: _____ Original _____ Updated _____ Revised _____
Workpaper Reference No(s): _____

Transfers/Reclassifications

Line No.	Account No.	Account Title	Beginning Balance	Additions	Retirements	Amount	Explanation of Transfers
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Duke Energy Kentucky
Case No. 2006-00172
Leased Property

As of _____

Data: _____ Base Period _____ Forecasted Period _____
Type of Filing: _____ Original _____ Updated _____ Revised _____
Workpaper Reference No(s): _____

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Identification Value or Reference Number	Explain Description of Type and Use of Property	Name of Lessee	Frequency of Payment	Amount of Lease Payment	Dollar Property Involved*
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*If not available, an estimate should be furnished.

Duke Energy Kentucky
Case No. 2006-00172
Certain Deferred Credits and Accumulated Deferred Income Taxes
As of _____

Data: _____ Base Period _____ Forecasted Period _____
Type of Filing: _____ Original _____ Updated _____ Revised _____
Workpaper Reference No(s): _____

Line No.	Account No.	Description
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Customers' Advances for Construction

Contributions in Aid of Construction

Investment Tax Credits:

Pre-1971 – 3% Credit

1971 4% Credit

1975 6% Additional Credit

1981 10% Credit on Recovery Property

ITC Tax Benefits Sold

Deferred Income Taxes:

Accelerated Amortization

Liberalized Depreciation

ACRS Tax Benefits Sold

Other (Specify and list separately)

Other (Specify and list separately)

Also provide the ITC option elected in 1971 and 1975 under Section 46(f) of the 1954 Internal Revenue Code.

Duke Energy Kentucky
Case No. 2006-00172
Adjusted Jurisdictional Federal and _____ State Income Taxes*
For the 12 Months Ended _____

Data: _____ Base Period _____ Forecasted Period
Type of Filing: _____ Original _____ Updated _____ Revised
Workpaper Reference No(s): _____

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At Proposed Rates _____		At Current Rates Schedule 49			
Line	Adjustments Description	Unadjusted Adjusted (1)	Adjustments (2)	Adjusted (3)	(4)
1	Operating Income Before Income Taxes	\$	\$	\$	\$
2	Reconciling Items:				
3	Interest Charges				
4	Tax Accelerated Depreciation				
5	Book Depreciation				
6	Excess of Tax Over Book Depreciation				
7	Other Reconciling Items (Specify and List)				
8	Total Reconciling Items				
9	Taxable Income				
10	Income Tax Rates:				
11	\$ _____ @ _____ %				
12	\$ _____ @ _____ %				
13	\$ _____ @ _____ %				
14	\$ _____ @ _____ %				
15	Over \$ _____ @ _____ %				
16	Federal (State) Income Tax Liability				

*Separate Schedules should be completed for the Federal and State calculations.

Duke Energy Kentucky
Case No. 2006-00172
Adjusted Jurisdictional Federal and _____ State Income Taxes*
For the 12 Months Ended _____

Data: _____ Base Period _____ Forecasted Period
Type of Filing: _____ Original _____ Updated _____ Revised
Workpaper Reference No(s): _____

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Pa
Wi

At Proposed Rates _____		At Current Rates Schedule 49			
Line	Adjustments Description	Unadjusted Adjusted (1)	Adjustments (2)	Adjusted (3)	(4)
17	Investment Tax Credits	\$ _____	\$ _____	\$ _____	\$ _____
18	Federal (State) Income Taxes – Current	_____	_____	_____	_____
19	Deferred Income Taxes:				
20	Tax Accelerated Depreciation				
21	Tax Straight-Line Depreciation	_____	_____	_____	_____
22	Excess of Accelerated Over Straight-Line Depreciation				
23	Deferred Income Tax @ _____ %				
24	Amortization of Prior Years Deferred Income Taxes	_____	_____	_____	_____
25	Net Deferred Income Taxes Resulting from Depreciation				
26	Investment Tax Credit Deferred				
27	Amortization of Prior Year ITC	_____	_____	_____	_____

*Separate Schedules should be completed for the Federal and State calculations.

Duke Energy Kentucky
Case No. 2006-00172
Adjusted Jurisdictional Federal and _____ State Income Taxes*
For the 12 Months Ended _____

Data: _____ Base Period _____ Forecasted Period
Type of Filing: _____ Original _____ Updated _____ Revised
Workpaper Reference No(s): _____

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Pa
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<u>At Proposed Rates</u>		<u>At Current Rates</u> Schedule 49			
Line	Adjustments	Unadjusted	Adjustments	Adjusted	
No.	Description	Adjusted (1)	(2)	(3)	
				(4)	
28	Investment Tax Credit – Net	\$	\$	\$	\$
29	Other Tax Deferrals (Specify and List Separately)	_____	_____	_____	_____
30	Total Deferred Income Taxes	=====	=====	=====	=====
31	Total Federal (State) Income Taxes (18 + 30)	=====	=====	=====	=====

*Separate schedules should be completed for the Federal and State calculations.