

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 ENERGY)	
KENTUCKY, INC. FOR AUTHORITY TO)	CASE NO.
ESTABLISH A REGULATORY ASSET FOR)	2007-00054
DEFERRED VACATION EXPENSE)	

FIRST DATA REQUEST OF COMMISSION STAFF
TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. ("Duke Kentucky"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 5 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before March 5, 2007. 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 regulated operations, separately.

1. Explain why Statement of Financial Accounting Standards (“SFAS”) No. 43, issued in 1980, has not been applied previously. Provide the changes that have occurred to vacation policies that necessitate the implementation of the statement. Provide the time period(s) these changes occurred.

2. Provide the proposed journal entry to implement SFAS No. 43 which shows the cumulative effect of the implementation.

3. In its letter requesting establishment of a regulatory asset, Duke Kentucky states that, “[t]he Company has now determined that a liability exists for the amount of vacation expense to be taken by employees in the next twelve month period.” A review of the standard appears to indicate that SFAS No. 43 requires a liability be established for all earned vacation compensation that meets the conditions listed in SFAS No. 43, regardless of the period it is to be paid to the employee. Explain the statement that limits the liability to vacation expense taken in the next 12-month period.

4. In its letter requesting establishment of a regulatory asset, Duke Kentucky states that, “[b]y the end of the year, both accounts should be near zero.”

a. Provide the account number and name of the accounts referred to as “both.”

b. Explain why the accounts should be near zero at the end of the year.

5. Provide sample accounting entries for the events listed below, pursuant to the requirements of the SFAS No. 43. For purposes of this question, assume the accounting entries are for one employee, a manager with 12 years of service with Duke Kentucky. Base the entries on what would be the vacation leave such an employee

would normally earn, and use the average salary for an employee with that position and years of service. Show all the account numbers and account titles Duke Kentucky anticipates would be needed to reflect each accounting entry.

a. The initial entry to reflect earned but unpaid vacation pay at the beginning of the year.

b. The entry to reflect the employee taking a week's vacation in June.

c. The entry to reflect the employee still has 4 days of unused vacation leave at the end of the calendar year.

d. The entry to reflect the employee terminating his employment effective August 1. If this entry is dependent upon the circumstances surrounding the termination, provide each alternative and identify the reason for the differences.



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

DATED February 22, 2007

cc: All Parties