COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT AND POWER COMPANY FOR AN ADJUSTMENT OF GAS RATES	)))	CASE NO. 2005-00042

SECOND DATA REQUEST OF COMMISSION STAFF TO THE UNION LIGHT, HEAT AND POWER COMPANY

The Union Light, Heat and Power Company ("ULH&P"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due April 19, 2005. 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. Refer to the response to the Commission Staff's First Data Request dated February 15, 2005 ("Staff's First Request"), Item 6. ULH&P was requested to provide a

comparison of its gas monthly operating budgets to the actual results, by account, for 2002, 2003, and 2004. ULH&P was also requested to explain in detail any yearly account variance greater than 5 percent. The response to the yearly account variance analysis was to include comparisons for 7 major expenses. ULH&P provided monthly summary income statements for the periods requested. However, these summary income statements did not provide the account detail originally requested. ULH&P also did not provide the requested yearly account variance analysis. Of the 7 major expenses identified in the request, the response only showed the budget and actual variance for one expense, Total Purchased Gas. On April 4, 2005, ULH&P supplemented its response to this question, describing the emphasis placed on budgeting by the legal entities within the Regulated Business Unit between 2002 and 2004. The budget versus actual results is an integral part of the Commission's review of the reasonableness of the forecasted test period information. ULH&P shall provide the originally requested information. If ULH&P cannot provide the requested information or if the information is not available, submit a detailed explanation discussing why the information cannot be provided.

2. Refer to the response to the Staff's First Request, Item 7. ULH&P was requested to provide the same information sought in the Staff's First Request, Item 6, for 2005 as it became available. ULH&P's response was the same as provided for Item 6. ULH&P shall provide the originally requested information. If ULH&P cannot provide the requested information or if the information is not available, submit a detailed explanation discussing why the information cannot be provided.

3. Refer to the response to the Staff's First Request, Item 8. ULH&P was requested to provide a reconciliation of its gas capitalization and gas net investment rate base ("rate base") for the base period. ULH&P was also to provide a detailed explanation of each difference between the gas capitalization and gas rate base. ULH&P provided a schedule which separates its base period balance sheet into gas rate base, gas capitalization, and other. No explanation was provided concerning the difference between the gas rate base and gas capitalization. ULH&P shall determine the difference in the rate base and capitalization, then identify the reason(s) for the difference, and provide the originally requested information. If ULH&P cannot provide the requested information or if the information is not available, submit a detailed explanation discussing why the information cannot be provided.

4. Refer to the response to the Staff's First Request, Item 19. ULH&P was requested to provide a detailed list of all fringe benefits available to its gas employees and the expected cost of each benefit in the base period and the forecasted test period. ULH&P was to indicate which fringe benefits, if any, were limited to management employees. ULH&P was further requested to provide comparative cost information for the 2 years preceding the base period and base period, and to explain any changes in fringe benefits occurring over this period. ULH&P's response for the base period only covered the forecasted 5 months included in the base period. The base period in this case is the 12 months ending May 31, 2005. While it stated the cost associated with fringe benefits for executive employees, ULH&P did not indicate which fringe benefits were limited to management employees. ULH&P did not provide the comparative cost information for the 2 years preceding the base period and base period. ULH&P stated it

would supplement its response, but did not explain why the information was not provided or a date when the information would be provided. ULH&P shall provide the originally requested information. If ULH&P cannot provide the requested information or if the information is not available, submit a detailed explanation discussing why the information cannot be provided.

5. Refer to the Application, Tab 18, the assumptions for the forecasted portion of the base period and the forecasted test period, pages 1 through 4 of 4.

a. Page 1 of 4, General Assumption No. 2 – describe Cinergy's "normal method" to derive the budget projections.

b. Page 1 of 4, Specific Assumption No. 1.a. – explain the phrase "average realizations" and explain how this approach operates.

c. Page 1 of 4, Specific Assumption No. 1.d. – explain why an escalation factor of 1.5 percent is reasonable and how the amount for the factor was determined. Indicate which Other Operating Revenue accounts in either the forecasted portion of the base period or the forecasted test period were determined from actual known amounts and which accounts were determined using the escalation factor.

d. Page 2 of 4, Specific Assumption No. 2.a. – explain why $2.3 million was eliminated from the 2005 detailed annual budget. Also indicate how much of this amount was related to ULH&P's electric operations, its gas operations, and its total company operations.

e. Page 2 of 4, Specific Assumption No. 2.b. – explain in detail how the various labor escalation factors were determined and explain why the amount of each factor is reasonable.

f. Page 2 of 4, Specific Assumption No. 2.c. – provide the levels of savings associated with the Continuous Improvement Now (“CIN-10”) program that were incorporated into the base period and forecasted period. For each period, show the level of savings incorporated by account number.

g. Page 2 of 4, Specific Assumption No. 2.d. – explain in detail how the fringe benefit loading rates for 2005 and 2006 were determined and explain why the amount of each loading rate is reasonable.

h. Page 2 of 4, Specific Assumption Nos. 2.f. and 2.g. – provide the actual values for the escalation factors referenced in these assumptions and explain why it is reasonable to use these specific escalation factors.

i. Page 3 of 4, Specific Assumption No. 3.b. – explain why gas investment tax credits were not used in the forecasts.

j. Page 3 of 4, Specific Assumption No. 4.a. – explain in detail how the short-term debt and investment rates were determined for both 2005 and the forecasted test period in 2006.

k. Page 3 of 4, Specific Assumption No. 4.b. – explain why a 70 percent payout ratio was used in the forecasted periods. In addition, explain in detail why the budgeted dividend amount was not used for the forecasted periods.

l. Page 4 of 4, Specific Assumption No. 5.f. – explain how the embedded cost of debt of 6.65 percent was determined. In addition, explain in detail why the embedded cost of debt rate used in the annual budget was not used for the forecasted periods.

6. ULH&P has indicated in the General and Specific Assumptions that in some situations the amounts or factors used to determine the forecasted portion of the base period and the forecasted test period are different than the amounts or factors reflected in the annual budgets.

a. Identify, at the account level, every instance where an amount different from the annual budget was used for the forecasted portion of the base period and the forecasted test period.

b. For each instance identified in part (a), explain in detail why an amount other than the budgeted amount was used.

7. Refer to the Application, Tab 18, the Regulated Business Unit 2005-2006 Plan Guidelines ("RBU Guidelines").

a. Concerning page 13 of the RBU Guidelines, Section 3.2, provide the adjustments made to ULH&P's gas labor pool for both the base period and forecasted test period. Explain the reason(s) for the adjustments.

b. Concerning page 19 of the RBU Guidelines, Executive Vehicles, provide the amount of the vehicle leases and the car allowance program allocated to ULH&P's gas operations for both the base period and forecasted period.

c. Concerning page 20 of the RBU Guidelines, Section 5.4, provide the amount of the lump sum payment for executive benefits included in the base period. Also, verify that a similar payment is not included in the forecasted period.

d. Concerning page 25 of the RBU Guidelines, Cell Phones, provide the anticipated cost savings allocated to ULH&P's gas operations for the base period and forecasted period.

e. Concerning page 34 of the RBU Guidelines, Donations, verify that no donations are incorporated into the base period and forecasted period.

f. Concerning page 35 of the RBU Guidelines, Subscriptions, provide the anticipated cost savings allocation to ULH&P's gas operations for the base period and forecasted period.

g. Refer to page 41 of the RBU Guidelines, Appendix I – Loading Rates. The loading rates for fringe benefits are stated to be 39 percent for 2005 and 40 percent for 2006. However, Specific Assumption No. 2.d., page 2 of 4, states the fringe benefit loading rates used were 40 percent for 2005 and 41 percent for 2006. Explain in detail why the RBU Guideline loading rates were not used for the forecasted portion of the base period and the forecasted test period.

h. Concerning pages 41 and 43 of the RBU Guidelines, Appendix I – Loading Rates, explain how the various loading rates and overhead rates were determined and why each is reasonable.

i. Concerning page 50 of the RBU Guidelines, Appendix V – Escalation Rates for Capital Expenditures, for 2005 and 2006, explain how the rates were determined and why the rates are reasonable.

8. Refer to the Application, Tab 23, sheet FR 10(9)(h)(10), the labor cost changes for 2005-2007. Explain in detail the reason(s) for the increase in total labor costs between 2005 and 2006. In addition, separate this schedule among electric operations, gas operations, and non-jurisdictional operations.

9. Refer to the Application, Tab 30.

a. Do monthly budget variance reports, with narrative explanations, exist for ULH&P at the total company level and for ULH&P's gas operations?

b. If these reports exist, provide complete monthly budget variance reports, with narrative explanations, for the 12 months immediately prior to the base period, each month of the base period, and any subsequent months, as they become available, for ULH&P's operations only.

c. If this information is not available at the ULH&P level, explain how the Commission and the parties to this case can adequately evaluate the reasonableness of ULH&P's base period and forecasted period.

10. Refer to the Application, Tab 30. The June 2004 and November 2004 variance reports reference the reclassification of the Florence facility and the sale of the Covington office. Provide an explanation of both events and indicate the impact these events have on the base period and forecasted period.

11. Refer to the Application, Tab 34, the depreciation study. Provide a schedule, by plant account, which compares the following items with the corresponding values from the depreciation study approved in Case No. 2001-00092:[1]

a. The survivor curves.

b. The net salvage percentage.

c. The remaining life.

d. The proposed depreciation rates.

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[1] Case No. 2001-00092, Adjustment of Gas Rates of The Union Light, Heat and Power Company.

12. Refer to the Application, Tab 34, page III-13. Concerning Account 2050, Structures and Improvements, the Iowa curve 50-R4 shifts inward while the plotted data points reflect essentially a straight line.

a. Explain why ULH&P considers the Iowa curve 50-R4 to be the best match for this account.

b. Indicate whether an Iowa curve that provides a better match for this account exists and provide a copy of that curve.

13. Refer to the Application, Tab 34, page III-16. Concerning Account 2110, Liquid Petroleum Gas Equipment, the Iowa curve 35-S1.5 does not appear to represent a good match to the survival intervals.

a. Indicate whether an Iowa curve that provides a better match for this account exists and provide a copy of that curve.

b. Would ULH&P agree that if a better fitting Iowa curve is chosen for Account 2110, the depreciation rate would be lower than the 2.45 percent proposed in the depreciation study? Explain the response.

14. Refer to the Application, Tab 34, page III-21. Concerning Account 2741, Rights of Way, the Iowa curve 65-R4 shifts inward while the plotted data points reflect a constant straight line.

a. Explain why ULH&P considers the Iowa curve 65-R4 to be the best match for this account.

b. Would ULH&P agree that an Iowa curve with a better match would result in a depreciation rate lower than the proposed 1.39 percent? Explain the response.

c. Indicate whether an Iowa curve that provides a better match for this account exists and provide a copy of that curve.

15. Refer to the Application, Tab 34, page III-37. Concerning Account 2763, Mains – Plastic, the proposed remaining life of 36.3 years appears to be conservative and the resulting depreciation rate of 2.97 percent appears to be high.

a. Does ULH&P consider Iowa curve 50-R2 to be the best match for this account? Explain the response.

b. Would ULH&P agree that the estimated service life for this account is relatively short? Explain the response.

c. Indicate whether an Iowa curve that provides a better match for this account exists and provide a copy of that curve.

16. Refer to the Application, Tab 34, page III-95. Concerning Account 2760, Mains, the summary of book salvage for the period 1980-2003 supports a net salvage amount percentage of a negative 5 percent. However, ULH&P is proposing a net salvage amount percentage for this account of a negative 20 percent, which reflects the average for the period 1999-2003.

a. Explain in detail why the negative 20 percent was chosen instead of the negative 5 percent.

b. Provide the depreciation rate and annual accrual amount for Account 2760 using a net salvage amount percentage of a negative 5 percent.

c. Page II-28 of the depreciation study states, "The net salvage percent based on the overall period 1980 through 2004 is 5 percent negative net salvage which includes an unusual occurrence in 1995." The summary of book salvage shown on page III-95 does not appear to indicate an unusual occurrence in 1995. Describe the unusual occurrence from 1995 and explain why the summary of book salvage does not appear to reflect such an occurrence.

17. Refer to the Application, Tab 36. Concerning the allocation procedures described in this response, explain how these procedures will be impacted, if at all, by ULH&P's pending acquisition of generating assets from The Cincinnati Gas and Electric Company ("CG&E"). For purposes of this question, impact on the procedures means both any changes in the allocation approach as well as changes in the amounts allocated.

18. Refer to the Application, Tab 64.

a. For each of the inter-company notes listed, indicate when ULH&P executed the note.

b. Are these inter-company notes part of the financing authority ULH&P is seeking in Case No. 2005-00027?[2]

19. Refer to the Application, Tab 66. Provide the income statement and balance sheet for the same period as filed, with the balances separated into electric operations, gas operations, and non-jurisdictional operations.

20. Refer to the Application, Tab 67. ULH&P was requested to provide a reconciliation of the rate base and capital used to determine its revenue requirements. ULH&P provided a schedule which separates its forecasted period balance sheet into

[2] Case No. 2005-00027, Application of The Union Light, Heat And Power Company for an Order Authorizing the Issuance of First Mortgage Bonds, Unsecured Debt, and Long Term Notes, Issuance of Inter-Company Promissory Notes, Execution and Delivery of Long-Term Loan Agreements, and Use of Interest Rate Management Instruments.

gas rate base, gas capitalization, and other. ULH&P shall determine the difference in the forecasted period rate base and capital and then identify the reason(s) for the difference.

21. House Bill 272 was passed by the Kentucky General Assembly during the 2005 Regular Session and signed by the Governor on March 18, 2005. Included in the provisions of House Bill 272 is a revision to the Kentucky corporate income tax rate, reducing the rate from 8.25 percent to 7.00 percent during the period from January 1, 2005 through December 31, 2006. ULH&P's schedules and workpapers have been submitted based on a Kentucky corporate income tax rate of 8.25 percent. Provide revisions to all schedules and workpapers using the 7.00 percent income tax rate, as applicable. At a minimum, all schedules and workpapers for the forecasted test period will need to be revised. Include and identify any additional schedules or workpapers prepared to accomplish this revision.

22. For several years, ULH&P has been accruing Kentucky deferred income taxes based on the 8.25 percent income tax rate. As the Kentucky corporate income tax rate is being reduced to 7.00 percent from January 1, 2005 through December 31, 2006 and will be further reduced to 6.00 percent beginning January 1, 2007, it would appear that the reversal of current Kentucky deferred income taxes will be impacted. Explain how ULH&P would propose to address the situation concerning the Kentucky deferred income taxes given the reduction in the corporate income tax rate.

23. Refer to the Application, Schedules B, C, F, G, and I. There are numerous references in these schedules to "Total Company" amounts. As used in

these schedules, does “Total Company” mean total electric, gas, and non-jurisdictional operations or only total gas operations.

24. Refer to the Application, Schedule B-2.1, pages 4 and 8 of 8. Explain in detail how the Common Plant allocation to gas operations of 38.13 percent was determined.

25. Refer to the Application, Schedule B-2.2 and Workpapers WPB-2.2a through WPB-2.2h. Explain how the allocation percentages of 65.00 percent and 61.70 percent were determined, as shown on WPB-2.2a through WPB-2.2e. Include all supporting workpapers and assumptions.

26. Refer to the Application, Schedule B-2.3. Provide the workpapers that support the amounts shown as “Additions,” “Retirements,” and “Transfers/Reclassifications” for both the base period and forecasted period. In addition, show how the amounts included as “Additions” agree with the amounts shown in the Application for the capital construction budget.

27. Refer to the Application, Schedule B-3, pages 4 and 8 of 8. Explain in detail how the Common Plant allocation to gas operations of 39.36 percent was determined.

28. Refer to the Application, Schedule B-3.2, page 4 of 4.

a. Explain why additional depreciation expense has been calculated for Account No. 1930, Stores Equipment and Account No. 1970, Communication Equipment, given that both accounts appear to be fully depreciated.

b. Explain in detail how the Common Plant allocation to gas operations of 42.88 percent was determined.

29. Refer to the Application, Schedule B-4.1. Provide the workpapers that support the amounts shown on this schedule and explain how ULH&P utilized this information in the determination of its rate base for the forecasted period.

30. Refer to the Application, Schedules B-5 and B-5.1 and Workpapers WPB-5.1a through WPB-5.1i.

a. Line 3 of WPB-5.1a is labeled "Less: Annualized Purchased Gas Expense." Explain in detail what is meant by the term "Annualized."

b. Explain how the allocation percentage of 35.00 percent shown on WPB-5.1b was determined and why this allocation percentage is reasonable.

31. Refer to the Application, Schedule B-6 and Workpapers WPB-6a and WPB-6b.

a. Provide lines 11 through 17 which were omitted from Schedule B-6, pages 1 and 2 of 2.

b. Provide the explanation of note "(B)" on lines 4, 21, and 35 of WPB-6a and lines 4 and 21 of WPB-6b.

c. Explain why there are no Non-Utility investment tax credits and accumulated deferred income taxes shown on WPB-6b.

32. Refer to the Application, Schedule B-8.

a. Refer to the percentage change between calendar year 2004 and the base period. For each account where the percentage change is greater than 10 percent, positive or negative, provide a detailed explanation of the reason(s) for the change.

b. Refer to the percentage change between the base period and forecasted period. For each account where the percentage change is greater than 10 percent, positive or negative, provide a detailed explanation of the reason(s) for the change.

33. Refer to the Application, Schedule C-2 and Workpaper WPC-2e. Line 8 on WPC-2e is labeled “Annualize Other Revenue.” Explain in detail what is meant by the term “Annualized.”

34. Refer to the Application, Schedule C-2.1 and Workpaper WPC-2.1a.

a. Refer to pages 1 and 5 of 14 on Schedule C-2.1. Explain in detail why Jobbing Revenues, Jobbing Expenses, and Sale of Accounts Receivable Fees have been included as operation revenues and expenses, when these accounts are “below the line” accounts.

b. Refer to pages 8 through 14 on Schedule C-2.1. For each of the accounts listed below, explain why a zero balance was used for the account in the forecast period.

(1) Account No. 482400 – Public Street & Highway Lighting, page 8 of 14.

(2) Account No. 487000 – Late Payment Charges, page 8 of 14.

(3) Account No. 488020 – Reconnection Charges, page 8 of 14.

(4) Account No. 488060 – Bad Check Charge, page 8 of 14.

(5) Account No. 493040 – Rent Land & Buildings – Assoc., page 8 of 14.

(6) Account Nos. 495020 and 495030 – Sales Use Tax Collection Fee, page 8 of 14.

(7) Account No. 711000 – Steam Expenses, page 9 of 14.

(8) Account No. 712000 – Other Power Expenses, page 9 of 14.

(9) Account No. 742000 – Maintenance of Production Expense, page 9 of 14.

(10) Account Nos. 881020 – Rents Intercompany – Buildings, page 10 of 14.

(11) Account No. 881030 – Rents Intercompany – Stores, page 10 of 14.

(12) Account No. 881040 – Rents Intercompany – Microwave, page 10 of 14.

(13) Account No. 893000 – Meters, page 10 of 14.

(14) Account No. 907000 – Supervision, page 11 of 14.

(15) Account No. 912000 – Energy Marketing, page 11 of 14.

(16) Account No. 929000 – Duplicate Charges – Credit, page 12 of 14.

(17) Account No. 408230 – Corporation License Tax, page 13 of 14.

(18) Account No. 408370 – Franchise Tax, page 13 of 14.

(19) Account No. 411430 – Amortization of Investment Tax Credit, page 14 of 14.

c. Concerning WPC-2.1a, identify the source of the monthly and total amounts shown in this workpaper. Indicate whether this source information has been filed in the record of this proceeding.

35. Refer to the Application, Schedule C-2.2, pages 1 through 4 of 20, the comparison of the base period with the immediately preceding 12-month period. For each account listed on these pages where the variance is greater than $20,000 (positive or negative), explain in detail the reason(s) for the variance between the base period and the previous 12-month period.

36. Refer to the Application, Schedule D-2.1 through D-2.25 and Workpapers WPD-2.1a through WPD-2.25a.

a. Schedules D-2.1 through D-2.14 all indicate the adjustment is needed to bring the base period balance to the level of the forecasted period. Is it correct that these adjustments only reflect the subtraction of the base period balance from the forecasted period balance? If not, explain in detail how each adjustment on these pages was determined.

b. Refer to WPD-2.1a. Explain why Base Revenues and Other Revenues are $7,586,820 lower in the forecasted period than the base period.

c. Schedules D-2.15 through D-2.24 are identified by ULH&P as forecasted period pro forma adjustments. However, several of the pages submitted in this group of schedules are clearly marked as being base period documents. Explain in detail why base period pages have been mixed in with schedules purported to be for the forecasted period.

d. Refer to Schedule D-2.15 and Workpaper WPD-2.15a and WPD-2.15b. Explain in detail why ULH&P believes it is necessary to propose an adjustment to injuries and damages liability expenses normally made in a historic test period rate case. In addition, explain why ULH&P does not believe its forecasted or budgeted amount for this expense is adequate.

e. Refer to Workpaper WPD-2.17a. Explain in detail why ULH&P is proposing to annualize affiliated company rent revenues and expenses, rather than using amounts from its budgeting process.

f. Refer to Workpaper WPD-2.18b. Provide a schedule showing the accounts included as interest expense and amortization of debt items.

g. Refer to Workpapers WPD-2.19a through WPD-2.19g.

(1) Explain how the property tax rate of 2.16 percent, as shown on WPD-2.19a, line 18, was determined and why that rate is reasonable.

(2) Explain how the "A&G Payroll Overheads" rate of 43.0 percent, as shown on WPD-2.19b, line 22, was determined and why that rate is reasonable.

(3) Explain the basis for the vaporization assumption stated on WPD-2.19c.

(4) Provide the same information as shown on WPD-2.19f for calendar years 2000 through 2003.

37. Refer to the Application, Schedule E-1 and Workpaper WPE-1a and WPE-1b.

a. Refer to WPE-1a, line 18 and WPE-1b, line 43. Explain why ULH&P did not include a Kentucky income tax bonus depreciation adjustment for the forecasted period.

b. Explain why Ohio income taxes are included in the income tax reconciling items.

38. Refer to the Application, Schedule F-1. Provide descriptions of the "Various Budgeted Items" listed for Account Nos. 910000 and 921000 in the forecasted period.

39. Refer to the Application, Schedule F-2.3. Provide a description of the "Various Budgeted Items" included in the forecasted period.

40. Refer to the Application, Schedule F-3. For each account listed below, provide a description of the types of expenses included in the account and explain why the expense should be included in the forecasted period operating expenses for rate-making purposes.

a. Account No. 909090 – Community Affairs.

b. Account No. 911090 – Marketing Operations.

c. Account No. 913090 – Marketing/Customer Relations.

d. Account No. 930202 – General & Miscellaneous Media.

41. Refer to the Application, Schedule F-4, page 2 of 2. ULH&P has indicated that the undetermined advertising expense of $118,661 was eliminated from the forecasted period on Schedule D-2.22. The adjustment shown on Schedule D-2.22 totals $151,671. Provide an analysis that demonstrates the $118,661 in undetermined advertising expense has been included in the proposed adjustment of $151,671.

42. Refer to the Application, Schedule F-5 and Workpapers WPF-5a and WPF-5b. Describe the nature and purpose of the expense labeled “Noproj – Default Project” and explain why this project should be included in the forecasted period for rate-making purposes.

43. Refer to the Application, Schedule G-1. When the forecasted period on this schedule is compared to the base period, payroll costs decrease while employee benefits and payroll taxes increase. Explain the reason(s) for these results.

44. Refer to the Application, Schedule G-2, pages 1 and 2 of 8.

a. Concerning the comparison of the base period with calendar year 2004, explain the reason(s) for any change greater than 5 percent, positive or negative, shown on lines 2 through 26.

b. Concerning the comparison of the forecasted period with the base period, explain the reason(s) for any change greater than 5 percent, positive or negative, shown on lines 2 through 26.

45. Refer to the Application, Schedule G-3. For each executive shown on this schedule, provide the calculations that support the amount of the executive compensation allocated to ULH&P’s gas operations for both the base and forecasted periods.

46. Refer to the Application, Schedule H and Workpapers WPH-a and WPH-b.

a. Explain what is meant by the term “Required Discount” as shown on WPH-a.

b. Would ULH&P agree that the PSC Assessment Rate to be reflected in the gross revenue conversion factor for the forecasted period should reflect the most current assessment rate? Explain the response.

47. Refer to the Application, Schedule I-1.

a. Refer to the percentage change between calendar year 2004 and the base period. For each account category where the percentage change is greater than 10 percent, positive or negative, provide a detailed explanation of the reason(s) for the change.

b. Refer to the percentage change between the base period and forecasted period. For each account category where the percentage change is greater than 10 percent, positive or negative, provide a detailed explanation of the reason(s) for the change.

c. Workpapers WPI-1a and WPI-1b, which are referenced on Schedule I-1, were not provided. Provide the referenced workpapers.

48. Refer to the Application, Schedule L, pages 5 and 6. ULH&P proposes to increase the Bad Check Charge from $11 to $20 and the Charge for Reconnection of Service from $15 to $25 for gas only customers and from $21 to $38 for combined gas and electric customers. Provide cost justification for the proposed charges.

49. Refer to the Application, Schedule M, page 1 of 1. Although ULH&P's tariff lists a late payment charge, Schedule M does not show late payment charges at either present rates or proposed rates. Explain why no late payment charge revenues are shown.

50. Refer to the Application, Schedule M-2.1. Different headings in the schedule refer to the forecasted period and to base period actual. Explain whether the Mcf sales volumes in this schedule are for the forecasted period or the base period. If for the base period, are they actual sales volumes, or are they adjusted to reflect the use of the 10-year normal weather data being proposed by ULH&P?

51. Refer to the Application, Schedules M-2.2 and M-2.3. Provide revised versions of both schedules which include Mcf sales volumes based on annual heating degree days for Covington, Kentucky, of 5,200, which reflects the 30-year weather data discussed in the Direct Testimony of James A. Riddle ("Riddle Direct Testimony") and shown in Attachment JAR-4 for the 1971-2000 period.

52. Refer to page 7 of the Direct Testimony of Gregory C. Ficke ("Ficke Direct Testimony"), specifically, the discussion of how ULH&P's rates compare to the rates of other investor-owned gas utilities nationally and in Kentucky.

a. Refer to the statement on lines 10-11 of page 7. Identify the other Kentucky investor-owned utilities to which ULH&P's rates are being compared.

b. Provide the specific tariff pages of the utilities identified in the response to part (a) of this request, which are referenced in the statement on lines 10-11.

53. Refer to page 19 of the Ficke Direct Testimony. Provide a listing of the 25 most significant employee savings ideas submitted as part of the CIN-10 initiative.

54. Refer to pages 3 and 4 of the Direct Testimony of Patricia K. Walker ("Walker Direct Testimony") which indicates that ULH&P sources its gas through a competitive bidding process to enable it to obtain the optimal mix of suppliers and prices

for its customers. The testimony further states that ULH&P entered into a 2-year asset management agreement with Cinergy Marketing & Trading, LP ("CM&T"). Which entity, ULH&P or CM&T, is responsible for sourcing the gas used in ULH&P's supplier mix?

55. Refer to page 14 of the Walker Direct Testimony, lines 7 through 9. At what level of detail is the annual monthly budget and 5-year forecast for operation and maintenance costs prepared for ULH&P's operations? Include examples of the monthly budget detail and 5-year forecast.

56. Refer to page 15 of the Walker Direct Testimony, which indicates that ULH&P's purchased gas expense was determined by applying the projected cost for natural gas purchases, storage withdrawals and propane/air components. Provide ULH&P's support for these cost projections.

57. Refer to page 5 of the Direct Testimony of Gary J. Hebbeler ("Hebbeler Direct Testimony"). Mr. Hebbeler states that as of December 2004, 90 miles out of 201 miles, or approximately 45 percent, of cast iron ("CI") and bare steel ("BS") mains have been replaced under the Accelerated Main Replacement Program ("AMRP"). Mr. Hebbeler also states that the incidence of leaks repaired has decreased from 983 in 1999 to 537 in 2004, or approximately 45 percent. The Stone and Webster report encouraged ULH&P to initially focus its main replacement efforts on the highest leak sections in the CI and BS mains. Explain why the percentage reduction in incidence of leaks repaired is approximately the same as the percentage of miles of CI and BS mains replaced.

58. Under the AMRP, ULH&P has currently replaced 90 miles of CI and BS pipes.

a. How many miles of these pipes were removed and how many miles were inserts used with the existing pipe left in place?

b. How would the options noted in part (a) change the 5-year forecast of the capital expenditures for the replacement of CI and BS mains?

59. Refer to page 6 of the Hebbeler Direct Testimony. Describe the CI and BS in ULH&P's system for mains that are 12 inches or more in diameter.

60. Refer to pages 10 through 12 of the Hebbeler Direct Testimony.

a. Explain in general terms the differences between the service head adapter ("SHA") style riser and the replacements to be installed as part of the Riser Optimization Program. In addition, explain how the replacement of high leak factor components on the SHA prevents gas leaks and improves safety.

b. Mr. Hebbeler states that ULH&P will incur approximately $1.1 million in capital expenditures in 2005 and 2006 in conjunction with the replacement of the SHA style risers. What is the estimated operation and maintenance expense associated with this program for 2005 and 2006?

c. Provide the annual estimated capital expenditures for the SHA style risers replacement program for the 10-year period the Riser Optimization Program is to be in operation. Include the annual estimated operation and maintenance expenses associated with this program for the same 10-year period.

61. Refer to pages 12 and 13 of the Hebbeler Direct Testimony.

a. Provide copies of the Integrity Management Program ("IMP").

b. Provide the amount of any initial implementation costs for the IMP and indicate how those costs will be recorded in ULH&P's accounting system.

c. Provide the amount of any IMP costs included in the base period or forecasted period, include the account(s) in which the costs will be recorded, and indicate if any of the costs are being capitalized.

62. Refer to pages 14 through 16 of the Hebbeler Direct Testimony, which discusses ULH&P's proposal to assume ownership of service lines at the time of installation.

a. Explain whether the proposal is expected to have any impact on the cost of installing service lines.

b. What is the current average cost of placing a service line to a new customer?

c. What is the impact on the costs of gas per Mcf for 5 years for each class of customer if the deviation from 807 KAR 5:022, Section 9(17)(a)(2), is granted?

63. As noted on page 14 of the Hebbeler Direct Testimony, ULH&P takes ownership of the service line if it replaces the line. ULH&P is now seeking approval to assume ownership of service lines at the time of initial installation.

a. What does ULH&P intend to do about service lines connected to its system that have not been replaced since the beginning of the AMRP or were installed prior to this application? Explain the response.

b. Assume for purposes of this question that the Commission grants ULH&P's request concerning the ownership of service lines. As of the date of the response to this data request, what is ULH&P's best estimate of the number of service lines that it still would not own?

c. As of the date of the response to this data request, what is the approximate percentage of all service lines connected to ULH&P's system that are not owned by ULH&P?

64. Refer to Attachment GJH-1 of the Hebbeler Direct Testimony, page 1 of 5. In the proposed tariff, the third paragraph under Supplying of Service states that service will not be supplied or continued to any premises if the applicant for service is acting as an agent of a present or former customer who is indebted to ULH&P for service supplied at the same or other premises until such indebtedness has been paid. Explain how ULH&P determines whether an applicant is acting as an agent.

65. Refer to page 4 of the Riddle Direct Testimony, lines 22 and 23, which refers to the gas forecast's projection of an annual growth rate in gas deliveries of 1.0 percent over the 2005 through 2009 period. Provide the workpapers, along with a narrative description, which show the derivation of the 1.0 percent growth rate.

66. Refer to page 7 of the Riddle Direct Testimony which indicates that ULH&P used a 10-year normal weather period to prepare its gas forecast, rather than a more customary 30-year normal weather period.

a. To ULH&P's knowledge, has the Commission previously accepted a 10-year normal weather period in a natural gas utility rate case?

b. Apart from rate cases, how many years does ULH&P include in the forecasts it develops and uses for general planning purposes?

67. Refer to pages 6 through 8 of the Riddle Direct Testimony, which refer to the National Oceanic and Atmospheric Administration's ("NOAA") 30-year weather data for 1961-1990 and 1971-2000 and Attachment JAR-1, which shows the average heating

degree days for these 30-year periods as reported by NOAA. Provide the actual heating degree days for the Covington, Kentucky weather station, as reported by NOAA, for each year from 1961 through 2000.

68. Refer to page 9 of the Riddle Direct Testimony, which shows the results of a Mean Percent Error (”MPE”) test to determine any bias in the 30-year and 10-year weather normals. Provide the calculations of the MPE levels.

69. Refer to page 10 of the Riddle Direct Testimony, which shows the results of a study performed for the Illinois Commerce Commission (“ICC”) concerning the use of climatic normals in annual rate increase applications by utility companies. Provide the ICC’s decision regarding the appropriate period of time to use for climatic normals.

70. Refer to Attachment JAR-5 of the Riddle Direct Testimony, which lists actual and normal heating degree days for the years 1995-2004, and Schedule I-4, which, among other things, shows annual Mcf sales per customer by class by year for 2000-2004, the base period, the forecast period, and projected years 2006 and 2007. Explain why average annual sales per residential customer in the forecast period are 79 Mcf, which is lower than the annual average in any of the past 5 years, except 2000, when annual heating degree days were 4,672, which is 278, or 5.6 percent, less than the average annual heating degree days for the period 1995-2004.

71. Refer to Attachment JAR-7 of the Riddle Direct Testimony, page 7 of 8, and pages 12 and 13 of the Riddle Direct Testimony.

a. The Lamb and Changnon study indicates that 5-year normals most frequently provided the closest estimate of the next year’s value for temperature and precipitation for both winter and summer. ULH&P assumes that its rates will be in effect for a period of perhaps 3 to 5 years. Explain why ULH&P has proposed a 10-year period rather than a 5-year period.

b. For clarification, explain whether the “normals” discussed in Attachment JAR-7 are the same as the Heating Degree Day normals in the Riddle Direct Testimony.

72. Refer to Attachment JAR-9 of the Riddle Direct Testimony. Provide the publication date for the article by Karl and Laver.

73. Refer to page 8 of the Direct Testimony of Timothy J. Verhagen (“Verhagen Direct Testimony”). Describe the status of collective bargaining agreements with the other 2 unions and state what wage increase was included for those unions in the base and forecasted periods.

74. Refer to page 9 of the Verhagen Direct Testimony. For each of the incentive plans listed below, indicate how many ULH&P gas employees participated in the plan as of December 31, 2004. Also indicate how many ULH&P gas employees were included in each plan for the base period and the forecasted period.

a. The Cinergy Corp. Annual Incentive Plan (“AIP”).

b. The Cinergy Corp. Union Employees’ Incentive Plan (“UEIP”).

c. The Cinergy Corp. 1996 Long-Term Incentive Compensation Plan (“LTIP”).

75. Provide the levels of expense associated with the AIP, UEIP, and LTIP included in the base period and the forecasted period.

76. Refer to pages 11 and 12 of the Verhagen Direct Testimony.

a. Provide the AIP specific corporate performance goal for 2004.

b. Describe how the individual goals under the AIP were established for 2004 and provide the aggregate payout for the individual goals for 2004.

77. Refer to pages 13 and 14 of the Verhagen Direct Testimony. Provide the specific safety and customer satisfaction goals under the UEIP for 2004.

78. Refer to page 15 of the Verhagen Direct Testimony.

a. Provide the amount of the 2004 payment under the LTIP Cycle VI that was allocated to ULH&P's gas operations.

b. Provide the amount of the LTIP Cycles VII and VIII that were accrued on ULH&P's gas operation books in 2004.

79. Refer to pages 16 and 17 of the Verhagen Direct Testimony and Attachments TJV-1 and TJV-2.

a. Is it correct that the goals shown on Attachment TJV-1 reflect 25 percent of the overall AIP results? Explain the response.

b. As shown on Attachment TJV-1, would ULH&P agree that the sections titled "Maximize Net Income" and "Receive Constructive Regulatory Treatment," which represent 40 percent of the total weight, can be viewed as emphasizing the shareholders' interest? Explain the response.

c. Is it correct that the goals shown on Attachment TJV-2 reflect 25 percent of the overall AIP results? Explain the response.

d. As shown on Attachment TJV-2, would ULH&P agree that the sections titled "Financial" and "Compliance," which represent 35 percent of the total weight, can be viewed as emphasizing the shareholders' interest? Explain the response.

80. Refer to pages 23 through 27 of the Verhagen Direct Testimony. Concerning ULH&P's pension and post-retirement benefit plans for its gas employees:

a. What was the funding status of the pension and post-retirement benefit plans as of the end of 2004?

b. If any of the pension or post-retirement benefit plans were underfunded as of the end of 2004, indicate the amount of underfunding for each plan.

c. If any of the pension or post-retirement benefit plans are underfunded, describe the steps ULH&P has or will be undertaking to move the plans to a fully-funded status.

d. Did ULH&P have a minimum pension liability on its books as of December 31, 2004? If so, what was the amount and how much of the minimum pension liability would be allocated to its gas operations?

e. Does the forecasted period in this proceeding include a minimum pension liability? If yes, indicate how much and where the minimum pension liability is disclosed in the forecasted period financial statements.

81. Refer to Attachment AJT-2 of the Direct Testimony of Alexander J. Torok.

a. In Case No. 2001-00092, ULH&P testified that its effective Kentucky income tax rate was 5.15 percent for 1999 and 3.03 percent for 2000.

(1) Has Mr. Torok reviewed ULH&P's workpapers from its last gas rate case to determine if the effective Kentucky income tax rate was calculated in the same manner as he presents in Attachment AJT-2? Explain the response.

(2) Are Mr. Torok's calculations as shown on Attachment AJT-2 consistent with the determination of the consolidated Kentucky income tax returns filed by ULH&P?

(3) Given the effective Kentucky income tax rates provided by ULH&P in its last gas rate case, does Mr. Torok have any opinions as to why the effective Kentucky income tax rates he presents in Attachment AJT-2 are so significantly higher than the 1999 and 2000 rates? Explain the response.

b. Explain in detail how ULH&P could have experienced an effective Kentucky income tax rate that is higher than the statutory tax rate.

c. Explain why the blended federal and state income tax rate for 2001, shown on Attachment AJT-2, page 2 of 2, line B, was lower than the rate used for the other years.

d. Explain why the blended federal and state income tax rate was used in the analysis presented on Attachment AJT-2, page 2 of 2, line B.

82. Refer to page 4 of the Direct Testimony of Wendy L. Aumiller ("Aumiller Direct Testimony"). At lines 12 through 14, Ms. Aumiller mentions the concerns of major credit rating agencies over the potential lag in recovery of costs associated with the AMRP. Describe what potential lag in the AMRP cost recovery is being referenced by this statement.

83. Refer to page 5 of the Aumiller Direct Testimony, which indicates that ULH&P's objective is to improve the credit rating on its senior secured and unsecured debt. Identify and describe the actions that ULH&P will have to take in order to improve its credit rating.

84. Refer to page 11 of the Aumiller Direct Testimony. Explain why a dividend policy of a 70 percent payout ratio based on net income available is reasonable for ULH&P, both the total company and for its gas operations.

85. Refer to page 15 of the Direct Testimony of Steven E. Schrader.

a. Indicate where in the application ULH&P has provided the quarterly financial statements it files with the Commission.

b. What is the basis of Mr. Schrader's statement that ULH&P does not provide the Commission with monthly financial reports?

86. Refer to the Direct Testimony of Roger A. Morin ("Morin Direct Testimony"). Provide the company profile pages from the Value Line Investment Survey that contain the information represented in the Value Line Investment Analyzer software that Dr. Morin lists in his Exhibit RAM-2.

87. Refer to page 26 of the Morin Direct Testimony. ULH&P has not filed a rate case for its combined operations, only for its gas operations. Explain why it is appropriate to consider either combination gas and electric companies or all electric companies as proxy groups for ULH&P.

88. Refer to page 27, line 5 through 16, of the Morin Direct Testimony. Provide the Ibbotson Associates discussion regarding the calculation of market risk premiums, including the discussion supporting the use of the income component of long-term Treasury bonds rather than the total return.

89. Refer to page 29, lines 6 through 29, of the Morin Direct Testimony. The prospective estimate of market risk premium appears to be based upon 5-year

projections. Explain why it is appropriate to give this a 50 percent weight in calculating the final market risk premium of 7.7 percent.

90. Explain whether or not ULH&P's participation in the AMRP program has contributed to a lower business risk for the company.

91. Refer to page 42, lines 14 through 20, of the Morin Direct Testimony. Explain the nature of the competition faced by natural gas distribution companies in Kentucky. Also, for ULH&P in particular, provide evidence demonstrating the degree to which ULH&P's gas customer base and gas revenue stream have been negatively affected by competitive pressures.

92. Refer to page 44, lines 2 through 5, of the Morin Direct Testimony. Don't Value Line, Zacks Investment, First Call Thompson, and Multex provide estimates of dividend growth? Provide direct evidence that each company, as an information provider to the investment community, advocates growth in earnings rather than growth in dividends as a superior indicator of future long-term growth.

93. Refer to page 44, lines 5 through 7, of the Morin Direct Testimony. Provide copies of the survey results referenced in the statement.

94. Provide the date of CG&E's or Cinergy's last issuance of equity for regulated utility (Kentucky jurisdiction) investment purposes and the amount of that issuance.

95. Refer to the Direct Testimony of Paul F. Ochsner ("Ochsner Direct Testimony") and the Application, Tab 37. Provide an electronic copy of the proposed cost-of-service study ("COSS").

96. A COSS is typically performed by functionalizing, classifying and then allocating costs by rate class. In the proposed COSS, ULH&P first allocated costs by rate class, then functionalized and classified the costs. Explain why ULH&P chose to perform the study in this manner and provide any independent documentation that supports the methodology.

97. Refer to pages 15 and 16 of the Ochsner Direct Testimony and page 2 of 2 of Attachment PRO-1. Explain how the amounts in Column H of the attachment were derived and how they relate to the discussion of revenue distribution in the testimony.

98. Refer to pages 5 through 7 of the Direct Testimony of Jeffrey R. Bailey ("Bailey Direct Testimony"), which describes the proposed rate design. For Rates RS and GS, Mr. Bailey states that the proposed customer charges move approximately one-third of the way from the current customer charges to the amounts supported by the cost analysis in Attachment JRB-1. The current residential customer charge is $8.30 and the proposed residential customer charge is $15.00. Explain whether the one-third described by Mr. Bailey represents one-third in addition to the amount that ULH&P proposes to roll-in to the customer charge from the AMRP.

99. Refer to page 8 of the Bailey Direct Testimony, which indicates that ULH&P is proposing changes to Rate AS and Rate FRAS to reflect current billing practices to the customers served under these rate schedules.

a. Explain in greater detail why this change is needed if this billing practice is already being implemented.

b. Describe any problems that have occurred as a result of the current tariff language.

c. ULH&P is currently billing customers for gas transported over CG&E's pipeline system for delivery into ULH&P's system at Federal Energy Regulatory Commission ("FERC") approved rates. Explain who receives the payment, ULH&P or CG&E, and explain why this service does not qualify for a CG&E or ULH&P transportation rate.

100. Refer to pages 6 through 9 of the Direct Testimony of William Don Wathen, Jr. ("Wathen Direct Testimony").

a. On page 7, Mr. Wathen appears to argue that the fact the PSC Assessment funds the Commission's operations for an upcoming fiscal year in some way justifies ULH&P's treatment of the PSC Assessment as a prepayment. Explain in detail why the use of the assessment funds by the Commission should influence how ULH&P accounts for the PSC Assessment.

b. Does Mr. Wathen agree that the PSC Assessment is billed to ULH&P annually, and not in monthly installments?

c. On page 8, lines 5 and 6, Mr. Wathen states, "Since the assessment is paid well in advance of it being expensed, it should be considered a prepayment." When does Mr. Wathen believe the PSC Assessment should be properly expensed by ULH&P?

d. Is there any provision in the Uniform System of Accounts prescribed by the FERC that would prevent ULH&P from expensing the PSC Assessment in the month it is paid? Explain the response.

101. Refer to pages 12 and 13 of the Wathen Direct Testimony. Mr. Wathen states, "The remaining adjustments shown in Schedules D-2.15 through D-2.25 present

adjustments to the forecasted period data to ensure that the correct level of revenue and expense is included in rates at the proper ongoing level."

a. Would Mr. Wathen agree that if properly developed, the forecasted period financial statements should already reflect the proper ongoing level of revenues and expenses? Explain the response.

b. Explain in detail why Mr. Wathen believes it is necessary to make adjustments to the forecasted period to reflect "the proper ongoing level."

c. Explain in detail why Mr. Wathen is proposing adjustments for the forecasted period that are normally made when a historic test period is used.

102. Refer to pages 18 and 19 of the Wathen Direct Testimony. Explain why the depreciation expense for the forecasted period was significantly higher than the amount ULH&P believes to be the reasonable level of expense.

103. Refer to pages 21 and 22 of the Wathen Direct Testimony. Explain in detail why Mr. Wathen believes the uncollectible accounts factor should be the average discount rate used since February 2002 in the sale of ULH&P's accounts receivable, rather than the percentage of uncollectible accounts as was used in ULH&P's last gas rate case.

104. Refer to the response to the Staff's First Request, Item 11. Describe the Automated Meter Reading program for gas operations, as shown on the attachment to the response. Include the total estimated investment required for the program, the years the program should be in effect, and the expected benefits from the program.

105. Refer to the response to the Staff's First Request, Item 12. Using the data included in the attachment to the response, calculate the annual "Slippage Factor"

associated with ULH&P's construction projects. The Slippage Factor should be calculated using the format attached to this data request. Three Slippage Factors are to be calculated: one based on all construction projects, one for AMRP projects only, and one for all non-AMRP projects. If the AMRP-related portions from projects G7REPL, G7PUBIMP, and G7SERVMC can be readily separated from the non-AMRP projects, the separation should be performed for this analysis and workpapers provided to show how separation of the AMRP project costs was determined.

106. In determining the level of capital expenditures to include in the forecasted period, did ULH&P include the total budgeted amount for its capital projects? Explain the response.

107. Refer to the response to the Staff's First Request, Item 20. For purposes of this question, assume that all ULH&P and Cinergy labor groups received a 3.0 percent raise effective January 1, 2006. When determining the level of labor costs to reflect in the test year, did ULH&P price the first 3 months of the forecasted period at the previous wage rates and the remaining 9 months at the new wage rates, or did ULH&P normalize the wage increase and price all 12 months at the new wage rates? Explain the response.

108. Refer to the response to the Staff's First Request, Item 24. Provide supporting workpapers showing how the amounts in the response were determined and what the adjustments to plant represented.

109. Refer to the response to the Staff's First Request, Items 31(a)(3) and 31(c)(3). For each of these responses, provide the amount of the fringe benefit cost

pool included in the base period and the forecasted period. Include the calculations used to determine the amounts for each period.

110. Refer to the response to the Staff's First Request, Item 32, Attachment KyPSC-DR-01-032-B. Provide a description of the program in which ULH&P sells its accounts receivable to an affiliated company. Include a general description of how the program works, what levels of accounts receivable can be sold, and what obligations remain with ULH&P after the sale of the accounts receivable.

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

DATED April 5, 2005

cc: All Parties

CASE NO. 2005-00042
THE UNION LIGHT, HEAT AND POWER COMPANY
Calculation of Capital Construction Project Slippage Factor

Source: Response to Item 12, Staff's First Request

Part 1 – Non-AMRP Capital Construction Projects

Years	Annual Actual Cost	Annual Original Budget	Variance in Dollars	Variance as Percent	Slippage Factor
2004					
2003					
2002					
2001					
2000					
1999					
1998					
1997					
1996					
1995					
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 the Attachment to Item 12. Total all projects for a given year, but exclude the AMRP projects from 2001-2004.
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.

CASE NO. 2005-00042
THE UNION LIGHT, HEAT AND POWER COMPANY
Calculation of Capital Construction Project Slippage Factor

Source: Response to Item 12, Staff's First Request

Part 2 – AMRP Capital Construction Projects

Years	Annual Actual Cost	Annual Original Budget	Variance in Dollars	Variance as Percent	Slippage Factor
2004					
2003					
2002					
2001					
Totals					
4 Year Average Slippage Factor (Mathematic Average of the Yearly Slippage Factors / 4 years)					

The Annual Actual Cost, Annual Original Budget, Variance in Dollars, and Variance as Percent are to be taken from the Attachment to Item 12. Total all AMRP 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.

CASE NO. 2005-00042
THE UNION LIGHT, HEAT AND POWER COMPANY
Calculation of Capital Construction Project Slippage Factor

Source: Response to Item 12, Staff's First Request

Part 3 – All Capital Construction Projects

Years	Annual Actual Cost	Annual Original Budget	Variance in Dollars	Variance as Percent	Slippage Factor
2004					
2003					
2002					
2001					
2000					
1999					
1998					
1997					
1996					
1995					
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 the Attachment to Item 12. 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.