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

THIRD 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 May 24, 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 supplemental response filed on April 4, 2005 to the Commission Staff's First Data Request dated February 15, 2005, Item 6.

a. In the supplemental response is the statement, “ULH&P does not prepare actual to plan income statement variances in its normal course of business ....” Explain in detail why this type of variance analysis is not part of ULH&P’s normal course of business.

b. In the supplemental response ULH&P states,

> Prior to 2004, there was less emphasis on budgeting by particular legal entities within the Regulated Businesses Unit and, as a result, there were some significant variances in the actual results vs. the budget for these accounts. Beginning in 2004, the Regulated Businesses Unit placed greater emphasis on budgeting by legal entity.

(1) Explain in detail why ULH&P and/or Cinergy Corp. (“Cinergy”) in the period prior to 2004 did not emphasize budgeting by legal entities within the Regulated Businesses Unit.

(2) Explain in detail why ULH&P and/or Cinergy changed practice in 2004 and began placing more emphasis on budgeting by legal entity.

2. Refer to page 3 of the Direct Testimony of Steven E. Schrader (“Schrader Testimony”). Mr. Schrader states that a 5-year forecast of operating revenues and expenses is prepared as a starting point for preparing the annual budget, yet after the annual budget is prepared, the 5-year forecast is updated with the results of the annual budgeting process.

a. Indicate when the following events will have occurred during the budgeting process:

(1) The date when the 5-year forecast is available for the preparation of an annual budget.

(2) The date when the annual budget is finalized.

(3) The date when the annual budget is formally approved and/or adopted.

(4) The date when the 5-year forecast is updated to reflect the annual budget.

b. Explain why the 5-year forecast is updated to reflect the annual budget. Indicate in the response if all years contained in the forecast are updated.

c. Provide copies of the 5-year forecast and the annual budgets that were the basis for the base period and forecasted test period used in this rate case.

3. Describe in detail the process ULH&P used to get from the 5-year forecasts and the annual budget to the base period and forecasted test period filed in this rate case. Explain in detail how accounts to be modified from the amounts in the 5-year forecast or budget were identified and how the modifications were made.

4. For each of the referenced schedules or workpapers, provide the source documentation that supports the amounts presented. If the information has already been provided, provide the reference. Submission of the requested source documentation on a CD is acceptable, as long as the information can be reviewed and accessed. However, one hard copy of the source documentation must be provided.

a. Application, Schedule B-2.3 – amounts for “Beginning Balance,” “Additions,” and “Retirements.”

b. Application, Schedule B-4 – “Amount Subject to AFUDC” and “Amount Not Subject to AFUDC.”

c. Application, Workpaper WPB-2.2h – all amounts presented.

d. Application, Workpaper WPB-3.1b – all amounts presented.

e. Application, Workpaper WPB-5.1b – amounts listed under “Acct 151760 Amount” for the months January 2005 through September 2006.

f. Application, Workpaper WPB-5.1d – all amounts listed for the months January 2005 through September 2006.

g. Application, Workpaper WPB-5.1f – all amounts shown for “Customers.”

h. Application, Workpapers WPB-5.1g through 5.1i – all amounts listed for the months of January 2005 through September 2006.

i. Application, Workpapers WPB-6a and 6b – all amounts from January 2005 through September 2006.

j. Application, Schedule C-2.1, pages 2 through 7 of 14 – all amounts listed under “Unadjusted Total Company.”

k. Application, Workpapers WPC-2c and 2.d – all amounts from January 2005 through September 2006.

l. Application, Workpaper WPC-2.1a – all amounts presented.

m. Application, Workpaper WPC-2.18b – all amounts presented. In addition, identify the expense titled “Other Interest.”

n. Application, Workpapers WPC-2.21a and 2.22a – all amounts presented.

o. Application, Schedule F-1, lines 14 through 16 – amounts shown for “Forecasted Period – Total Utility.”

p. Application, Schedule F-2.3, line 7 – amount shown for “Forecasted Period – Total Utility.”

q. Application, Schedule F-6, lines 1 through 8 – amounts shown for "Case No. 2005-00042 – Estimate."

r. Application, Workpapers WPF-4a and 4b – all amounts from January 2005 through September 2006.

s. Application, Workpapers WPF-5a and 5b – all amounts from January 2005 through September 2006.

t. Application, Schedules G-1 through G-3 – all amounts shown for Total Company for both the Base Period and Forecasted Test Period.

u. Application, Schedule J-1 – amounts shown for Common Equity.

v. Application, Schedule J-2 – all amounts shown as "Amount Outstanding."

w. Application, Schedule J-3 – all amounts shown in columns D through G.

5. ULH&P has requested that it be allowed the timely recovery of the remaining capital expenditures associated with the Accelerated Main Replacement Program ("AMRP") through the approval of Rider AMRP through 2011. ULH&P has proposed that its next filing under Rider AMRP would be submitted in March 2008. Would the proposed filing in March 2008 cover the capital expenditures associated with the AMRP for the 12 month period ending December 31, 2007? Explain the response.

6. Pursuant to KRS 278.192(2)(b), ULH&P shall file by July 15, 2005 the actual results for the estimated months of the base period in this rate case. In addition to the actual results ULH&P will be filing, provide, at the time, the following analyses:

a. Compare the February 25, 2005 base period ("estimated base period") balance sheet with the actual results for the base period ("actual base period") balance sheet. 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. Use Schedule B-8 as a format for this analysis.

b. Compare the actual base period balance sheet with the calendar year 2004 balance sheet. 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. Use Schedule B-8 as a format for this analysis.

c. Compare the estimated base period income statement with the actual base period income statement. 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. Use Schedule I-1 as a format for this analysis.

d. Compare the actual base period income statement with the calendar year 2004 income statement. For each amount where the percentage change is greater than 10 percent, positive or negative, provide a detailed explanation of the reason(s) for the change. Use Schedule I-1 as a format for this analysis.

7. Refer to the response to the Commission Staff's Second Data Request dated April 5, 2005 ("Staff's Second Request"), Item 1, pages 1 through 6 of 7. There are several instances in this response where the reason for the variance was that the expense was budgeted in one account, but actually charged to another account.

a. Based upon ULH&P's response, it would appear that it budgets at the account number level. Is this an accurate statement? Explain the response.

b. Explain in detail why several expenses were budgeted in one account, but actually charged to a different account. Include in this explanation a discussion of how ULH&P can perform accurate budget variance analysis if the account budgeted and charged is not the same.

8. Refer to the response to the Staff's Second Request, Item 4, pages 2 and 3 of 3. Prepare a comparison of the base period and forecasted test period fringe benefit costs, using the categories shown on pages 2 and 3. Explain in detail the reason(s) for the increase in operation and maintenance, capital, and total fringe benefit costs.

9. Refer to the response to the Staff's Second Request, Item 5.

a. Concerning the response to Item 5(e), explain how the fact that the escalation factor is based on ULH&P's estimation of actual non-labor cost increases makes the escalation factor reasonable.

b. Concerning the response to Item 5(d), ULH&P was requested to indicate how much of this $2.3 million elimination was related to its electric operations, its gas operations, and its total company operations. This information was not provided in the response. Provide the originally requested information.

c. Concerning the response to Item 5(e), explain how the fact that the escalation factors represent ULH&P's estimation of actual salary and wage increases makes the escalation factors reasonable.

d. Concerning the response to Item 5(i), explain why the specific assumptions stated that the electric investment tax credit was used for the forecasts, but did not mention the gas investment tax credit.

e. Concerning the response to Item 5(k), ULH&P was asked to explain in detail why the budgeted dividend amount was not used for the forecasted test period. The specific assumption concerning dividend policy expressly states that the budget used a lower dividend amount. With this clarification, provide the originally requested explanation.

f. Concerning the response to Item 5(l), ULH&P was asked to explain in detail why the embedded cost of debt rate used in the annual budget was not used for the forecasted periods. ULH&P did not address this question in its response. Provide the originally requested explanation.

g. Concerning the response to Item 5(l), in light of ULH&P's decision to change the financing approach, is the 6.65 percent embedded cost of debt still valid? Explain the response.

10. Refer to the response to the Staff's Second Request, Item 7.

a. Concerning the response to Item 7(a), provide any adjustments made to the Cinergy labor pool or gas labor pool for both the base period and forecasted test period. Explain the reason(s) for the adjustments.

b. Concerning the response to Item 7(c), after 2005 does ULH&P plan to pay executive benefits in lump sum? Explain the response.

c. Refer to the response to Item 7(e). Page 34 of the Regulated Business Unit 2005-2006 Plan Guidelines ("RBU Guidelines"), Donations, states, "Therefore all charitable donations should be removed from the individual center budgets." Given these instructions, explain in detail why donations were included in the base period and forecasted test period.

d. Refer to the response to Item 7(g). In the response ULH&P states that while the RBU Guidelines were issued in August 2004, some of the factors contained in the guidelines were later modified and the RBU Guidelines were not reissued.

(1) Provide documentation showing the change to the RBU Guidelines concerning the fringe benefit loadings rates for 2005 and 2006. If not clearly shown, also document when these changes were approved by management.

(2) Provide a listing of any other changes made to the RBU Guidelines after August 2004. For each change, explain the reason(s) for the change and state the impact the change had on the base period and forecasted test period.

11. Refer to the response to the Staff's Second Request, Item 9(a). ULH&P has indicated that monthly budget variance reports, with narrative explanations, currently do not exist for it at the total company level and for its gas operations. ULH&P states this information will be available in the future after the implementation of new finance and accounting software. Explain in detail how ULH&P's management has been able to accurately monitor deviations from its budget without this standard accounting tool.

12. Refer to the response to the Staff's Second Request, Item 10.

a. The response to Item 10(a) failed to explain why rental revenues and depreciation expense related to the Florence facility were reclassified to above-the-line. Provide the originally requested information.

b. Provide the amount of the loss on the sale of the Covington office and indicate whether this loss was removed from the base period. If the loss was included in the base period, explain in detail why it was included.

13. Refer to the response to the Staff's Second Request, Item 11, page 1 of 2. Explain in detail why the composite remaining life for Account 276.30 – Plastic Mains, dropped from 36.6 years in the previous depreciation study to 36.3 years in the new depreciation study.

14. Refer to the response to the Staff's Second Request, Item 13(a). Concerning the last statement in the response, explain why the life and curve combination for Liquid Petroleum Gas Equipment was compared to other electric utilities.

15. Refer to the response to the Staff's Second Request, Item 16.

a. ULH&P states in the response to Item 16(a), "In this particular account, the trend of the most recent five-year period is the best estimate for years to come." Explain in detail the basis for this conclusion.

b. Refer to the response to Item 16(c). The response implies that low levels of gross salvage have been experienced for this account since 1995, while the depreciation study text implies a one-time event occurred in 1995. Which is the correct statement of what happened? Explain the response.

c. ULH&P was asked in Item 16(c) to explain why the summary of book salvage did not appear to reflect an unusual occurrence in 1995. ULH&P's response did not answer this part of the request. Provide the originally requested information.

16. Refer to the response to the Staff's Second Request, Item 18 and the Application, Tab 64. Tab 64 addresses the filing requirement contained in 807 KAR 5:001, Section 6(7). This regulation provides that if a financial exhibit is required, the financial exhibit shall cover operations for a 12-month period and be no more than 90 days prior to the date the application was filed. ULH&P's response to Item 18 did not provide the information sought in the request. With the clarification of what is required under 807 KAR 5:001, Section 6(7), provide the originally requested information for Item 18.

17. Refer to the supplemental response to the Staff's Second Request, Item 21.

a. Refer to page 4 of 40 in the response. Explain why there was no change in the deferred income taxes for the base period as a result of the change in the Kentucky income tax rate.

b. Refer to page 6 of 40 in the response. Provide a revised Workpaper WPB-6b showing the monthly amounts for lines 10 to 16, 23 to 27, and 33 to 37 that were affected by the change in the Kentucky income tax rate.

c. Refer to pages 23 and 24 of 40 in the response. Comparing the originally filed Schedule D-2.14 with page 23 of 40, explain why the state taxes are higher after applying the lowered Kentucky income tax rate and the federal taxes are lower. In addition, provide the source documentation for the amounts shown on page 24 of 40.

18. Refer to the response to the Staff's Second Request, Item 22. Provide the total excess Kentucky deferred income tax for ULH&P's gas operations as of March 31,

2005. Separate the excess deferral into “protected” and “unprotected” components. For purposes of this question, excess deferred income tax refers to tax timing differences which were provided by ratepayers at a higher tax rate than the rate at which the timing differences will be flowed back.

19. Refer to the response to the Staff’s Second Request, Item 24.

a. Explain how the allocation percentages for gas and electric operations were determined.

b. If the Covington office building was sold in November 2004, explain why office furniture and equipment identified as part of that building are included in the allocation of common property as of December 31, 2004.

20. Refer to the responses to the Staff’s Second Request, Items 27 and 28. For each allocation schedule, explain how the allocation percentages for gas and electric operations were determined.

21. Refer to the response to the Staff’s Second Request, Item 32(a).

a. Explain why the base period was not prepared at the same level of detail as calendar year 2004.

b. Would ULH&P agree that the numerous account consolidations used in the base period make it difficult to readily determine differences between the base period and calendar year 2004? Explain the response.

22. Refer to the response to the Staff’s Second Request, Item 34(a). Explain in detail why ULH&P would classify a group of accounts as above-the-line for the base period, but as below-the-line for the forecasted test period.

23. Refer to the response to the Staff’s Second Request, Item 36(d).

a. ULH&P was requested to explain why it does not believe its forecasted or budgeted amount for injuries and damages liability expenses was adequate. ULH&P did not provide this information. Provide the originally requested information.

b. ULH&P has elected to submit this rate case using a forecasted test period. Explain in detail why ULH&P believes an adjustment determined in a historic test period case is appropriate for a forecasted test period case.

24. Refer to the response to the Staff's Second Request, Item 36(g)(4).

a. For each of the years included in the response, calculate the ULH&P percentage of propane gallons vaporized.

b. Prepare a schedule listing the ULH&P percentage of propane gallons vaporized for the years 2000 through 2004. Calculate the mathematic average of ULH&P's percentage of propane gallons vaporized for the 5-year period.

c. Explain why it is more reasonable to use the ULH&P percentage of propane gallons vaporized for 2004 rather than the 5-year average.

25. Refer to the response to the Staff's Second Request, Item 37. Were the revisions described in this response included in the supplemental response to Item 21of the Staff's Second Request? If not, provide revised Workpapers WPE-1a and WPE-1b reflecting the revision and the change in the Kentucky income tax rate.

26. Refer to the response to the Staff's Second Request, Item 40. Using the results from calendar year 2004, provide an analysis of Account No. 911090 – Marketing Operations. The analysis should list each transaction recorded in the account, showing the date of the transaction, the vendor or payee, the actual amount of

the transaction, and a brief description of the transaction. Transactions of $1,000 or less can be grouped together as a lump sum amount.

27. Refer to the response to the Staff's Second Request, Item 42. Explain in detail how ULH&P determined the amounts for "Noproj – Default Project" for the estimated portion of the base period and the forecasted test period.

28. Refer to the response to the Staff's Second Request, Item 47(c). ULH&P was requested to provide Workpapers WPI-1a and WPI-1b, which were not included in the Application. The information was not provided in the response. Provide the originally requested workpapers.

29. Refer to the response to the Staff's Second Request, Item 49.

a. ULH&P states that it has passed the risk of late payments to the purchaser of its accounts receivables; therefore, it does not retain the right to keep revenues that result from late payments. Provide evidence demonstrating to the Commission that ULH&P retains none of the costs related to late payments.

b. Provide the amount of late payment charge gas revenues booked by ULH&P in calendar year 2004 and for the 12 months ended April 30, 2005.

30. Refer to the response to the Staff's Second Request, Item 51, and the response to the Attorney General's First Data Request dated April 5, 2005 ("AG's First Request"), Item 113(d). The response to 113(d) needs clarification. In Case No. 1990-00013,[1] the Commission accepted a 25-year weather normalization period proposed by Western Kentucky Gas (Atmos Energy). The Order did not discuss the adjustment in detail, but accepted the proposed revenue normalization adjustments.

[1] Case No. 1990-00013, Rate Adjustment of Western Kentucky Gas Company.

a. The response to Item 51 of the Staff's Second Request includes revised Schedules M-2.2 and M-2.3 based on 30-year weather normals for the period 1971-2000. Provide another revision of these schedules based on 1980 through 2004, the most recent 25-year period available.

b. Based on information in ULH&P's application and its response to Item 67 of the Staff's Second Request, it appears that 5,049 was the average annual heating degree total for 1980-2004. Does ULH&P agree with this calculated result?

31. Refer to the response to the Staff's Second Request, Item 52, and the response to the AG's First Request, Item 110.

a. Explain why ULH&P chose to include in its comparison of rates 2 utilities, Delta Natural Gas Company, Inc. and Equitable Gas Company, which are significantly smaller than ULH&P.

b. Based on ULH&P's proposed rates and current rates of the utilities included in its comparison, provide comparable residential customers' bills, including customer charges, delivery rates, and gas cost rates, based on usage of 8 Mcf.

32. Refer to the response to the Staff's Second Request, Item 61(b). Indicate the dates corresponding to the initial implementation costs for the Integrity Management Program.

33. Refer to the response to the Staff's Second Request, Item 62(c). Based upon the response, it appears ULH&P did not include any costs associated with its proposal to assume ownership of service lines at the time of installation. Given that ULH&P has filed its rate case using a forecasted test period, explain why it did not include the first year impact of the proposal in its forecasted test period.

34. Refer to the response to the Staff's Second Request, Item 65. The request, which asked for a narrative description of the derivation of the 1.0 percent growth, was worded incorrectly. Instead, provide a narrative description of how the volumes which give rise to the 1.0 percent growth rate were derived.

35. Refer to the response to the Staff's Second Request, Item 66.

a. Provide any ULH&P-specific data which demonstrates the accuracy of 10-year weather normals for general planning purposes.

b. When did ULH&P first begin using 10-year weather normals for general planning purposes?

36. Refer to the response to the Staff's Second Request, Item 67.

a. The data reflects that 5 of the 8 highest heating degree day totals from 1961 through 2000 occurred from 1976 through 1980 and that this 5-year period heavily affects the 30-year normal heating degree day average for 1971 through 2000. Is ULH&P aware of any evidence or research addressing the reasons for the level of heating degree days experienced during the period 1976-1980?

b. The 40–year data in the response reflects annual average heating degree days of roughly 5,300 during the period 1961-1980 and 5,000 during the period 1981-2000. Is ULH&P aware of any evidence or research addressing the differences in average heating degree levels between these consecutive 20-year periods?

37. Refer to the response to the Staff's Second Request, Item 70, which indicates that residential gas sales are dependent on economic factors in addition to being dependent on weather. The response also refers to 2004 having 5,194 heating

degree days, the highest number in the past 5 years, and an average residential use per customer of 82 Mcf.

a. Although it had the most heating degree days in the past 5 years, 2004's total is statistically equivalent to the heating degree day totals of 5,187 and 5,182, which occurred in 2000 and 2003, respectively. In 2000, average residential use per customer was 93 Mcf, while in 2003 average residential use per customer was 89 Mcf. Can ULH&P identify what economic factors were responsible for residential use per customer averaging 11.0 percent more during those 2 years than in 2004?

b. Describe the extent to which ULH&P attempts to correlate Mcf volumes and heating degree days on a monthly basis as part of its forecasting process.

38. Refer to the response to the Staff's Second Request, Item 74. ULH&P was requested to indicate how many of its gas employees were included in each incentive plan as of December 31, 2004, for the base period, and for the forecasted test period. ULH&P provided employee data as of December 31, 2004, but did not address the base period or forecasted test period. Recognizing the limits identified by ULH&P, provide the originally requested information for the base period and forecasted test period.

39. Refer to the response to the Staff's Second Request, Item 78(b). Identify the various cycles of the Cinergy 1996 Long-Term Incentive Compensation Plan included in the $229,745 allocation of cycles recorded in 2004.

40. Refer to the response to the Staff's Second Request, Item 79(b).

a. Absent a general rate case, explain how maximizing net income results in lower rates for customers.

b. Absent a general rate case, doesn't the maximization of net income result in benefits only for shareholders? Explain the response.

c. From the viewpoint of a regulated utility, doesn't the goal of "Receive Constructive Regulatory Treatment" imply that regulatory decisions generally result in treatment favorable to the utility's interests? Explain the response.

41. Refer to the response to the Staff's Second Request, Item 80(d). ULH&P was requested to provide the amount of its minimum pension liability allocated to its gas operations as of December 31, 2004. ULH&P responded that the minimum pension liability is a common liability and not split between gas and electric. Throughout its Application, ULH&P has allocated common assets and liabilities between its electric and gas operations. Provide the originally requested information.

42. Refer to the response to the Staff's Second Request, Item 97, and the Direct Testimony of Paul F. Ochser. Explain why 50 percent is the portion of the "excess/subsidy" proposed to be eliminated as opposed to a different percentage such as 80 percent or 20 percent.

43. Refer to the response to the Staff's Second Request, Item 100.

a. Does ULH&P agree that the PSC Assessment that it will be billed in July 2005 is based upon the gross revenues reported for calendar year 2004?

b. In the response to Item 100(a), ULH&P states, "The matching principle in accounting requires that expenses be recorded in the same period as the revenues are recorded that these costs helped produce." Does ULH&P agree that based upon this principle, ULH&P should be accruing the PSC Assessment payable in July 2005 during calendar year 2004? Explain the response.

44. Refer to the response to the Staff's Second Request, Item 101(a). ULH&P notes that it proposed some adjustments that reflected what it believed to be "Commission precedent." Describe the research of previous Commission decisions undertaken by ULH&P to determine the applicable "Commission precedent" and state whether ULH&P researched only historic test period-based rate case decisions.

45. Refer to the response to the Staff's Second Request, Item 103. Provide ULH&P's actual uncollectible expense for calendar years 2002 through 2004, as well as the amount included in the base period and the forecasted test period.

46. Refer to the response to the Staff's Second Request, Item 104.

a. When does ULH&P expect to secure approval of the Automated Meter Reading from Cinergy's management?

b. If the Automated Meter Reading project is not approved or implementation is delayed, would ULH&P agree that any amounts associated with the project included in the forecasted test period should be removed? If no, explain the response.

47. Refer to the response to the Staff's Second Request, Item 105.

a. A review of ULH&P's response indicates that it was able to perform the requested separation, but failed to provide the supporting workpapers. Provide the workpapers as originally requested.

b. In determining the capital additions to be reflected in the base period and forecasted test period, did ULH&P recognize a slippage factor in the calculations? Explain the response.

c. Concerning the response to Item 105, should the Commission utilize the total slippage factor or the 10-year, mathematic average slippage factor? Explain the response.

d. Should the Commission utilize two slippage factors in this case, one for the AMRP-related projects and one for the non-AMRP-related projects? Explain the response.

48. Refer to the response to the Staff's Second Request, Item 109. ULH&P was asked to provide the calculations used to determine the fringe benefit cost pool amounts included in the base period and the forecasted test period. The calculations were not provided. Provide the originally requested information.

49. Refer to the response to the Staff's Second Request, Item 110. ULH&P was asked to describe what obligations it retained with regard to its accounts receivables after they were sold. The response did not clearly provide this information. Provide the originally requested information.

50. Provide the following information concerning ULH&P's sale of accounts receivable by calendar quarters beginning with the quarter ended March 31, 2002 and continuing through the quarter ended March 31, 2005:

a. The balance of ULH&P's accounts receivable sold.

b. The balance of ULH&P's accounts receivable retained by the company.

c. The total balance of ULH&P's sold and retained accounts receivable.

d. To the extent possible, provide the same information requested in parts (a) through (c) above separating the balances between electric and gas operations.

e. For both the base period and forecasted test period, provide the level of accounts receivable estimated by ULH&P to have been sold and the balance estimated to be retained.

51. Refer to the response to the AG's First Request, Item 10.

a. To the extent ULH&P or Mr. Spanos knows, explain why the "EEI/AGA Depreciation Statistics Report" does not include depreciation information for Louisville Gas and Electric Company.

b. Refer to pages 83 through 85 of 132 in this response. Would ULH&P and Mr. Spanos agree that almost every utility listed on these pages has reported an average service life for Account No. 376 – Mains, of greater than 36.3 years?

c. Describe the extent to which ULH&P and Mr. Spanos used this report to develop the proposed depreciation rates.

52. Refer to the response to the AG's First Request, Items 53 and 54.

a. What is the average estimated cost for purging and capping a retired main? Include all assumptions and calculations used to determine the response.

b. Provide the average estimated cost for purging and capping a retired main as a percentage of ULH&P's average installation costs.

c. Explain in detail the basis for the 75/25 allocation of tie-in costs. Include all documentation supporting the allocation percentages.

d. Explain why any portion of the new mains tie-in costs should be applied as a cost of removal for the old main. Include in this response a discussion of why the removal costs should only reflect the cost of purging and capping a retired main.

53. Refer to the response to the AG's First Request, Item 87(a), page 1 of 2. Identify the ranges of amounts used to determine the two sets of averages shown on this response.

54. Refer to the response to the AG's First Request, Item 161. In its December 5, 2003 Order in Case No. 2003-00252,[2] the Commission found that ULH&P's proposal to record the accumulated deferred investment tax credits ("ADITC") and deferred income tax balances associated with the generating facilities being transferred "below the line" was reasonable and was approved. Given the decision in Case No. 2003-00252, explain in detail why ULH&P included ADITC associated with the transferred electric generating plants in Workpapers WPB-6a and WPB-6b and Schedule J-1.

55. Refer to the response to the AG's First Request, Item 182. Explain in detail why the estimated portion of the base period and the forecasted test period does not include any amortization of investment tax credits. Include with the response a discussion of why this approach is reasonable.

[2] Case No. 2003-00252, The Application of The Union Light, Heat and Power Company for a Certificate of Public Convenience to Acquire Certain Generation Resources and Related Property; for Approval of Certain Purchase Power Agreements; for Approval of Certain Accounting Treatment; and for Approval of Deviation from Requirements of KRS 278.2207 and 278.2213(6), final Order dated December 5, 2003 at 31.

56. Refer to the response to the AG's First Request, Item 216. Describe the types and nature of the expenses for Community Relations included in the forecasted test period.

57. Refer to the response to the AG's First Request, Item 219. For each of the expense descriptions listed below, provide by account number the dollar amount included in the forecasted test period for the expense, a description of the type and nature of the expense, and an explanation of why the expense should be included in the forecasted test period for rate-making purposes.

a. Association Dues and Fees.

b. Dues Paid for Social Clubs.

c. Employee Recognition.

d. Government Affairs.

e. Lobbying Expenses.

f. Miscellaneous Events/Tickets.

g. Corporate Sponsorships.

While the AG originally requested information for only Account No. 921 – Office Supplies and Expenses, this request covers all expense accounts included in the forecasted test period.

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DATED May 10, 2005

cc: All Parties