COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT AND POWER COMPANY FOR APPROVAL OF MODIFICATIONS TO ACCOUNTING PRACTICES TO ESTABLISH REGULATORY ASSETS AND LIABILITIES RELATED TO CERTAIN MISO-RELATED COSTS AND REVENUES NOT ALREADY INCLUDED IN EXISTING BASE RATES	)))))))	CASE NO. 2005-00096

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 6 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 response to the Commission Staff's First Data Request dated April 12, 2005 ("Staff's First Request"), Item 1. Explain in detail how ULH&P concludes that the new incremental Midwest Independent Transmission System Operator, Inc. ("MISO") revenues and expenses are material. Include citations to the Uniform System of Accounts or any other accounting pronouncement that supports ULH&P's conclusion.

2. Refer to the response to the Staff's First Request, Item 2(b). The response did not address the issue raised in the original question. Do the MISO revenues and expenses that are proposed to be deferred relate to MISO transmission services being provided currently or to MISO transmission services to be provided in a future period? Explain the response.

3. Refer to the response to the Staff's First Request, Item 3. In the response ULH&P states, "These MISO charges represent a significant increase over ULH&P's transmission expenses prior to the start of the MISO Day 2 energy markets." What is the basis for ULH&P's contention that the MISO charges represent "a significant increase"? Explain the response.

4. Refer to the response to the Staff's First Request, Item 3. The last paragraph of ULH&P's response cites the Commission's decision concerning the establishment of deferred debits for workforce reductions undertaken by Louisville Gas and Electric Company and Kentucky Utilities Company. ULH&P's responding witness, Paul K. Jett, states that the Commission permitted the two utilities to recognize the deferred debits in their earnings sharing mechanism during the following year.

a. What is the basis for Mr. Jett's conclusions contained in this response?

b. Has Mr. Jett reviewed all the provisions of the settlement agreement approved in the Commission's December 3, 2001 Order in Case No. 2001-00169?[1]

c. Was Mr. Jett aware that the settlement agreement in Case No. 2001-00169 provided that the amortization of the workforce reduction deferred debits was to be a component in a "Value Delivery Surcredit" mechanism, with the amortization offsetting the estimated savings that were to be returned to ratepayers, and that the effects of the Value Delivery Surcredit were to be removed from the calculations of the annual earnings sharing mechanism? Explain the response.

5. Refer to the response to the Staff's First Request, Item 6(a) and the response to the Attorney General's First Data Request dated April 12, 2005 ("AG's First Request"), Item 6. In the response to Staff's First Request, ULH&P contends that the 2005 additional MISO costs are of a material nature because the costs include the estimated $1.5 million incremental costs plus additional costs for the MISO Day 2 Market. However, in the response to the AG's First Request, ULH&P has indicated that it cannot estimate the 2005 amounts for annualized LMP charges, settlement of FTRs, uplift charges, MISO Schedule 22 charges, and other miscellaneous charges. Explain in detail how ULH&P can contend the 2005 additional MISO costs are of a material nature, when it cannot provide estimates of any of the additional costs.

[1] Case No. 2001-00169, Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for an Order Approving Proposed Deferred Debits and Declaring the Amortization of the Deferred Debits to be Included in Earnings Sharing Mechanism Calculations.

6. Refer to the response to the Staff's First Request, Item 6(c). Based on the response, is ULH&P stating that the future benefits of creating the regulatory assets and liabilities for the MISO costs are available only to ULH&P's shareholders? Explain the response.

7. Refer to the response to the Staff's First Request, Item 6(d). The response does not answer the question. ULH&P's response appears to argue that since the incremental MISO revenues and expenses would be kept together, a proper match had been achieved. This was not the focus of the request. The request asked for ULH&P to explain how deferring the costs for transmission service actually received in 2005 results in a proper match of those costs with the transmission service that gave rise to those costs. With this clarification, provide the originally requested explanation.

8. Provide a detailed description of Mr. Jett's work education and experience relating to regulatory accounting and regulated utility rate-making practices.

Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
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DATED May 10, 2005

cc: All Parties