

Cinergy Corp.  
139 East Fourth Street  
Rm 25 AT II  
P.O. Box 960  
Cincinnati, OH 45201-0960  
Tel 513.287.3601  
Fax 513.287.3810  
jfinnigan@cinergy.com

JOHN J. FINNIGAN, JR.  
Senior Counsel

**VIA OVERNIGHT MAIL**

January 14, 2004



Mr. Thomas Dorman  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

**RECEIVED**

JAN 14 2004

PUBLIC SERVICE  
COMMISSION

Re: Application

Dear Mr. Dorman:

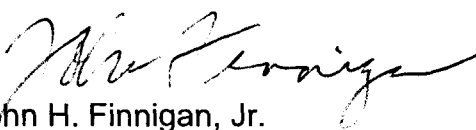
2004-00017

Enclosed please find an original and 12 copies of the Application of the ULH&P Company for a Certificate of Public Convenience and Necessity to Construct Gas Distribution Facilities within its Service Territory.

Please return two File Stamped copies in the enclosed overnight envelope.

If you have any questions, please feel free to contact me at (513) 287-3601.

Sincerely,

  
John H. Finnigan, Jr.

JJF/sew  
Enclosures

cc: Elizabeth Blackford

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

JAN 14 2004

PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT )  
AND POWER COMPANY FOR A CERTIFICATE )  
OF PUBLIC CONVENIENCE AND NECESSITY )  
TO CONSTRUCT GAS DISTRIBUTION FACILITIES )  
WITHIN ITS SERVICE TERRITORY

CASE NO. 2004-00017

\* \* \* \* \*

APPLICATION

Pursuant to KRS 278.020, 807 KAR 5:001, Sections 8 and 9, and the Commission's Order dated January 31, 2002 in *In the Matter of Adjustment of Gas Rates of The Union Light, Heat and Power Company*, Case No. 2001-00092, The Union Light, Heat and Power Company (ULH&P) respectfully states as follows:

1. ULH&P is a Kentucky corporation with its principal office and principal place of business at 107 Brent Spence Square, Covington, Kentucky 41042-0032. Its mailing address is P.O. Box 960, Cincinnati, Ohio 45201.

2. ULH&P is a utility engaged in the gas and electric business. ULH&P purchases, sells, stores and transports natural gas in Boone, Campbell, Gallatin, Grant, Kenton and Pendleton Counties, Kentucky. ULH&P also purchases electricity, which it distributes and sells in Northern Kentucky.

3. Pursuant to 807 KAR 5:001, Section 8(3), ULH&P states that a certified copy of its Articles of Incorporation, as amended, is on file with the Commission in Case No. 6566.

4. In Case No. 2001-00092, ULH&P sought Commission approval of a base rate

increase for its gas operations, including approval of Rider AMRP. Under ULH&P's proposal, Rider AMRP provided for an annual adjustment to rates over a ten-year period, to allow ULH&P to recover the costs of replacing its cast iron and bare steel mains on an accelerated basis, including the cost of recovering customer-owned service lines connected to such mains.

5. In an Order dated January 31, 2002 in Case No. 2001-00092, the Commission approved Rider AMRP, subject to certain modifications, for an initial period of three years. The Commission's Order required ULH&P to file an application for a certificate of public convenience and necessity (CPCN) for the mains that ULH&P would replace under the program. The purpose of this application is to comply with the Commission's Order. ULH&P previously filed an application for a CPCN for the 2002 and 2003 Rider AMRP construction work in Case No. 2002-00089 and Case No. 2002-00407, respectively.

6. Pursuant to 807 KAR 5:001, Section 9(2)(a), ULH&P states that the proposed construction is or will be required by public convenience and necessity because cast iron and bare steel mains comprise approximately 13% of ULH&P's natural gas distribution system, and such mains are subject to leaks at a greater rate than coated steel or polyethylene, leading to higher operating and maintenance expenses, greater line losses and safety and reliability risks. Further information to support the fact that the proposed construction is or will be required by public convenience and necessity is contained in the following filings by ULH&P on May 4, 2001 in Case No. 2001-00092: Direct Testimony of Leonard C. Randolph, Jr.; Direct Testimony of Sevket Torpis; and the April, 2001 Independent Review of Cast Iron and Bare Steel Pipe Replacement Program Report prepared by Stone & Webster Consultants, as well as the Commission's Order dated January 31, 2002 in such case, all of which are incorporated by

reference herein.

7. Pursuant to 807 KAR 5:001, Section 9(2)(b), ULH&P states that the construction work involves the replacement of existing cast iron and bare steel facilities, including mains, main-to-curb services and curb-to-meter services, and that ULH&P has previously filed with the Commission the applicable franchises from the proper public authorities.

8. Pursuant to 807 KAR 5:001, Section 9(2)(c), ULH&P states that the construction work will occur at various locations throughout ULH&P's distribution system. ULH&P has divided the work into modules. A module consists of two to five miles of cast iron and bare steel mains located within a particular community. The location for the construction work within the modules is indicated on the construction maps filed herein. The modules are rank-ordered according to various factors, including safety and reliability considerations, to determine the priority under which the construction work contained within each module should be performed. In addition to module work, ULH&P will continue to perform 2004 Cast Iron Maintenance Optimization System® (CIMOS) and Bare Steel Maintenance Optimization System® (BSMOS) programs, street improvement projects and any emergency replacements that may arise in 2004.

ULH&P will report to the Commission on ULH&P's cast iron and bare steel main replacement activities due to highway improvements and future leakage when ULH&P files its annual Rider AMRP filings as required by the Commission's January 31, 2002 Order in Case No. 2001-00092.

ULH&P will use contractors and employees to perform and supervise the work. ULH&P will utilize conventional excavation and main construction techniques and, to the extent possible, directional drilling techniques. ULH&P will follow and will require its contractors to follow

ULH&P's manual of construction practices on file with the Commission. ULH&P will file additional construction information on or before March 31, 2004 as required by Appendix G of the Commission's Order dated January 31, 2002 in Case No. 2001-00092, and ULH&P incorporates such information by reference herein.

9. In the Commission's Order dated October 7, 2002 in *In the Matter of the Application of The Union Light, Heat and Power Company for a Certificate of Public Convenience and Necessity to Construct Gas Distribution Facilities within its Service Territory and for a Deviation from Administrative Regulation 807 KAR 5:022, Section 9(17)*, Case No. 2002-00089, the Commission authorized ULH&P to deviate from the Commission's August 29, 2002 Order granting a certificate for public convenience and necessity, to the extent that ULH&P incurred additional costs for metallic main and services replacement work, not to exceed by 20% the amount authorized by the Commission's August 29, 2002 Order. The Commission issued a similar Order on June 4, 2003 in Case No. 2002-00407.

10. In the instant application, ULH&P requests authorization to incur construction costs in the amount of \$11,594,485 for module work, CIMOS and BSMOS work and street improvement work during 2004. The projects are as described in Exhibit A. By March 31, 2004, ULH&P will supplement this filing with the additional projects and estimated costs for the projects identified through that date. In addition, consistent with the Commission's previous orders in ULH&P's CPCN cases for its Rider AMRP increases, ULH&P requests a deviation, to the extent that actual construction costs exceed the projected cost of \$11,594,485, in an amount up to 20% of the projected cost.

11. Pursuant to 807 KAR 5:001, Section 9(2)(d), ULH&P states that it will make a

supplemental filing with maps showing the location or route of the construction. ULH&P requests permission to provide only three sets of these maps due to the voluminous number of maps, rather than the standard filing requirement of ten sets. To ULH&P's knowledge, no other like facilities owned by others are located anywhere within the map area.

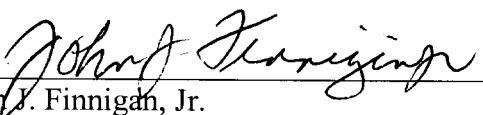
12. Pursuant to 807 KAR 5:001, Section 9(2)(e), ULH&P states that it proposes to finance the construction through continuing operations, including revenues to be derived from Rider AMRP and debt instruments as necessary.

13. Pursuant to 807 KAR 5:001, Section 9(2)(f), ULH&P states that the estimated cost of construction of the proposed facilities, including the cost of replacing metallic service lines connected to cast iron and bare steel mains, for the 2004 construction program is \$11,594,485.

WHEREFORE, ULH&P respectfully requests that the Commission issue a Certificate of Public Convenience and Necessity pursuant to KRS 278.020(1) for the above-described construction as requested herein.

Respectfully submitted,

THE UNION LIGHT, HEAT AND POWER  
COMPANY

  
\_\_\_\_\_  
John J. Finnigan, Jr.  
Senior Counsel  
P. O. Box 960  
139 East Fourth Street, Room 25 ATII  
Cincinnati, Ohio 45201-0960  
Phone: (513) 287-3601

## The Union Light, Heat and Power Company

### AMRP Projects Scheduled For 2004 (1)

Job Number	Job Name	Footage
02-8282-2	Module 282	11,633
02-8283-0	Module 283	9,952
02-8284-8	Module 284	13,935
02-8285-5	Module 285	7,627
04-8286-9	Module 286	8,119
04-8294-3	Module 294	21,619
04-8295-0	Module 295	4,953
04-8302-4	Module 302	7,719
04-8303-2	Module 303	7,480
04-8304-0	Module 304	8,783
04-1000-1	Lytle (Steel)	3,330
04-1001-9	Dixie Hwy (Steel)	1,266
04-1032-4	Lynn	350
04-1041-5	Holmes	700
04-1042-3	Hinde	1,000
04-1047-2	Grant	<u>980</u>
		<u><u>109,446</u></u>

(1) Reflects projects planned through December 31, 2003.  
Additional projects will be added throughout the year.