

RECEIVED

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

APR 29 2005

PUBLIC SERVICE
COMMISSION

In the Matter of:

AN ADJUSTMENT OF THE GAS)
RATES OF THE UNION LIGHT,)
HEAT AND POWER COMPANY)

CASE NO. 2005-00042

**SUPPLEMENTAL REQUEST FOR INFORMATION
POSED BY THE ATTORNEY GENERAL**

By agreement between the parties evidenced by electronic correspondence of April 26, 2005, the Attorney General, by and through his Office of Rate Intervention, submits this Supplemental Request for Information to the Union Light, Heat and Power Company to be answered no later than May 17, 2005, with the understanding that all other supplemental requests of the Attorney General will be submitted on the dates established in the procedural schedule set out in the Order of April 28, 2005. The responses are to be submitted in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

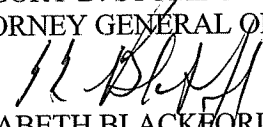
(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL OF KENTUCKY



ELIZABETH BLACKFORD
ASSISTANT ATTORNEY GENERAL
FRANKFORT KY 40601-8204
(502) 696-5453
FAX: (502) 573-8315
betsy.blackford@ag.ky.gov

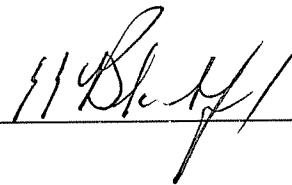
CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 29th day of April, 2005, I have filed the original and ten copies of the foregoing Request for Information with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

JOHN P STEFFEN
VICE PRESIDENT RATES
THE UNION LIGHT HEAT & POWER CO
139 E FOURTH STREET
CINCINNATI, OH 45202

JOHN J FINNIGAN JR ESQ
SENIOR COUNSEL
THE UNION LIGHT HEAT & POWER CO
139 E. FOURTH STREET
CINCINNATI, OH 45202

ROBERT M WATT ESQ
STOLL, KEENON & PARK, LLP
300 WEST VINE STREET
SUITE 2100
LEXINGTON, KY 40507-1801



Supplemental Request for Information
Posed by the Attorney General
Case No. 2005-00042

1. Are there any Other Operating Revenue components that are a direct function of Sales and Transportation Revenues? If so, identify these Other Operating Revenue components; provide the relationship between these Other Operating revenues as a ratio (percentage) of the total Sales and Transportation revenues; and explain why this ratio has not been built into the Gross Revenue Conversion Factor (similar to, for example, the uncollectible and KPSC fee ratios) shown on Schedule H.
2. Account 493040 Other Operating Revenues for Rent Land & Buildings – Assoc. has been at a level of \$34,176 for each of the last 5 years but has not been reflected in the forecasted test period because “Inter-company rents are not budgeted.” (see response to AG-1-193f) Assuming the reflection of \$34,176 revenues from this item in the forecasted test period, what would be the impact on the Company’s forecasted test period net operating income (i.e., would there be offsetting expenses and, if so, explain why)?
3. In its response to AG-1-193b, e, and e, the Company states that the reason for the reduced forecasted test period transportation revenues in accounts 489040, 489110 and 489120 as compared to the base period and 12-month period ended 5/31/04 is that “The forecasted test period reflects the Rider AMRP expiring on August 31, 2004. The result is a decrease in the amount of revenues forecasted for account 489040 [and 489110 and 489120].” Please explain the above statement in more detail. In addition, provide the following information:
 - a) Why did the Company assume that Rider AMRP would expire in August 2004?
 - b) Isn’t it the Company’s position in this case that Rider AMRP will not expire until the rate effective date of this case?
 - c) Would the projected transportation revenues for the forecasted test period be any different with the assumption that Rider AMRP expires with the rate effective date of this case?
 - d) If so, what would be the forecasted test period revenues for these three transportation revenue accounts without the Rider AMRP expiration assumption?
 - e) Why would the 8/31/04 Rider AMRP expiration assumption result in a decrease of the projected forecasted revenues for these three transportation accounts (explain in detail and, if needed, illustrate with examples).
4. In the response to AG-1-193e, the Company states that the forecasted test period Industrial Firm Transportation revenues reflect “a 10% decrease from January 2004 through September 2006 in the number of industrial customers taking service under Rate FT-L.” In this regard, please provide the following information:
 - a) What is the basis for this assumed 10% decrease? If available, include all source documentation in support of this assumption.

- b) Provide the number of industrial customers taking service under Rate FT-1 for each month from January 2002 through to date.
 - c) What would be the projected forecasted test period Account 489120 revenues of \$1,376,000 without the impact of the assumed 10% decrease in the number of customers from January 2004 through September 2006?
5. With regard to the Non-Jurisdictional ADIT balance of \$1,563,620 shown on line 25 of WPA-1d, please provide the following information:
- a) Provide a breakout of this balance by ADIT component, including the MGP Environmental Cleanup, Non-Utility Plant AFUDC and Alternative Minimum Pension Liability adjustment (see response to AG-1-167(a)).
 - b) If one hypothetically assumes that none of the ADIT components to be provided in response to part a above is non-jurisdictional, how would this assumption impact the ADIT balances on line 25 of WPA-1d for Gas Jurisdictional and Electric Jurisdictional?
 - c) Provide the reasons why the Tax Department considered the \$1,563,000 of ADIT non-jurisdictional (see response to AG-1-167(a)).
 - d) Given that the Company's proposed forecasted period common equity balance of \$352,350,000 includes OCI common equity related to the Minimum Pension Liability, explain why the ADIT included in the \$1,563,000 relating to the Alternative Minimum Pension Liability should be considered non-jurisdictional.
6. With regard to the Company's response to PSC-2-105, please provide the following information:
- a) If a Slippage Factor were to be applied for ratemaking purposes in this case, please provide the Company's position as to whether the 10-year average Slippage Factor should be based on the cumulative average (e.g., 9.38% for the Non-AMRP projects) or the mathematical 10-year average of the yearly slippage factors (e.g., 6.048% for the Non-AMRP projects). If the latter, explain why and provide any KPSC precedent in using this particular Slippage Factor calculation.
 - b) Please re-calculate the Forecasted Period jurisdictional gas plant in service balance of \$277,747,000 and CWIP balance of \$4,120,000 assuming the 10-year average slippage factor shown for Non-AMRP capital construction projects shown on page 1 of 3 of the response.
 - c) If the Slippage factor assumption referenced in part b above also impacts other gas jurisdictional rate base items, please re-calculate such other gas jurisdictional rate base items based on the same 10-year average slippage factor as referenced in part b above.
7. Please provide confirmation that the Forecasted Period total gas plant in service of \$277.747 million includes total plant retirements of \$1.545 million consistent with the assumed gas depreciation reserve retirements shown in the response to AG-1-171. If this cannot be reconciled, explain why not.

8. The response to AG-1-155 states that the Base Period total company Other Rate Base Adjustments, currently shown as \$3,286,870, should be \$1,530,917 and is 100% electric jurisdictional. In this regard, provide the following information:
 - a) Provide a description of the rate base items making up this Other Rate Base Adjustment balance.
 - b) Explain why the Company has reflected a balance of \$0 for these Other Rate Base adjustments for the Forecasted Period. Provide any source documentation in support of this projection.
9. Re. the response to AG-1-177. In preparing the base period gas jurisdictional ADIT balance of \$32,470,191 and Forecasted Period gas jurisdictional ADIT balance of \$33,244,980, did the Company make any pro forma adjustments to the forecasted per books results or do the balances represent the unadjusted projected per books ADIT results? If the Company made any pro forma ADIT adjustments for ratemaking purposes, please describe and quantify these adjustments in detail.
10. Re. the response to AG-1-177. The most recent actual gas ADIT balance for which detailed ADIT components are available (the January 2005 ADIT balance details in the Trial Balance on PSC-1-30, p. 8 of 20) shows that the Company's actual Account 283 gas ADIT balance as of 1/31/05 includes a total of \$3,134,609 (\$2,500,414 DFIT and \$634,195 DSIT) positive ADIT balance¹ for unbilled revenues. Please provide the corresponding total gas ADIT balance associated with unbilled revenues that is included in the total Forecasted Period jurisdictional gas ADIT balance of \$33,244,980 and indicate whether this also represents a positive ADIT balance.

If your answer is that there is no gas unbilled revenue related ADIT balance included in the Forecasted Period total gas jurisdictional ADIT balance because the Forecasted Period is not assumed to have unbilled revenues, please explain how the basis for this answer given the statement in the response to AG-1-177 that the Company does not know the detailed ADIT components for the Forecasted Period total gas ADIT balance, that "The Company's forecasting tool does not track Balance Sheet amounts by account" and that, therefore, "the only detail of Accumulated Deferred Income Taxes available for the forecasted test period is that presented on WPB-6b."

11. With regard to the response to AG-1-182, please provide the following information:
 - a) Given that the amortization of ITC can be budgeted fairly accurately, why is it that the forecasted months, including the Forecasted Period, do not include any amortization of ITC?
 - b) Given that the Company is an "Option 2" company with regard to ITC treatment, would the Company agree that it would be appropriate to reflect an appropriate level of annual ITC amortization for ratemaking purposes in this case? If not, provide all reasons why not.

¹ This positive ADIT balance represents pre-paid ADIT that has the effect of increasing the rate base.

12. With regard to the response to AG-1-185/AG-1-220, please provide the following information:
- a) Taking the year 2003 as an example, what exactly represents the taxable income of \$453.168 million for Cinergy Corp.? Does this taxable income include the taxable incomes from ULH&P (\$3.625 million), CG&E (\$269.924 million), PSI (\$105.877 million) and from all other subsidiaries of Cinergy Corp.?
 - b) Should the Cinergy Corp. taxable income for 2003 of \$453.168 million be offset by the negative taxable income amount of \$492.888 million for the Cinergy Elimination Company?
 - c) What exactly represents the negative taxable income amount of \$492.888 million for the Cinergy Elimination Company? What specific taxable incomes (i.e., for which companies listed in the response) are eliminated by virtue of the \$492.888 booking?
13. In response to AG-1-187b, note (4), the Company states that \$535,245 of the projected Forecasted Period property tax increase over the Base Period property taxes is due to the fact that “The Company does not assume that it will continue to obtain assessment values lower than net book value.” In this regard, please provide the following information:
- a) For each of the last 3 years (2002, 2003 and 2004), provide details as to how successful the Company has been in its negotiations with the KRD to obtain assessment values that are below the net book value of the Company. To quantify this success, please provide, for each of these 3 years, the actual property taxes paid by the Company as compared to the property taxes it would have had to pay without the successful negotiations with the KRD to obtain assessment values below the net book value of the Company.
 - b) What is the basis for the Company assumption for ratemaking purposes in this case that it will no longer be successful in its negotiations with the KRD to obtain assessment values that are below the net book value of the Company?
 - c) Assuming that the Company will be equally successful in its negotiations with the KRD to obtain assessment values below the net book value of the Company as it has been “in recent years”, would this assumption remove the \$535,245 Anticipated Increase in Valuation amount? If not the entire amount of \$535,245 would be eliminated by this assumption, what portion of the \$535,245 would be eliminated?
14. The response to AG-1-200a provides the actual dollars expended on the “Noproj- Default Project.” AG-1-200d asked the actual expenses booked for the total Other Professional Services (i.e., including the “Noproj- Default Project” as well as all other expenses shown on WPF-5a, lines 15 – 38. In answering this question, the Company referred back to its response to AG-1-200a. Please provide the correct answer to AG-1-200d and expand it as follows:

- a) Provide the originally budgeted as well as actual expenses for Other Professional Services (equivalent to the expenses shown on WPF-5a, lines 15 – 39) for each of the years 2002, 2003, 2004 and for the 12-month period ended March 31, 2005.
15. With regard to the response to AG-1-199, please provide the following information:
- a) Where on WPF-5b is the \$30,866 outside services expense reflected that was not budgeted to Account 923 and why was this not budgeted to Account 923?
- b) What makes up the \$67,644 of outside services activities that were included in Account 923, but were not included on WPF-5b and why not?
16. With regard to the response to AG-1-202, please provide the following information:
- a) The uncollectible factor of 1.18% proposed to be included in the Gross Revenue Conversion Factor includes fees for the Sale of Accounts Receivable that are below-the-line expenses booked in Account 426. Explain why it is appropriate to give rate recognition to such below-the-line fees.
- b) What would be the 1.18% ratio without the fees for the Sale of Accounts Receivable?
- c) Do the Forecasted Test Period uncollectible expenses of \$1,467,819 in account 904 include fees for the Sale of Accounts Receivable? If so, what is the amount of these fees included in the \$1,467,819? If not, are the fees for the Sale of Accounts Receivable that are projected for the Forecasted Test Period included in another above-the-line expense account or are they not reflected at all in the Forecasted Test Period above-the-line expenses?
17. With regard to PSC Assessments, please provide the following information:
- a) The response to AG-1-203 indicates that the Forecasted Test Period assessments are \$189,045. Please provide the PSC Assessment Rate assumed in the derivation of this projected expense amount of \$189,045.
- b) Is the factor of 0.1730% the most current assessment rate? If not, what is this most current rate? When is the expected date that a new assessment rate will become effective; does the Company know what this rate will be, and if so, what will this rate be?
18. In its response to AG-1-116, the Company provides the underlying annual HDD data it used in the determination of its proposed average 10-year normal HDD level of 4,950. Specifically, the Company used the following HDDs for 1990 through 1999 as compared to the Covington, KY HDDs listed in the response to AG-1-194:

	<u>AG-1-116</u>	<u>AG-1-194</u>
1990	4,257	4,171
1991	4,625	4,581
1992	4,990	4,898
1993	5,312	5,326

1994	4,963	4,939
1995	5,293	5,321
1996	5,605	5,632
1997	5,301	5,330
1998	4,371	4,322
1999	4,779	4,750

In this regard, please provide the following information:

- a) Explain the differences in the annual HDD numbers in the above table.
 - b) Why hasn't the Company used the AG-1-116 HDD numbers (rather than the AG-1-194 HDD numbers) in the two tables in Attachment JAR-4 and JAR-5 for the years 1995 – 2004?
 - c) Please replace the annual HDD numbers for 1995 through 2004 in Attachment JAR-4 and JAR-5 with the HDD numbers produced by the same source and method used to calculate the HDD numbers for 1990 – 1999 in the response to AG-1-116.
 - d) Please replace the annual HDD numbers for the years 1961 through 1989 shown in the response to AG-1-194 with the HDD numbers produced by the same source and method used to calculate the HDD numbers for 1990 – 1999 in the response to AG-1-116.
19. With regard to the response to AG-1-205 (AIP), please provide the following information:
- a) Does the 2004 dollar amount of \$310,150 represent AIP expense allocated to Gas O&M expenses? If not, provide the amount allocated to Gas O&M.
 - b) The request also asked the AIP expenses allocated to Gas O&M for the years 2001, 2002 and 2003. Please provide this information.
20. With regard to the response to AG-1-205 (UEIP), please provide the following information:
- a) Does the 2004 dollar amount of \$8,636 represent UEIP expense allocated to Gas O&M expenses? If not, provide the amount allocated to Gas O&M.
 - b) The request also asked the UEIP expenses allocated to Gas O&M for the years 2001, 2002 and 2003. Please provide this information.
21. With regard to the response to AG-1-207, please indicate whether the dollar amounts listed for each of the years 2001 through 2003 represent Gas O&M allocated dollar amounts. If not, provide those numbers.

In addition, reconcile the 2004 LTIP cost amount of \$281,189 to the corresponding 2004 LTIP cost amount of \$229,745 in the response to PSC-2-78b.

22. With regard to the response to PSC-2-73, provide the impact on the Forecasted Test Period Gas allocated O&M expenses of substituting the 3% wage increase for the 3.2% wage increase that was used by the Company for the Forecasted Test Period.
23. Please reconcile the Fringe Benefit data for the Base and Forecasted Periods shown in the response to PSC-2-4 to the corresponding Fringe Benefit data for the Base and Forecasted Periods shown in the response to PSC-2-43.
24. Please provide a detailed description of the nature and purpose of the Executive Lump Sum payments of \$50,318 that are included in the Forecasted Test Period. In addition, explain whether they are above-the-line expenses. Also, explain as to whether these Lump Sum payments are part of the executive incentive compensation costs that are listed in the response to AG-1-204.
25. With regard to the response to AG-1-219, please provide the nature and purpose of the following expense components in Account 921:
 - a) Government Affairs expenses of \$1,934. Also, explain why these should be above-the-line Forecasted Test Period expenses.
 - b) Lobbying expenses of \$2,094. Also, explain why these should be above-the-line Forecasted Test Period expenses.
 - c) Regulatory Affairs expenses of \$1,362.
 - d) Corporate sponsorship expenses of \$40,120. Also, provide a listing of all sponsorship beneficiaries.
 - e) Association dues and fees of \$12,392. Also, provide a listing of all associations.
26. Re. response to AG-1-217. The response indicates that the Forecasted Test Period association dues and fees in Account 930202 cannot be broken out by specific association dues component. Please provide a detailed breakout, in the same format and detail as per the response to AG-1-43 in the prior case, of the Account 930202 association dues and fees for the most recent 12-month period for which actual account bookings are available at this time.
27. In the response to AG-1-218, the Company indicates that the Forecasted Test Period above-the-line expenses include approximately \$30,000 of Governmental Affairs expenses. In this regard, please provide the following information:
 - a) In which specific account are these expenses included?
 - b) If these expenses are anywhere included in the responses to AG-1-216, 217 or 219, indicate where this inclusion is reflected in these responses.
28. In a number of AG-1 data requests, the AG asked for updated information based on actual results through 3/31/2005 and the Company responded that this information would be provided as soon as the Company's books are officially closed for March 2005. If at this time the books for March 2005 are officially closed, please provide the originally requested updates in the following AG-1 requests:

- a) AG-1-158
- b) AG-1-162b
- c) AG-1-164d
- d) AG-1-165b
- e) AG-1-166b
- f) AG-1-167c

29 In AG-1-147, the AG requested the following information:

“Provide comparisons of the Company’s actual versus originally budgeted annual gas operating revenues, expenses and taxes other than income taxes, by USOA account number (i.e., in the same account no. and account title detail and format as shown for the base period on Schedule C-2.1, pages 1 through 6 of 14), for each of the 5 years 2000 through 2004.... “

The Company responded that that information will be provided in its (still outstanding) response to PSC-2-1. However, the AG’s review of the PSC-2-1 request indicates that the above-referenced AG-1-147 request asks for somewhat different (and expanded information). The AG hereby renews its request that the Company provide a response to what has been specifically asked in AG-1-147.

30. In AG-1-152, information was sought concerning the impact of the assumed transfer of electrical plants on the company’s capital structure. The company responded that it has not done the analysis of what the capital structure would be without the transfer because the application was filed assuming the transfer. Knowing the impact of the transfer of the electric plants on the capital structure is important. The AG is without the independent means to perform the analysis or calculation. Therefore, please provide the impact of the assumed transfer of the electrical plants on the capital structure or provide the raw data from which the calculation can be made.