



Ernie Fletcher
Governor

Mark David Goss
Chairman

LaJuana S. Wilcher, Secretary
Environmental and Public
Protection Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Gregory Coker
Commissioner

Christopher L. Lilly
Commissioner
Department of Public Protection

July 29, 2005

Honorable Elizabeth E. Blackford
Assistant Attorney General
Office of the Attorney General Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

RE: Case No. 2005-00042

Please see enclosed data request from Commission Staff in the above case.

If you need further assistance, please contact Isaac Scott at (502) 564-3940 ext. 444.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

BOD/jc
Enclosure

Honorable Elizabeth E. Blackford
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

Honorable John J. Finnigan, Jr.
Senior Counsel
The Union Light, Heat and Power
Company
139 East Fourth Street
Cincinnati, OH 45202

Kate E. Moriarty
Attorney at Law
The Union Light, Heat and Power
Company
139 East Fourth Street
Cincinnati, OH 45202

John P. Steffen
Vice President, Rates
The Union Light, Heat and Power
Company
139 East Fourth Street
Cincinnati, OH 45202

Honorable Robert M. Watt, III
Attorney At Law
Stoll, Keenon & Park, LLP
300 West Vine Street
Suite 2100
Lexington, KY 40507-1801

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

FOURTH 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 August 8, 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. ULH&P is a combined electric and gas utility. In this proceeding, ULH&P is seeking an increase in its gas revenues and is utilizing a forecasted test period.

Consistent with the approach followed in previous ULH&P rate cases, ULH&P has calculated a jurisdictional rate base ratio based upon the gas and total company rate bases. In this case, the "Slippage Factor" for the gas construction projects has been an issue. In order to have the information available to accurately calculate the jurisdictional rate base ratio, provide the following information relating to ULH&P's electric construction projects:

a. For each electric construction project begun during the last 10 calendar years, provide the information requested in the format contained in Schedule 1, attached to this data request. For each project, include the amount of any cost variance and delay encountered, and explain in detail the reason(s) for such variances and delays.

b. Using the data included in Schedule 1, calculate the annual "Slippage Factor" associated with ULH&P's electric construction projects. The Slippage Factor should be calculated using the format shown on Schedule 2, attached to this data request.

2. Refer to the Rebuttal Testimony of William Don Wathen, Jr. ("Wathen Rebuttal"), page 4. Provide an analysis of the governmental affairs expenses recorded during the base period, the 12 months ended May 31, 2005. This analysis should include the vendor or recipient name, the amount of the total transaction, the amount charged to gas operations, and a complete description of each transaction.

3. Refer to the Wathen Rebuttal, page 7.

a. Since ULH&P is billed for and must pay the PSC Assessment during the month of July each year, is it correct that ULH&P incurs the PSC Assessment in July?

b. On line 14 Mr. Wathen states, "The payment provides for the service the Company receives from the Commission for the twelve months following payment of the invoice." Specifically identify the "services" the Commission provides to ULH&P.

4. Refer to the Rebuttal Testimony of Jeffrey R. Bailey, pages 3 and 4, where he states that the amount of the proposed bad check charge is a "level consistent with that of many retail establishments."

a. Provide the results of any studies, surveys, etc. that ULH&P relied upon to develop its proposed bad check charge.

b. Provide the amount that ULH&P is charged by its bank(s) for a returned check that has been deposited.

c. Provide, along with workpapers showing its calculation, the internal administrative cost that ULH&P incurs to process a bad check.

d. Would ULH&P agree that the charge by the bank(s) plus its internal administrative cost would be an appropriate cost basis for determining a bad check charge? If no, explain why.

5. Refer to the Rebuttal Testimony of Gary J. Hebbeler ("Hebbeler Rebuttal"), pages 2 through 4 and Attachment GJH-Rebuttal-1.

a. Explain what period of time Mr. Hebbeler is referring to when he says "past several years" on page 2, line 9.

b. Explain why budget cuts at the Kentucky Transportation Cabinet resulted in ULH&P not being able to spend a portion of the amount it had allocated for main replacements.

c. Were the budget cuts at the Kentucky Transportation Cabinet the only reason ULH&P did not spend the full budgeted amount for construction projects in 2003 and 2004? If not, describe the other reasons.

d. Explain in detail why the Slippage Factor shown on Attachment GJH-Rebuttal-1 is reasonable, since it does not reflect the most recent calendar years prior to the beginning of the forecasted period.

e. On page 4 of the Hebbeler Rebuttal he states that if the Commission decides to use a Slippage Factor that includes 2003 and 2004 in the calculation, the appropriate factor to use would be based on all construction projects during the last 10 years. Explain why it would not be reasonable to apply the 4-year Slippage Factor for the Accelerated Main Replacement Program ("AMRP") to the AMRP forecasted test period projects and the 10-year, non-AMRP Slippage Factor to the non-AMRP forecasted test period projects.

6. Refer to the Rebuttal Testimony of Roger A. Morin ("Morin Rebuttal"), pages 23 and 24. Dr. Morin refers to "sea changes in the energy industry" and that historical growth rates are downward biased by the sluggish earnings performance in the last decade, due to the structural transformation on the energy utility business from a regulated monopoly to a competitive environment. Since ULH&P is a relatively small regulated gas local distribution company, provide an explanation of how these changes cause ULH&P's earnings to suffer.

7. Refer to the Morin Rebuttal, page 68. Provide supporting documentation, including copies of analysts' reports, for the contention that "energy utilities are expected to lower their dividend payout ratio over the next several years in response to the gradual penetration of competition in the revenue stream." Explain whether these analysts are referring to small gas local distribution companies.

8. Refer to the Rebuttal Testimony of Robert C. Lesuer. As part of the preparation of his rebuttal testimony, did Mr. Lesuer review the Commission's previous Orders in ULH&P rate cases addressing the rate-making treatment of incentive compensation expenses? Explain the response.

9. Refer to the Rebuttal Testimony of James A. Riddle ("Riddle Rebuttal"), pages 2 through 5, the Attachment JAR-Rebuttal-1, and ULH&P's response to the Commission Staff's Third Data Request dated May 10, 2005 ("Staff's Third Request"), Item 30(b).

a. Based on the annual heating degree days ("HDD") of 5,054 for the period 1980-2004 shown in the response to Item 30(b) of Staff's Third Request, provide a graphical representation using the same methodology as in JAR-Rebuttal-1.

b. The sentence beginning on line 23 of page 4 of the Riddle Rebuttal, which continues on page 5, indicates that it is Mr. Riddle's conclusion, based on his review of weather data, that the 10-year normal HDDs used by ULH&P are "a more accurate representation of reasonable weather for gas load forecasting." State Mr. Riddle's education and work experience in the field of meteorology.

10. Refer to the Riddle Rebuttal, pages 17 through 21, regarding the forecast of Firm Transportation (“FT”) volumes, Attachment JAR-Rebuttal-2, and the response to Item 30(a) of the Staff’s Third Request.

a. Provide the level of FT volumes for the forecasted test period that is derived using the average annual growth rate of 2.90 percent shown in the attachment.

b. A second revision to Schedule M reflecting the weather data for the 1980-2004 period was provided in response to Item 30(a) of the Staff’s Third Request. Provide a third revision to Schedule M, which in addition to reflecting the same weather data as the second revision, incorporates the FT volumes contained in the response to part (a) of this request.

11. Refer to the Rebuttal Testimony of John J. Spanos (“Spanos Rebuttal”), pages 5 and 6. Provide documentation supporting Mr. Spanos’s contention that nearly all jurisdictional public utility depreciation rates incorporate net salvage factors and that nearly all utilities include net salvage in the depreciation rate calculation.

12. Refer to the Spanos Rebuttal, page 34. Indicate where in Mr. Spanos’s depreciation study the average cost of retiring mains and the average gross salvage percentage for mains, as stated on lines 15 through 22, are shown.

13. Refer to the Rebuttal Testimony of Alexander J. Torok (“Torok Rebuttal”), page 2 and Attachment AJT-Rebuttal-1.

a. Provide a schedule comparing ULH&P’s tentative assessment and final assessed values for 2000 through 2004. Include a calculation showing the difference between the tentative assessment and the final assessment for each year and state the percentage difference.

b. Has ULH&P protested the tentative assessment for 2005? If yes, provide a copy of the written protest sent to the Department of Revenue.

14. Refer to the Torok Rebuttal, page 4.

a. Explain why the unprotected accumulated deferred income taxes are a deferred tax asset rather than a deferred tax liability.

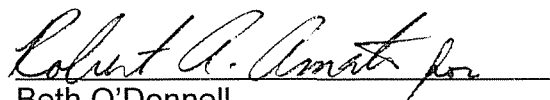
b. If the unprotected accumulated deferred income taxes were reflected on ULH&P's books by May 31, 2005, indicate where this deferred tax asset is shown in the schedules filed on July 15, 2005.

15. Refer to the Rebuttal Testimony of Timothy J. Verhagen ("Verhagen Rebuttal"), page 3.

a. Explain why ULH&P is proposing that the regulated business unit component of the Annual Incentive Plan be allocated 100 percent to ratepayers.

b. Explain why ULH&P is proposing that the Long-Term Incentive Compensation Plan be shared on a 50-50 basis, when the plan component is "total shareholder return."

16. Refer to the Verhagen Rebuttal, page 8. Provide copies of the portions of the cited decision from the Indiana Utility Regulatory Commission that discuss the rate-making treatment for incentive compensation costs.



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

DATED July 29, 2005

cc: All Parties

The Union Light, Heat and Power Company
Case No. 2005-00042
Construction Projects – Electric Operations
As of _____

Data: ____ Base Period ____ Forecasted Period
Type of Filing: ____ Original ____ Updated ____ Revised
Workpaper Reference No(s): _____

Schedule 1
Page 1 of 1
Witness Responsible:

Project No.	Project Title/Description	Annual Actual Cost	Annual Original Budget	Variance In Dollars	Variance As Percent	Percent Of Budget	Total Actual Project Cost	Total Budget Project Cost	Variance In Dollars
----------------	------------------------------	--------------------------	------------------------------	---------------------------	---------------------------	-------------------------	------------------------------------	------------------------------------	---------------------------

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

Schedule 2

Source: Schedule 1 – Construction Projects – Electric Operations

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 Schedule 1. 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.