



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-DELIVERY

June 21, 2005

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

JUN 22 2005

PUBLIC SERVICE
COMMISSION

Re: In the Matter of an Adjustment of Gas Rates of The Union Light, Heat and Power
Company
Case No. 2005-00042

Dear Ms. O'Donnell:

I have enclosed an original and twelve copies of The Union Light, Heat and Power Company's Requests for Information to the Attorney General in the above-referenced case.

Please date stamp and return the two extra copies in the enclosed, self-addressed envelope.

If you have any questions, please do not hesitate to contact me at (513) 287-3601.

Sincerely,

John J. Finnigan, Jr.
Senior Counsel

JJF/sew

cc: Hon. Elizabeth Blackford (w/encl.)

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 22 2005

PUBLIC SERVICE
COMMISSION

In the Matter of:

An Adjustment of Gas Rates)
of The Union Light, Heat and) Case No. 2005-00042
Power Company)

**THE UNION LIGHT, HEAT AND POWER COMPANY'S
REQUESTS FOR INFORMATION
TO ATTORNEY GENERAL**

The Union Light, Heat and Power Company ("ULH&P" or "Company") requests that the Attorney General ("AG") respond fully, in writing, and under oath to the following set of interrogatories and requests for production of documents (collectively, the "Information Requests").

DEFINITIONS AND INSTRUCTIONS

These Information Requests are continuing in nature. Therefore, with respect to any of the following interrogatories or requests for production of documents as to which AG or its counsel acquires additional knowledge or information, ULH&P asks that AG immediately serve on the undersigned further answers fully setting forth any such additional knowledge or information.

When an interrogatory or request for production of documents does not specifically request a particular fact or document, but such fact or document is necessary to make the response comprehensive, complete, or not misleading, such interrogatory or

request for production of documents shall be deemed to specifically request that fact(s) or document(s).

The requests for production of documents include, without limitation, all documents that are in the possession, custody, or control of AG and/or AG's predecessors, successors, parents, subsidiaries, divisions, officers, directors, employees, agents or representatives, including any and all documents obtained by AG and/or AG's representatives, counsel, or agents from any source whatsoever.

For the purposes of these Information Requests, unless otherwise stated, the following terms shall have the meanings indicated:

Person is any human being, corporation, association, joint venture, government, governmental agency, public corporation, board, commission, regulatory authority, committee, partnership, group, firm, or any other organization or entity cognizable at law; *Rate Case Proceeding* means the above-captioned matter and any other matters filed by ULH&P in the above-referenced docket of the Public Service Commission of Kentucky.

You, your, or yours means AG, AG's predecessors in interest, successors, parents, divisions, and subsidiaries and any of AG's agents, representatives, employees, or counsel;

Document is intended to be comprehensive and includes, without limitation, the original and any non-identical copy, regardless of origin or location, of any data, correspondence, internal correspondence, statement, report, record book, record, account book, account, pamphlet, periodical, discovery, letter, memorandum, internal memorandum, telegram, telex, cable, study, stenographic or handwritten note, paper, working paper, facsimile, invoice, bill, voucher, check, statement, chart, graph, drawing,

voice recording, tape, microfilm, microfiche, computer disk, floppy disk, tape data sheet, or data processing card or disk, electronic mail, or any other written, recorded, transcribed, punched, taped, filmed or graphic matter, however stored, produced or reproduced, to which you have or have had access or which location is known to you;

The term *identify* when used with reference to a natural person, means to state: (a) that person's full name, (b) that person's present (or last known) position and business affiliation, (c) that person's present (or last known) residence address and telephone number, and (d) the nature of that person's past and present relationship with you;

The term *identify* when used with reference to an entity other than a natural person, means to state the full name, and present (or last known) address and telephone number of the entity;

The term *identify* when used with reference to a document, including any document relied upon in any answer to any interrogatory or request for production of documents, or that corroborates any such response, means to state: (a) the type of document, (b) its title or subject matter, (c) the date of the document, (d) the identity of the document's author, sender, and every recipient of the document or of a copy thereof, and (e) the present location and custodian of the document and every known copy thereof. When the document is a written agreement or contract, *identify* also means to state the date such written agreement or contract was entered into and its effective date, the name of each party thereto, the identity of each person who signed such agreement on behalf of each party thereto, the date of termination and the date of every amendment or modification thereto;

Relating to means constituting, defining, containing, mentioning, embodying, reflecting, regarding, referencing, identifying, stating, concerning, referring to, dealing with, generated wholly or partly in response to or because of, or in any way pertaining to.

If any information called for by an interrogatory or request for production of documents is withheld on the basis of a claim of privilege, the nature of the information with respect of which privilege is claimed shall be set forth in answers hereto, together with the type of privilege claimed and a statement of all circumstances upon which plaintiff will rely to support such a claim of privilege. Any documents that are allegedly privileged or otherwise unavailable shall be identified in writing by indicating the following:

- (1) the date of the document;
- (2) the author of the document;
- (3) the recipient(s) of the document;
- (4) the general subject matter of the document;
- (5) the identity of any and all persons to whom the contents of the document have already been revealed;
- (6) the identity of the person or entity now in possession or control of the document; and
- (7) the basis upon which the document is being withheld or the reason why it cannot be produced.

ULH&P expressly reserves the right to request more information to determine whether such documents are privileged or otherwise not subject to production.

REQUESTS FOR INFORMATION

Requests for Information Directed to Mr. Henkes

1. Do you agree that the purpose of the slippage factor adjustment is to adjust the Company's forecasted capital construction budget to reflect the amount of capital construction expense the Company is expected to incur during the forecasted period?

2. Do you agree that in prior cases where the Commission has performed a slippage factor adjustment, the Commission has calculated the adjustment by comparing the Company's actual capital construction expense versus budgeted capital construction expense for the prior ten years?

3. Isn't it true that, in the present case, you recommend a slippage factor adjustment which excludes a comparison of the Company's actual capital construction expense versus budgeted capital construction expense for AMRP construction?

4. Do you agree that, during the four-year life of the AMRP, most of ULH&P's capital construction expense has been for AMRP construction?

5. What proportion of ULH&P's capital construction expense has been related to the AMRP during the four-year life of the AMRP?

6. List any prior Kentucky forecasted test period rate cases you have reviewed where the Commission has performed a slippage factor adjustment. Provide the case numbers and copies of the orders.

7. In any of the prior Kentucky forecasted test period rate cases you have reviewed, did the Commission's slippage factor adjustment exclude any part of a company's actual versus budgeted capital construction expense during the prior ten years?

8. List any prior Kentucky forecasted test period rate cases where you have calculated a proposed slippage factor adjustment. Provide the case numbers and a copy of your testimony.

9. In discussing his rationale for excluding AMRP projects from his calculation of a slippage factor, Mr. Henkes states, on page 17 of his Direct Testimony, that "construction expenditures made under this regulatory concept are potentially much different than...the construction decisions made for the Company's non-AMRP projects."

- a. Is Mr. Henkes aware that the AMRP is a program that the Commission approved due to the safety concerns related to the Company's cast iron and bare steel pipe?

- b. Would Mr. Henkes propose to modify his slippage adjustment if the Commission ultimately approves the continuation of the Rider AMRP as requested by the Company in this proceeding?

10. Regarding Mr. Henkes' proposed slippage adjustment as discussed on pages 14 through 21, would Mr. Henkes propose to include a slippage adjustment to electric as well if it is demonstrated that there was slippage during the same time frame he uses for his gas slippage adjustment?

11. Refer to pages 15 and 16 of Henkes Direct Testimony. Mr. Henkes states that with regard to AMRP plant projects, the slippage factor was 2.850% on a cumulative weighted basis and 0.932% on a mathematic average basis. Would Mr. Henkes agree that based on ULH&P's response to KyPSC-DR-02-105, page 2 of 3, the slippage factor was -2.850% on a cumulative weighted basis and -0.932% on a mathematic average basis?

12. If the response to the preceding information request is in the affirmative, does this change Mr. Henkes' recommendation as to the slippage factor adjustment for this case?

13. Refer to page 16 of Henkes Direct Testimony. Mr. Henkes states that with regard to the total non-AMRP and AMRP plant projects, the slippage factor was 2.955% on a cumulative weighted basis and 5.385% on a mathematic average basis. Would Mr. Henkes agree that based on ULH&P's response to KyPSC-DR-02-105, page 3 of 3, the slippage factor was 5.385% on a cumulative weighted basis and 2.955% on a mathematic average basis?

14. If the response to the preceding information request is in the affirmative, does this change Mr. Henkes' recommendation as to the slippage factor adjustment for this case?

15. Please refer to Schedule RJH-5.

- a. explain in detail why it is appropriate to apply a Non-AMRP Slippage Factor of 6.048% to projected plant additions of \$19,060,000, when these additions include both AMRP and Non-AMRP additions; and
- b. explain in detail why it is not more appropriate to use the total non-AMRP and AMRP plant projects slippage factor of 2.955%.

16. Please provide the basis for the statement at page 17 of your Direct Testimony that the Company's recovery of construction expenditures for the AMRP program is on a "guaranteed, dollar-for-dollar" basis.

17. Refer to page 19, lines 1-3 of Henkes Direct Testimony. Please cite the cases referred to, and provide copies of the calculations referred to.

18. Regarding the PSC assessment, is this a payment by the Company for its right to do business during the past, present or upcoming fiscal year?

19. What specific criteria should a company apply to determine whether a payment should be accounted for as a “prepayment” for ratemaking purposes?

20. Is the purpose of the PSC assessment to fund the Commission’s operations for the next fiscal year after the fiscal year in which the payment is due?

21. If the PSC assessment is excluded from the Company’s gas jurisdictional rate base, would this result in a matching of the Company’s revenues with the expenses incurred by the Company which are used to generate the revenue requirement?

22. Please summarize Mr. Henkes’ prior work experience involving budgeting and forecasting activities for utilities. Indicate the nature of the work, the dates of such work, and the type of utility involved.

23. List any instances of which Mr. Henkes is aware where a utility developed detailed projections of accumulated deferred income taxes as part of its budget or long-term forecast. Include the name of the utility, the approximate date associated with the example, and a summary of the types of ADITs forecasted.

24. Please refer to the statement at page 36, line 1, of Mr. Henkes’ Direct Testimony that “the AIP is an incentive plan applicable to manager level employees and up...”

- a. is your recommendation to exclude AIP expenses from the Company’s rates based, in part, on the AIP being available only to manager level employees and up?
- b. if your answer to (a) is in the affirmative, please explain why this forms part of the basis for your recommendation to exclude AIP expenses from the Company’s rates.

25. Please provide a copy of your Direct Testimony in KyPSC Case No. 97-034.

26. In KyPSC Case No. 97-034, state whether you supported Kentucky-American Water Company recovering any portion of incentive compensation expense through its rates?

27. If the answer to the preceding information request is in the affirmative, please state:

- a. what portion of incentive compensation expense you supported for Kentucky-American Water Company to recover through its rates;

- b. what was your reasoning for supporting that the company should recover this portion of incentive compensation expense through its rates;
- c. list any similarities between the incentive compensation plan involved in KyPSC Case No. 97-034 and ULH&P's AIP; and
- d. list any differences between the incentive compensation plan involved in KyPSC Case No. 97-034 and ULH&P's AIP.

28. Provide copies of any testimony you have submitted to a state utility commission in which you supported the company's recovery of some or all of its incentive compensation expense through rates.

29. Do you agree that certain performance objectives of ULH&P's AIP relate to matters which provide direct customer benefits, such as the reliability of ULH&P's service?

30. If the answer to the preceding information request is in the affirmative, please state your opinion as to whether any portion of ULH&P's AIP expense attributable to performance objectives which relate to matters which provide direct customer benefits should be recovered through rates. Please respond as to your personal opinion, without regard to past Commission decisions.

31. Regarding ULH&P's incentive compensation plans:

- a. do you agree that, if the Company adds customers, this benefits the Company's shareholders by increasing net income, but also benefits existing customers by spreading fixed costs over a greater number of customers?
- b. do you agree that, if the Company increases productivity, this benefits the Company's shareholders by increasing net income, but also benefits customers by keeping costs lower?
- c. do you agree that, if the Company has higher net income, this could benefit customers by producing a better capital structure, and lowering financing costs?

32. On pages 39 and 40 of Mr. Henkes' Direct Testimony, he recommends the removal of Governmental Affairs expenses for ratemaking purposes since "they have nothing to do with the provision of safe, adequate and reliable gas service."

- a. state Mr. Henkes' understanding of the Company's activities involved with Governmental Affairs expenses; and

- b. if the Company classifies meetings with governmental officials to discuss matters relating to the Company's utility service (e.g., coordinating the local government's street improvements and the Company's main replacement so as to minimize the cost of street dig-ins and the number of times street traffic will be disrupted), would Mr. Henkes agree that such expense is a matter that involves the provision of safe, adequate and reliable gas service, and should be recovered through the Company's rates?

33. Refer to page 41, line 5, of Henkes Direct Testimony. Please reconcile the figure \$22,299 amount for the slippage factor depreciation expense adjustment to the \$17,205 indicated on page 20, line 2, and also to the figure shown on Schedule RJH-8, line 11. Please state which is the correct amount, which amount was actually used in calculating your recommended operating income, and the extent to which this results in any change to your recommended operating income.

34. At page 44 of his Direct Testimony, Mr. Henkes states: "[t]here are no formal, written statements from the Kentucky Revenue Cabinet that would confirm that the Cabinet will no longer allow the Company to be assessed at below net book value."

- a. is Mr. Henkes aware of any formal, written statements from the Kentucky Revenue Cabinet that would confirm that the Cabinet will continue to allow the Company to be assessed at below net book value through the end of the forecast test period?
- b. if the answer to the preceding information request is in the affirmative, please provide references to all such formal, written statements.

35. At page 45, lines 24-26 of his Direct Testimony, Mr. Henkes states that "the forecasted period 4% and 10% investment tax credit amortization of \$69,130 was not, but should have been, included in the filing schedules for the forecasted period."

- a. do you know whether the Company's effective tax rate calculation for this filing included the impact of the investment tax credit amortization?
- b. assume that the Company's effective tax rate calculation for this filing included the impact of the investment tax credit amortization. If so, does this change your recommendation regarding investment tax credit amortization?

36. Refer to page 46, line 21 through page 47, line 1 of Mr. Henkes' Direct Testimony. Please explain the basis for Mr. Henkes' understanding that it is Commission policy to use a five-year amortization period to flow back unprotected excess deferred income taxes. Provide the case number of any Commission decisions relied on by Mr. Henkes.

37. Refer to Schedule RJH-5.

- a. please show the calculation of the average forecasted period depreciable plant used in footnote 2.
- b. please explain in detail why 100% of common land and land rights were excluded.
- c. does Mr. Henkes agree that it would be correct to exclude only gas jurisdictional share of common land and land rights?
- d. if the answer to the preceding information request is in the affirmative, please state how this affects your recommended operating income.

Requests for Information Directed to Mr. Majoros

38. At page 7, lines 12-15 of his Direct Testimony, Mr. Majoros states: “ELG [equal life group] ...results in...a higher depreciation rate than other alternative procedures which are typically used in Kentucky.”

- a. describe the “alternative procedure(s) referred to in this statement;
- b. list the case number of each KyPSC decision using such “alternative procedure(s);” and
- c. based on your review of KyPSC decisions relating to depreciation methodologies used by the KyPSC, did you become aware of any decisions (without regard to ULH&P’s last gas rate case, which Mr. Majoros discusses in his testimony) where the KyPSC approved the use of an ELG methodology? If so, list the case number of each KyPSC decision.

39. Refer to page 19, lines 3-8 of Mr. Majoros’ Direct Testimony and page 5 of Exhibit MJM-13. Provide a copy of any state utility commission decisions Mr. Majoros is aware of where the commission has expressly rejected the Traditional Inflated Future Cost Approach.

40. Refer to page 21, lines 5-7 of Mr. Majoros’ Direct Testimony. Provide all references to Mr. Spanos’ testimony, discovery requests and provide all supporting documents for this Mr. Majoros’ statement that “[a]ll of Mr. Spanos’ net salvage data relates to abandoned services that were not removed and were related to instances where the dwellings were razed.”

41. Refer to page 23, line 18 of Mr. Majoros’ Direct Testimony. Provide the case numbers, dates of orders, and copies of the KyPSC orders referred to in this statement.

42. Refer to page 23, lines 24-26 of Mr. Majoros' Direct Testimony. Provide the case numbers, dates of orders, and copies of any state utility commission orders where a commission has ordered a utility company to recognize a regulatory liability for non-legal AROs.

43. Refer to page 24, lines 1-3 of Mr. Majoros' Direct Testimony. Provide the case numbers, dates of orders, and copies of any state utility commission orders where a commission has ordered a utility company to perform separate identification and reporting for regulatory liabilities based on non-legal AROs.

44. Refer to page 31, line 9 – page 32, line 20 of Mr. Majoros' Direct Testimony. Provide examples of any electric utilities operating in states where retail electric generation has not been deregulated, where the utility recognized past collections of costs of removal as income.

45. Refer to page 34, lines 26-28 of Mr. Majoros' Direct Testimony. Provide the basis for this statement.

46. Refer to page 35, lines 1-4 of Mr. Majoros' Direct Testimony. Provide the basis for this statement that ratepayers have a "security interest" in "these monies" relating to cost of removal of non-legal AROs.

47. On pages 8 through 40 of his Direct Testimony, Mr. Majoros provides a summary of the plant types for which he disagrees with ULH&P's proposed depreciation rates. For each plant type in that list, provide the case numbers and jurisdiction for each proceeding in which Mr. Majoros has made recommendations for these plant types during the past ten years, and provide Mr. Majoros' specific recommendations regarding such plant types in those cases. For each recommendation, indicate whether the commission in that proceeding approved or disapproved Mr. Majoros' recommended ASL/Survivor Curve type and his net salvage value.

48. The text of Mr. Majoros' testimony is numbered 1 through 38 of 40. Please confirm that the numbering was in error, and that Mr. Majoros' testimony only consists of 38 pages. In the alternative, please provide the missing pages.

49. To the extent the Commission approves the proposed reduction to depreciation expense advocated in Mr. Majoros' testimony, does Mr. Majoros agree that the net utility plant used as the basis for calculating the rate base ratio should be adjusted as well?

50. Regarding your recommendation that the Commission should require ULH&P to establish a regulatory liability for any costs of removal for non-legal AROs, please state:

- a. do you agree that your recommendation is based, in part, on the fact that CG&E has treated as income such costs related to the three plants it is transferring to ULH&P;
- b. do you have any indication that ULH&P or PSI have treated as income any costs of removal for non-legal AROs?
- c. do you agree that retail electric generation service is deregulated in Ohio, and that this may be the basis for CG&E to treat such costs as income;

51. Please provide a copy of your testimony in Case No. 2003-00434.

52. Provide a copy of any KyPSC decision expressly discussing the Normalized Net Salvage Allowance Accrual Approach referenced on page 6 of Exhibit MJM-13.

53. Provide the case numbers, dates of orders, and copies of any state utility commission orders where a commission has expressly adopted a Cash Basis Alternative to TIFCA.

54. Provide the case numbers, dates of orders, and copies of any state utility commission orders where a commission has expressly adopted the Net Salvage Allowance Accrual Approach.

55. Provide the case numbers, dates of orders, and copies of any state utility commission orders where a commission has expressly adopted the SFAS No. 143 Fair Value Accrual Approach.

56. Provide the case numbers, dates of orders, and copies of any state utility commission orders where a commission has expressly adopted the Net Present Value Accrual Approach.

Requests for Information Directed to Dr. Woolridge

57. At page 8, line 18 of his testimony, Dr. Woolridge, uses a long-term debt rate of 6.302%. At page 9, lines 17-18 of his testimony, Dr. Woolridge, uses a long-term debt rate of 5.926%. Please identify the source information and provide the workpapers Dr. Woolridge used to develop the long-term debt rate of 5.926%.

58. Please provide copies of the relevant pages from the C.A. Turner Utility Reports and/or the Value Line Investment Surveys used in the development of figures shown in JRW-3.

59. In each rate proceeding for which you have submitted testimony since January 1, 2000, please provide the name of the utility; the name of the state commission; the case number; your recommended ROE; the prevailing yield on long-term Treasury

bonds at the time of your recommendation; and the ROE adopted by the state commission.

60. With regard to Exhibits JRW-3-1 and JRW-7-2:

- a. please provide the currently authorized return on equity for the each of the eleven natural gas utilities in your sample of comparable companies shown on Exhibits JRW-3-1 and JRW-7-2; and
- b. are there any investor-owned natural gas utilities with an allowed rate of return on common equity that is equal to, or less than, what Dr. Woolridge recommends in this proceeding? If so, provide a list of such utilities.

61. Please provide a copy of the documents cited in footnotes 1, 2, 3, 5, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22 of Dr. Woolridge's testimony and a copy of the current edition of the same publication, if applicable.

62. Is it Dr. Woolridge's opinion that natural gas utility stocks have outperformed or underperformed the overall equity market in the last five years? If so, please provide any supporting evidence.

63. Is it Dr. Woolridge's opinion that ULH&P's parent company, Cinergy Corp., has outperformed or underperformed utility stocks in the last five years? If so, please provide any supporting evidence.

64. Refer to pages 11-12 of Dr. Woolridge's Direct Testimony:

- a. in light of his discussion of market-to-book ratios contained on pages 11-12, does Dr. Woolridge advocate a regulatory process which produces a market-to-book ratio of 1.00? If so, please reconcile this statement with the statement on page 13 lines 1-5 that "*market-to-book ratios for this group....have increased to the 150-180 percent range in recent years.*"
- b. does Dr. Woolridge believe that his cost of equity recommendation will maintain, increase, or decrease ULHP's parent company's market-to-book ratio?
- c. please provide the market-to-book ratios of each company in Dr. Woolridge's sample of 11 natural gas companies for the past 10 years; and
- d. does Dr. Woolridge subscribe to the assumption in the standard DCF model that the price/earnings and price/book ratios remain constant?

65. Please provide a list of college-level finance (corporate finance, investments, banking, etc.) courses Dr. Woolridge has taught in the last three years or is currently

teaching, the syllabus for these courses, and a list of textbooks/readings used in these courses.

66. Does Dr. Woolridge's recommended cost of common equity assume the maintenance of the company's existing capital structure or does it assume some other capital structure? If so, please state Dr. Woolridge's recommended ROE under both the company's existing capital structure and his recommended capital structure.

67. Is it Dr. Woolridge's contention that natural gas utility stocks have become more risky, less risky, or as risky as in the past?

68. Please provide copies or summaries of any book, monograph, or article published in academic journals and subject to peer review in the last five years dealing with the subject of finance and/or regulation.

69. Please restate the common equity ratios cited on Page 9, Page 48, Exhibit JRW-4, and Exhibit JRW-9 of Dr. Woolridge's Direct Testimony, excluding short-term debt.

70. Given his discussion on the widespread application of multi-stage DCF models on pages 17-18 of his Direct Testimony, on what basis did Dr. Woolridge decide not to apply the multi-stage version of the DCF model to his sample of natural gas companies?

71. Refer to Dr. Woolridge's discussion of the DCF model at page 21, lines 6-12 of his Direct Testimony:

- a. please quantify the overstatement of the equity cost rate estimate derived from the DCF model discussed on page 21 lines 6-12 of Dr. Woolridge's testimony.
- b. did Dr. Woolridge's adjust his recommended ROE downward in light of this overstatement? If so, by how much?
- c. is the converse proposition true as well, that is, does the DCF model understate the cost of equity when the overall cost of capital is applied to a historical rate base?

72. Please provide copies of all studies, workpapers or analyses that Dr. Woolridge conducted or relied upon in making the statement on page 22 lines 1-3 that investors rely on a combination of historic and/or projected growth rates for earnings and dividends per share and for internal or book value growth to assess long-term potential.

73. Refer to Dr. Woolridge's discussion of income taxes on Page 7 lines 7-14 of his Direct Testimony:

- a. to what extent, does Dr. Woolridge believe that non-taxable investors (pension funds, mutual funds, etc....) dominate stock trading? What is the relative importance of common stock trading conducted by taxable vs. non-taxable investors in Dr. Woolridge's opinion?
- b. to what extent, if any, does Dr. Woolridge believe that non-taxable investors (pension funds, mutual funds, etc....) dominate common stock ownership? What is the relative importance of common stock ownership held by taxable vs. non-taxable investors in Dr. Woolridge's opinion?

74. Are the analysts' growth forecasts by Zacks, First Call, and Reuters discussed on page 24, lines 9-17 of Dr. Woolridge's Direct Testimony upwardly biased in light of Dr. Woolridge's severe criticism of such forecasts on pages 74-78 of his testimony?

75. Refer to the discussion of market risk premium on page 30, line 19 of his Direct Testimony:

- a. are Dr. Woolridge's estimate of the market risk premium of 5%-7% cited on page 30 line 19 of his testimony based on arithmetic or geometric mean returns? If based on the latter, please restate these estimates on the basis of arithmetic mean returns;
- b. is Dr. Woolridge's estimate of the market risk premium of 4% cited on page 34 line 9 and line 12 of his testimony based on arithmetic or geometric mean returns? If based on the latter, please restate these estimates on the basis of arithmetic mean returns?
- c. is Dr. Woolridge's estimate of the market risk premium of 3.7% cited on page 42 line 16 of his testimony based on arithmetic or geometric mean returns? If based on the latter, please restate these estimates on the basis of arithmetic mean returns?

76. In light of his criticism on page 50 lines 6-7 of his testimony, please provide the workpapers, studies, and supporting documentation Dr. Woolridge has performed in assessing ULH&P's business risk relative to the industry.

77. Please provide the workpapers, supporting documentation, relevant literature and empirical studies which support the statement on Page 50 lines 18-19 of Dr. Woolridge's Direct Testimony that "*relying on credit ratings is not likely to provide much insight into the riskiness of the operations of the Company.*"

78. Please provide the workpapers, supporting documentation, relevant literature and empirical studies which support your statement on Page 57 lines 2-3 that services like Consensus Economics are always forecasting interest rates to go up.

79. Given the statement on page 59 lines 16-17 that bond returns are biased downward because of capital losses suffered by bondholders in the past, does Dr. Woolridge believe that stock returns are also downward biased because of similar unexpected capital losses? If not, why not?

80. Please provide the complete study of analyst's growth forecasts discussed on pages 75-78 of Dr. Woolridge's testimony.

81. Can Dr. Woolridge explain how his cost of equity recommendation can differ from the long-term expected return (ROE) forecast in Value Line for each company in his Exhibit JRW-7.3 Panel B for his sample of gas utilities?

Requests for Information Directed to Mr. Kinloch

82. Please provide all work papers, calculations, and assumptions used by Mr. Kinloch to correct the gas volumes and demands using a 30-year normal of 5,133 as stated on page 8 of his Direct Testimony.

83. On page 7 of his Direct Testimony, Mr. Kinloch states that "Dr. Karl, NOAA, and NCDC have never endorsed the use of a 10-year normalization period." Please provide citations for all publication(s) authored by Dr. Karl, NOAA, or NCDC to that supports Mr. Kinloch's statement on page 7, lines 20-21.

84. On lines 10 and 11 of page 10 of his Direct Testimony, "Mr. Kinloch indicates that "our nation was in a recession" in 2002.

- a. please provide Mr. Kinloch's definition of "recession;"
- b. please provide Mr. Kinloch's estimate of when the recession began and when it ended. Include any references used by Mr. Kinloch in making this determination; and
- c. was the Northern Kentucky region in a recession during 2002? If so, please provide all references relied upon by Mr. Kinloch to make this determination and provide Mr. Kinloch's estimate of when the Northern Kentucky recession began and when it ended. Include any references used by Mr. Kinloch in making this determination.

85. In Exhibit DHBK-6, Mr. Kinloch's provides a summary of historical sales for firm transportation opinion and compares this to historical gas prices at Henry Hub.

- a. is Mr. Kinloch aware that the price of spot-market gas at Henry Hub can differ substantially from the commodity prices for natural gas that is delivered to ULH&P's firm transportation customers due to contract provisions and transportation costs?
- b. would Mr. Kinloch agree that the price of gas that should be used in any analysis of price elasticity should be the price of the gas that customers actually purchase the gas?

- c. are the average Henry Hub gas prices based on an average daily spot price, an average monthly index, or some other method?
- d. please provide the daily or monthly detail used to calculate the average Henry Hub gas prices; and
- e. please provide a copy of the source documents for these average Henry Hub gas prices.

86. On page 10, lines 21 and 22, of his Direct Testimony, Mr. Kinloch states that “the economy is growing now and is projected to continue growing as (*sic*) least in the near future.” What is the projected growth rate for the national economy and for the Northern Kentucky regional economy for the years 2005 and 2006? What were the year-over-year growth rates for each year 2001-2004?

87. In Exhibits DHBK-7 and DHBK-8, Mr. Kinloch develops a weather normalization factor and applies it to his projection of firm transportation sales.

- a. is the figure of 983,689 MCF for the historic test year (Nov-03 through Oct-04) exclusively a function of the 4,786 HDDs that year or are there other factors that contribute to a level of sales (*e.g.*, economic conditions, customer count, gas cost, *etc.*)?
- b. since Mr. Kinloch is assuming approximately the same number of FT customers to exist in the forecast test period that existed in 2004 (55 vs. 54), his projected increase in sales implies that usage per customer is increasing by about 9% per year. Is it Mr. Kinloch’s position that existing customers are expected to increase consumption at 9% per year? If so, please provide all studies, references, or other source material that supports this level of growth in sales and indicate why this level of growth is not expected to be matched by other customer classes served by ULH&P’s gas business.
- c. explain why Mr. Kinloch believes it is acceptable to project sales for any class of customers using two years worth of data when he also argues that even 10 years of data is not enough to develop a rigorous weather normalization adjustment.

88. Does Mr. Kinloch believe the cost of ULH&P’s mains vary month-to-month or volumetrically? If so, please explain.

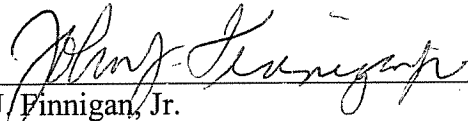
89. At pages 18 and 19 of his Direct Testimony, Mr. Kinloch discusses the residential and customer charges for various utilities:

- a. please provide copies of the source documents Mr. Kinloch relied on for this information;

- b. does Mr. Kinloch know the cost of service methods used to derive such customer charges?
- c. does Mr. Kinloch know whether the actual customer charges varied from the cost of service studies used to calculate the customer charges? If so, please explain the variation.

90. At page 21 of his Direct Testimony, Mr. Kinloch states that a higher reconnection fee “reduces the motivation to pay the past due balances...[and] can increase uncollectibles.” Please provide any studies which support this conclusion, and explain the basis for this conclusion.

THE UNION LIGHT, HEAT AND POWER
COMPANY



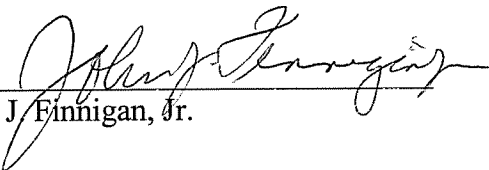
John J. Finnigan, Jr.
Senior Counsel
Cinergy Services, Inc.
Room 2500, Atrium II
P. O. Box 960
139 East Fourth Street
Cincinnati, Ohio 45201-0960
Phone: (513) 287-3601
Fax: (513)287-3810
e-mail: jfinnigan@cinergy.com

Of Counsel:
Robert M. Watt III
Stoll, Keenon & Park, LLP
201 East Main Street, Suite 1000
Lexington, Kentucky 40507
Phone: (859) 231-3000

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing The Union Light, Heat and Power Company's Requests for Information to the Attorney General has been served by ordinary United States mail, postage prepaid, to the following parties on this 21st day of June, 2005:

Hon. Elizabeth E. Blackford
Office of Attorney General
Utility Intervention and Rate Division
1024 Capital Center Drive
Frankfort, Kentucky 40601



John J. Finnigan, Jr.