THE UNION LIGHT HEAT & POWER COMPANY
CASE NO. 2005- 00042
ANNUALIZED TEST YEAR REVENUES AT PROPOSED VS. MOST CURRENT RATES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006
(GAS SERVICE)

Ky Staff-DR-03-030(A)

DATA: ___ BASE PERIOD X FORECASTED PERIOD
TYPE OF FILING: ___ORIGINAL ___UPDATED _X__ REVISED
WORK PAPER REFERENCE NO(S).:
25 Year Normalized Volumes with Adjustments

SCHEDULE M-2.3
PAGE 7 OF 7

PROPOSED ANNUALIZED

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS (C)	SALES (D)	PROPOSED RATES (E)	PROPOSED REVENUE LESS GAS COST REVENUE (F)	% OF REV TO TOTAL LESS GAS COST REVENUE (G)	GAS COST REVENUE (H)	PROPOSED TOTAL REVENUE (F + H) (I)
				(MCF)	($/MCF)	($)	(%)	($)	($)
1	IT								
2		INTERRUPTIBLE TRANSPORTATION							
3	CUSTOMER CHARGE:		240		$430.00	103,200	8.8		103,200
4	COMMODITY CHARGE:								
5		ALL CONSUMPTION		1,290,015	0.8334	1,075,099	91.2		1,075,099
6	TOTAL IT TRANSPORTATION		240	1,290,015		1,178,299	100.0		1,178,299

THE UNION LIGHT HEAT & POWER COMPANY
CASE NO. 2005- 00042
EFFECTS OF PROPOSED RESIDENTIAL AND GENERAL SERVICE RATES
TYPICAL BILL COMPARISON
(GAS SERVICE)

DATA: ___ BASE PERIOD X FORECASTED PERIOD
TYPE OF FILING: ___ORIGINAL ___UPDATED _X__ REVISED
WORK PAPER REFERENCE NO(S).:
25 Year Normalized Volumes with Adjustments

SCHEDULE N
PAGE 1 OF 2
WITNESS:
J.R.BAILEY

				BILL DATA INCL RIDER DSM LESS COST of GAS(2)					TOTAL	TOTAL	
LINE NO.	RATE CODE	LEVEL of DEMAND (A)	LEVEL of USE (B)	CURRENT BILL (C)	PROPOSED BILL (D)	DOLLAR INCREASE (D - C) (E)	PERCENT INCREASE (E / C) (F)	GAS COST (1) (G)	CURRENT BILL (C + G) (H)	PROPOSED BILL (D + G) (I)	PERCENT INCREASE (I-H) /H (L)
			(MCF)	($)	($)	($)	(%)	($)	($)	($)	(%)
1	(RS)										
2	RESIDENTIAL	Not	1	14.25	18.32	4.07	28.6	7.40	21.65	25.72	18.8
3		Applicable	3	19.58	24.95	5.37	27.4	22.21	41.79	47.16	12.8
4			6	27.57	34.89	7.32	26.6	44.41	71.98	79.30	10.2
5			8	32.90	41.52	8.62	26.2	59.22	92.12	100.74	9.4
6			10	38.23	48.15	9.92	25.9	74.02	112.25	122.17	8.8
7			12	43.56	54.78	11.22	25.8	88.82	132.38	143.60	8.5
8			16	54.21	68.04	13.83	25.5	118.43	172.64	186.47	8.0
9			20	64.87	81.31	16.44	25.3	148.04	212.91	229.35	7.7
10			30	91.51	114.46	22.95	25.1	222.06	313.57	336.52	7.3
11			40	118.15	147.61	29.46	24.9	296.08	414.23	443.69	7.1
12			50	144.79	180.76	35.97	24.8	370.10	514.89	550.86	7.0
13			60	171.42	213.92	42.50	24.8	444.12	615.54	658.04	6.9
14			80	224.70	280.22	55.52	24.7	592.16	816.86	872.38	6.8
15			100	277.98	346.53	68.55	24.7	740.20	1018.18	1086.73	6.7
16	(GS)										
17	NON-RESIDENTIAL		5	39.93	48.77	8.84	22.1	37.01	76.94	85.78	11.5
18			10	50.17	59.04	8.87	17.7	74.02	124.19	133.06	7.1
19			20	70.66	79.58	8.92	12.6	148.04	218.70	227.62	4.1
20			40	111.64	120.66	9.02	8.1	296.08	407.72	416.74	2.2
21			50	132.13	141.20	9.07	6.9	370.10	502.23	511.30	1.8
22			100	234.58	243.90	9.32	4.0	740.20	974.78	984.10	1.0
23			300	644.38	654.70	10.32	1.6	2,220.60	2864.98	2875.30	0.4
24			500	1,054.18	1,065.50	11.32	1.1	3,701.00	4755.18	4766.50	0.2
25			700	1,463.98	1,476.30	12.32	0.8	5,181.40	6645.38	6657.70	0.2
26			850	1,771.33	1,784.40	13.07	0.7	6,291.70	8063.03	8076.10	0.2
27			1,000	2,078.68	2,092.50	13.82	0.7	7,402.00	9480.68	9494.50	0.1
28			2,000	4,127.68	4,146.50	18.82	0.5	14,804.00	18931.68	18950.50	0.1
29			3,000	6,176.68	6,200.50	23.82	0.4	22,206.00	28382.68	28406.50	0.1

(1) REFLECTS GAS COST ADJUSTMENT OF $7.402/MCF.
(2) INCLUDES RIDERS DSM FOR RATE RS AND AMRP FOR BOTH RS AND GS.

THE UNION LIGHT HEAT & POWER COMPANY
CASE NO. 2005- 00042
EFFECTS OF PROPOSED FIRM TRANSPORTATION-LARGE RATES
AND INTERRUPTIBLE TRANSPORTATION RATES ON TYPICAL CUSTOMER BILLS
(GAS SERVICE)

DATA: ___ BASE PERIOD X FORECASTED PERIOD
TYPE OF FILING: ___ORIGINAL ___UPDATED _X__ REVISED
WORK PAPER REFERENCE NO(S).:
25 Year Normalized Volumes with Adjustments

SCHEDULE N
PAGE 2 OF 2
WITNESS:
J.R.BAILEY

				MONTHLY CUSTOMER CHARGE				TRANSPORTATION COMMODITY CHARGE (1)						
LINE NO.	RATE CODE	LEVEL of DEMAND (A)	MONTHLY TRANSP VOLUME (B)	CURRENT MONTHLY CUST CHARGE (C)	PROPOSED MONTHLY CUST CHARGE (D)	DOLLAR INCREASE (DECREASE) (D - C) (E)	PERCENT INCREASE (DECREASE) (E / C) (F)	CURRENT COMMODITY CHARGE (G)	PROPOSED COMMODITY CHARGE (H)	DOLLAR INCREASE (DECREASE) (H - G) (I)	PERCENT INCREASE (DECREASE) (I / G) (J)	TOTAL CURRENT BILL (C + G) (K)	TOTAL PROPOSED BILL (D + H) (L)	PERCENT INCREASE (DECREASE) (L-K) / K (M)
			(MCF)	($)	($)	($)	(%)	($)	($)	($)	(%)	($)	($)	(%)
1	(FT-LARGE)	Not												
2	FIRM	Applicable	1,000	330.00	430.00	100.00	30.3	1,948.00	1,862.40	(85.60)	(4.4)	2,278.00	2,292.40	0.6
3	TRANSPORTATION		1,500	330.00	430.00	100.00	30.3	2,922.00	2,793.60	(128.40)	(4.4)	3,252.00	3,223.60	(0.9)
4			2,000	330.00	430.00	100.00	30.3	3,896.00	3,724.80	(171.20)	(4.4)	4,226.00	4,154.80	(1.7)
5			3,000	330.00	430.00	100.00	30.3	5,844.00	5,587.20	(256.80)	(4.4)	6,174.00	6,017.20	(2.5)
6			5,000	330.00	430.00	100.00	30.3	9,740.00	9,312.00	(428.00)	(4.4)	10,070.00	9,742.00	(3.3)
7			10,000	330.00	430.00	100.00	30.3	19,480.00	18,624.00	(856.00)	(4.4)	19,810.00	19,054.00	(3.8)
8			20,000	330.00	430.00	100.00	30.3	38,960.00	37,248.00	(1,712.00)	(4.4)	39,290.00	37,678.00	(4.1)
9			30,000	330.00	430.00	100.00	30.3	58,440.00	55,872.00	(2,568.00)	(4.4)	58,770.00	56,302.00	(4.2)
10			40,000	330.00	430.00	100.00	30.3	77,920.00	74,496.00	(3,424.00)	(4.4)	78,250.00	74,926.00	(4.2)
11			50,000	330.00	430.00	100.00	30.3	97,400.00	93,120.00	(4,280.00)	(4.4)	97,730.00	93,550.00	(4.3)
12			75,000	330.00	430.00	100.00	30.3	146,100.00	139,680.00	(6,420.00)	(4.4)	146,430.00	140,110.00	(4.3)
13			100,000	330.00	430.00	100.00	30.3	194,800.00	186,240.00	(8,560.00)	(4.4)	195,130.00	186,670.00	(4.3)
14			150,000	330.00	430.00	100.00	30.3	292,200.00	279,360.00	(12,840.00)	(4.4)	292,530.00	279,790.00	(4.4)
15			200,000	330.00	430.00	100.00	30.3	389,600.00	372,480.00	(17,120.00)	(4.4)	389,930.00	372,910.00	(4.4)
16	(IT)	Not												
17	INTERRUPTIBLE	Applicable	2,000	330.00	430.00	100.00	30.3	1,622.00	1,666.80	44.80	2.8	1,952.00	2,096.80	7.4
18	TRANSPORTATION		5,000	330.00	430.00	100.00	30.3	4,055.00	4,167.00	112.00	2.8	4,385.00	4,597.00	4.8
19			10,000	330.00	430.00	100.00	30.3	8,110.00	8,334.00	224.00	2.8	8,440.00	8,764.00	3.8
20			15,000	330.00	430.00	100.00	30.3	12,165.00	12,501.00	336.00	2.8	12,495.00	12,931.00	3.5
21			20,000	330.00	430.00	100.00	30.3	16,220.00	16,668.00	448.00	2.8	16,550.00	17,098.00	3.3
22			25,000	330.00	430.00	100.00	30.3	20,275.00	20,835.00	560.00	2.8	20,605.00	21,265.00	3.2
23			30,000	330.00	430.00	100.00	30.3	24,330.00	25,002.00	672.00	2.8	24,660.00	25,432.00	3.1
24			40,000	330.00	430.00	100.00	30.3	32,440.00	33,336.00	896.00	2.8	32,770.00	33,766.00	3.0
25			50,000	330.00	430.00	100.00	30.3	40,550.00	41,670.00	1,120.00	2.8	40,880.00	42,100.00	3.0
26			100,000	330.00	430.00	100.00	30.3	81,100.00	83,340.00	2,240.00	2.8	81,430.00	83,770.00	2.9
27			200,000	330.00	430.00	100.00	30.3	162,200.00	166,680.00	4,480.00	2.8	162,530.00	167,110.00	2.8
28			300,000	330.00	430.00	100.00	30.3	243,300.00	250,020.00	6,720.00	2.8	243,630.00	250,450.00	2.8

(1) INCLUDES RIDER AMRP

KyPSC-DR-03-031

REQUEST:

31. Refer to the response to the Staff's Second Request, Item 52, and the response to the AG's First Request, Item 110.

a. Explain why ULH&P chose to include in its comparison of rates 2 utilities, Delta Natural Gas Company, Inc. and Equitable Gas Company, which are significantly smaller than ULH&P.

b. Based on ULH&P's proposed rates and current rates of the utilities included in its comparison, provide comparable residential customers' bills, including customer charges, delivery rates, and gas cost rates, based on usage of 8 Mcf.

RESPONSE:

a. ULH&P did not make a specific "choice" to distinguish any of the companies in the comparison based on size. The companies used in the response to KyPSC-DR-02-52 were selected based on the list of companies for which links were included on the Commission's website.

http://psc.ky.gov/agencies/psc/Util_Web/web_idx.htm

b. The following table summarizes the bills for residential customers using 8 MCF for May 2005.

Company	**Total Bill (8 MCF @ May 2005)**
Atmos Energy	$93.40
Columbia Gas	93.43
Delta Natural Gas	129.24
Equitable	114.94
Louisville Gas & Electric	94.29
ULH&P:	
Present	99.29
Proposed	$107.91

Notes: (a) All bills exclude gross receipts or municipal taxes but include applicable riders such as DSM or GRI riders.

(b) All bills, including the projected ULH&P bill, are based on gas cost adjustment and other rider rates effective for May 2005.

WITNESS RESPONSIBLE: Gregory C. Ficke

KyPSC-DR-03-032

REQUEST:

32. Refer to the response to the Staff's Second Request, Item 61(b). Indicate the dates corresponding to the initial implementation costs for the Integrity Management Program.

RESPONSE:

Initial implementation costs for the Integrity Management Program began in 2002 and are expected to continue through June 2005.

WITNESS RESPONSIBLE: Gary J. Hebbeler

REQUEST:

33. Refer to the response to the Staff's Second Request, Item 62(c). Based upon the response, it appears ULH&P did not include any costs associated with its proposal to assume ownership of service lines at the time of installation. Given that ULH&P has filed its rate case using a forecasted test period, explain why it did not include the first year impact of the proposal in its forecasted test period.

RESPONSE:

ULH&P has not included in this filing any costs associated with the assumption of ownership of service lines at the time of installation. At this time, ULH&P is only requesting approval to assume ownership of service lines at the time of installation. If approval is granted, ULH&P would request recover of these expenditures in ULH&P's next gas base case or until some other mechanism is put in place to recover these expenditures.

Furthermore, as indicated in Attachment WDW-1, page 1 of 1, as filed with the testimony of William Don Wathen, Jr., the impact of this change in ownership for the forecast period is immaterial. Using the data currently available, the net increase in annual revenue requirements for the forecast period is estimated to be only $13,379.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

KyPSC-DR-03-034

REQUEST:

34. Refer to the response to the Staff's Second Request, Item 65. The request, which asked for a narrative description of the derivation of the 1.0 percent growth, was worded incorrectly. Instead, provide a narrative description of how the volumes which give rise to the 1.0 percent growth rate were derived.

RESPONSE:

Please refer to Section II of the Direct Testimony of James A. Riddle for a narrative description of how the volume of forecasted Mcf is derived.

WITNESS RESPONSIBLE: James A. Riddle

KyPSC-DR-03-035

REQUEST:

35. Refer to the response to the Staff's Second Request, Item 66.

a. Provide any ULH&P-specific data which demonstrates the accuracy of 10-year weather normals for general planning purposes.
b. When did ULH&P first begin using 10-year weather normals for general planning purposes?

RESPONSE:

a. Since 2001, actual heating degree days for three of the four years have been below the 10-year normal of 4,950, as shown in Attachment KyPSC-DR-03-030(b). All four years are below the NOAA 30-year normal of 5,200. The Mean Percent Error calculations as addressed in the Direct Testimony of James A. Riddle also point out the increased accuracy of the 10-year weather normal when compared to the NOAA 30-year normal.

b. 2001.

WITNESS RESPONSIBLE: James A. Riddle

REQUEST:

36. Refer to the response to the Staff's Second Request, Item 67.

   a. The data reflects that 5 of the 8 highest heating degree day totals from 1961 through 2000 occurred from 1976 through 1980 and that this 5-year period heavily affects the 30-year normal heating degree day average for 1971 through 2000. Is ULH&P aware of any evidence or research addressing the reasons for the level of heating degree days experienced during the period 1976-1980?

   b. The 40–year data in the response reflects annual average heating degree days of roughly 5,300 during the period 1961-1980 and 5,000 during the period 1981-2000. Is ULH&P aware of any evidence or research addressing the differences in average heating degree levels between these consecutive 20-year periods?

RESPONSE:

a. No.

b. No.

WITNESS RESPONSIBLE: James A. Riddle

KyPSC-DR-03-037

REQUEST:

37. Refer to the response to the Staff's Second Request, Item 70, which indicates that residential gas sales are dependent on economic factors in addition to being dependent on weather. The response also refers to 2004 having 5,194 heating degree days, the highest number in the past 5 years, and an average residential use per customer of 82 Mcf.

    a. Although it had the most heating degree days in the past 5 years, 2004's total is statistically equivalent to the heating degree day totals of 5,187 and 5,182, which occurred in 2000 and 2003, respectively. In 2000, average residential use per customer was 93 Mcf, while in 2003 average residential use per customer was 89 Mcf. Can ULH&P identify what economic factors were responsible for residential use per customer averaging 11.0 percent more during those 2 years than in 2004?
    b. Describe the extent to which ULH&P attempts to correlate Mcf volumes and heating degree days on a monthly basis as part of its forecasting process.

RESPONSE:

a. ULH&P points out that the heating degree total for 2004 as reported in response to KyPSC-DR-02-067 of the Staff's Request was in error. The correct value is 4,847. This is less than 5,194 and contributes to the lower residential use per customer in 2004.

b. The residential use per customer econometric model employs monthly sales data and monthly degree day data, therefore, the model directly incorporates the correlation between volumes and heating degree days.

WITNESS RESPONSIBLE: James A. Riddle

KyPSC Staff Third Set Data Requests
ULH&P Case No. 2005-00042
Date Received: May 10, 2005
Response Due Date: May 24, 2005

KyPSC-DR-03-038

REQUEST:

38. Refer to the response to the Staff's Second Request, Item 74. ULH&P was requested to indicate how many of its gas employees were included in each incentive plan as of December 31, 2004, for the base period, and for the forecasted test period. ULH&P provided employee data as of December 31, 2004, but did not address the base period or forecasted test period. Recognizing the limits identified by ULH&P, provide the originally requested information for the base period and forecasted test period.

RESPONSE:

Cinergy does not budget incentive plan dollars by participant. Even though participants may transfer from one incentive plan to another during the calendar year, the number of participants in each of the plans is estimated to remain fairly constant from 2004 through the base and forecasted periods. The total number of participants in the incentive plans is as follows:

	AIP	UEIP
Total	2,144	3,609
Cinergy Services	1,553	495
ULH&P	16	204
CG&E	188	1,689

WITNESS RESPONSIBLE: Timothy J. Verhagen

REQUEST:

39. Refer to the response to the Staff's Second Request, Item 78(b). Identify the various cycles of the Cinergy 1996 Long-Term Incentive Compensation Plan included in the $229,745 allocation of cycles recorded in 2004.

RESPONSE:

The $229,745 accrual for 2004 includes the LTIP cycles which were open at that point in time, which were Cycles 6, 7 and 8.

WITNESS RESPONSIBLE: Timothy J. Verhagen

KyPSC-DR-03-040

REQUEST:

40. Refer to the response to the Staff's Second Request, Item 79(b).

a. Absent a general rate case, explain how maximizing net income results in lower rates for customers.
b. Absent a general rate case, doesn't the maximization of net income result in benefits only for shareholders? Explain the response.
c. From the viewpoint of a regulated utility, doesn't the goal of "Receive Constructive Regulatory Treatment" imply that regulatory decisions generally result in treatment favorable to the utility's interests? Explain the response.

RESPONSE:

a. All of Cinergy's incentive compensation plans form part of the total compensation package which allows Cinergy and its affiliates, including ULH&P, to provide a total compensation package required to attract, retain and motivate the employee talent necessary to provide excellent service.

Specifically, net income is a widely recognized and simple measure of the results of a business. It is improved by increasing revenues, decreasing expenses, or both. As explained in the testimony of ULH&P witness Ficke, ULH&P has worked hard to implement efficiency programs to keep cost increases below the rate of inflation. As detailed by ULH&P witness Hebbeler, the AMRP has significantly reduced the incidence of leaks, reducing ULH&P's Account 887 "Maintenance of Mains" expense. These maintenance savings have been returned to customers through the Rider AMRP tracking mechanism. In addition, Cinergy's Gas Operations placed 5^{th} out of 46 U.S. companies based on one of the most accepted industry reliability measure, outages per 1,000 Customers. At the time of a base rate case, all items that comprise net income are "trued up" in rates. Between base rate cases, improved net income enables the Company to offset the overall inflationary trend in the goods and services necessary to serve customers and delay filing for rate increases. Additionally, increased earnings help Cinergy Corp. and ULH&P maintain a healthier balance sheet, which enables ULH&P to obtain financing between rate cases on more reasonable terms than would otherwise be available. These borrowings typically occur between rate cases, with the interest rates affecting the customers' rates when new rates are implemented in the next base rate case.

In the end, customers benefit through efficiencies, more time between rate increases, and being served by a company that is stronger and better able to attract the capital necessary to build and maintain the gas distribution system. Shareholders benefit by being invested in a more financially sound company.

b. Maximization of Net Income between rate cases benefits more than just shareholders. Net Income as a performance metric is an effective proxy for a number of financial indicators including cash flow. Cash flow forms the basis for a number of the financial credit metrics that are closely monitored by the rating agencies, credit analysts, and the broader capital markets as indicators of financial health. A company with poor financial performance, manifested in poor Net Income, calls into question the sustainability of corporate cash flows and ongoing profitability. A deterioration in these metrics may indicate that a company may have difficulty meeting its financial commitments going forward. The reaction from the capital markets could include a widening of credit spreads, required addition of restrictive terms and conditions to new issuances or inability to access the capital markets altogether. Expensive financing terms, ratings downgrades, and the inability to raise capital and support ongoing operations would have a negative impact on ratepayers and the quality of service ULH&P is able to provide.

c. I believe that "Constructive Regulatory Treatment" is in the best interest of all stakeholders in the regulatory process. The fundamental goal of regulation is to place the utility in a position where it is able to provide safe and reliable service to customers, to receive recovery of its prudently incurred costs of doing so, and to provide a fair return to the investors who provide capital to fund the large investments necessary for a public utility. As noted in the response to KyPSC-DR-03-040(a), above, ULH&P has provided significant testimony in this proceeding regarding it efforts to control costs and to provide safe and reliable service. Mr. Ficke has described the many customer focused programs that ULH&P offers. Dr Morin has provided testimony on the effective attraction of reasonably priced capital to fund the large capital investments of the business; the specific nature of ULH&P's increased business risk due to industry-wide regulatory uncertainty (pages 53-54); and, the importance of regulatory treatment that will support ULH&P's credit metrics and credit ratings (pages 59-60). A departure from what has historically been viewed as a productive regulatory environment implies greater risk and higher capital costs. Ms. Aumiller has provided additional testimony regarding rating agency concerns over regulatory lag in the recovery of certain costs, and the ability to fund environmental capital expenditures. The rating agencies regard constructive regulatory environments and favorable regulatory treatment as important assumptions in determining their credit ratings. Unfavorable regulatory outcomes would test the validity of these assumptions and threaten ULH&P's ability to maintain its credit rating. The results could be higher overall financing costs, less assurance of access to capital markets, and difficulty in maintaining a safe, reliable, low-cost level of customer service. "Constructive Regulatory Treatment" attempts to achieve a reasonable balancing of customer and shareholder interests, and ULH&P tries very hard to achieve that balance.

WITNESS RESPONSIBLE: Timothy J. Verhagen

REQUEST:

41. Refer to the response to the Staff's Second Request, Item 80(d). ULH&P was requested to provide the amount of its minimum pension liability allocated to its gas operations as of December 31, 2004. ULH&P responded that the minimum pension liability is a common liability and not split between gas and electric. Throughout its Application, ULH&P has allocated common assets and liabilities between its electric and gas operations. Provide the originally requested information.

RESPONSE:

This liability is recorded in Company accounts 253870 and 253875. As shown on the attachment to KyPSC-DR-01-030, these accounts are allocated 53.740% to ULH&P's Gas Operations. Multiplying the December 31, 2005, balance in these accounts of $11,600,581 by this allocation percentage results in an amount of $6,234,152 allocated to Gas Operations.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

REQUEST:

42. Refer to the response to the Staff's Second Request, Item 97, and the Direct Testimony of Paul F. Ochsner. Explain why 50 percent is the portion of the "excess/subsidy" proposed to be eliminated as opposed to a different percentage such as 80 percent or 20 percent.

RESPONSE:

As discussed in testimony, the Company believes the proposal to eliminate 50% of the subsidy/excess revenues is a reasonable and equitable approach for all rate groups. The ultimate goal is to eliminate all subsidy/excess. It is the Company's judgment that 50% represents reasonable movement toward equitable rates. The Company proposed a similar revenue allocation methodology in Case No. 2001-00092, which the Commission accepted. If, in its discretion, the Commission chooses to eliminate a greater percent, the Company would be amenable.

WITNESS RESPONSIBLE: Paul F. Ochsner

KyPSC-DR-03-043

REQUEST:

43. Refer to the response to the Staff's Second Request, Item 100.

a. Does ULH&P agree that the PSC Assessment that it will be billed in July 2005 is based upon the gross revenues reported for calendar year 2004?

b. In the response to Item 100(a), ULH&P states, "The matching principle in accounting requires that expenses be recorded in the same period as the revenues are recorded that these costs helped produce." Does ULH&P agree that based upon this principle, ULH&P should be accruing the PSC Assessment payable in July 2005 during calendar year 2004? Explain the response.

RESPONSE:

a. Yes, ULH&P agrees that the amount of PSC Assessment that it will be billed in July 2005 is based upon the gross revenues reported for calendar year 2004.

b. No. As explained in Mr. Wathen's testimony, although the amount of the PSC Assessment paid in July of this year is based on last year's calendar year, the assessment funds the Commission's operations for the upcoming fiscal year. Consequently, this is the period to which the revenue and expense will match. The basis for the assessment (*i.e.*, last year's revenue) is irrelevant; it is the time period over which the expense applies that is the appropriate period in which the Company should accrue (or amortize) such costs.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

KyPSC-DR-03-044

REQUEST:

44. Refer to the response to the Staff's Second Request, Item 101(a). ULH&P notes that it proposed some adjustments that reflected what it believed to be "Commission precedent." Describe the research of previous Commission decisions undertaken by ULH&P to determine the applicable "Commission precedent" and state whether ULH&P researched only historic test period-based rate case decisions.

RESPONSE:

The Company relied on the precedent established in prior ULH&P gas cases. Although Atmos Energy (f.k.a. -- Western Kentucky Gas) and Delta Natural Gas have proffered forecasted test year data in previous cases, these cases were settled. The Company is unaware of any fully-litigated cases involving a forecasted test year for local natural gas distribution companies regulated by the Kentucky Public Service Commission.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

REQUEST:

45. Refer to the response to the Staff's Second Request, Item 103. Provide ULH&P's actual uncollectible expense for calendar years 2002 through 2004, as well as the amount included in the base period and the forecasted test period.

RESPONSE:

As explained in response to KyPSC-DR-02-103, beginning in February 2002, ULH&P sells its monthly accounts receivable balance to a special purpose entity, thus eliminating uncollectible accounts.

Year	Uncollectible Accounts Exp.
2002	$167,446
2003	-0-
2004	-0-
Base Period	-0-
Forecasted Period	-0-

WITNESS RESPONSIBLE: William Don Wathen, Jr.

KyPSC Staff Third Set Data Requests
ULH&P Case No. 2005-00042
Date Received: May 10, 2005
Response Due Date: May 24, 2005

KyPSC-DR-03-046

REQUEST:

46. Refer to the response to the Staff's Second Request, Item 104.

    a. When does ULH&P expect to secure approval of the Automated Meter Reading from Cinergy's management?
    b. If the Automated Meter Reading project is not approved or implementation is delayed, would ULH&P agree that any amounts associated with the project included in the forecasted test period should be removed? If no, explain the response.

RESPONSE:

a. A business case for Fixed Network AMR technology is being prepared for review and approval by Cinergy's management. A deadline for approval has not yet been set, and Cinergy's management has not made a final decision at this time.

b. Yes, I believe that it would be appropriate to restate all impacts on the test period.

WITNESS RESPONSIBLE: Gary J. Hebbeler

KyPSC-DR-03-047

REQUEST:

47. Refer to the response to the Staff's Second Request, Item 105.

a. A review of ULH&P's response indicates that it was able to perform the requested separation, but failed to provide the supporting workpapers. Provide the workpapers as originally requested.
b. In determining the capital additions to be reflected in the base period and forecasted test period, did ULH&P recognize a slippage factor in the calculations? Explain the response.
c. Concerning the response to Item 105, should the Commission utilize the total slippage factor or the 10-year, mathematic average slippage factor? Explain the response.
d. Should the Commission utilize two slippage factors in this case, one for the AMRP-related projects and one for the non-AMRP-related projects? Explain the response.

RESPONSE:

a. Please see Attachment KyPSC-DR-03-047 for support of "AMRP Capital Construction Projects" and see previously filed Attachment KyPSC-DR-01-012 for support of "All Capital Construction Projects".

b. No slippage factor was reflected in the base period and the forecasted period. It is Union Light's intention that the dollars budgeted for capital construction projects be spent in the year budgeted.

c. ULH&P contends that its new rates should be established based on the capital expenditures budgeted in its forecasted test period, without a slippage adjustment. To the extent that the Commission might decide to apply a slippage adjustment, the Commission in KyPSC-DR-02-105 asked ULH&P to calculate the slippage adjustment using a mathematical average. If the Commission applies a slippage factor, ULH&P believes that a 10-year mathematical average should be applied because this would be a more representative estimate of any slippage which might occur during the forecasted test period than an estimate based on total slippage adjustment during the past ten years.

d. See response to KyPSC-DR-03-047(c).

WITNESS RESPONSIBLE: Gary J. Hebbeler

CASE NO. 2005-00042
THE UNION LIGHT, HEAT AND POWER COMPANY
ATTACHMENT TO RESPONSE KyPSC-DR-03-047
Page 1 of 1

Calculation of Annual Actual Cost of AMRP for ULH&P			
Years	Plant In Service at 12/31	Cost of Removal	Annual Actual Cost
2004	12,195,488	112,586	**12,308,074**
2003	13,694,754	121,036	**13,815,790**
2002	15,915,757	174,500	**16,090,257**
2001	6,348,877	288,365	**6,637,242**
Totals	48,154,876	696,487	**48,851,363**

Annual Original Budget of AMRP for ULH&P					
Years	KYCIBS	G7REPL	G7SERVMC	G7PUBIMP	Total
2004	8,272,539	1,217,461	1,500,000	760,000	**11,750,000**
2003	10,082,022	1,905,168	1,178,358	990,313	**14,155,861**
2002	9,885,738	2,226,148	1,500,000		**13,611,886**
2001	5,400,714	1,526,711	1,052,476		**7,979,901**

KyPSC-DR-03-048

REQUEST:

48. Refer to the response to the Staff's Second Request, Item 109. ULH&P was asked to provide the calculations used to determine the fringe benefit cost pool amounts included in the base period and the forecasted test period. The calculations were not provided. Provide the originally requested information.

RESPONSE:

See Attachment KyPSC-DR-03-008-A for the amount of estimated SFAS 106 and SFAS 112 costs included the base period and forecasted test periods. Please note the amounts previously provided in KyPSC-DR-02-109 have been revised.

As described in the pre-filed testimony of Barry F. Blackwell, the company utilizes a "Loadings" process to charge out total fringe benefit costs to the appropriate functional areas (e.g., O&M, capital, gas operations and electric operations). The Fringe Benefit cost pool loading rate is calculated by dividing the summation of anticipated component costs by anticipated labor cost. The amount of total Fringe Benefit costs applicable to ULH&P's gas operations is systematically determined by applying the fringe benefit rate of the applicable period(s) to the labor amounts charged to gas operations. These Fringe Benefit amounts are reflected in KyPSC-DR-03-008-A. Given the loadings amount applied to ULH&P's gas operations reflects the total amount of fringe benefit costs, the component costs (e.g., medical, SFAS 106, SFAS 112, etc.) must be allocated. See KyPSC-DR-03-048-A for the calculations of the allocated SFAS 106 and SFAS 112 costs included in the base period and forecasted test period.

WITNESS RESPONSIBLE: Barry F. Blackwell

Cinergy's Fringe Benefit Cost Pool Budget by Activity

	2005	2006	Forecast [1]
		(in millions)	
401 (k)	$ 20.2	$ 20.8	$ 20.7
Dental	5.1	5.0	5.0
Life and Disability	3.3	3.6	3.5
Medical	51.2	53.9	53.2
Post Retirement			
FAS 106	39.8	38.7	39.0
FAS 112	3.9	4.1	4.1
Pension	79.5	88.0	85.9
Misc.	5.0	5.8	5.6
Total	$ 208.0	$ 219.9	$ 216.9

[1] Forecast amount estimate reflects 3 months of 2005 and 9 months of 2006 Budgeted amounts.
See schedule KyPSC-03-010-d(1)-A for detail by year

Cinergy's Fringe Benefit Cost Pool Percentages by Activity

	2005	2006	Forecast [1]
401 (k)	9.7%	9.5%	9.5%
Dental	2.5%	2.3%	2.3%
Life and Disability	1.6%	1.6%	1.6%
Medical	24.6%	24.5%	24.5%
Post Retirement			
FAS 106	19.1%	17.6%	18.0%
FAS 112	1.9%	1.9%	1.9%
Pension	38.2%	40.0%	39.6%
Misc.	2.4%	2.6%	2.6%
Total	100.0%	100.0%	100.0%

Allocated SFAS 106 and SFAS 112 applicable to ULH&P's Gas Operations for the Base Period and Forecasted Test Period

	Base Period	Forecast Period
Operation and Maintenance	$ 2,630,682	$ 3,065,199
Capital	805,293	1,146,889
Total Fringe Benefit Cost	$ 3,435,975	$ 4,212,088

Note: See schedule KyPSC-DR-03-008-A for Base Period and Forecasted Test Period Fringe Benefit Costs.

	Base Period	Forecast Period
Estimated SFAS 106 and SFAS 112 Cost Pool Percentages		
SFAS 106	19.1%	18.0%
SFAS 112	1.9%	1.9%
Estimated Costs		
SFAS 106		
Operation and Maintenance	$ 502,460	$ 551,736
Capital	153,811	206,440
Total	$ 656,271	$ 758,176
SFAS 112		
Operation and Maintenance	$ 49,983	$ 58,239
Capital	15,301	21,791
Total	$ 65,284	$ 80,030
Total SFAS 106 and SFAS 112		
Operation and Maintenance	$ 552,443	$ 609,975
Capital	169,112	228,231
Total	$ 721,555	$ 838,206

The Union Light, Heat & Power Company
FSAS 106 and FSAS 112 Costs In The Base Period And The Forecast Period

KyPSC-DR-03-048

		Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05
SFAS 106														
2005 Budget									90,912	92,169	91,811	89,644	88,957	89,470
Actual		59,701	59,701	59,701	59,701	59,701	59,701	54,362						
		59,701	59,701	59,701	59,701	59,701	59,701	54,362	90,912	92,169	91,811	89,644	88,957	89,470
Base Period	866,061													
Forecast Period	1,128,056													
SFAS 112														
2005 Budget									13,604	13,792	13,738	13,414	13,311	13,388
Actual		8,848	8,848	8,848	8,848	8,848	8,848	8,848						
		8,848	8,848	8,848	8,848	8,848	8,848	8,848	13,604	13,792	13,738	13,414	13,311	13,388
Base Period	129,796													
Forecast Period	168,801													

	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06
<u>SFAS 106</u>															
2005 Budget	85,477	85,695	89,855	93,280	91,760	90,106	96,443	97,777	97,397	95,099	94,370	94,914	90,678	90,909	95,322
Actual															
	85,477	85,695	89,855	93,280	91,760	90,106	96,443	97,777	97,397	95,099	94,370	94,914	90,678	90,909	95,322
Base Period															
Forecast Period															
<u>SFAS 112</u>															
2005 Budget	12,791	12,823	13,446	13,958	13,731	13,483	14,432	14,631	14,574	14,231	14,121	14,203	13,569	13,604	14,264
Actual															
	12,791	12,823	13,446	13,958	13,731	13,483	14,432	14,631	14,574	14,231	14,121	14,203	13,569	13,604	14,264
Base Period															
Forecast Period															

The Union Light, Heat & Power Company
FSAS 106 and FSAS 112 Costs In The Base Period And The Forecast Period

KyPSC-DR-03-048

Total Fringe Benefits in 2005 Budget

	acctper												
acctno	200501	200502	200503	200504	200505	200506	200507	200508	200509	200510	200511	200512	Grand Total
107000	34,395.81	29,777.03	59,746.79	51,783.37	47,878.27	59,217.10	59,993.12	72,731.91	59,933.72	80,054.72	50,726.31	45,272.39	651,510.54
107100	13,926.20	14,482.79	13,047.23	14,333.05	13,796.18	13,805.35	14,267.48	13,278.34	13,805.35	14,352.12	13,805.35	13,805.35	166,704.79
108410	7,166.17	8,724.85	6,870.10	8,305.85	3,914.09	7,178.89	7,752.05	2,516.58	5,233.61	7,123.51	6,799.35	6,316.27	77,901.32
416110	174.40	91.57	199.10	555.92	538.77	214.37	22.46		482.33	197.41	130.39	996.78	3,603.50
416180		1,235.40											1,235.40
926110	143,646.29	147,753.19	121,416.04	121,552.27	128,896.65	115,732.58	105,359.66	99,345.40	117,536.19	102,772.68	129,707.26	131,150.68	1,464,868.89
Grand Total	199,308.87	202,064.83	201,279.26	196,530.46	195,023.96	196,148.29	187,394.77	187,872.23	196,991.20	204,500.44	201,168.66	197,541.47	2,365,824.44

Allocated SFAS 106

107000	15,689	13,582	27,253	23,620	21,839	27,011	27,365	33,176	27,338	36,516	23,138	20,650	297,177
107100	6,352	6,606	5,951	6,538	6,293	6,297	6,508	6,057	6,297	6,547	6,297	6,297	76,040
108410	3,269	3,980	3,134	3,789	1,785	3,275	3,536	1,148	2,387	3,249	3,101	2,881	35,534
416110	80	42	91	254	246	98	10	-	220	90	59	455	1,644
416180	-	564	-	-	-	-	-	-	-	-	-	-	564
926110	65,522	67,395	55,382	55,444	58,794	52,790	48,058	45,315	53,612	46,878	59,164	59,822	668,178
	90,912	92,169	91,811	89,644	88,957	89,470	85,477	85,695	89,855	93,280	91,760	90,106	1,079,136

Allocated SFAS 112

107000	2,348	2,032	4,078	3,535	3,268	4,042	4,095	4,964	4,091	5,464	3,462	3,090	44,469
107100	951	989	891	978	942	942	974	906	942	980	942	942	11,379
108410	489	596	469	567	267	490	529	172	357	486	464	431	5,317
416110	12	6	14	38	37	15	2	-	33	13	9	68	246
416180	-	84	-	-	-	-	-	-	-	-	-	-	84
926110	9,805	10,085	8,287	8,297	8,798	7,899	7,191	6,781	8,023	7,015	8,853	8,952	99,986
	13,604	13,792	13,738	13,414	13,311	13,388	12,791	12,823	13,446	13,958	13,731	13,483	161,481

The Union Light, Heat & Power Company
FSAS 106 and FSAS 112 Costs In The Base Period And The Forecast Period

KyPSC-DR-03-048

Sort_Resource	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
1211 - Fringe Benefits - Exempt	97,275	97,207	101,105	101,779	101,250	98,505	96,759	97,463	100,130	100,913	99,274	98,593	1,190,254
1212 - Fringe Benefits - Non-exempt	6,342	6,385	6,490	6,559	6,505	6,806	6,755	6,691	6,418	6,519	6,448	6,388	78,305
1221 - Fringe Benefits OT - Exempt	189	182	165	196	172	172	196	165	172	196	172	172	2,147
1222 - Fringe Benefits OT- Non-exempt	267	229	233	234	201	170	168	172	171	170	171	171	2,356
1213 - Fringe Benefits - Union	178,777	181,082	178,903	176,724	179,686	176,979	170,134	172,820	177,566	183,904	180,735	177,243	2,134,552
1223 - Fringe Benefits OT - Union	15,171	14,370	13,687	13,362	12,088	14,098	14,471	13,775	14,109	14,471	14,764	15,797	170,162
	298,021	299,455	300,581	298,855	299,901	296,728	288,483	291,086	298,566	306,172	301,565	298,363	3,577,776
Non-union	104,073	104,003	107,992	108,768	108,128	105,652	103,878	104,491	106,891	107,797	106,066	105,324	1,273,062
Union	193,948	195,452	192,589	190,086	191,774	191,077	184,605	186,595	191,675	198,375	195,499	193,039	2,304,715
	298,021	299,455	300,581	298,855	299,901	296,728	288,483	291,086	298,566	306,172	301,565	298,363	3,577,776

Non-union	35.6%	6.6%	2.3%
Union	64.4%	5.8%	3.7%
Composit escalation rate			6.1%

KyPSC-DR-03-049

REQUEST:

49. Refer to the response to the Staff's Second Request, Item 110. ULH&P was asked to describe what obligations it retained with regard to its accounts receivables after they were sold. The response did not clearly provide this information. Provide the originally requested information.

RESPONSE:

The accounts receivable are sold to the special purpose entity. There is no longer recourse to ULH&P for any of those receivable obligations. ULH&P does act as an agent on behalf of the purchaser for the collection of the receivables and is compensated for providing this administrative service. This service is discretionary and not an obligation.

No obligations are retained by ULH&P with regard to accounts receivable after they are sold.

WITNESS RESPONSIBLE: Wendy L. Aumiller

KyPSC-DR-03-050

REQUEST:

50. Provide the following information concerning ULH&P's sale of accounts receivable by calendar quarters beginning with the quarter ended March 31, 2002 and continuing through the quarter ended March 31, 2005:

   a. The balance of ULH&P's accounts receivable sold.
   b. The balance of ULH&P's accounts receivable retained by the company.
   c. The total balance of ULH&P's sold and retained accounts receivable.
   d. To the extent possible, provide the same information requested in parts (a) through (c) above separating the balances between electric and gas operations.
   e. For both the base period and forecasted test period, provide the level of accounts receivable estimated by ULH&P to have been sold and the balance estimated to be retained.

RESPONSE:

Please see Attachment KyPSC-DR-03-050.

WITNESS RESPONSIBLE: Wendy L. Aumiller

KyPSC Staff Third Set Data Requests
ULH&P Case No. 2005-00042
Date Received: May 10, 2005
Response Due Date: May 24, 2005

KyPSC-DR-03-050 Attachment

		200203	200206	200209	200212	200303	200306	200309	200312	200403	200406	200409	200412	200503
a)	Balance of ULH&P's accounts receivable sold	89,556,399	67,922,370	79,475,183	82,925,904	108,961,299	68,656,529	78,538,233	89,727,017	119,197,037	75,410,378	77,014,511	95,376,964	118,249,683
b)	Balance of ULH&P's accounts receivable retained by company	459,817	1,074,436	846,818	703,221	710,362	728,738	416,552	2,457,732	3,488,233	1,328,682	1,936,971	1,450,891	949,379
c)	Total Balance of ULH&P's sold and retained accounts receivable	90,016,215	68,996,805	80,322,001	83,629,124	109,671,662	69,385,267	78,954,785	92,184,750	122,685,270	76,739,060	78,951,483	96,827,855	119,199,062
d)	**Electric**													
	Balance of ULH&P's accounts receivable sold	63,853,863	49,287,777	58,426,515	60,727,370	77,277,641	47,963,620	53,978,838	60,798,495	78,056,444	49,370,080	50,262,838	62,051,267	76,969,893
	Balance of ULH&P's accounts receivable retained by company	321,171	794,922	614,517	511,139	486,065	538,769	1,420,549	1,611,207	299,884	520,933	956,603	936,307	613,922
	Total Balance of ULH&P's sold and retained accounts receivable	64,175,034	50,082,700	59,041,032	61,238,509	77,763,706	48,502,389	55,399,387	62,409,702	78,356,328	49,891,013	51,219,441	62,987,574	77,583,815
	Gas													
	Balance of ULH&P's accounts receivable sold	25,702,536	18,634,592	21,048,668	22,198,534	31,683,658	20,692,909	24,559,395	28,928,522	41,140,593	26,040,298	26,751,674	33,325,696	41,279,790
	Balance of ULH&P's accounts receivable retained by company	138,646	279,514	232,301	192,082	224,297	189,969	(1,003,997)	846,525	3,188,349	807,749	980,368	514,584	335,457
	Total Balance of ULH&P's sold and retained accounts receivable	25,841,182	18,914,106	21,280,969	22,390,616	31,907,955	20,882,878	23,555,398	29,775,047	44,328,942	26,848,047	27,732,042	33,840,280	41,615,247

	Base period	200501	200502	200503	200504	200505
e)	Balance of ULH&P's accounts receivable sold	42,812,700	36,939,000	34,251,000	23,799,300	24,009,300
	Balance of ULH&P's accounts receivable retained by company	1,450,891	1,450,891	1,450,891	1,450,891	1,450,891
	Total Balance of ULH&P's sold and retained accounts receivable	44,263,591	38,389,891	35,701,891	25,250,191	25,460,191

Forecast Period	200510	200511	200512	200601	200602	200603	200604	200605	200606	200607	200608	200609
Balance of ULH&P's accounts receivable sold	27,186,600	39,770,850	40,396,650	43,454,891	37,493,085	34,764,765	24,156,290	24,369,440	26,786,561	30,823,622	30,338,705	26,863,295
Balance of ULH&P's accounts receivable retained by company	1,450,891	1,450,891	1,450,891	1,450,891	1,450,891	1,450,891	1,450,891	1,450,891	1,450,891	1,450,891	1,450,891	1,450,891
Total Balance of ULH&P's sold and retained accounts receivable	28,637,491	41,221,741	41,847,541	44,905,782	38,943,976	36,215,656	25,607,181	25,820,331	28,237,452	32,274,513	31,789,596	28,314,186

KyPSC-DR-03-051

REQUEST:

51. Refer to the response to the AG's First Request, Item 10.

a. To the extent ULH&P or Mr. Spanos knows, explain why the "EEI/AGA Depreciation Statistics Report" does not include depreciation information for Louisville Gas and Electric Company.
b. Refer to pages 83 through 85 of 132 in this response. Would ULH&P and Mr. Spanos agree that almost every utility listed on these pages has reported an average service life for Account No. 376 – Mains, of greater than 36.3 years?
c. Describe the extent to which ULH&P and Mr. Spanos used this report to develop the proposed depreciation rates.

RESPONSE:

a. The AGA/EEI Depreciation Statistics Survey is a voluntary study, and there is no obligation for a company to participate. Apparently, Louisville Gas and Electric Company decided not to participate in the survey.

b. Pages 83 through 85 of the 132 page attachment to AG-DR-01-10, sets forth almost every utility that has reported an average service life for Account 376, Mains, of greater than 36.3. This is also the case for all three subaccounts for mains proposed by Mr. Spanos in his depreciation study. Please note that the attachment to AG-DR-01-10 refers to average service life and the reference here of 36.3 years refers to composite remaining life.

c. The AGA/EEI Depreciation Statistics Survey is used by Mr. Spanos as a benchmark of the range of life and salvage estimates by other utilities. This document does not assist Mr. Spanos in developing proposed depreciation rates, just the parameters to use in calculating depreciation.

WITNESS RESPONSIBLE: John J. Spanos

REQUEST:

52. Refer to the response to the AG's First Request, Items 53 and 54.

a. What is the average estimated cost for purging and capping a retired main? Include all assumptions and calculations used to determine the response.
b. Provide the average estimated cost for purging and capping a retired main as a percentage of ULH&P's average installation costs.
c. Explain in detail the basis for the 75/25 allocation of tie-in costs. Include all documentation supporting the allocation percentages.
d. Explain why any portion of the new mains tie-in costs should be applied as a cost of removal for the old main. Include in this response a discussion of why the removal costs should only reflect the cost of purging and capping a retired main.

RESPONSE:

a. The average cost associated with abandoning a main which includes excavation, restoration, purging and capping a retired main is $866.05 per tie-in. The following methodology was used to arrive at the above mentioned average. Take the cost of removal for AMRP projects for 2004 ($112,586) divided by the number of tie-ins completed on the existing system for AMRP projects in 2004 (130).
b. The average cost given above is per tie-in. The average cost for installation of main is by foot. Therefore, a conversion must be made to provide the cost for purging and capping a retired main as a percentage of the average installation cost. Therefore, take the total cost of removal ($112,586) divided by the total footage installed in 2004 (103,936) yields $1.08/foot. The average cost to install a foot of AMRP main in 2004 was $50.61. Therefore, the average cost for purging and capping a retired main as a percent of ULH&P's average installation cost is 2.1%.
c. In the beginning of the AMRP project, we found inconsistencies in charges for tie-in crews for installation versus abandonment. In an effort to maintain consistency, observations were made in the field by the supervisors. These supervisors came to a consensus for the split by percentage for installation and cost of removal. These percentages may change year to year depending on work location and type.
d. The process for completing a tie-in is as follows: The tie-in hole is excavated, shore if necessary, new main tied-in, old main capped and

purged, tie-in hole backfilled and restoration performed. Therefore, the cost of removal charges are accumulated by the same crew during the same operation as the tie-in cost. Included in the cost of removal is a portion of the excavation, backfilling and restoration as well as the purging and capping of the abandon main.

WITNESS RESPONSIBLE: Gary J. Hebbeler

KyPSC-DR-03-053

REQUEST:

53. Refer to the response to the AG's First Request, Item 87(a), page 1 of 2. Identify the ranges of amounts used to determine the two sets of averages shown on this response.

RESPONSE:

In response to question 53 and after reviewing the response to Item 87(a) we are re-submitting a complete set of work papers that support each of the dollar amounts and rates listed in Schedule J-2. This information will include clearer detail on the data ranges used in establishing the averages.

See Attachment KyPSC-DR-03-053.

WITNESS RESPONSIBLE: Wendy Aumiller

Projected Moneypool Balances

Month	Amount Outstanding	Rate *	Interest
May-05	13,842,000	3.9446%	546,012
Jun-05	9,866,000	3.9733%	392,006
Jul-05	12,481,000	4.0328%	503,334
Aug-05	7,105,000	4.1373%	293,955
Sep-05	6,579,000	4.1568%	273,476
Oct-05	13,682,000	4.1908%	573,385
Nov-05	9,933,000	4.3435%	431,440
Dec-05	16,398,000	4.2372%	694,816
Jan-06	14,034,000	4.2891%	601,932
Feb-06	6,582,000	4.3377%	285,507
Mar-06	3,731,000	4.3868%	163,672
Apr-06	15,758,000	4.4384%	699,403
May-06	13,969,000	4.4892%	627,096
Jun-06	11,910,000	4.5346%	540,071
Jul-06	13,043,000	4.5842%	597,917
Aug-06	10,694,000	4.6335%	495,506
Sep-06	9,168,000	4.6792%	428,989
	188,775,000	4.3170%	479,325
Average of Forecast Period	11,190,846	4.408%	493,324

Rate is anticipated Libor plus 100 bps

AR 2005 and 2006 Budget Figures

	ULH&P		
	Activity	Balance	Rate*
12/31/2004		28,733,832.35	
01/31/2005	7,513,148.61	36,246,980.96	2.6940%
02/28/2005	1,679,855.25	37,926,836.21	2.8216%
03/31/2005	(2,808,642.66)	35,118,193.55	2.9478%
04/30/2005	(1,843,855.65)	33,274,337.90	3.0831%
05/31/2005	(5,745,448.37)	27,528,889.53	3.1946%
06/30/2005	903,146.74	28,432,036.27	3.2233%
07/31/2005	3,560,683.59	31,992,719.86	3.2828%
08/31/2005	3,262,911.45	35,255,631.31	3.3873%
09/30/2005	(1,564,282.96)	33,691,348.35	3.4068%
10/31/2005	(3,410,556.60)	30,280,791.75	3.4408%
11/30/2005	(844,429.63)	29,436,362.12	3.5935%
12/31/2005	4,155,774.79	33,592,136.91	3.4872%
01/31/2006	4,895,890.60	38,488,027.51	3.5391%
02/28/2006	-	38,488,027.51	3.5877%
03/31/2006	-	38,488,027.51	3.6368%
04/30/2006	(548,082.51)	37,939,945.01	3.6884%
05/31/2006	(4,119,579.24)	33,820,365.77	3.7392%
06/30/2006	741,791.51	34,562,157.27	3.7846%
07/31/2006	3,528,653.76	38,090,811.03	3.8342%
08/31/2006	227,242.20	38,318,053.23	3.8835%
09/30/2006	-	38,318,053.23	3.9292%
10/31/2006	(1,913,363.20)	36,404,690.04	3.9764%
11/30/2006	(626,218.93)	35,778,471.10	4.0227%
12/31/2006	2,886,120.10	38,664,591.20	3.9499%
Average		35,654,931.32	3.6578%
Forecast Period			

Rate is Libor plus 25 bps

Capital Lease Schedules.xls
Union Light (2)

1999 — 2000

Date	Beginning Balance (6.7080%)	Current Balance	Non-Current Balance	Beginning Balance (6.0886%)	Current Balance	Non-Current Balance
09/20/2004	579,260.13	85,725.81	486,645.99	2,766,769.58	335,851.43	2,403,840.38
10/20/2004	572,371.80	86,205.02	479,239.95	2,739,691.81	337,555.48	2,374,921.17
11/20/2004	565,444.97	86,686.90	471,792.51	2,712,476.65	339,268.18	2,345,855.23
12/20/2004	558,479.41	87,171.48	464,303.44	2,685,123.41	340,989.56	2,316,641.81
01/20/2005	551,474.92	87,658.76	456,772.51	2,657,631.38	342,719.69	2,287,280.17
02/20/2005	544,431.27	88,148.77	449,199.48	2,629,999.86	344,458.58	2,257,769.55
03/20/2005	537,348.25	88,641.52	441,584.11	2,602,228.14	346,206.31	2,228,109.21
04/20/2005	530,225.64	89,137.03	433,926.18	2,574,315.51	347,962.90	2,198,298.37
05/20/2005	**523,063.21**	**89,635.30**	**426,225.44**	**2,546,261.26**	**349,728.40**	**2,168,336.27**
06/20/2005	515,860.74	90,136.36	418,481.65	2,518,064.67	351,502.86	2,138,222.16
07/20/2005	508,618.01	90,640.22	410,694.57	2,489,725.01	353,286.32	2,107,955.25
08/20/2005	501,334.79	91,146.90	402,863.96	2,461,241.57	355,078.83	2,077,534.77
09/20/2005	494,010.86	91,656.41	394,989.58	2,432,613.60	356,880.44	2,046,959.94
10/20/2005	486,645.99	92,168.77	387,071.19	2,403,840.38	358,691.19	2,016,229.98
11/20/2005	479,239.95	92,683.99	379,108.53	2,374,921.17	360,511.12	1,985,344.11
12/20/2005	471,792.51	93,202.09	371,101.35	2,345,855.23	362,340.29	1,954,301.52
01/20/2006	464,303.44	93,723.09	363,049.42	2,316,641.81	364,178.74	1,923,101.43
02/20/2006	456,772.51	94,247.00	354,952.48	2,287,280.17	366,026.52	1,891,743.03
03/20/2006	449,199.48	94,773.83	346,810.28	2,257,769.55	367,883.67	1,860,225.53
04/20/2006	441,584.11	95,303.62	338,622.56	2,228,109.21	369,750.25	1,828,548.12
05/20/2006	433,926.18	95,836.36	330,389.07	2,198,298.37	371,626.30	1,796,709.98
06/20/2006	426,225.44	96,372.09	322,109.56	2,168,336.27	373,511.86	1,764,710.29
07/20/2006	418,481.65	96,910.80	313,783.76	2,138,222.16	375,407.00	1,732,548.25
08/20/2006	410,694.57	97,452.53	305,411.43	2,107,955.25	377,311.75	1,700,223.02
09/20/2006	402,863.96	97,997.29	296,992.29	2,077,534.77	379,226.16	1,667,733.78
Average	448,903.13	94,794.45	346,491.65	2,256,721.38	367,949.64	1,859,106.08

Capital Lease Schedules.xls
Union Light (2)

2001 2002

Date	Beginning Balance	Current Balance	Non-Current Balance	Beginning Balance	Current Balance	Non-Current Balance
	5.9968%			4.4814%		
09/20/2004	1,131,044.85	118,029.48	1,003,494.57	934,725.24	89,133.80	838,342.02
10/20/2004	1,121,524.05	118,619.31	993,336.37	927,475.83	89,466.67	830,732.67
11/20/2004	1,111,955.68	119,212.09	983,127.41	920,199.34	89,800.78	823,094.90
12/20/2004	1,102,339.49	119,807.83	972,867.43	912,895.68	90,136.14	815,428.61
01/20/2005	1,092,675.25	120,406.54	962,556.17	905,564.75	90,472.75	807,733.69
02/20/2005	1,082,962.71	121,008.25	952,193.39	898,206.44	90,810.62	800,010.03
03/20/2005	1,073,201.64	121,612.97	941,778.82	890,820.65	91,149.75	792,257.53
04/20/2005	1,063,391.79	122,220.70	931,312.21	883,407.28	91,490.15	784,476.07
05/20/2005	**1,053,532.91**	**122,831.48**	**920,793.29**	**875,966.22**	**91,831.81**	**776,665.56**
06/20/2005	1,043,624.77	123,445.30	910,221.81	868,497.37	92,174.76	768,825.88
07/20/2005	1,033,667.11	124,062.20	899,597.49	861,000.64	92,518.98	760,956.92
08/20/2005	1,023,659.69	124,682.17	888,920.09	853,475.90	92,864.49	753,058.57
09/20/2005	1,013,602.26	125,305.25	878,189.32	845,923.07	93,211.29	745,130.73
10/20/2005	1,003,494.57	125,931.44	867,404.93	838,342.02	93,559.39	737,173.28
11/20/2005	993,336.37	126,560.76	856,566.65	830,732.67	93,908.78	729,186.12
12/20/2005	983,127.41	127,193.22	845,674.21	823,094.90	94,259.48	721,169.13
01/20/2006	972,867.43	127,828.84	834,727.33	815,428.61	94,611.49	713,122.20
02/20/2006	962,556.17	128,467.64	823,725.75	807,733.69	94,964.82	705,045.21
03/20/2006	952,193.39	129,109.63	812,669.19	800,010.03	95,319.46	696,938.07
04/20/2006	941,778.82	129,754.83	801,557.37	792,257.53	95,675.43	688,800.64
05/20/2006	931,312.21	130,403.26	790,390.03	784,476.07	96,032.73	680,632.83
06/20/2006	920,793.29	131,054.92	779,166.88	776,665.56	96,391.36	672,434.52
07/20/2006	910,221.81	131,709.85	767,887.65	768,825.88	96,751.33	664,205.59
08/20/2006	899,597.49	132,368.04	756,552.05	760,956.92	97,112.64	655,945.93
09/20/2006	888,920.09	133,029.52	745,159.80	753,058.57	97,475.31	647,655.42
Average	951,830.87	129,132.09	812,282.40	799,808.12	95,328.73	696,726.13

Capital Lease Schedules.xls
~~Union~~ Light (2)

2003 — 4.7400% | 2004 — 5.0103%

Date	Beginning Balance	Current Balance	Non-Current Balance	Beginning Balance	Current Balance	Non-Current Balance
09/20/2004	1,965,148.50	161,820.22	1,790,185.64	-		
10/20/2004	1,952,005.86	162,459.41	1,776,351.89	-		
11/20/2004	1,938,811.30	163,101.12	1,762,463.50	-		
12/20/2004	1,925,564.62	163,745.37	1,748,520.25	-	150,389.52	1,866,694.47
01/20/2005	1,912,265.62	164,392.16	1,734,521.92	2,017,083.99	151,017.44	1,853,819.29
02/20/2005	1,898,914.09	165,041.51	1,720,468.31	2,004,836.73	151,647.98	1,840,890.35
03/20/2005	1,885,509.82	165,693.42	1,706,359.17	1,992,538.33	152,281.15	1,827,907.43
04/20/2005	1,872,052.60	166,347.91	1,692,194.31	1,980,188.58	152,916.97	1,814,870.31
05/20/2005	**1,858,542.23**	**167,004.99**	**1,677,973.50**	**1,967,787.27**	**153,555.44**	**1,801,778.75**
06/20/2005	1,844,978.49	167,664.65	1,663,696.52	1,955,334.18	154,196.57	1,788,632.52
07/20/2005	1,831,361.17	168,326.93	1,649,363.14	1,942,829.10	154,840.39	1,775,431.41
08/20/2005	1,817,690.06	168,991.82	1,634,973.14	1,930,271.80	155,486.89	1,762,175.19
09/20/2005	1,803,964.96	169,659.34	1,620,526.30	1,917,662.07	156,136.09	1,748,863.61
10/20/2005	1,790,185.64	170,329.49	1,606,022.40	1,904,999.70	156,788.00	1,735,496.45
11/20/2005	1,776,351.89	171,002.29	1,591,461.21	1,892,284.45	157,442.64	1,722,073.48
12/20/2005	1,762,463.50	171,677.75	1,576,842.50	1,879,516.12	158,100.00	1,708,594.47
01/20/2006	1,748,520.25	172,355.87	1,562,166.05	1,866,694.47	158,760.11	1,695,059.18
02/20/2006	1,734,521.92	173,036.68	1,547,431.63	1,853,819.29	159,422.98	1,681,467.37
03/20/2006	1,720,468.31	173,720.17	1,532,639.00	1,840,890.35	160,088.62	1,667,818.82
04/20/2006	1,706,359.17	174,406.37	1,517,787.95	1,827,907.43	160,757.03	1,654,113.28
05/20/2006	1,692,194.31	175,095.27	1,502,878.23	1,814,870.31	161,428.24	1,640,350.51
06/20/2006	1,677,973.50	175,786.89	1,487,909.62	1,801,778.75	162,102.24	1,626,530.28
07/20/2006	1,663,696.52	176,481.25	1,472,881.88	1,788,632.52	162,779.07	1,612,652.35
08/20/2006	1,649,363.14	177,178.35	1,457,794.79	1,775,431.41	163,458.71	1,598,716.47
09/20/2006	1,634,973.14	177,878.21	1,442,648.10	1,762,175.19	164,141.20	1,584,722.41
Average	1,720,079.71	173,739.07	1,532,229.97	1,840,512.47	160,108.07	1,667,419.90

Union Light				
Acquistion Date		12/20/1999		12/25/2000
Acquistion Cost	**$**	**909,680.33**	**$**	**3,832,157.96**
Lease Term (months)		120		120
Monthly Payment		**$10,126.38**		**$41,115.87**
Payment Factor		0.0111318		0.0107292
Lease Interest Rate		6.059%		5.250%
Balloon Payment $	**$**	**192,215.45**	**$**	**836,560.08**
Balloon Payment (% of Acq. Cost)		21.130%		21.830%
Balloon Payment Timing (period)		105		105
Effective Interest Cost		6.7080%		6.0886%
Payment Due (Beg of Month enter 1 or End of Month enter 0)		0		0
IRR		6.7080%		6.0886%
		6.70797361705%		6.0885871%

Union Light				
Acquistion Date		12/20/2001		12/20/2002
Acquistion Cost	**$**	**1,411,951.60**	**$**	**1,074,180.61**
Lease Term (months)		120		120
Monthly Payment		**$15,172.97**		**$10,740.12**
Payment Factor		0.0107461		0.0099984
Lease Interest Rate		5.284%		3.734%
Balloon Payment $	**$**	**294,815.49**	**$**	**211,076.49**
Balloon Payment (% of Acq. Cost)		20.880%		19.650%
Balloon Payment Timing (period)		105		105
Effective Interest Cost		5.9968%		4.4814%
Payment Due (Beg of Month enter 1 or End of Month enter 0)		0		0
IRR		5.9968%		4.4814%
		5.9967672%		4.4813703%

Union Light				
Acquistion Date		12/20/2003		12/20/2004
Acquistion Cost	**$**	**2,068,445.13**	**$**	**2,017,083.99**
Lease Term (months)		120		120
Monthly Payment		**$20,904.97**		**$20,669.15**
Payment Factor		0.0101066		0.0102470
Lease Interest Rate		3.962%		4.257%
Balloon Payment $	**$**	**415,343.78**	**$**	**407,249.26**
Balloon Payment (% of Acq. Cost)		20.080%		20.190%
Balloon Payment Timing (period)		105		105
Effective Interest Cost		4.7400%		5.0103%
Payment Due (Beg of Month enter 1 or End of Month enter 0)		0		0
IRR		4.7400%		5.0103%
		4.7399926%		5.0103345%

KyPSC-DR-03-054

REQUEST:

54. Refer to the response to the AG's First Request, Item 161. In its December 5, 2003 Order in Case No. 2003-00252,[1] the Commission found that ULH&P's proposal to record the accumulated deferred investment tax credits ("ADITC") and deferred income tax balances associated with the generating facilities being transferred "below the line" was reasonable and was approved. Given the decision in Case No. 2003-00252, explain in detail why ULH&P included ADITC associated with the transferred electric generating plants in Workpapers WPB-6a and WPB-6b and Schedule J-1.

RESPONSE:

Below-the-line also refers to Non-Utility. On WPB-6a and WPB-6b, the ADITC associated with the transferred electric generating plants is included on the Non-Utility Investment Tax Credit line. The Company inadvertently included the ADITs associated with the transferred electric generating plants with the Electric ADITs rather than the Non-Utility ADITs.

On Schedule J-1, the Company presents its Total Capitalization. This ADITC includes the Non-Utility balance that is deducted from Total Capitalization on WPA-1a and WPA-1c before the jurisdictional Capitalization is allocated to Gas Operations.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

[1] Case No. 2003-00252, The Application of The Union Light, Heat and Power Company for a Certificate of Public Convenience to Acquire Certain Generation Resources and Related Property; for Approval of Certain Purchase Power Agreements; for Approval of Certain Accounting Treatment; and for Approval of Deviation from Requirements of KRS 278.2207 and 278.2213(6), final Order dated December 5, 2003 at 31.

KyPSC-DR-03-055

REQUEST:

55. Refer to the response to the AG's First Request, Item 182. Explain in detail why the estimated portion of the base period and the forecasted test period does not include any amortization of investment tax credits. Include with the response a discussion of why this approach is reasonable.

RESPONSE:

The Balance Sheet prepared with the Company's 2005 – 2006 forecast indicated there was no activity to the Accumulated Deferred Investment Tax Credit balance. As a result, an assumption was made that no investment tax credit amortization was included in the income statement and none was included in the estimated portion of the base period and the forecasted test period. The income tax calculation on Schedule E should include an appropriate amount of investment tax credit amortization.

WITNESS RESPONSIBLE: Alexander J. Torok

KyPSC-DR-03-056

REQUEST:

56. Refer to the response to the AG's First Request, Item 216. Describe the types and nature of the expenses for Community Relations included in the forecasted test period.

RESPONSE:

Community Relations expenses of $18,903 have been eliminated from the forecasted test period on Schedule D-2.22. The amount of expenses of $19,054 indicated in the response to AG-DR-01-216 is slightly different due to the way the numbers were calculated. The amount eliminated from the forecasted test period as shown on Schedule D-2.22 was calculated by adding October through December from the 2005 budget plus amounts for January – September 2006 escalated by 1.5%. The amount in response to AG-DR-01-216 was calculated by developing a ratio of activities based on the 2005 budget and then applying the ratio to the total amount in Account 910.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

REQUEST:

57. Refer to the response to the AG's First Request, Item 219. For each of the expense descriptions listed below, provide by account number the dollar amount included in the forecasted test period for the expense, a description of the type and nature of the expense, and an explanation of why the expense should be included in the forecasted test period for rate-making purposes.

   a. Association Dues and Fees.

   b. Dues Paid for Social Clubs.

   c. Employee Recognition.

   d. Government Affairs.

   e. Lobbying Expenses.

   f. Miscellaneous Events/Tickets.

   g. Corporate Sponsorships.

   While the AG originally requested information for only Account No. 921 -- Office Supplies and Expenses, this request covers all expense accounts included in the forecasted test period.

RESPONSE:

See Attachment KyPSC-DR-03-057.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

THE UNION LIGHT, HEAT & POWER COMPANY
CASE NO. 2005-00042

Item	Account Description	Account	Test Period Amount	Nature	Rate Making Treatment
a.	Association Dues and Fees	880	33,605	Association Dues and Fees	These expenses are for various industry association dues an memberships in professional associations and are legitimate expenses that should be recovered in rates. See response to AG-2-026.
		901	933		
		903	2,916		
		908	84		
		910	7,389		
		921	12,392		
		930	48,097		
a.	Total Association Dues and Fees		105,416		
b.	Dues Paid for Social Clubs	910	1,016	Dues Paid for Social Clubs	Eliminated on Schedule D-2.22
		921	896		Eliminated on Schedule D-2.22
b.	Total Dues Paid for Social Clubs		1,912		
c.	Employee Recognition	880	453	Employee Recognition Expense	Eliminated on Schedule D-2.22
		921	324		Eliminated on Schedule D-2.22
c.	Total Employee Recognition		777		
d.	Governmental Affairs	408	473	Governmental Affairs Expense	These expenses are for Governmental Affairs activities which include meetings with elected officials for information and educational purposes, and civic activities such as board memberships / meetings and should be recovered in rates.
		920	6,265		
		921	1,934		
		926	2,524		
d.	Total Governmental Affairs		11,196		
e.	Lobbying Expenses	408	509		
		920	6,809		
		921	2,094		
		916	2,747		
e.	Total Lobbying Expenses		12,159	Lobbying Expenses	Should be excluded for rate making.
f.	Miscellaneous Events / Tickets	921	11,418	Miscellaneous Events / Tickets	Eliminated on Schedule D-2.22
g.	Corporate Sponsorships	921	40,120	Corporate Sponsorships	Should be excluded for rate making. See AG-2-025.