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John J. Finnigan, Jr.
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APR 29 2005

PUBLIC SERVICE
COMMISSION

VIA HAND DELIVERY

April 29, 2005

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

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

Dear Ms. O'Donnell:

I have enclosed the following documents and things for filing in the above-referenced case:

- ULH&P's responses to Staff's second set of data requests KyPSC-DR-02-001, KyPSC-DR-02-002, KyPSC-DR-02-021 and KyPSC-DR-02-035. ULH&P previously requested additional time to respond to these data requests, and the Commission granted ULH&P additional time to respond, through today's date.
- ULH&P's responses to the Attorney General's first set of data requests AG-DR-01-103 and AG-DR-01-202. ULH&P apparently mis-filed or inadvertently omitted these responses when ULH&P previously responded to the Attorney General's first set of data requests. After receiving notice of this from the Attorney General, ULH&P immediately submitted electronic versions to the Attorney General and Staff.
- a CD in response to AG-DR-01-24. ULH&P previously submitted this CD with its responses to data requests, but the Attorney General reported that his copy could not be opened.

This now completes ULH&P's responses to the Staff's second set of data requests and the Attorney General's first set of data requests, except for supplementing certain items which are ongoing in nature, as additional monthly actual financial results become available. Thank you for your consideration. If you have any questions, please do not hesitate to contact me at (513) 287-3601.

Sincerely,

A handwritten signature in black ink, appearing to read "John J. Finnigan, Jr.", written in a cursive style.

John J. Finnigan, Jr.
Senior Counsel

JJF/sew

cc: Hon. Elizabeth E. Blackford (with enclosures)

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KyPSC Staff Second Set Data Requests

ULH&P Case No. 2005-00042

Date Received: April 5, 2005

Response Due Date: April 19, 2005

Supplemented Date: April 29, 2005

KyPSC-DR-02-001 SUPPLEMENT

REQUEST:

1. Refer to the response to the Commission Staff's First Data Request dated February 15, 2005 ("Staff's First Request"), Item 6. ULH&P was requested to provide a comparison of its gas monthly operating budgets to the actual results, by account, for 2002, 2003, and 2004. ULH&P was also requested to explain in detail any yearly account variance greater than 5 percent. The response to the yearly account variance analysis was to include comparisons for 7 major expenses. ULH&P provided monthly summary income statements for the periods requested. However, these summary income statements did not provide the account detail originally requested. ULH&P also did not provide the requested yearly account variance analysis. Of the 7 major expenses identified in the request, the response only showed the budget and actual variance for one expense, Total Purchased Gas. On April 4, 2005, ULH&P supplemented its response to this question, describing the emphasis placed on budgeting by the legal entities within the Regulated Business Unit between 2002 and 2004. The budget versus actual results is an integral part of the Commission's review of the reasonableness of the forecasted test period information. ULH&P shall provide the originally requested information. If ULH&P cannot provide the requested information or if the information is not available, submit a detailed explanation discussing why the information cannot be provided.

RESPONSE:

See Attachment KyPSC-DR-02-001, which provides: the yearly account variances by account for 2002, 2003 and 2004; an explanation of any yearly account variances greater than five percent; and monthly margin variance reports for the same time period. ULH&P requested permission of Staff and the Attorney General to provide this information in lieu of monthly account variances, and ULH&P's understanding is that neither the Staff nor the Attorney General objects to ULH&P providing the information in this manner.

WITNESS RESPONSIBLE: Steven E. Schrader

The Union Light, Heat and Power Company
 Comparative Gas Financial Statements
 2004

Dollars in Thousands

Case No. 2005-00042

KyPSC-DR-02-001

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	Account	Actual	Plan	Variance		Description
				Amount	Percent	
Revenues		124,087	114,624	9,463	8%	
Cost of Gas		79,278	71,812	7,466	10%	
Margin		44,809	42,812	1,997	5%	The average realization of gas sales were slightly higher than budgeted.
O&M						
	711	10	-	10	0%	Interdepartmental gas usage not budgeted as it is offset in account 929.
	712	5	-	5	0%	Interdepartmental electric usage not budgeted as it is offset in account 929.
	717	73	-	73	0%	Propane expense not budgeted. Interdepartmental gas usage not budgeted as it is offset in account 929.
	728	(8)	-	(8)	0%	Adjustment to propane inventory to equal physical inventory
	735	11	5	6	129%	Operation of propane vaporization equipment greater than budgeted.
	742	9	7	2	26%	Maintenance of propane vaporization equipment greater than budgeted.
	807	314	44	270	614%	Gas control labor for operation of purchase gas stations not budgeted. Odorization, measurement station maintenance not budgeted
	859	(15)	-	(15)	0%	Transportation cost pool adjusting entry
	870	119	118	1	1%	
	871	58	-	58	0%	Odorization, measurement station maintenance not budgeted
	874	848	2,514	(1,666)	-66%	Budgeted majority of operation expense in 874-Mains and services expense, actuals charged to 875, 879, & 892. Over budgeted contractor expense for facility locates.
	875	60	4	56	1409%	Budgeted majority of operation expense in 874-Mains and services expense, actuals charged to 875, 879, & 892
	876	20	9	11	124%	M&R capital job cancelled. Preliminary engineering transferred to expense. Calibration & testing for industrial and commercial customers were more than anticipated.
	878	(107)	353	(460)	-130%	Meter credits were larger than anticipated due to more meters being purchased than budgeted.
	879	552	239	313	131%	Budgeted majority of operation expense in 874-Mains and services expense, actuals charged to 875, 879, & 892
	880	792	510	282	55%	Gas inspection activity greater than plan
	881	388	-	388	0%	Gas distribution rents charged but not budgeted
	885	78	-	78	0%	Maintenance supervision and engineering budgeted in 887
	887	846	1,674	(828)	-49%	Maintenance expense budgeted in 887 plus AMRP is reducing "actual" maintenance expense.
	889	52	28	24	86%	System station maintenance not budgeted.
	890	-	5	(5)	-100%	Amounts budgeted to 890 but charged to account 889
	892	313	144	169	117%	Budgeted majority of operation expense in 874-Mains and services expense, actuals charged to 875, 879, & 892
	893	238	69	169	244%	Rebuild of gas meters activity greater than plan.
	894	(11)	-	(11)	0%	Third-party damage revenue not budgeted
	901	100	102	(2)	-2%	
	902	572	631	(59)	-9%	Meter reading expense less than plan
	903	1,584	895	689	77%	
	904	1,174	1,681	(507)	-30%	Customer inquiry calls for ULH not budgeted by West Call Center. Third-party credit call center dollars were budgeted under CGE. Connect/ Disconnect and Turnoff activity not budgeted. Liability management activity is recorded under account gas type "G" for budget, and "N" for actuals. This variance is only a mapping issue.
	905	50	-	50	0%	Entry to clear indirect and fringe benefit cost-pool balances.
	907	75	-	75	0%	CUSTSUPP (customer support) activity budgeted to 903, 908, & 926. Actuals charged to 903, & 907
	908	67	27	40	147%	Includes charges that were budgeted in account 909.
	909	-	209	(209)	-100%	Amounts budgeted to 909 but charged to 908 and 910.
	910	180	-	180	0%	Actuals charged to 910, budget went to 909.
	911	44	86	(42)	-48%	Actual sales supervision expense was lower than the budget.
	912	0	-	0	0%	
	913	7	1	6	615%	Advertising was greater than budgeted.

The Union Light, Heat and Power Company
 Comparative Gas Financial Statements
 2004

Dollars in Thousands

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	<u>Account</u>	<u>Actual</u>	<u>Plan</u>	<u>Variance</u>		<u>Description</u>
				<u>Amount</u>	<u>Percent</u>	
	916	(147)	769	(916)	-119%	Dollars were budgeted to expense but were properly charged to a regulatory asset. Demand Side Management budget was over estimated. Budget estimate was completed before commission approval was granted.
	920	2,334	985	1,349	137%	Bonus/ Incentive expense budgeted to 921, charged to 920. Severance / redeployment expense, Cinergy 10th anniversary bonus payment and Sarbanes Oxley expenses were not budgeted. Certain Corporate Center O&M costs charged to capital.
	921	661	1,316	(655)	-50%	Bonus/ Incentive expense budgeted to 921, charged to 920. Certain Corporate Center O&M costs charged to capital. Safety advertising budgeted to 921, charged to 930.
	923	694	515	179	35%	Unbudgeted IT cost to achieve Cin-10 cost cutting initiative. General litigation expense was less than plan.
	924	23	-	23	0%	
	925	200	99	101	102%	Insurance expense not budgeted but incurred. This was partially offset by lower claims and worker's compensation expense than budgeted.
	926	2,559	2,274	285	13%	Fringe benefit expense higher than budgeted. Adjustment to clear employee fringe benefit cost pool.
	928	381	350	31	9%	Regulatory commission expenses were greater than budgeted.
	929	(117)	-	(117)	0%	
	930.2	209	67	142	212%	This account is the offset of interdepartmental gas / electric usage. Safety advertising budgeted to 921 account, charged to 930.
	931	972	258	714	277%	There were 13 real estate lease payments instead of the twelve budgeted. Also, rent expense was charged but not budgeted.
	935	207	96	111	116%	Timing difference of facilities maintenance projects.
Total O&M		16,474	16,084	390	2%	
Depreciation		7,603	8,495	(892)	-11%	The depreciation budget included amortizations.
Amortization	404-405	815	-	815	0%	The depreciation budget included amortizations.
Taxes Other Than Income Taxes	408.1	1,406	2033	(627)	-31%	Property taxes were lower than budgeted.
Income Taxes	409.1	5,217	4061	1,156	28%	
	410.1	3,533	0	3,533	0%	
	411.1	-363	1618	(1,981)	-122%	
	411.1	-74	0	(74)	0%	
Total Income Taxes		8,313	5,679	2,634	46%	The increase in income taxes is related to the change in taxable income.
Operating Income		10,198	10,521	(323)	-3%	

Source: ULH&P FERC Form 2

The Union Light, Heat and Power Company
 Comparative Gas Financial Statements
 2003

Dollars in Thousands

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	<u>Account</u>	<u>Actual</u>	<u>Plan</u>	<u>Variance</u>		<u>Description</u>
				<u>Amount</u>	<u>Percent</u>	
Revenues		110,072	93,004	17,068	18%	
Cost of Gas		69,774	52,128	17,646	34%	
Margin		40,298	40,876	(578)	-1%	Lower residential and commercial gas sales contributed to this variance.
O&M	711	34	-	34	0%	Interdepartmental gas usage not budgeted as it is offset in account 929.
	712	13	-	13	0%	Interdepartmental electric usage not budgeted as it is offset in account 929.
	717	70	-	70	0%	Propane is not budgeted.
	728	97	-	97	0%	Interdepartmental electric usage not budgeted as it is offset in account 929.
	735	29	-	29	0%	Operation of propane vaporization equipment not budgeted.
	742	5	-	5	0%	Maintenance of propane vaporization equipment not budgeted.
	807	313	-	313	0%	Gas control labor for operation of gas stations not budgeted. Odorization, measurement station maintenance not budgeted.
	859	(16)	-	(16)	0%	
	870	120	138	(18)	-13%	Increased capital work resulted in lower O&M than budgeted. Also, some dollars were budgeted to 870, with offsetting actuals in 885.
	871	50	29	21	71%	Distribution load dispatching costs were greater than budgeted.
	874	907	1,175	(268)	-23%	Budgeted majority of operation expense in 874-Mains and services expense, actuals charged to 875, 879, & 892. Over budgeted contractor expense for facility locates. Gas plant personnel assigned corrosion work during down time, and not budgeted.
	875	33	-	33	0%	Company use of gas, offset in 929.
	876	20	-	20	0%	Dollars were budgeted in CGE.
	878	(128)	7	(135)	-1934%	Meter credits were larger than anticipated due to more meters being purchased than budgeted.
	879	505	229	276	121%	Corrective maintenance activity greater than plan. Some dollars budgeted in 874, instead of 879. Capital center was utilized to perform O&M work.
	880	755	652	103	16%	Interdepartment electricity usage offset in 929. Compliance valve inspection work not budgeted. Regulatory compliance labor and expense budgeted in CG&E.
	881	388	-	388	0%	Gas distribution rents charged but not budgeted
	885	99	-	99	0%	Budgeted in operation supv. & engineering account 870, and maintenance supervision & engineering budgeted in 887.
	887	1,229	1,257	(28)	-2%	Leak analysis and maintenance corrective activity less than plan. Also, some dollars were budgeted to 887, with offsetting actuals in 885 & 892.
	889	46	-	46	0%	System station maintenance not budgeted
	890	0	-	0	0%	
	892	363	-	363	0%	Activity budgeted in 887.
	893	209	-	209	0%	Dollars were budgeted to CGE.
	894	20	-	20	0%	Unbudgeted non-utility third-party damages
	901	81	87	(6)	-6%	Timing difference for contract payments.
	902	533	88	445	506%	Dollars were budgeted to CGE.
	903	1,423	1,131	292	26%	Customer inquiry calls for ULH not budgeted by West Call Center. Third-party credit call center dollars all budgeted under CGE. Also, some budget dollars went to 909 in error.
	904	1,008	1,712	(704)	-41%	Uncollectable provision less than plan amount.
	905	19	-	19	0%	Labor pool clearing adjustment.
	907	61	-	61	0%	Unbudgeted customer support activity.
	908	71	18	53	295%	Unbudgeted customer inquiry activity.
	909	-	254	(254)	-100%	Dollars should have been budgeted to 903 & 910 accounts.
	910	210	-	210	0%	Budget dollars went to 909 & 913.
	911	65	111	(46)	-42%	Some budget dollars were allocated based on a gas/ electric split. All actual dollars were allocated only to electric.
	912	(0)	-	(0)	0%	

The Union Light, Heat and Power Company
 Comparative Gas Financial Statements
 2003

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Dollars in Thousands

<u>Account</u>	<u>Actual</u>	<u>Plan</u>	<u>Variance</u>		<u>Description</u>
			<u>Amount</u>	<u>Percent</u>	
913	-	3	(3)	-100%	Actual advertising expense was charged to 910.
916	341	591	(250)	-42%	Demand Side Management budget was over estimated. Budget estimate was completed before commission approval was granted.
920	1,926	1,074	852	79%	Bonus/ Incentive expense budgeted to 921, charged to 920. Severance / redeployment expense was higher than budgeted. Certain Corporate Center O&M costs charged to capital.
921	740	875	(135)	-15%	Bonus/ Incentive expense budgeted to 921, charged to 920. Favorable claims experience related to ULH&P gas. Certain Corporate Center O&M costs charged to capital.
923	561	626	(65)	-10%	Due to executive compensation related expenses
924	24	-	24	0%	Unbudgeted risk management activity.
925	(131)	78	(209)	-268%	Due to favorable claims and workers' compensation claims.
926	2,438	1,567	871	56%	Fringe benefit expense higher than budgeted. Also, pension expense was charged but not budgeted.
928	277	422	(145)	-34%	State regulatory affairs expense charged to 928 & 930, but only budgetd to 928.
929	(166)	-	(166)	0%	Offsetting company use of gas and electric in 711, 712, 735, & 875.
930.2	461	87	374	430%	Severance/ redeployment expenses related to the Shared Services Initiative. State regulatory affairs expense charged to 928 & 930, but only budgetd to 928. Net difference \$0. Also, Atrium II rent expense was less than plan.
931	1,015	240	775	323%	Rent expense was charged but not budgeted.
935	178	123	55	44%	Miscellaneous maintenance corrective and preventative greater than plan.
Total O&M	16,292	12,574	3,718	30%	
Depreciation	6,858	7,958	(1,100)	-14%	The depreciation budget included amortizations.
Amortization 404-405	977	-	977	0%	The depreciation budget included amortizations.
Taxes Other Than Income Taxes					
408.1	1,957	1728	229	13%	Increased property and payroll taxes.
Income Taxes					
409.1	-7,040	3761	(10,801)	-287%	
410.1	10,127	0	10,127	0%	
411.1	-520	2726	(3,246)	-119%	
411.1	-77	0	(77)	0%	
	2,491	6,487	-3,996	-62%	The increase in income taxes is related to the change in taxable income.
Total Income Taxes					
Operating Income	11,722	12,129	(407)	-3%	

Source: ULH&P FERC Form 2

The Union Light, Heat and Power Company
 Comparative Gas Financial Statements
 2002

Dollars in Thousands

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	<u>Account</u>	<u>Actual</u>	<u>Plan</u>	<u>Variance</u>		<u>Description</u>
				<u>Amount</u>	<u>Percent</u>	
R	es	81,707	92,989	(11,282)	-12%	
Cost of Gas		46,886	49,009	(2,123)	-4%	
		34,821	43,980	(9,159)	-21%	The variance is due to a negative DSM rider and the budget assumed ULH&P would receive its requested rate relief whereas it was reduced by the Kentucky Commission.
Margin						
O&M	711	14	-	14	0%	Interdepartmental gas usage not budgeted as it is offset in account 929.
	712	1	-	1	0%	Interdepartmental electric usage not budgeted as it is offset in account 929.
	717	64	-	64	0%	Propane is not budgeted.
	728	(201)	-	(201)	0%	Cost of propane not budgeted.
	735	5	3	2	80%	Operation of propane vaporization equipment was greater than budgeted.
	742	3	5	(2)	-37%	Maintenance of propane vaporization equipment was less than budgeted.
	807	365	257	108	42%	Non-labor purchased gas expense was under plan.
	859	(0)	-	(0)	0%	
	870	183	40	143	357%	Some budget dollars were budgeted to 874. Also, some budget dollars were budgeted to construction overhead.
	871	54	74	(20)	-27%	Labor expense less than plan.
	874	774	1,136	(362)	-32%	One call activity less than plan. Operate equipment and corrosion monitoring activity not budgeted. Also, some budgeted dollars were budgeted to 874, while actuals were charged to 870, 879, 880, & 892. Unbudgeted corrosion work.
	875	27	3	24	814%	Company use of gas & electric, offset in 929. M&R expense not budgeted.
	876	22	10	12	117%	Dollars were budgeted to CGE.
	878	338	417	(79)	-19%	Meter credits were larger than anticipated due to more meters being purchased than budgeted.
	879	476	212	264	125%	Some budget dollars were budgeted to 874. Also, testing activity charged but not budgeted.
	880	855	493	362	73%	Company use of electricity offset in 929. Mapping and code compliance activity charged but not budgeted. Some budget dollars went to 874, instead of 880. Also, gas inspection activity greater than plan.
	881	388	-	388	0%	Gas distribution rents charged but not budgeted
	885	156	-	156	0%	This account was not budgeted. Some budget dollars were budgeted in 887, some dollars budgeted construction overheads.
	887	1,308	1,451	(143)	-10%	Unplanned maintenance corrective activity offset partially by transportation and labor expense coming in under plan. Also, some dollars were budgeted in 887, while the actuals were charged to 885.
	889	31	13	18	138%	Corrective maintenance was under plan.
	890	0	1	(1)	-90%	
	892	347	-	347	0%	Budget dollars were budgeted to 874.
	893	197	-	197	0%	Actuals charged but not budgeted.
	894	(16)	-	(16)	0%	Third-party damage claim.
	901	144	114	30	26%	Portion of center's budget cut.
	902	518	572	(54)	-9%	Succession meter reads less than plan.
	903	1,400	1,323	77	6%	Postage costs less than plan. Customer inquiry calls for ULH&P not budgeted by West Call Center. Some budget dollars went to 909, instead of 903. Also, some call activity was handled by West Call Center.
	904	922	2,416	(1,494)	-62%	Uncollectable provision less than plan amount.
	905	9	-	9	0%	Amortization of Indirect labor cost pool balance.
	907	29	-	29	0%	Unbudgeted customer support activity.
	908	(17)	37	(54)	-145%	Actuals were charged to 908, budget went to 911.
	909	8	23	(15)	-66%	Dollars should have been budgeted to 903 account.
	910	-	-	-	0%	

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 Comparative Gas Financial Statements
 2002

Dollars in Thousands

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<u>Account</u>	<u>Actual</u>	<u>Plan</u>	<u>Variance</u>		<u>Description</u>
			<u>Amount</u>	<u>Percent</u>	
911	119	950	(831)	-87%	Dollars were budgeted to 911 but were charged to 182.
912	95	12	83	693%	Miscellaneous administrative expenses higher than plan.
913	0	-	0	0%	
916	(1,907)	-	(1,907)	0%	Dollars were budgeted to electric only.
920	2,623	1,007	1,616	160%	Bonus/ Incentive expense budgeted to 921, charged to 920. Severance / redeployment expense was higher than plan. Certain Corporate Center O&M costs charged to capital.
921	551	1,346	(795)	-59%	Bonus/ Incentive expense budgeted to 921, charged to 920. Certain Corporate Center O&M costs charged to capital.
923	562	437	125	29%	Regulatory affairs expense charged to 923 & 928, offset in 930.
924	27	53	(26)	-49%	Risk management activity less than plan
925	(19)	74	(93)	-126%	Lower claims and worker's compensation expense than budgeted.
926	2,029	1,597	432	27%	Fringe benefit expense higher than budgeted.
928	363	205	158	77%	Regulatory affairs expense charged to 923 & 928, offset in 930.
929	(111)	-	(111)	0%	Offsetting company use of gas and electric in 711, 712, 735, & 875.
930.2	1,075	116	959	826%	Severance/ redeployment expenses related to VERP (voluntary early retirement plan). Also, Atrium II rent expense was less than plan.
931	832	548	284	52%	Rent expense was charged but not budgeted.
935	159	126	33	26%	Miscellaneous maintenance corrective and preventative greater than plan.
Total O&M	14,801	15,071	(270)	-2%	
Depreciation	6,192	6,564	(372)	-6%	The depreciation budget included amortizations.
Amortization 404-405	811	-	811	0%	The depreciation budget included amortizations.
Taxes Other Than Income Taxes 408.1	2,121	1971	150	8%	Payroll taxes were higher than budgeted.
Income Taxes 409.1	2,802	564	2,238	397%	
410.1	983	0	983	0%	
411.1	-1,385	6613	(7,998)	-121%	
411.1	-77	0	(77)	0%	
Total Income Taxes	2,324	7,177	-4,853	-68%	The increase in income taxes is related to the change in taxable income.
Operating Income	8,572	13,197	(4,625)	-35%	

Source: ULH&P FERC Form 2

The Union Light, Heat and Power Company
 Monthly Gas Margins Compared to Plan Analysis
 2002 - 2004

(Dollars in Thousands)

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Variance

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Total</u>
2004													
Weather	412	244	(237)	(8)	(158)	(64)	18	31	(156)	(292)	(423)	365	(268)
Riders	(143)	(143)	(101)	7	40	1	(4)	(10)	(155)	(15)	41	110	(372)
Realization	161	(122)	163	92	1,209	438	(46)	29	25	458	464	376	3,247
Volume	501	127	(376)	(79)	(293)	72	(29)	25	(51)	(209)	(935)	(9)	(1,256)
Other	<u>35</u>	<u>25</u>	<u>93</u>	<u>131</u>	<u>19</u>	<u>50</u>	<u>89</u>	<u>35</u>	<u>95</u>	<u>48</u>	<u>63</u>	<u>(37)</u>	<u>646</u>
	966	131	(458)	143	817	497	28	110	(242)	(10)	(790)	805	1,997
2003													
Weather	887	840	(510)	(387)	27	99	50	(32)	165	(41)	(281)	(5)	812
Riders	(132)	(132)	(105)	(67)	(30)	(129)	(122)	(123)	(125)	17	9	(45)	(984)
Realization	126	8	30	(829)	74	138	250	(145)	238	535	21	5	451
Volume	595	274	250	(44)	(495)	(404)	115	(106)	(285)	(346)	(1,192)	136	(1,502)
Other	<u>(1)</u>	<u>26</u>	<u>68</u>	<u>50</u>	<u>48</u>	<u>12</u>	<u>39</u>	<u>17</u>	<u>29</u>	<u>35</u>	<u>32</u>	<u>290</u>	<u>645</u>
	1,475	1,016	(267)	(1,277)	(376)	(284)	332	(389)	22	200	(1,411)	381	(578)
2002													
Weather	(966)	(370)	57	(290)	2,517	(1,914)	(150)	(110)	(270)	386	597	214	(299)
Riders	(832)	(728)	(994)	(507)	(238)	(109)	(59)	(48)	(57)	(70)	(334)	(700)	(4,676)
Realization	(2,085)	344	(1,716)	(191)	636	49	517	89	156	948	(1,192)	(1,699)	(4,144)
Volume	944	435	299	2,192	(2,714)	(515)	(210)	40	(94)	(252)	(1,390)	671	(594)
Other	<u>149</u>	<u>(77)</u>	<u>(57)</u>	<u>(15)</u>	<u>28</u>	<u>11</u>	<u>(12)</u>	<u>(17)</u>	<u>(23)</u>	<u>7</u>	<u>170</u>	<u>390</u>	<u>554</u>
	(2,790)	(396)	(2,411)	1,189	229	(2,478)	86	(46)	(288)	1,019	(2,149)	(1,124)	(9,159)

KyPSC Staff Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 5, 2005
Response Due Date: April 19, 2005
Response Date: April 28, 2005

KyPSC-DR-02-002

REQUEST:

2. Refer to the response to the Staff's First Request, Item 7. ULH&P was requested to provide the same information sought in the Staff's First Request, Item 6, for 2005 as it became available. ULH&P's response was the same as provided for Item 6. ULH&P shall provide the originally requested information. If ULH&P cannot provide the requested information or if the information is not available, submit a detailed explanation discussing why the information cannot be provided.

RESPONSE:

Please see the attachment for KyPSC-DR-02-002.

WITNESS RESPONSIBLE: Steven E. Schrader

The Union Light, Heat and Power Company
 Comparative Gas Financial Statements
 March 2005

Dollars in Thousands

Case No. 2005-00042

Variance KyPSC-DR-02-002

Page 1 of 7

	<u>Account</u>	<u>Actual</u>	<u>Plan</u>	<u>Amount</u>	<u>Percent</u>	<u>Description</u>
Recess		17,988	13,779	4,209	31%	
Cost of Gas		12,256	8,747	3,509	40%	
Margin		5,732	5,032	700	14%	See attached schedule.
O&M						
	711	1	-	1	0%	Propane not budgeted
	712	1	-	1	0%	Propane not budgeted
	728	13	-	13	0%	Propane vaporized was not budgeted
	735	1	0	1	270%	Propane operation expenses not budgeted to this account
	742	1	-	1	0%	Control Technicians headquartered in Ohio performing non-
	807	26	27	(1)	-3%	budgeted maintenance work at Erlanger gas plant
	859	-	-	-	0%	Calibration & testing for industrial/ commercial customers
	870	22	17	5	27%	less than plan.
	871	6	6	(1)	-13%	Administrative union labor budgeted to 880 & 878, actuals
	874	85	98	(13)	-13%	went to 870 & 885.
	875	5	4	1	15%	Administrative expense slightly less than plan.
	876	2	3	(1)	-31%	Center SDS didn't budget dollars for Gas Leak surveys.
	878	(76)	31	(107)	-348%	No corrosion monitoring-mains and services in 1st
	879	41	55	(15)	-26%	quarter; will pick up in summer. Delayed start on Integrity
	880	94	91	3	3%	Management Program.
	881	32	-	32	0%	Engineering support activity slightly above plan.
	885	5	3	2	86%	Calibration & testing for industrial/ commercial customers
	887	53	106	(53)	-50%	less than plan.
	889	7	3	5	162%	High-level 2% budget cut entered into this account.
	890	-	-	-	0%	Meter handling work was budgeted to 878, actuals
	892	16	15	0	2%	charged to 893. And timing difference due to equal spread
	893	20	-	20	0%	of budget dollars for the year.
	894	(3)	(32)	29	-89%	Fewer new services installed due to higher than normal
	901	9	2	8	404%	precipitation crews utilized weather training instead of
	902	43	44	(1)	-3%	O&M functions.
	903	117	156	(40)	-25%	Unplanned short-term disability exp. Administrative union
	904	137	121	16	13%	actuals charged to 870 & 885. Maintenancing (rebuilding)
	905	0	0	0	747%	of gas meters budgeted to 880, actuals charged to 893.
	907	-	-	-	0%	Unbudgeted Gas Distribution rent expense

The Union Light, Heat and Power Company
 Comparative Gas Financial Statements
 March 2005
 Dollars in Thousands

Case No. 2005-00042

Variance KyPSC-DR-02-002

Page 2 of 7

<u>Account</u>	<u>Actual</u>	<u>Plan</u>	<u>Amount</u>	<u>Percent</u>	<u>Description</u>
908	15	12	3	28%	Customer inquiry and customer support activity is slightly greater than budgeted.
909	-	4	(4)	-100%	Advertising expense less than plan.
910	16	16	1	4%	Dollars budgeted to 920, actuals charged to 910.
911	5	10	(5)	-53%	Administrative, load forecasting, and market research activities less than plan.
912	4	-	4	0%	Unbudgeted cellphone and pagers activity.
913	-	1	(1)	-100%	Advertising expense less than plan.
916	381	340	41	12%	DSM recoveries granted by the Kentucky Commission is greater than the budgeted amortization.
920	304	186	119	64%	Administrative labor over plan. The annual incentive plan is charged to account 920 but was budgeted in account 921.
921	51	110	(59)	-54%	Risk management activity charged to 925, budgeted to 921. The annual incentive plan was charged to account 920 but budgeted to account 921.
923	53	69	(16)	-23%	Outside services & market research activities less than plan, partially offset by higher administrative and contract labor expense.
924	-	-	-	0%	
925	(58)	4	(62)	-1501%	The risk management activity was charged to account 925 but budgeted in account 920. This was partially offset by favorable claims experience.
926	229	243	(14)	-6%	Fringe benefit costs are less than budgeted.
928	18	20	(2)	-8%	Regulatory affairs activity less than plan.
929	(18)	-	(18)	0%	Gas company use not budgeted.
930	26	11	15	131%	Safety advertising and director compensation expense greater than budgeted.
931	102	52	50	96%	Software related expenses greater than budgeted.
935	28	10	18	188%	Hardware maintenance expense greater than estimated
Total O&M	1,814	1,837	(23)	-1%	
Depreciation	734	786	(52)	-7%	Depreciation is under budget reflecting construction expenditures being under budget.
Amortization 404-405	-	-	-	0%	
Taxes Other Than Income Taxes 408.1	245	248	(3)	-1%	
Operating Income	2,939	2,161	778	36%	

The Union Light, Heat and Power Company
 Comparative Gas Financial Statements
 February 2005
 Dollars in Thousands

		Variance				
	<u>Account</u>	<u>Actual</u>	<u>Plan</u>	<u>Amount</u>	<u>Percent</u>	<u>Description</u>
R	es	18,233	20,555	(2,322)	-11%	
	Cost of Gas	12,610	14,047	(1,437)	-10%	
	Margin	5,623	6,508	(885)	-14%	See Attached Schedule
O&M						
	711	1	-	1	0%	Propane not budgeted
	712	1	-	1	0%	Propane not budgeted
	728	-	-	-	0%	
	735	0	0	(0)	-85%	Control Technicians headquartered in Ohio performing non-
	742	1	-	1	0%	budgeted maintenance work at Erlanger gas plant
	807	26	38	(11)	-30%	Calibration & testing for industrial/ commercial customers
	859	-	-	-	0%	less than plan.
	870	15	17	(2)	-11%	Administrative union labor budgeted to 880 & 878, actuals went to 870 & 885.
	871	5	6	(1)	-15%	Administrative expense slightly less than plan.
	874	82	167	(85)	-51%	Center SDS didn't budget dollars for Gas Leak surveys. Postponed odorant shipment from Feb. to April due to mild weather. No corrosion monitoring-mains and services in 1st quarter; will pick up in summer. Delayed start on Integrity Management Program.
	875	4	4	(0)	-5%	
	876	3	3	1	20%	Calibration & testing for industrial/ commercial customers greater than plan.
	878	(13)	46	(58)	-128%	High-level 2% budget cut entered into this account. Meter handling work was budgeted to 878, actuals charged to 893. And timing difference due to equal spread of budget dollars for the year.
	879	43	68	(25)	-37%	Fewer new services installed due to higher than normal precipitation crews utilized weather training instead of O&M functions.
	880	67	86	(19)	-22%	Administrative union actuals charged to 870 & 885. Maintenanacing (rebuilding) of gas meters budgeted to 880, actuals charged to 893.
	881	32	-	32	0%	Unbudgeted Gas Distribution rent expense
	885	7	3	4	145%	Dollars budgeted to 870 & 878, actuals charged to 885. Unbudgeted construction & maintenace dispatching expense. Due to higher than normal precipitation, crews utilized weather training (Cost Pool) instead of O&M
	887	51	91	(39)	-43%	functions.
	889	1	3	(2)	-68%	Low station maintenance in Feb. made up in March.
	890	-	-	-	0%	
	892	8	13	(5)	-39%	Due to higher than normal precipitation, crews utilized weather training (Cost Pool) instead of O&M functions.
	893	18	-	18	0%	Meter handling work was budgeted to 878, actuals charged to 893. Customer orders not budgeted by center MOE due to past history of low dollar impact.
	894	7	(6)	13	-229%	Higher than expected third-party damages expense
	901	9	2	7	382%	Timing difference due to direct labor hours being spread equally throughout the year.
	902	44	49	(5)	-10%	Administrative expense less than plan.
	903	114	160	(46)	-29%	Timing difference due to direct labor hours being spread equally throughout the year.
	904	138	121	17	14%	Provision for uncollectable receivables greater than plan.
	905	1	0	1	1991%	Exempt labor addition not budgeted for 2005.
	907	-	-	-	0%	
	908	15	11	3	28%	Customer inquiry and customer support activity is slightly greater than budgeted.

The Union Light, Heat and Power Company
 Comparative Gas Financial Statements
 February 2005
 Dollars in Thousands

Variance

<u>Account</u>	<u>Actual</u>	<u>Plan</u>	<u>Amount</u>	<u>Percent</u>	<u>Description</u>
909	-	4	(4)	-100%	Advertising expense less than plan.
910	12	15	(3)	-22%	Advertising for bill payer options budgeted in account 910 but charged to account 903.
911	3	10	(7)	-69%	Administrative, load forecasting, and market research activities less than plan.
912	-	-	-	0%	
913	-	1	(1)	-100%	Advertising expense less than plan.
916	296	430	(134)	-31%	DSM recoveries granted by the Kentucky Commission is greater than the budgeted amortization.
920	227	178	49	27%	Administrative labor greater than budgeted.
921	54	102	(48)	-47%	Risk management activity charged to 925, budgeted to 921.
923	67	67	(0)	0%	Outside services & market research activities less than plan, offset by higher administrative contract labor expense.
924	-	-	-	0%	
925	44	4	40	969%	The risk management activity was charged to account 925 bud budgeted in account 920. This was partially offset by favorable claims experience.
926	233	268	(35)	-13%	Fringe benefit costs are less than budgeted.
928	18	20	(2)	-8%	Regulatory affairs activity less than plan.
929	(20)	-	(20)	0%	Gas company use not budgeted.
930	6	14	(8)	-58%	Director compensation and association dues expense less than plan.
931	105	50	55	110%	Software related expenses greater than budgeted.
935	17	9	7	80%	Hardware maintenance expense greater than estimated
Total O&M	1,747	2,055	(308)	-15%	
Depreciation	730	778	(48)	-6%	Depreciation is under budget reflecting construction expenditures being under budget.
Amortization 404-405	-	-	-	0%	
Taxes Other Than Income Taxes 408.1	245	253	(8)	-3%	
Operating Income	2,901	3,422	(521)	-15%	

The Union Light, Heat and Power Company
 Comparative Gas Financial Statements
 January 2005
 Dollars in Thousands

Case No. 2005-00042

KyPSC-DR-02-002

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					<u>Variance</u>	
<u>Account</u>	<u>Actual</u>	<u>Plan</u>	<u>Amount</u>	<u>Percent</u>	<u>Description</u>	
R. es	21,554	30,562	(9,008)	-29%		
Cost of Gas	15,338	22,638	(7,300)	-32%		
Margin	6,216	7,924	(1,708)	-22%	See attached schedule.	
O&M						
711	1	-	1	0%	Propane not budgeted	
712	1	-	1	0%	Propane not budgeted	
728	41	-	41	0%	Propane vaporized was not budgeted	
735	3	0	3	929%	Propane operation expenses not budgeted to this account	
742	1	-	1	0%	Control Technicians headquartered in Ohio performing non-budgeted maintenance work at Erlanger gas plant	
807	26	28	(2)	-8%	Administrative and maintenance corrective expense less than plan.	
859	-	-	-	0%	Administrative union labor budgeted to 880 & 878, actuals went to 870 & 885.	
870	11	19	(8)	-41%		
871	6	6	(0)	-5%		
874	97	148	(51)	-35%	Center SDS didn't budget dollars for Gas Leak surveys. Due to unseasonable weather, actual expense was less than plan. No corrosion monitoring-mains and services in 1st quarter; will pick up in summer. Delayed start on Integrity Management Program.	
875	5	4	0	10%	Engineering support activity slightly above plan. Calibration & testing for industrial/ commercial customers less than plan.	
876	2	3	(0)	-8%	High-level 2% budget cut entered into this account. Meter handling work was budgeted to 878, actuals charged to 893. And timing difference due to equal spread of budget dollars for the year. Bad weather reduced amount of new service tie-ins.	
878	28	43	(14)	-34%	Fewer new services installed due to higher than normal precipitation crews utilized weather training instead of O&M functions.	
879	41	56	(15)	-26%	Administrative union actuals charged to 870 & 885. Maintanancing (rebuilding) of gas meters budgeted to 880, actuals charged to 893.	
880	66	92	(26)	-28%	Unbudgeted Gas Distribution rent expense	
881	32	-	32	0%		
885	6	4	3	72%	Dollars budgeted to 870 & 878, actuals charged to 885. Unbudgeted construction & maintenace dispatching expense. Due to higher than normal precipitation, crews utilized weather training (Cost Pool) instead of O&M functions.	
887	79	118	(39)	-33%		
889	3	3	(0)	-13%	Station maintenance expense under budget.	
890	-	-	-	0%		
892	9	13	(4)	-27%	Due to higher than normal precipitation, crews utilized weather training (Cost Pool) instead of O&M functions. Meter handling work was budgeted to 878, actuals charged to 893. Customer orders not budgeted by center	
893	21	-	21	0%	MOE due to past history of low dollar impact. Lower than expected third party damage reimbursements in Covington District	
894	(11)	24	(36)	-146%	Timing difference due to direct labor hours being spread equally throughout the year.	
901	8	4	4	90%		
902	47	47	(1)	-2%	Timing difference due to direct labor hours being spread equally throughout the year.	
903	105	173	(68)	-39%		
904	165	121	44	37%	Provision for uncollectable receivables greater than plan.	
905	1	0	1	1904%	Exempt labor addition not budgeted for 2005.	

The Union Light, Heat and Power Company
 Comparative Gas Financial Statements
 January 2005
 Dollars in Thousands

Variance

<u>Account</u>	<u>Actual</u>	<u>Plan</u>	<u>Amount</u>	<u>Percent</u>	<u>Description</u>
907	5	-	5	0%	Customer support expense charged to 907 & 908, budgeted to 908 only for January.
908	10	11	(2)	-14%	Customer support expense charged to 907 & 908 for January.
910	17	16	1	9%	Dollars budgeted to 920, actuals charged to 910.
909	-	4	(4)	-100%	Advertising expense less than plan.
911	7	10	(3)	-31%	Administrative, load forecasting, and market research activities less than plan.
912	-	-	-	0%	
913	-	1	(1)	-100%	Advertising expense less than plan.
916	324	452	(128)	-28%	DSM recoveries granted by the Kentucky Commission is greater than the budgeted amortization.
920	191	222	(31)	-14%	Administrative labor less than budgeted.
921	114	128	(14)	-11%	Risk management activity charged to 925, budgeted to 921.
923	32	72	(39)	-55%	Outside services & market research activities less than plan, partially offset by higher administrative and contract labor expense.
924	-	-	-	0%	
925	97	4	93	2268%	The risk management activity was charged to account 925 bud budgeted in account 920. This was partially offset by favorable claims experience.
926	246	264	(19)	-7%	Fringe benefit costs are less than budgeted.
928	26	32	(7)	-20%	Regulatory affairs activity less than plan.
929	(13)	-	(13)	0%	Gas company use not budgeted.
930	16	13	3	24%	Safety advertising and regulatory affairs expense is greater than budgeted.
931	107	57	49	86%	Software related expenses greater than budgeted.
935	13	10	3	32%	Hardware maintenance expense greater than estimated
Total O&M	1,987	2,203	(216)	-10%	
Depreciation	728	777	(49)	-6%	Depreciation is under budget reflecting construction expenditures being under budget.
Amortization 404-405	-	-	-	0%	
Taxes Other Than Income Taxes 408.1	250	256	(6)	-2%	
Operating Income	3,251	4,688	(1,437)	-31%	



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KyPSC Staff Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 5, 2005
Response Due Date: April 19, 2005
Supplemented Date: April 29, 2005

KyPSC-DR-02-021 SUPPLEMENT

REQUEST:

21. House Bill 272 was passed by the Kentucky General Assembly during the 2005 Regular Session and signed by the Governor on March 18, 2005. Included in the provisions of House Bill 272 is a revision to the Kentucky corporate income tax rate, reducing the rate from 8.25 percent to 7.00 percent during the period from January 1, 2005 through December 31, 2006. ULH&P's schedules and workpapers have been submitted based on a Kentucky corporate income tax rate of 8.25 percent. Provide revisions to all schedules and workpapers using the 7.00 percent income tax rate, as applicable. At a minimum, all schedules and workpapers for the forecasted test period will need to be revised. Include and identify any additional schedules or workpapers prepared to accomplish this revision.

RESPONSE:

-SUPPLEMENTAL RESPONSE-

See attached for revised forecasted test period schedules and workpapers impacted by changing the Kentucky corporate income tax rate to 7.00%.

WITNESS RESPONSIBLE: Alexander J. Torok/ Steven E. Schrader

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 OVERALL FINANCIAL SUMMARY
 FOR THE TWELVE MONTHS ENDED MAY 31, 2005
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: "X" BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): SEE BELOW

SCHEDULE A
 PAGE 1 OF 1
 WITNESS RESPONSIBLE:
 W. D. WATHEN

LINE NO.	DESCRIPTION	SUPPORTING SCHEDULE REFERENCE	JURISDICTIONAL REVENUE REQUIREMENTS	
			BASE PERIOD	FORECAST PERIOD
1	Capitalization Allocated to Gas Operations	WPA-1a, 1c	153,212,130	165,798,581
2	Operating Income	C-2	11,382,300	6,337,059
3	Earned Rate of Return (Line 2 / Line 1)		7.43%	3.82%
4	Rate of Return	J-1	8.768%	8.790%
5	Required Operating Income (Line 1 x Line 4)		13,433,640	14,573,695
6	Operating Income Deficiency (Line 5 - Line 2)		2,051,340	8,236,636
7	Gross Revenue Conversion Factor	H	1.6997957	1.6769492
8	Revenue Deficiency (Line 6 x Line 7)		3,486,859	13,812,420
9	Revenue Increase Requested	C-1	N/A	14,048,768 (1)
10	Adjusted Operating Revenues	C-1	N/A	130,229,785
11	Revenue Requirements (Line 9 + Line 10)		N/A	144,278,553

(1) Source: Schedule M. Includes proposed increase in base and interdepartmental revenue.
 Proposed increase in bad check and reconnection charges is included in adjustment D-2.25.

THE UNION LIGHT, HEAT AND POWER COMPANY
 GAS DEPARTMENT
 CASE NO. 2005-00042
 DATA: BASE PERIOD "X" FORECASTED PERIOD
 CALCULATION OF JURISDICTIONAL CAPITALIZATION

WPA-1c
 WITNESS RESPONSIBLE:
 W. D. WATHEN

Line No.	Description		Capitalization	
			Total	Gas
1	Total Forecast Period Capitalization	(1)	648,387,631	
2				
3	Less: Non-jurisdictional gas plant		4,769,872	
4	Non-jurisdictional electric plant		0	
5	Non-jurisdictional - Other		8,536,837	
6				
7	Jurisdictional Capitalization		635,080,922	
8				
9	Gas Jurisdictional Rate Base Allocation %	(2)	25.889%	164,416,100
10				
11	Plus: Jurisdictional Gas ITC	(3)		<u>1,382,481</u>
12				
13	Total Allocated Capitalization			<u>165,798,581</u>
14				
15				↑
16				To Sch. A

Notes:

- (1) Schedule J-1, page 2.
- (2) Allocation percentage from WPA-1d.
- (3) Schedule B-6, page 2.

WPA-1d
 WITNESS RESPONSIBLE:
 W. D. WATHEN

THE UNION LIGHT, HEAT AND POWER COMPANY
 GAS DEPARTMENT
 CASE NO. 2005-00042
 TO DETERMINE THE FORECAST PERIOD RATIO OF KENTUCKY JURISDICTIONAL GAS OPERATIONS
 TO JURISDICTIONAL TOTAL COMPANY OPERATIONS
 DATA: BASE PERIOD "X" FORECASTED PERIOD

Line No.	Description	Schedule Reference	Gas Excl. of		Gas		Elec Excl. of	
			Total Company	Facil Dev. to Other Than ULH&P Custs.	Non-Juris.	ULH&P Custs.	Non-Juris.	Non-Jurisdictional
1	Total Utility Plant in Service (Accts 101 & 106)	Sch B-2	1,385,081,000	277,747,000	11,103,000	1,077,104,000	0	19,127,000
2	Additions:							
3	Construction Work in Progress (Account 107)	Sch B-4	26,692,000	4,120,000	0	22,572,000	0	0
5	Fuel Inventory		5,710,000	0	0	5,710,000	0	0
7	Materials & Supplies -							
8	Propane Inventory (Account 151) (A)	Sch B-5	1,934,987	677,245	1,257,742	0	0	0
9	Other Material and Supplies (Accts. 154 & 163) (A)	Sch B-5	9,844,000	232,273	0	9,611,727	0	0
10	Total Materials & Supplies		11,778,987	909,518	1,257,742	9,611,727	0	0
12	Gas Stored Underground (Account 164) (A)	Sch B-5	5,462,513	5,462,513	0	0	0	0
13	Prepayments (Account 165) (A)	Sch B-5,1	317,629	105,675	0	211,954	0	0
15	Cash Working Capital Allowance	Sch B-5,1	12,267,500	2,384,337	0	9,883,163	0	0
16	Other Rate Base Items	Sch B-6	0	0	0	0	0	0
17	Total Additions		62,228,629	12,982,043	1,257,742	47,988,844	0	0
21	Deductions:							
22	Reserve for Accumulated Depreciation (Acct 108)	Sch B-3	627,304,000	87,230,000	6,987,000	526,365,000	0	6,722,000
23	Accum. Deferred Income Taxes (Accts 190, 282, & 283)	Sch B-6	150,220,000	32,905,521	603,142	118,258,991	0	(1,547,654)
24	Customer Advances for Construction (Account 252)	Sch B-6	2,721,042	2,721,042	0	0	0	0
25	Investment Tax Credits	Sch B-6	5,450,327	33,782	728	0	0	5,415,817
26	Total Deductions		785,695,369	122,890,345	7,590,870	644,623,991	0	10,590,163
27	Net Original Cost Rate Base		661,614,260	167,838,698	4,769,872	480,468,853	0	8,536,837
28	Jurisdictional Rate Base Ratio		100.000%	25.366%	0.721%	72.621%	0.000%	1.290%
29	Jurisdictional Rate Base Ratio - Excl. Non-Jurisdictional		100.000%	25.889%		74.111%		

Notes:
 (A) Based on thirteen month average.

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 JURISDICTIONAL RATE BASE SUMMARY
 AS OF MAY 31, 2005
 AS OF SEPTEMBER 30, 2006

DATA: "X" BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): SEE BELOW

SCHEDULE B-1
 PAGE 1 OF 1
 WITNESS RESPONSIBLE:
 W. D. WATHEN

LINE NO.	RATE BASE COMPONENT	SUPPORTING SCHEDULE REFERENCE	BASE PERIOD	13 MONTH AVG. FORECAST PERIOD
1	Adjusted Jurisdictional Plant in Service	B-2	\$258,687,000	\$277,747,000
2	Accumulated Depreciation and Amortization	B-3	<u>(81,608,000)</u>	<u>(87,230,000)</u>
3	Net Plant in Service (Line 1 + Line 2)		177,079,000	190,517,000
4	Construction Work in Progress	B-4	2,503,000	4,120,000
5	Cash Working Capital Allowance	B-5	2,435,352	2,384,337
6	Other Working Capital Allowances	B-5	6,386,819	6,477,706
7	Other Items:			
8	Customers' Advances for Construction	B-6	(2,721,042)	(2,721,042)
9	Investment Tax Credits	B-6	(39,860)	(33,782)
10	Deferred Income Taxes	B-6	(32,470,191)	(32,905,521)
11	Other Rate Base Adjustments	B-6	<u>0</u>	<u>0</u>
12	Jurisdictional Rate Base (Line 3 through Line 11)		<u>\$153,173,078</u>	<u>\$167,838,698</u>

THE UNION LIGHT, HEAT AND POWER COMPANY
CASE NO. 2005-00042
CERTAIN DEFERRED CREDITS AND ACCUMULATED DEFERRED INCOME TAXES
AS OF SEPTEMBER 30, 2006

DATA: BASE PERIOD "X" FORECASTED PERIOD
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
WORK PAPER REFERENCE NO(S): WPB-6b, WPB-6d

SCHEDULE B-6
PAGE 2 OF 2
WITNESS RESPONSIBLE:
W. D. WATHEN

LINE NO.	ACCOUNT NUMBER	DESCRIPTION	13 MONTH AVERAGE FORECAST PERIOD	JURISDICTIONAL CODE %	JURIS. AMOUNT	ADJUSTMENT	ADJUSTED JURIS. AMOUNT
			(1)	(2)	(3)	(4)	(5)
1	252	Customers' Advances for Construction	<u>(2,721,042)</u>	DALL 100.000	<u>(2,721,042)</u>		<u>(2,721,042)</u> (A)
2							
3							
4	255	Investment Tax Credits: (B)					
5		3% Credit	(34,510)	DALL 100.000	(34,510)	728 (E)	(33,782)
6		4% Credit	(67,136)	DALL 100.000	(67,136)	67,136 (F)	0
7		10% Credit	(1,315,345)	DALL 100.000	(1,315,345)	1,315,345 (F)	0
8		Total Investment Tax Credits	<u>(1,416,991)</u>		<u>(1,416,991)</u>	<u>1,383,209</u>	<u>(33,782)</u> (C)
9							
10	190,	Deferred Income Taxes:					
18	282,283	Total Deferred Income Taxes	<u>(33,508,663)</u>	DALL 100.000	<u>(33,508,663)</u>	<u>603,142</u>	<u>(32,905,521)</u> (D)

Sources:

- (A) Included on Schedule B-1 as Customers' Advances for Construction, Line 8.
- (B) The company elected the ratable flow through option under Section 46(e)(2) in regards to the 1971 election and the rateable flow through option provided under Section 46(f)(2) in regards to the 1975 election.
- (C) Included on Schedule B-1 as Investment Tax Credits, Line 9.
- (D) Included on Schedule B-1 as Deferred Income Taxes, Line 10.
- (E) Elimination of Deferred Tax Balances Related to Facilities Devoted to Other Than ULH&P Customers. (WPB-6d)
- (F) Excluded from Rate Base.

WPB-66
 WITNESS RESPONSIBLE:
 W. D. WATHEN

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-0042
 CERTAIN DEFERRED CREDITS AND ACCUMULATED DEFERRED INCOME TAXES
 DATA: BASE PERIOD "X" FORECASTED PERIOD
 THIRTEEN MONTH AVERAGE BALANCE

LINE NO.	ACCOUNT NUMBER	DESCRIPTION	SEPTEMBER 2005	OCTOBER 2005	NOVEMBER 2005	DECEMBER 2005	JANUARY 2006	FEBRUARY 2006	MARCH 2006	APRIL 2006	MAY 2006	JUNE 2006	JULY 2006	AUGUST 2006	SEPTEMBER 2006	TOTAL	13 MONTH AVERAGE	ALLOCATED 13 MONTH AVERAGE @ 7% KT INC TAX RATE	
1	0AS		(2,721,042)	(2,721,042)	(2,721,042)	(2,721,042)	(2,721,042)	(2,721,042)	(2,721,042)	(2,721,042)	(2,721,042)	(2,721,042)	(2,721,042)	(2,721,042)	(2,721,042)	(35,373,548)	(2,721,042)		
2	252	Customer's Advances for Construction																	
3		Investment Tax Credits: (B)																	
4		3% Credit	(38,235)	(36,953)	(35,372)	(35,752)	(35,752)	(35,131)	(34,510)	(33,889)	(33,268)	(32,647)	(32,026)	(31,405)	(30,784)	(448,628)	(34,510)		
5		4% Credit	(69,737)	(68,435)	(66,932)	(65,096)	(62,704)	(60,704)	(58,738)	(56,704)	(54,690)	(52,607)	(50,456)	(48,238)	(45,954)	(67,198)	(872,774)	(67,198)	
6		10% Credit	(1,325,651)	(1,306,653)	(1,285,999)	(1,262,589)	(1,236,899)	(1,213,344)	(1,191,932)	(1,171,661)	(1,152,511)	(1,133,563)	(1,114,817)	(1,096,272)	(1,077,927)	(1,059,682)	(17,099,484)	(1,115,345)	
7		Total Investment Tax Credits	(1,455,281)	(1,442,899)	(1,442,899)	(1,442,899)	(1,442,899)	(1,442,899)	(1,442,899)	(1,442,899)	(1,442,899)	(1,442,899)	(1,442,899)	(1,442,899)	(1,442,899)	(1,442,899)	(17,099,484)	(1,416,951)	
8		Total Defered Income Taxes																	
9		Accumulated Deferred Income Taxes:																	
10		Total Account 190	2,103,355	2,103,355	2,103,355	2,103,355	2,103,355	2,103,355	2,103,355	2,103,355	2,103,355	2,103,355	2,103,355	2,103,355	2,103,355	27,343,615	2,103,355	2,091,578.00	
11		Account 282 - Other	(3,775,446)	(3,775,446)	(3,775,446)	(3,775,446)	(3,775,446)	(3,775,446)	(3,775,446)	(3,775,446)	(3,775,446)	(3,775,446)	(3,775,446)	(3,775,446)	(3,775,446)	(45,050,790)	(3,775,446)	(3,716,886.00)	
12		Liberalized Depreciation	(28,121,740)	(28,232,740)	(28,341,740)	(28,446,740)	(28,546,740)	(28,646,740)	(28,746,740)	(28,846,740)	(28,946,740)	(29,046,740)	(29,146,740)	(29,246,740)	(29,346,740)	(29,446,740)	(342,818,171)	(29,546,740)	(28,554,930.00)
13		Account 283 - Other	2,999,383	3,002,383	3,005,383	3,014,383	3,023,383	3,032,383	3,041,383	3,050,383	3,059,383	3,068,383	3,077,383	3,086,383	3,095,383	3,104,383	(38,225,978)	3,095,383	(38,179,817)
14		Unrecovered Purchased Gas Cost	(7,559,511)	(7,119,511)	(6,982,511)	(6,844,511)	(6,706,511)	(6,568,511)	(6,430,511)	(6,292,511)	(6,154,511)	(6,016,511)	(5,878,511)	(5,740,511)	(5,602,511)	(5,464,511)	(62,157,843)	(6,319,819)	(6,255,289.00)
15		Total Defered Income Taxes	(34,353,959)	(34,012,959)	(33,669,959)	(33,326,959)	(32,983,959)	(32,640,959)	(32,297,959)	(31,954,959)	(31,611,959)	(31,268,959)	(30,925,959)	(30,582,959)	(30,239,959)	(29,896,959)	(440,166,457)	(33,854,344)	(33,508,663.00)
16		Total Defered Income Taxes																	
17	ELECTRIC																		
18	252	Customer's Advances for Construction																	
19		Investment Tax Credits: 10% (B)	(979,014)	(984,119)	(949,224)	(934,329)	(919,434)	(904,539)	(889,644)	(874,749)	(859,854)	(844,959)	(830,064)	(815,169)	(800,274)	(11,565,372)	(889,644)		
20		Total Defered Income Taxes																	
21		Accumulated Deferred Income Taxes:																	
22		Total Account 190	3,214,970	3,214,970	3,214,970	3,214,970	3,214,970	3,214,970	3,214,970	3,214,970	3,214,970	3,214,970	3,214,970	3,214,970	3,214,970	37,379,770	3,214,970	3,182,443.00	
23		Account 282	(121,205,714)	(121,098,714)	(120,991,714)	(120,884,714)	(120,777,714)	(120,670,714)	(120,563,714)	(120,456,714)	(120,349,714)	(120,242,714)	(120,135,714)	(120,028,714)	(119,921,714)	(119,814,714)	(1,350,818,171)	(120,135,714)	(120,130,745.00)
24		Account 283	(1,323,917)	(1,323,917)	(1,323,917)	(1,323,917)	(1,323,917)	(1,323,917)	(1,323,917)	(1,323,917)	(1,323,917)	(1,323,917)	(1,323,917)	(1,323,917)	(1,323,917)	(1,323,917)	(15,918,643)	(1,323,917)	(1,310,989.00)
25		Total Defered Income Taxes	(119,314,661)	(119,209,661)	(119,104,661)	(118,999,661)	(118,894,661)	(118,789,661)	(118,684,661)	(118,579,661)	(118,474,661)	(118,369,661)	(118,264,661)	(118,159,661)	(118,054,661)	(117,949,661)	(1,482,599,463)	(118,159,661)	(118,259,991.00)
26		Total Defered Income Taxes																	
27		Investment Tax Credits: (B)																	
28		Total Account 190	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	19,844,185	1,687,015	1,669,786.00	
29		Account 282	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(1,503,620)	(123,395)	(122,135.00)	
30		Account 283	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
31		Total Defered Income Taxes	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	18,340,565	1,563,620	1,547,651.00	
32		Total Defered Income Taxes																	
33		Investment Tax Credits: (B)																	
34		Total Account 190	5,635,727	5,785,742	5,695,757	5,625,772	5,555,787	5,485,802	5,415,817	5,345,832	5,275,847	5,205,862	5,135,877	5,065,892	4,995,907	4,925,922	70,405,621	5,415,817	(150,220,000)
35		Account 282	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	1,687,015	19,844,185	1,687,015	1,669,786.00	
36		Account 283	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(123,395)	(1,503,620)	(123,395)	(122,135.00)	
37		Total Defered Income Taxes	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	1,563,620	18,340,565	1,563,620	1,547,651.00	

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 JURISDICTIONAL OPERATING INCOME SUMMARY
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): SCHEDULE C-2, WPC-1a

SCHEDULE C-1
 PAGE 1 OF 1
 WITNESS RESPONSIBLE:
 W. D. WATHEN

LINE NO.	DESCRIPTION	FORECASTED RETURN AT CURRENT RATES	PROPOSED INCREASE	FORECASTED RETURN AT PROPOSED RATES
		(\$)	(\$)	(\$)
1	Operating Revenues	<u>130,229,785</u>	<u>14,048,768</u> (1)	<u>144,278,553</u>
2				
3	Operating Expenses			
4	Operation & Maintenance	110,924,695	165,775	111,090,470
5	Depreciation	8,840,365	0	8,840,365
6	Taxes - Other	<u>3,108,493</u>	<u>24,304</u>	<u>3,132,797</u>
7	Operating Expenses before Income Taxes	122,873,553	190,079	123,063,632
8				
9	State Income Taxes	237,587	970,108	1,207,695
10	Federal Income Taxes	<u>1,143,734</u>	<u>4,511,003</u>	<u>5,654,737</u>
11				
12	Total Operating Expenses	<u>124,254,874</u>	<u>5,671,190</u>	<u>129,926,064</u>
13				
14	AFUDC Offset	362,148	0	362,148
15				
16	Income Available for Fixed Charges	<u>6,337,059</u>	<u>8,377,578</u>	<u>14,714,637</u>
17				
18	Capitalization Allocated to Jurisdictional Gas Operations	165,798,581		165,798,581
19	Rate of Return on Capitalization	3.82%		8.88%
20				
21	Jurisdictional Rate Base	167,838,698		167,838,698
22	Rate of Return on Rate Base	3.78%		8.77%

(1) Source: Schedule M. Includes proposed increase in base and interdepartmental revenue.
 Proposed increase in bad check and reconnection charges is included in adjustment D-2.25.

THE UNION LIGHT, HEAT AND POWER COMPANY
 GAS DEPARTMENT
 CASE NO. 2005-00042
 TO REFLECT AMOUNT OF REQUESTED INCREASE

WPC-1a
 WITNESS RESPONSIBLE:
 W. D. WATHEN

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>SCHEDULE/ WORK PAPER REFERENCE</u>	<u>PROPOSED INCREASE (\$)</u>
1	Operating Revenues	SCH. M	<u>14,048,768</u>
2			
3	Operating Expenses:		
4			
5	Uncollectible Accounts @ 1.1800%	To Sch C-1 ←	<u>165,775</u>
6			
7	Taxes Other Than Income Taxes		
8	KPSC Maintenance Tax @ 0.173%	SCH. H	<u>24,304</u>
9			
10	Operating Expenses Before Income Taxes		<u>190,079</u>
11			
12	Operating Income Before Income Taxes (Line 1 - Line 10)		<u>13,858,689</u>
13			
14	State Income Taxes (Line 12 * 7%)	To Sch C-1 ←	<u>970,108</u>
15			
16	Federal Income Taxes (Line 12 - Line 14) * 35%	To Sch C-1 ←	<u>4,511,003</u>
17			
18	Total Operating Expenses		<u>5,671,190</u>
19			
20	Income Available for Fixed Charges		<u>8,377,578</u>

THE UNION LIGHT, HEAT AND POWER COMPANY
CASE NO. 2005-00042
JURISDICTIONAL ADJUSTED OPERATING INCOME STATEMENT
FOR THE TWELVE MONTHS ENDED MAY 31, 2005
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: "X" BASE PERIOD "X" FORECASTED PERIOD
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
WORK PAPER REFERENCE NO(S): SCHEDULE C-2.1, SCHEDULE D-1, WPC-2a through WPC-2e

SCHEDULE C-2
PAGE 1 OF 1
WITNESS RESPONSIBLE:
W. D. WATHEN

LINE NO.	MAJOR ACCOUNT OR GROUP CLASSIFICATION	ADJUSTMENTS TO BASE PERIOD		FORECAST PERIOD	PRO FORMA ADJUSTMENTS TO FORECAST PERIOD		PRO FORMA FORECAST PERIOD
		BASE PERIOD	AMOUNT		REFERENCE	AMOUNT	
1	OPERATING REVENUE						
2	Base	39,175,838	(1,504,898)	37,671,000	2,000	D-2.24	37,673,000
3	Gas Cost	78,306,314	13,464,686	91,771,000	79,000	D-2.24	91,850,000
4	Other Revenue	7,131,982	(6,081,982)	1,050,000	(343,215)	WPC-2e	706,785
5	Total Revenue	124,614,134	5,877,866	130,492,000	(262,215)		130,229,785
6	OPERATING EXPENSES						
8	Operation and Maintenance Expenses						
9	Production Expenses						
10	Liquefied Petroleum Gas	(53,382)	53,382	0	0		0
11	Other	111,274	14,982	126,256	(72,910)	D-2.19	53,346
12	Total Production Expense	57,892	68,364	126,256	(72,910)		53,346
13							
14	Other Gas Supply Expenses	78,578,965	13,192,035	91,771,000	79,000	D-2.24	91,850,000
15	Purchased Gas	341,177	18,398	359,575			359,575
16	Other	78,920,142	13,210,433	92,130,575	79,000		92,209,575
17	Total Other Gas Supply Expenses	(26,413)	26,413	0	0		0
18	Transmission Expense	4,592,862	846,558	5,439,420	89,656	WPC-2e	5,529,076
19	Distribution Expense	3,676,158	241,688	3,917,846	2,088	WPC-2e	3,919,934
20	Customer Accounts Expense	352,582	43,159	395,741	(72,070)	D-2.22	323,671
21	Customer Service & Information Expense	1,450,082	(306,354)	1,143,728	(1,084,526)	D-2.22	79,202
22	Sales Expense	8,977,628	(348,072)	8,629,556	180,335	WPC-2e	8,809,891
23	Administrative & General Expense	60,851	(60,851)	0	0		0
24	Other	98,081,784	13,721,338	111,783,122	(858,427)		110,924,695
25	Total Operation and Maintenance Expense	8,663,400	722,600	9,386,000	(545,635)	D-2.23	8,840,365
26	Depreciation Expense						
27							
28							
29	Taxes Other Than Income Taxes	557,882	54,244	612,126	(7,248)	D-2.19	604,878
30	Other Federal Taxes	1,205,562	1,352,312	2,557,874	(54,259)	WPC-2e	2,503,615
31	State and Other Taxes	1,763,444	1,406,556	3,170,000	(61,507)		3,108,493
32	Total Taxes Other Than Income Taxes						
33							
34	State Income Taxes	(1,224,565)	1,009,565	(215,000)	82,064	D-1, E-1	(132,936)
35	State Income Tax - Current	1,344,305	(990,305)	354,000	16,523	D-1, E-1	370,523
36	Provision for Deferred Income Taxes - Net	119,740	19,260	139,000	98,587		237,587
37	Total State Income Tax Expense						
38							
39							
40	Federal Income Taxes	(2,201,030)	1,203,030	(998,000)	381,602	D-1, E-1	(616,398)
41	Federal Income Tax - Current	6,866,805	(5,184,805)	1,682,000	78,132	D-1, E-1	1,760,132
42	Provision for Deferred Income Taxes - Net	(42,309)	42,309	0	0	D-1, E-1	0
43	Amortization of Investment Tax Credit	4,623,466	(3,939,466)	684,000	459,734		1,143,734
44	Total Federal Income Tax Expense						
45							
46	Total Operating Expenses and Taxes	113,231,834	11,930,288	125,162,122	(907,248)	D-2.20	124,254,874
47	AFUDC Offset	0	0	0	362,148		362,148
48							
49							
50	Net Operating Income	11,382,300	(6,052,422)	5,329,878	1,007,181		6,337,059

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 OPERATING REVENUES AND EXPENSES BY ACCOUNTS - JURISDICTIONAL
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): WPC-2.1a

SCHEDULE C-2.1
 PAGE 8 OF 14
 WITNESS RESPONSIBLE:
 W. D. WATHEN

LINE NO.	ACCOUNT NO.	ACCOUNT TITLE	UNADJUSTED TOTAL COMPANY (1)	JURISDICTIONAL % (2)	UNADJUSTED JURISDICTION (3)	JURISDICTIONAL METHOD / DESCRIPTION (4)
1		REVENUE				
2						
3		Retail Revenue				
4	480400,480410	Residential	82,947,000	100.000	82,947,000	DALL
5	Various	Commercial	34,212,000	100.000	34,212,000	DALL
6	Various	Industrial	4,804,000	100.000	4,804,000	DALL
7	482400	Public Street & Hwy. Lighting	0	100.000	0	DALL
8	Various	Other Public Authority	5,491,000	100.000	5,491,000	DALL
9	484400	Interdepartmental	89,000	100.000	89,000	DALL
10		Total Retail Revenue	<u>127,543,000</u>		<u>127,543,000</u>	
11						
12	483500	Inter Co Natural Gas - CG&E Unacct For	0	100.000	0	DALL
13			<u>0</u>		<u>0</u>	
14						
15		Total Service Revenues	<u>127,543,000</u>		<u>127,543,000</u>	
16						
17						
18		Other Revenues				
19	487000	Late Payment Charges	0	100.000	0	DALL
20	488010	Miscellaneous Service Revenue	36,000	100.000	36,000	DALL
21	488020	Reconnection Charges	0	100.000	0	DALL
22	488030	Erlanger Gas Plant	0	100.000	0	DALL
23	488060	Bad Check Charge	0	100.000	0	DALL
24	489040	Transp. Gas of Others - Fuel Oil Repl.	994,000	100.000	994,000	DALL
25	489110	Firm Transp. Agreements - Comm.	295,000	100.000	295,000	DALL
26	489120	Firm Transp. Agreements - Industrial	1,376,000	100.000	1,376,000	DALL
27	489130	Firm Transp. Agreements - Other	248,000	100.000	248,000	DALL
28	493040	Rent Land & Buildings - Assoc.	0	100.000	0	DALL
29	495020,495030	Sales Use Tax Collection Fee	0	100.000	0	DALL
30		Total Other Revenues	<u>2,949,000</u>		<u>2,949,000</u>	
31						
32						
33		Total Revenue	<u>130,492,000</u>		<u>130,492,000</u>	

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 OPERATING REVENUES AND EXPENSES BY ACCOUNTS - JURISDICTIONAL
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): WPC-2.1a

SCHEDULE C-2 1
 PAGE 9 OF 14
 WITNESS RESPONSIBLE:
 W. D. WATHEN

LINE NO.	ACCOUNT NO.	ACCOUNT TITLE	UNADJUSTED TOTAL COMPANY (1)	JURISDICTIONAL % (2)	UNADJUSTED JURISDICTION (3)	JURISDICTIONAL METHOD / DESCRIPTION (4)
1		OPERATING EXPENSES				
2		Production Expense				
3		Manufactured Gas Expense				
4		Operation				
5	711000	Steam Expenses	0	100.000	0	DALL
6	712000	Other Power Expenses	0	100.000	0	DALL
7	717000	Liquefied Petroleum Expense	122,282	100.000	122,282	DALL
8	728000	Liquefied Petroleum Gas	0	100.000	0	DALL
9	735000	Miscellaneous Production Expense	3,974	100.000	3,974	DALL
10		Total Operation	<u>126,256</u>		<u>126,256</u>	
11						
12		Maintenance				
13	742000	Maintenance of Production Expense	0	100.000	0	DALL
14		Total Maintenance	<u>0</u>		<u>0</u>	
15		Total Production Expense	<u>126,256</u>		<u>126,256</u>	
16						
17		Other Gas Supply Expense				
18		Purchased Gas Expense				
19	801000	Natural Gas Field Line Purchases	91,771,000	100.000	91,771,000	DALL
20	807000	Gas Purchased Expense	359,575	100.000	359,575	DALL
21		Total Other Gas Supply Expense	<u>92,130,575</u>		<u>92,130,575</u>	

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 OPERATING REVENUES AND EXPENSES BY ACCOUNTS - JURISDICTIONAL
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: BASE PERIOD "X" FORECASTED PERIOD
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SCHEDULE C-2 1
 PAGE 10 OF 14
 WITNESS RESPONSIBLE:
 W. D. WATHEN

LINE NO.	ACCOUNT NO.	ACCOUNT TITLE	UNADJUSTED TOTAL COMPANY (1)	JURISDICTIONAL % (2)	UNADJUSTED JURISDICTION (3)	JURISDICTIONAL METHOD / DESCRIPTION (4)
1		Distribution Expenses				
2						
3		Operation				
4	870000	Supervision and Engineering	213,040	100.000	213,040	DALL
5	871000	Load Dispatching	78,025	100.000	78,025	DALL
6	874000	Mains and Services	1,313,352	100.000	1,313,352	DALL
7	875000	Measuring and Reg. Stations - General	52,523	100.000	52,523	DALL
8	876000	Measuring and Reg. Stations - Industrial	32,898	100.000	32,898	DALL
9	878000	Meters and House Regulators	366,859	100.000	366,859	DALL
10	879000	Customer Installations	776,503	100.000	776,503	DALL
11	880000	Other Expenses	1,110,312	100.000	1,110,312	DALL
12	881020	Rents Interco - Buildings	0	100.000	0	DALL
13	881030	Rents Interco - Stores	0	100.000	0	DALL
14	881040	Rents Interco - Microwave	0	100.000	0	DALL
15		Total Operation	<u>3,943,512</u>		<u>3,943,512</u>	
16						
17						
18		Maintenance				
19	885000	Supervision and Engineering	36,228	100.000	36,228	DALL
20	887000	Mains	1,118,215	100.000	1,118,215	DALL
21	889000	Measuring and Regulating Stations - General	37,548	100.000	37,548	DALL
22	890000	Measuring and Regulating Stations - Industrial	0	100.000	0	DALL
23	892000	Services	334,969	100.000	334,969	DALL
24	893000	Meters	0	100.000	0	DALL
25	894000	Other	(31,052)	100.000	(31,052)	DALL
26		Total Maintenance	<u>1,495,908</u>		<u>1,495,908</u>	
27		Total Distribution Expenses	<u>5,439,420</u>		<u>5,439,420</u>	

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 OPERATING REVENUES AND EXPENSES BY ACCOUNTS - JURISDICTIONAL
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: BASE PERIOD "X" FORECASTED PERIOD
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SCHEDULE C-2.1
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 WITNESS RESPONSIBLE:
 W. D. WATHEN

LINE NO.	ACCOUNT NO.	ACCOUNT TITLE	UNADJUSTED TOTAL COMPANY (1)	JURISDICTIONAL % (2)	UNADJUSTED JURISDICTION (3)	JURISDICTIONAL METHOD / DESCRIPTION (4)
1		Customer Accounts Expense				
2						
3		Operation				
4	901000	Supervision & Engineering	24,795	100.000	24,795	DALL
5	902000	Meter Reading Expense	577,946	100.000	577,946	DALL
6	903000	Customer Records & Collections	1,846,605	100.000	1,846,605	DALL
7	904002	Uncollectible Accounts	1,467,819	100.000	1,467,819	DALL
7	905000	Cust Reltns Billg & Coll-Gas	681	100.000	681	DALL
8		Total Customer Accounts Expense	<u>3,917,846</u>		<u>3,917,846</u>	
9						
10		Customer Services & Information Expense				
11						
12		Operation				
13	907000	Supervision	0	Alloc Sch F-3	0	DALL
14	908000	Customer Assistance	143,382	Alloc Sch F-3	143,382	DALL
15	909000	Information and Instructional Advertising	50,526	Alloc Sch F-3	50,526	DALL
15	910000	Misc Cust Serv and Info - Gas	201,833	Alloc Sch F-3	201,833	DALL
16		Total Customer Services & Information Expense	<u>395,741</u>		<u>395,741</u>	
17						
18						
19		Sales Expense				
20						
21		Operation				
22	911000	Supervision	118,574	Alloc Sch F-3	118,574	DALL
23	912000	Energy Marketing	0	Alloc Sch F-3	0	DALL
24	913000	Marketing / Customer Relations	11,154	Alloc Sch F-3	11,154	DALL
25	916000	Misc. Sales Expense	1,014,000	Alloc Sch F-3	1,014,000	DALL
26		Total Sales Expense	<u>1,143,728</u>		<u>1,143,728</u>	

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 OPERATING REVENUES AND EXPENSES BY ACCOUNTS - JURISDICTIONAL
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: BASE PERIOD "X" FORECASTED PERIOD
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SCHEDULE C-2 1
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 WITNESS RESPONSIBLE:
 W. D. WATHEN

LINE NO.	ACCOUNT NO.	ACCOUNT TITLE	UNADJUSTED TOTAL COMPANY (1)	JURISDICTIONAL % (2)	UNADJUSTED JURISDICTION (3)	JURISDICTIONAL METHOD / DESCRIPTION (4)
1		Administrative & General Expense				
2						
3		Operation				
4	920000	Administrative & General Salaries	2,342,511	100.000	2,342,511	DALL
5	921000	Office Supplies & Expenses	1,265,916	100.000	1,265,916	DALL
6	923000	Outside Services Employed	764,698	100.000	764,698	DALL
7	924000	Property Insurance	0	100.000	0	DALL
8	925000	Injuries & Damages	49,893	100.000	49,893	DALL
9	926110,926140	Employee Pension & Benefits	3,065,199	100.000	3,065,199	DALL
10	928000	State Reg Commission Expense	239,253	100.000	239,253	DALL
11	929000	Duplicate Charges-Credit	0	100.000	0	DALL
12	930202	Miscellaneous General Expenses	129,708	Alloc Sch F-3	129,708	DALL
13	931000	Rents	638,897	100.000	638,897	DALL
14		Total Operation	<u>8,496,075</u>		<u>8,496,075</u>	
15						
16		Maintenance				
17	935000	Maintenance of General Plant	133,481	100.000	133,481	DALL
18		Total Administrative & General	<u>8,629,556</u>		<u>8,629,556</u>	
19		Total Operating Expense	<u>111,783,122</u>		<u>111,783,122</u>	
20						
21		Depreciation Expense				
22						
23	Various	Total Depreciation Expense	<u>9,386,000</u>	100.000	<u>9,386,000</u>	DALL

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 OPERATING REVENUES AND EXPENSES BY ACCOUNTS - JURISDICTIONAL
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: BASE PERIOD "X" FORECASTED PERIOD
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SCHEDULE C-2.1
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 WITNESS RESPONSIBLE:
 W. D. WATHEN

LINE NO.	ACCOUNT NO.	ACCOUNT TITLE	UNADJUSTED TOTAL COMPANY (1)	JURISDICTIONAL % (2)	UNADJUSTED JURISDICTION (3)	JURISDICTIONAL METHOD / DESCRIPTION (4)
1		TAXES OTHER THAN INCOME TAXES				
2						
3		Other Federal Taxes				
4	408419	Insurance Contribution	596,440	100.000	596,440	DALL
5	408419	Unemployment Compensation	15,686	100.000	15,686	DALL
6		Total Other Federal	<u>612,126</u>		<u>612,126</u>	
7						
8		State and Other Taxes				
9	408419	Unemployment Compensation	7,874	100.000	7,874	DALL
10	408230	Corporation License Tax	0	100.000	0	DALL
11	408370	Franchise Tax	0	100.000	0	DALL
12	Various	Property Tax	2,550,000	100.000	2,550,000	DALL
13		Total State & Other	<u>2,557,874</u>		<u>2,557,874</u>	
14						
15		Total Taxes Other Than				
16		Income Taxes	<u>3,170,000</u>		<u>3,170,000</u>	

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 OPERATING REVENUES AND EXPENSES BY ACCOUNTS - JURISDICTIONAL
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: BASE PERIOD "X" FORECASTED PERIOD
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SCHEDULE C-2.1
 PAGE 14 OF 14
 WITNESS RESPONSIBLE:
 W. D. WATHEN

LINE NO.	ACCOUNT NO.	ACCOUNT TITLE	UNADJUSTED TOTAL COMPANY (1)	JURISDICTIONAL % (2)	UNADJUSTED JURISDICTION (3)	JURISDICTIONAL METHOD / DESCRIPTION (4)
1		State Income Taxes				
2	409240	Normal and Surtax	(215,000)	COMPUTED	(215,000)	
3	409250	State Income Tax - Pr. Yr. Adj.	0	100.000	0	DALL
4		State Income Tax - Current	<u>(215,000)</u>		<u>(215,000)</u>	
5						
6	410420, 411420	Deferred State Income Taxes - Net	354,000	100.000	354,000	DALL
7						
8		Total State Income Taxes	<u>139,000</u>		<u>139,000</u>	
9						
10						
11		Federal Income Tax Expense				
12	409200	Normal and Surtax	(998,000)	COMPUTED	(998,000)	
13	409210	Federal Income Tax - Pr. Yr. Adj.	0	100.000	0	DALL
14	409980	Allocated from the Service Company	0	100.000	0	DALL
15		Federal Income Tax - Current	<u>(998,000)</u>		<u>(998,000)</u>	
16						
17	410410, 411410	Deferred Federal Income Taxes - Net	1,682,000	100.000	1,682,000	DALL
18	411430	Amortization of Investment Tax Credit	0	100.000	0	DALL
19						
20		Total Federal Income Taxes	<u>684,000</u>		<u>684,000</u>	
21		Total Operating Expenses & Taxes	<u>125,162,122</u>		<u>125,162,122</u>	
22		Net Operating Income	<u>5,329,878</u>		<u>5,329,878</u>	

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 SUMMARY OF UTILITY JURISDICTIONAL ADJUSTMENTS TO
 OPERATING INCOME BY MAJOR ACCOUNTS
 FOR THE TWELVE MONTHS ENDED MAY 31, 2005
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: "X" BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): SEE BELOW

SCHEDULE D-1
 PAGE 1 OF 6
 WITNESS RESPONSIBLE:
 W. D. WATHEN

LINE NO.	ELEMENT of OPERATING INCOME SCHEDULE REFERENCE	TOTAL SCHEDULE D-1	TOTAL ADJ. TO BASE PERIOD SCH D-1, PG. 2	TOTAL PRO FORMA ADJ. TO FORECAST PERIOD SCH D-1, PG. 5
1	Operating Revenue			
2	Base	(1,502,838)	(1,504,838)	2,000
3	Gas Cost	13,543,686	13,464,686	79,000
4	Other Revenue	(6,425,197)	(6,081,982)	(343,215)
5	Total Revenue	<u>5,615,651</u>	<u>5,877,866</u>	<u>(262,215)</u>
6				
7	Operating Expenses			
8	Operation and Maint. Expenses			
9	Production Expenses			
10	Liquefied Petroleum Gas	53,382	53,382	0
11	Other	(57,928)	14,982	(72,910)
12	Total Production Expense	<u>(4,546)</u>	<u>68,364</u>	<u>(72,910)</u>
13				
14	Other Gas Supply Expenses	0	0	0
15	Purchased Gas	13,271,035	13,192,035	79,000
16	Other	18,398	18,398	0
17	Total Other Gas Supply Expenses	<u>13,289,433</u>	<u>13,210,433</u>	<u>79,000</u>
18	Transmission Expense	26,413	26,413	0
19	Distribution Expense	936,214	846,558	89,656
20	Customer Accounts Expense	243,776	241,688	2,088
21	Customer Serv & Info Expense	(28,911)	43,159	(72,070)
22	Sales Expense	(1,370,880)	(306,354)	(1,064,526)
23	Admin & General Expense	(167,737)	(348,072)	180,335
24	Other	(60,851)	(60,851)	0
25	Total Oper and Maint Expenses	<u>12,862,911</u>	<u>13,721,338</u>	<u>(858,427)</u>
26				
27	Depreciation Expense	<u>176,965</u>	<u>722,600</u>	<u>(545,635)</u>
28				
29	Taxes Other Than Income Taxes			
30	Other Federal Taxes	46,996	54,244	(7,248)
31	State and Other Taxes	1,298,053	1,352,312	(54,259)
32	Total Taxes Other Than Income Tax	<u>1,345,049</u>	<u>1,406,556</u>	<u>(61,507)</u>
33				
34	State Income Taxes			
35	Normal and Surtax	1,091,629	1,009,565	82,064
36	Deferred Inc Tax - Net	(973,782)	(990,305)	16,523
37	Total State Income Tax Expense	<u>117,847</u>	<u>19,260</u>	<u>98,587</u>
38				
39	Federal Income Taxes			
40	Normal and Surtax	1,584,632	1,203,030	381,602
41	Deferred Inc Tax - Net	(5,106,673)	(5,184,805)	78,132
42	Amortization of Investment Tax Credit	42,309	42,309	0
43	Total Federal Income Tax Expense	<u>(3,479,732)</u>	<u>(3,939,466)</u>	<u>459,734</u>
44				
45	Total Oper. Expenses and Tax	<u>11,023,040</u>	<u>11,930,288</u>	<u>(907,248)</u>
46				
47	AFUDC Offset	<u>362,148</u>	<u>0</u>	<u>362,148</u>
48				
49	Net Operating Income	<u>(5,045,241)</u>	<u>(6,052,422)</u>	<u>1,007,181</u>

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 SUMMARY OF UTILITY JURISDICTIONAL ADJUSTMENTS TO
 OPERATING INCOME BY MAJOR ACCOUNTS
 ADJUSTMENTS TO THE BASE PERIOD
 FOR THE TWELVE MONTHS ENDED MAY 31, 2005

DATA: "X" BASE PERIOD FORECASTED PERIOD
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SCHEDULE D-1
 PAGE 2 OF 6
 WITNESS RESPONSIBLE:
 W. D. WATHEN

LINE NO.	ELEMENT of OPERATING INCOME	TOTAL ADJ. TO BASE PERIOD	ADJUST REVENUE	ADJUST PURCHASED GAS COST	ADJUST OTHER PROD. EXP.	ADJUST OTHER GAS SUPPLY EXP.	ADJUST TRANSMISSION EXPENSE
	SCHEDULE REFERENCE	D-2.1 thru D-2.14	D-2.1	D-2.2	D-2.3	D-2.4	D-2.5
1	Operating Revenue						
2	Base	(1,504,838)	(1,504,838)				
3	Gas Cost	13,464,686	13,464,686				
4	Other Revenue	(6,081,982)	(6,081,982)				
5	Total Revenue	5,877,866	5,877,866	0	0	0	0
6							
7	Operating Expenses						
8	Operation and Maint. Expenses						
9	Production Expenses						
10	Liquefied Petroleum Gas	53,382		53,382			
11	Other	14,982			14,982		
12	Total Production Expense	68,364	0	53,382	14,982	0	0
13							
14	Other Gas Supply Expenses						
15	Purchased Gas	13,192,035		13,192,035			
16	Other	18,398				18,398	
17	Total Other Gas Supply Expenses	13,210,433	0	13,192,035	0	18,398	0
18	Transmission Expense	26,413					26,413
19	Distribution Expense	846,558					
20	Customer Accounts Expense	241,688					
21	Customer Serv & Info Expense	43,159					
22	Sales Expense	(306,354)					
23	Admin & General Expense	(348,072)					
24	Other	(60,851)					
25	Total Oper and Maint Expenses	13,721,338	0	13,245,417	14,982	18,398	26,413
26							
27	Depreciation Expense	722,600	0	0	0	0	0
28							
29	Taxes Other Than Income Taxes						
30	Other Federal Taxes	54,244					
31	State and Other Taxes	1,352,312					
32	Total Taxes Other Than Income Tax	1,406,556	0	0	0	0	0
33							
34	State Income Taxes						
35	Normal and Surtax	1,009,565	484,924	(1,092,747)	(1,236)	(1,518)	(2,179)
36	Deferred Inc Tax - Net	(990,305)					
37	Total State Income Tax Expense	19,260	484,924	(1,092,747)	(1,236)	(1,518)	(2,179)
38							
39	Federal Income Taxes						
40	Normal and Surtax	1,203,030	1,887,530	(4,253,435)	(4,811)	(5,908)	(8,482)
41	Deferred Inc Tax - Net	(5,184,805)					
42	Amortization of Investment Tax Credit	42,309					
43	Total Federal Income Tax Expense	(3,939,466)	1,887,530	(4,253,435)	(4,811)	(5,908)	(8,482)
44							
45	Total Oper. Expenses and Tax	11,930,288	2,372,454	7,899,235	8,935	10,972	15,752
46							
47	AFUDC Offset	0	0	0	0	0	0
48							
49	Net Operating Income	(6,052,422)	3,505,412	(7,899,235)	(8,935)	(10,972)	(15,752)

THE UNION LIGHT, HEAT AND POWER COMPANY
CASE NO. 2005-00042
SUMMARY OF UTILITY JURISDICTIONAL ADJUSTMENTS TO
OPERATING INCOME BY MAJOR ACCOUNTS
ADJUSTMENTS TO THE BASE PERIOD
FOR THE TWELVE MONTHS ENDED MAY 31, 2005

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SCHEDULE D-1
PAGE 3 OF 6
WITNESS RESPONSIBLE:
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LINE NO.	ELEMENT of OPERATING INCOME	ADJUST DISTRIBUTION EXPENSE	ADJUST CUSTOMER ACCOUNTS EXP.	ADJUST CUST. SERV. & INFO. EXP.	ADJUST SALES EXPENSE	ADJUST A&G EXPENSE	ADJUST OTHER OPER. EXPENSE
	SCHEDULE REFERENCE	D-2.6	D-2.7	D-2.8	D-2.9	D-2.10	D-2.11
1	Operating Revenue						
2	Base						
3	Gas Cost						
4	Other Revenue						
5	Total Revenue	0	0	0	0	0	0
6							
7	Operating Expenses						
8	Operation and Maint. Expenses						
9	Production Expenses						
10	Liquefied Petroleum Gas						
11	Other						
12	Total Production Expense	0	0	0	0	0	0
13							
14	Other Gas Supply Expenses						
15	Purchased Gas						
16	Other						
17	Total Other Gas Supply Expenses	0	0	0	0	0	0
18	Transmission Expense						
19	Distribution Expense	846,558					
20	Customer Accounts Expense		241,688				
21	Customer Serv & Info Expense			43,159			
22	Sales Expense				(306,354)		
23	Admin & General Expense					(348,072)	
24	Other						(60,851)
25	Total Oper and Maint Expenses	846,558	241,688	43,159	(306,354)	(348,072)	(60,851)
26							
27	Depreciation Expense						
28							
29	Taxes Other Than Income Taxes						
30	Other Federal Taxes						
31	State and Other Taxes						
32	Total Taxes Other Than Income Tax	0	0	0	0	0	0
33							
34	State Income Taxes						
35	Normal and Surtax	(69,841)	(19,939)	(3,561)	25,274	28,716	5,020
36	Deferred Inc Tax - Net						
37	Total State Income Tax Expense	(69,841)	(19,939)	(3,561)	25,274	28,716	5,020
38							
39	Federal Income Taxes						
40	Normal and Surtax	(271,851)	(77,612)	(13,859)	98,378	111,775	19,541
41	Deferred Inc Tax - Net						
42	Amortization of Investment Tax Credit						
43	Total Federal Income Tax Expense	(271,851)	(77,612)	(13,859)	98,378	111,775	19,541
44							
45	Total Oper. Expenses and Tax	504,866	144,137	25,739	(182,702)	(207,581)	(36,290)
46							
47	AFUDC Offset	0	0	0	0	0	0
48							
49	Net Operating Income	(504,866)	(144,137)	(25,739)	182,702	207,581	36,290

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 SUMMARY OF UTILITY JURISDICTIONAL ADJUSTMENTS TO
 OPERATING INCOME BY MAJOR ACCOUNTS
 ADJUSTMENTS TO THE BASE PERIOD
 FOR THE TWELVE MONTHS ENDED MAY 31, 2005

DATA: "X" BASE PERIOD FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S) : SEE BELOW

SCHEDULE D-1
 PAGE 4 OF 6
 WITNESS RESPONSIBLE:
 W. D. WATHEN

LINE NO.	ELEMENT of OPERATING INCOME SCHEDULE REFERENCE	ADJUST DEPRECIATION EXPENSE D-2.12	ADJUST OTHER TAX EXP. D-2.13	ADJUST INCOME TAXES D-2.14
1	Operating Revenue			
2	Base			
3	Gas Cost			
4	Other Revenue			
5	Total Revenue	0	0	0
6				
7	Operating Expenses			
8	Operation and Maint. Expenses			
9	Production Expenses			
10	Liquefied Petroleum Gas			
11	Other			
12	Total Production Expense	0	0	0
13				
14	Other Gas Supply Expenses			
15	Purchased Gas			
16	Other			
17	Total Other Gas Supply Expenses	0	0	0
18	Transmission Expense			
19	Distribution Expense			
20	Customer Accounts Expense			
21	Customer Serv & Info Expense			
22	Sales Expense			
23	Admin & General Expense			
24	Other			
25	Total Oper and Maint Expenses	0	0	0
26				
27	Depreciation Expense	722,600	0	0
28				
29	Taxes Other Than Income Taxes			
30	Other Federal Taxes		54,244	
31	State and Other Taxes		1,352,312	
32	Total Taxes Other Than Income Tax	0	1,406,556	0
33				
34	State Income Taxes			
35	Normal and Surtax	(59,615)	(116,041)	1,832,308
36	Deferred Inc Tax - Net			(990,305)
37	Total State Income Tax Expense	(59,615)	(116,041)	842,003
38				
39	Federal Income Taxes			
40	Normal and Surtax	(232,045)	(451,680)	4,405,489
41	Deferred Inc Tax - Net			(5,184,805)
42	Amortization of Investment Tax Credit			42,309
43	Total Federal Income Tax Expense	(232,045)	(451,680)	(737,007)
44				
45	Total Oper. Expenses and Tax	430,940	838,835	104,996
46				
47	AFUDC Offset	0	0	0
48				
49	Net Operating Income	(430,940)	(838,835)	(104,996)

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 SUMMARY OF UTILITY JURISDICTIONAL ADJUSTMENTS TO
 OPERATING INCOME BY MAJOR ACCOUNTS
 PRO FORMA ADJUSTMENTS TO THE FORECAST PERIOD
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S) : SEE BELOW

SCHEDULE D-1
 PAGE 5 OF 6
 WITNESS RESPONSIBLE:
 W. D. WATHEN

LINE NO.	ELEMENT of OPERATING INCOME SCHEDULE REFERENCE	TOTAL PRO FORMA ADJUSTMENTS D-2.15 thru D-2.24	INJURIES AND DAMAGES D-2.15	RATE CASE EXPENSE D-2.16	AFFILIATED COMPANY RENTS D-2.17	INTEREST EXPENSE D-2.18	ELIM NON- KY CUST PORTION D-2.19
1	Operating Revenue						
2	Base	2,000					
3	Gas Cost	79,000					
4	Other Revenue	(343,215)			1,097,076		(439,140)
5	Total Revenue	(262,215)	0	0	1,097,076	0	(439,140)
6							
7	Operating Expenses						
8	Operation and Maint. Expenses						
9	Production Expenses						
10	Liquefied Petroleum Gas	0					
11	Other	(72,910)					(72,910)
12	Total Production Expense	(72,910)	0	0	0	0	(72,910)
13							
14	Other Gas Supply Expenses						
15	Purchased Gas	79,000					
16	Other	0					
17	Total Other Gas Supply Expenses	79,000	0	0	0	0	0
18	Transmission Expense	0					
19	Distribution Expense	89,656			387,624		(297,515)
20	Customer Accounts Expense	2,088			12,945		
21	Customer Serv & Info Expense	(72,070)					
22	Sales Expense	(1,064,526)					
23	Admin. & General Expense	180,335	143,957	65,000			
24	Other	0					
25	Total Oper and Maint Expenses	(858,427)	143,957	65,000	400,569	0	(370,425)
26							
27	Depreciation Expense	(545,635)	0	0	0	0	0
28							
29	Taxes Other Than Income Taxes						
30	Other Federal Taxes	(7,248)					(7,248)
31	State and Other Taxes	(54,259)			1,898		(54,565)
32	Total Taxes Other Than Income Tax	(61,507)	0	0	1,898	0	(61,813)
33							
34	State Income Taxes						
35	Normal and Surtax	82,064	(10,077)	(4,550)	48,623	14,547	20,994
36	Deferred Inc Tax - Net	16,523					(21,477)
37	Total State Income Tax Expense	98,587	(10,077)	(4,550)	48,623	14,547	(483)
38							
39	Federal Income Taxes						
40	Normal and Surtax	381,602	(46,858)	(21,158)	226,096	67,645	97,622
41	Deferred Inc Tax - Net	78,132					(99,868)
42	Amortization of Investment Tax Credit	0					
43	Total Federal Income Tax Expense	459,734	(46,858)	(21,158)	226,096	67,645	(2,246)
44							
45	Total Oper. Expenses and Tax	(907,248)	87,022	39,292	677,186	82,192	(434,967)
46							
47	AFUDC Offset	362,148	0	0	0	0	0
48							
49	Net Operating Income	1,007,181	(87,022)	(39,292)	419,890	(82,192)	(4,173)

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 SUMMARY OF UTILITY JURISDICTIONAL ADJUSTMENTS TO
 OPERATING INCOME BY MAJOR ACCOUNTS
 PRO FORMA ADJUSTMENTS TO THE FORECAST PERIOD
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): SEE BELOW

SCHEDULE D-1
 PAGE 6 OF 6
 WITNESS RESPONSIBLE:
 W. D. WATHEN

LINE NO.	ELEMENT of OPERATING INCOME	AFUDC OFFSET	DSM ELIMINATION	ELIMINATE MISCELLANEOUS EXPENSES	ANNUALIZE DEPRECIATION	ELIMINATE UNBILLED REVENUE	ANNUALIZE OTHER REVENUE
	SCHEDULE REFERENCE	D-2.20	D-2.21	D-2.22	D-2.23	D-2.24	D-2.25
1	Operating Revenue						
2	Base					2,000	
3	Gas Cost					79,000	
4	Other Revenue		(1,014,000)				12,849
5	Total Revenue	0	(1,014,000)	0	0	81,000	12,849
6							
7	Operating Expenses						
8	Operation and Maint. Expenses						
9	Production Expenses						
10	Liquefied Petroleum Gas						
11	Other						
12	Total Production Expense	0	0	0	0	0	0
13							
14	Other Gas Supply Expenses						
15	Purchased Gas					79,000	
16	Other						
17	Total Other Gas Supply Expenses	0	0	0	0	79,000	0
18	Transmission Expense						
19	Distribution Expense			(453)			
20	Customer Accounts Expense		(11,965)			956	152
21	Customer Serv & Info Expense			(72,070)			
22	Sales Expense		(1,014,000)	(50,526)			
23	Admin & General Expense			(28,622)			
24	Other						
25	Total Oper and Maint Expenses	0	(1,025,965)	(151,671)	0	79,956	152
26							
27	Depreciation Expense				(545,635)		
28							
29	Taxes Other Than Income Taxes						
30	Other Federal Taxes						
31	State and Other Taxes		(1,754)			140	22
32	Total Taxes Other Than Income Tax	0	(1,754)	0	0	140	22
33							
34	State Income Taxes						
35	Normal and Surtax	0	960	10,617	0	63	887
36	Deferred Inc Tax - Net				38,000		
37	Total State Income Tax Expense	0	960	10,617	38,000	63	887
38							
39	Federal Income Taxes						
40	Normal and Surtax	0	4,466	49,369	0	294	4,126
41	Deferred Inc Tax - Net				178,000		
42	Amortization of Investment Tax Credit						
43	Total Federal Income Tax Expense	0	4,466	49,369	178,000	294	4,126
44							
45	Total Oper. Expenses and Tax	0	(1,022,293)	(91,685)	(329,635)	80,453	5,187
46							
47	AFUDC Offset	362,148	0	0	0	0	0
48							
49	Net Operating Income	362,148	8,293	91,685	329,635	547	7,662

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 ADJUST INCOME TAX EXPENSE TO FORECAST PERIOD
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: "X" BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): WPD-2.14a

SCHEDULE D-2.14
 PAGE 1 OF 1
 WITNESS RESPONSIBLE:
 W. D. WATHEN

PURPOSE AND DESCRIPTION	AMOUNT
PURPOSE AND DESCRIPTION: To adjust base period income tax expense to the level of the forecast period.	
State Income Taxes	
Current	\$ 1,832,308
Deferrals - Schedule E1	(990,305)
Federal Income Taxes - Current	
Current	\$ 4,405,489
Deferrals - Schedule E1	(5,184,805)
Amort of ITC - Schedule E1	<u>42,309</u>
Total Income Taxes	\$ 104,996
Jurisdictional allocation percentage (A)	<u>100.000%</u>
Jurisdictional amount	To Sch D-1 Summary <--- <u>\$ 104,996</u>

(A) Allocation Code - DALL

THE UNION LIGHT, HEAT AND POWER COMPANY
 GAS DEPARTMENT
 CASE NO. 2005-00042
 ADJUST INCOME TAX EXPENSE

WPD-2.14a
 WITNESS RESPONSIBLE:
 W. D. WATHEN

Line No.	Description	Adjustments to		Amount
		Base Period	Forecast Period	
1	<u>Schedule D-1</u>			
2	State	\$ (822,743)	\$ 82,064	\$ (740,679)
3	Federal	(3,202,459)	381,602	(2,820,857)
4				
5	<u>Schedule E-1</u>			
6	State	1,009,565	82,064	1,091,629
7	Federal	1,203,030	381,602	1,584,632
8				
9	<u>Difference</u>			
10	State	1,832,308	0	1,832,308
11	Federal	4,405,489	0	4,405,489

↑
 To Schedule D-1

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 INTEREST EXPENSE DEDUCTIBLE
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): WPD-2.18a, WPD-2.18b

SCHEDULE D-2.18
 PAGE 1 OF 2
 WITNESS RESPONSIBLE:
 W. D. WATHEN

PURPOSE AND DESCRIPTION	AMOUNT
PURPOSE AND DESCRIPTION: To reflect federal income taxes at 35% due to interest deductible for tax purposes being based on allocated interest costs based on Proforma interest charges as contained on Schedule J-1.	
Total	\$ 67,645
Jurisdictional allocation percentage (A)	<u>100.000%</u>
Jurisdictional amount	To Sch D-1 Summary <--- \$ <u>67,645</u>
(A) Allocation Code - DALL	

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 INTEREST EXPENSE DEDUCTIBLE
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: "X" BASE PERIOD FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): WPD-2.18a, WPD-2.18b

SCHEDULE D-2.18
 PAGE 2 OF 2
 WITNESS RESPONSIBLE:
 W. D. WATHEN

PURPOSE AND DESCRIPTION	AMOUNT
PURPOSE AND DESCRIPTION: To reflect state income taxes at 7.% due to interest deductible for tax purposes being based on allocated interest costs based on Proforma interest charges as contained on Schedule J-1.	
Total	\$ 14,547
Jurisdictional allocation percentage (A)	<u>100.000%</u>
Jurisdictional amount	To Sch D-1 Summary <--- \$ <u>14,547</u>
(A) Allocation Code - DALL	

WPD-2.18a
 WITNESS RESPONSIBLE:
 W. D. WATHEN

THE UNION LIGHT, HEAT AND POWER COMPANY
 GAS DEPARTMENT
 CASE NO. 2005-00042
 DATA: BASE PERIOD "X" FORECASTED PERIOD
 FEDERAL & STATE INCOME TAX ON INTEREST DEDUCTION

Line No	Description	Schedule Reference	Long-Term Debt	Short-Term Debt
1	Capital Structure	J-1, page 2	38.164%	7.382%
2				
3	Debt Portion of \$165,798,581 Gas Capitalization	WPA-1c	63,275,370	12,239,251
4				
5	Less: Debt Portion of \$4,120,000 CWIP Subject to AFUDC	B-4	<u>1,572,357</u>	<u>304,138</u>
6				
7	Debt Component less Applicable Portion of Gas CWIP Subject to AFUDC	J-1, page 2	61,703,013	11,935,113
8				
9	Annual Cost Rate		<u>6.3020%</u>	<u>3.8750%</u>
10				
11	Annualized Gas Interest Expense for each Debt Component		<u>3,888,524</u>	<u>462,486</u>
12				
13	Total Annualized Gas Interest Expense			4,351,010
14				
15	Test Period Gas Interest Deduction	WPD-2.18b		<u>4,558,827</u>
16				
17	Decrease in Gas Interest Expense			<u>(207,817)</u>
18				
19	State Income Tax Effect @ 7.00% (A)	To Sch D-2.18, Pg. 2 <---		14,547
20				
21	Federal Income Tax Effect @ 35.00% (A)	To Sch D-2.18, Pg. 1 <---		67,645
22				
23				

(A) Source: Schedule H

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 ELIMINATE DEFERRED TAXES RELATED TO FACILITIES DEVOTED
 TO OTHER THAN ULH&P CUSTOMERS
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): WPD-2.19a through WPD-2.19g

SCHEDULE D-2.19
 PAGE 6 OF 6
 WITNESS RESPONSIBLE:
 W. D. WATHEN

PURPOSE AND DESCRIPTION	AMOUNT
PURPOSE AND DESCRIPTION: To reflect the elimination of state and federal deferred taxes which are related to facilities devoted to other than ULH&P customers.	
State	
Deferrals:	
Lib. Depreciation	21,477
To Sch D-1 Summary <----	<u>21,477</u>
Federal	
Deferrals:	
Lib. Depreciation	99,868
To Sch D-1 Summary <----	<u>99,868</u>
Total Deferred Taxes	121,345
Jurisdictional allocation percentage (A)	<u>100.000%</u>
Jurisdictional amount	<u><u>121,345</u></u>

(A) Allocation Code - DALL

THE UNION LIGHT, HEAT AND POWER COMPANY
GAS DEPARTMENT
CASE NO. 2005-00042
ELIMINATION OF REVENUES AND EXPENSES RELATED TO FACILITIES
DEVOTED TO OTHER THAN ULH&P CUSTOMERS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

WPD-2.19a
PAGE 1 OF 2
WITNESS RESPONSIBLE:
W. D. WATHEN

LINE NO.	Description	Amount	
		\$	
1	<u>Other Operating Revenues</u>		
2			
3	Inter Company Unaccounted for Gas (Acct. 483500)	0	
4	Misc. Service Revenues (Acct. 488030) (Erlanger Gas Plant)	<u>(439,140)</u>	
5	Total Other Operating Revenues	<u>(439,140)</u>	--> To Sch D-2.19 Pg 1
6			
7	<u>Expenses</u>		
8			
9	Operation and Maintenance		
10	O&M related to Interstate Service (WPD-2.19b)	(297,515)	
11	O&M related to Erlanger Gas Plant (WPD-2.19c)	<u>(72,910)</u>	
12	Total Operation and Maintenance Expenses	<u>(370,425)</u>	--> To Sch D-2.19 Pg 2
13			
14	Other State and Local Taxes		
15	Social Security (WPD-2.19b)	(7,248)	--> To Sch D-2.19 Pg 3
16			
17	Property Tax Expense		
18	2,550,000 @ 2.16%	(53,805)	--> To Sch D-2.19 Pg 4
19			
20	KYPSC Maint. Adj. - On Revenue Acct. 488030		
21	(\$439,140) Adjustment @ 0.173% (B)	(760)	--> To Sch D-2.19 Pg 5
22			
23	Total Adjustment to Operating Expense	<u>(432,238)</u>	
24			
25			
26	Income before State and Federal Income taxes	<u>(6,902)</u>	
27			
28	Adjustments To State And Federal Income Taxes:		
29			
30	Elimination of Reconciling Items & Sch "M"'s related to Facilities		
31	Devoted to Other Than ULH&P Customers:		
32			
33			
34			
35			
36		Sch E-1	Alloc to Fac. Devoted - Other Than ULH&P Custs. To Be Eliminated
37		(1)	(2) (3)
38			
39	Tax Depreciation	(14,541,000)	2.11% (306,815) ---> To Sch E-1
40	Loss on ACRS	0	2.11% 0 ---> To Sch E-1
41			
42	Total Schedule "M" Adjustments to be Eliminated		<u>(306,815)</u>
43			
44	State Taxable Income (Ln 23 - Ln 39)		<u>299,913</u>
45			
46	State Income Tax Expense @ 7.00% (A)		<u>20,994</u> ---> To Sch D-1
47			
48	Federal Taxable Income (Ln 42 - Ln 43)		<u>278,919</u>
49			
50	Federal Income Tax Expense @ 35.000% (A)		<u>97,622</u> ---> To Sch D-1

(A) Source: Schedule H

THE UNION LIGHT, HEAT AND POWER COMPANY
 GAS DEPARTMENT
 CASE NO. 2005-00042
 ELIMINATION OF REVENUES AND EXPENSES RELATED TO FACILITIES
 DEVOTED TO OTHER THAN ULH&P CUSTOMERS
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

WPD-2.19a
 PAGE 2 OF 2
 WITNESS RESPONSIBLE:
 W. D. WATHEN

LINE NO.	Description	Sch E-1 (1)	Allc to Fac. Devoted to Other Than ULH&P Custs. (WPD-2.19g) (2)	To Be Eliminated (1*2)	
1					
2	Elimination of State Tax Deferrals related to Facilities				
3	Devoted to Other Than ULH&P Customers:				
4					
5	Lib. Depreciation (Deferral)	(1,017,870)	2.11%	<u>(21,477)</u>	-- To Sch- D-2.19 Pg 5
6					
7					
8					
9					
10	Elimination of Federal Tax Deferrals related to Facilities				
11	Devoted to Other Than ULH&P Customers:				
12					
13	Lib. Depreciation (Deferral)	(4,733,096)	2.11%	<u>(99,868)</u>	-- To Sch- D-2.19 Pg 5
14					

**** NOTE: The Depreciation Expense related to Facilities Devoted to Other Than ULH&P Customers is calculated on the Schedule which annualizes that expense. (Sch D-2.23)

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 ANNUALIZE DEPRECIATION EXPENSE
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): WPD-2.23b

SCHEDULE D-2.23
 PAGE 2 OF 3
 WITNESS RESPONSIBLE:
 W. D. WATHEN

PURPOSE AND DESCRIPTION	AMOUNT
PURPOSE AND DESCRIPTION: To reflect the adjustment to state deferred taxes as a result of the annualization adjustment for depreciation from Schedule B-3.2 based on plant at September 30, 2006.	
State Deferred Tax	\$ 38,000
Jurisdictional allocation percentage (A)	<u>100.000%</u>
Jurisdictional amount	To Sch D-1 Summary <--- <u>\$ 38,000</u>
(A) Allocation Code -	DALL

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 ANNUALIZE DEPRECIATION EXPENSE
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): WPD-2.23b

SCHEDULE D-2.23
 PAGE 3 OF 3
 WITNESS RESPONSIBLE:
 W. D. WATHEN

PURPOSE AND DESCRIPTION	AMOUNT
PURPOSE AND DESCRIPTION: To reflect the adjustment to federal deferred taxes as a result of the annualization adjustment for depreciation from Schedule B-3.2 based on plant at September 30, 2006.	
Federal Deferred Tax	\$ 178,000
Jurisdictional allocation percentage (A)	<u>100.000%</u>
Jurisdictional amount	To Sch D-1 Summary <--- <u>\$ 178,000</u>
(A) Allocation Code -	DALL

THE UNION LIGHT, HEAT AND POWER COMPANY
GAS DEPARTMENT
CASE NO. 2005-00042
ADJUSTMENT TO DEFERRED TAXES DUE TO
ANNUALIZATION OF DEPRECIATION EXPENSE

WPD-2.23b
WITNESS RESPONSIBLE:
W. D. WATHEN

<u>LINE NO.</u>	<u>DESCRIPTION</u>	<u>SCHEDULE/ WORK PAPER REFERENCE</u>	<u>Amount</u> (\$)	
1	Annualized Depreciation Adjustment	WPD-2.23a	(545,635)	
2	State Deferred Tax Adjustment (Line 1 * 8.25%)		38,000	--> To Sch D-2.23
3	Federal Deferred Tax Adjustment ((Line 1 + Line 4) * 35%)		178,000	--> To Sch D-2.23

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 ADJUSTED JURISDICTIONAL FEDERAL AND STATE INCOME TAXES
 FOR THE TWELVE MONTHS ENDED MAY 31, 2005
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

SCHEDULE E-1
 PAGE 1 OF 3
 WITNESS RESPONSIBLE:
 A. J. TOROK

DATA: "X" BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): WPE-1a, WPE-1b

LINE NO.	DESCRIPTION	AT CURRENT RATES			AT PROPOSED RATES			
		BASE PERIOD (1)	ADJUSTMENTS (2)	FORECAST PERIOD (3)	PRO FORMA ADJ. TO FORECAST (4)	PRO FORMA FORECAST PERIOD (5)	ADJUSTMENTS (6)	ADJUSTED (7)
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
1	Operating Income before Federal and State Income Taxes	16,125,506	(9,972,628)	6,152,878	1,203,354	7,356,232	13,858,689	21,214,921
2	Adjustment for Non-Jurisdictional Account	(45,193)	33,381	(11,812)		(11,812)	0	(11,812)
3	Net Income Before Federal and State Income Tax	16,080,313	(9,939,247)	6,141,066	1,203,354	7,344,420	13,858,689	21,203,109
4	Reconciling Items:							
5	Interest Charges	(2,933,182)	(1,137,818)	(4,071,000)	207,817	(3,863,183)	0	(3,863,183)
6	Net Interest Charges	(2,933,182)	(1,137,818)	(4,071,000)	207,817	(3,863,183)	0	(3,863,183)
7	Tax Depreciation	(16,757,606)	2,216,606	(14,541,000)	306,815	(14,234,185)	0	(14,234,185)
8	Book Depreciation	8,663,399	722,601	9,386,000	(545,635)	8,840,365	0	8,840,365
9	Excess of Tax over Book Depreciation	(8,094,207)	2,939,207	(5,155,000)	(238,820)	(5,393,820)	0	(5,393,820)
10	Other Reconciling Items:							
11	Amortization of Loss on Reacquired Debt	97,720	(1,720)	96,000	0	96,000	0	96,000
12	Loss on ACRS	(15,075)	15,075	0	0	0	0	0
13	Deferred Fuel Cost - PGA	(16,324,276)	16,246,276	(78,000)	0	(78,000)	0	(78,000)
14	Other	4,699,724	(4,699,724)	0	0	0	0	0
15	Total Other Reconciling Items	(11,541,907)	11,559,907	18,000	0	18,000	0	18,000
16	Total Reconciling Items	(22,569,296)	13,361,296	(9,208,000)	(31,003)	(9,239,003)	0	(9,239,003)

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 ADJUSTED JURISDICTIONAL FEDERAL AND STATE INCOME TAXES
 FOR THE TWELVE MONTHS ENDED MAY 31, 2005
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

SCHEDULE E-1
 PAGE 2 OF 3
 WITNESS RESPONSIBLE:
 A. J. TOROK

DATA: "X" BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): WPE-1a, WPE-1b

LINE NO.	DESCRIPTION	AT CURRENT RATES			PRO FORMA			AT PROPOSED RATES		
		BASE PERIOD (1)	ADJUSTMENTS (2)	FORECAST PERIOD (3)	ADJ. TO FORECAST (4)	FORECAST PERIOD (5)	ADJUSTMENTS (6)	ADJUSTED (7)		
		(\$)	(\$)	(\$)			(\$)	(\$)		
1	Operating Income before Federal and State Income Tax from Page 1	16,080,313	(9,939,247)	6,141,066	1,203,354	7,344,420	13,858,689	21,203,109		
3	Total Reconciling Items from Page 1	(22,569,296)	13,361,296	(9,208,000)	(31,003)	(9,239,003)	0	(9,239,003)		
5	Federal Taxable Income before State Income Tax to Page 3	(6,488,983)	3,422,049	(3,066,934)	1,172,351	(1,894,583)	13,858,689	11,964,106		
8	Kentucky Income Tax Adjustments:									
9	Kentucky Tax Inc. Adjustment - Misc	4,818,733	(4,818,733)	0	0	0	0	0		
10	Total Kentucky Income Tax Adjustments	4,818,733	(4,818,733)	0	0	0	0	0		
12	Kentucky Taxable Income - Gas	(1,670,250)	(1,396,684)	(3,066,934)	1,172,351	(1,894,583)	13,858,689	11,964,106		
14	Kentucky Taxable Income - Other	0	0	0	0	0	0	0		
15	Total Kentucky Taxable Income	(1,670,250)	(1,396,684)	(3,066,934)	1,172,351	(1,894,583)	13,858,689	11,964,106		
17	Kentucky Income Tax @ 7.5% (A)	(137,780)	(77,220)	(215,000)	82,064	(132,936)	970,108	837,172		
18	Surtax Credit	884	(884)	0	0	0	0	0		
19	Ohio Income Tax	(288)	288	0	0	0	0	0		
20	State Income Tax - Deductible to Page 3	(137,184)	(77,816)	(215,000)	82,064	(132,936)	970,108	837,172		
21	Prior Year Adjustments	(1,087,381)	1,087,381	0	0	0	0	0		
22	State Income Tax - Current to Page 3	(1,224,565)	1,009,565	(215,000)	82,064	(132,936)	970,108	837,172		

(A) Calculation may be different due to rounding.

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 ADJUSTED JURISDICTIONAL FEDERAL AND STATE INCOME TAXES
 FOR THE TWELVE MONTHS ENDED MAY 31, 2005
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

SCHEDULE E-1
 PAGE 3 OF 3
 WITNESS RESPONSIBLE:
 A. J. TOROK

DATA: "X" BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): WPE-1a, WPE-1b

LINE NO.	DESCRIPTION	AT CURRENT RATES			AT PROPOSED RATES			
		BASE PERIOD (1)	ADJUSTMENTS (2)	FORECAST PERIOD (3)	PRO FORMA ADJ. TO FORECAST (4)	PRO FORMA FORECAST PERIOD (5)	ADJUSTMENTS (6)	ADJUSTED (7)
		(\$)	(\$)	(\$)		(\$)	(\$)	
1	State Income Tax - Current from Page 2	(1,224,565)	1,009,565	(215,000)	82,064	(132,936)	970,108	837,172
2	Deferred State Income Taxes - Net	1,344,305	(990,305)	354,000	16,523	370,523	0	370,523
4	Total State Income Tax Expense	119,740	19,260	139,000	98,587	237,587	970,108	1,207,695
8	Federal Taxable Income	(6,488,983)	3,422,049	(3,066,934)	1,172,351	(1,894,583)	13,858,689	11,964,106
9	before State Income Tax from Page 2	(137,184)	(77,816)	(215,000)	82,064	(132,936)	970,108	837,172
11	State Income Tax Deductible from Page 2	(6,351,799)	3,499,865	(2,851,934)	1,090,287	(1,761,647)	12,888,581	11,126,934
12	Federal Taxable Income	(2,222,998)	1,224,998	(998,000)	381,602	(616,398)	4,511,003	3,894,605
13	Federal Income Tax @ 35% (A)	19,648	(19,648)	0	0	0	0	0
14	Interperiod Income Tax Allocation	2,320	(2,320)	0	0	0	0	0
15	Fuel Tax Credit	2,353,593						
16	Prior Year Adjustments	(2,201,030)	1,203,030	(998,000)	381,602	(616,398)	4,511,003	3,894,605
17	Federal Income Tax - Current	6,866,805	(5,184,805)	1,682,000	78,132	1,760,132	0	1,760,132
18	Deferred Federal Income Taxes - Net	(42,309)	42,309	0	0	0	0	0
19	Amortization of Investment Tax Credit	4,623,466	(3,939,466)	684,000	459,734	1,143,734	4,511,003	5,654,737
20	Total Federal Income Tax Expense							

(A) Calculation may be different due to rounding.

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 GAS DEPARTMENT
 DETAIL OF INCOME TAX RECONCILING ITEMS

WPE-1a
 WITNESS RESPONSIBLE:
 A. J. TOROK

LINE No.	DESCRIPTION	BASE PERIOD	FORECAST PERIOD
		Twelve Months Ended May 31, 2005	Twelve Months Ended September 30, 2006
1	Oper Income Before Federal & State Income Taxes	16,125,506	6,152,878
2	Operating Income Adjustment	(45,193)	(11,812)
3	Operating Income Before Federal & State Income Tax	16,080,313	6,141,066
4			
5	1107 Interest Charges Allocated	(2,933,182)	(4,071,000)
6			
7	1102 Accounting Depreciation	8,663,399	9,386,000
8	1108 Amortization of Loss on Reacquired Debt	97,720	96,000
9	1115 Loss on ACRS	(15,075)	0
10	1123 Tax Depreciation	(16,757,606)	(14,541,000)
11	1138 Deferred Fuel Cost - PGA	(16,324,276)	(78,000)
12	OTH Other	4,699,724	0
13			
14			
15	F.T.I. Before S.I.T. & Federal Tax Loss Carryforward	(6,488,983)	(3,066,934)
16			
17	Ky Tax Inc Adj - Misc:		
18	Kentucky Tax Inc. Adjustment -Misc	4,818,733	0
19			
20	Kentucky Taxable Income	(1,670,250)	(3,066,934)
21			
22	Kentucky Income Tax Expense Base Period at 8.250%	(137,780)	(215,000)
23	Surtax Credit	884	
24	Ohio Income Tax Payable	(288)	
25			
26	State Income Tax Deductible	(137,184)	(215,000)
27	Prior Year Adjustments	(1,087,381)	
28		(1,224,565)	(215,000)
29			
30	F.T.I. Bef S.I.T. & Fdrl Tax Loss Carryforward	(6,488,983)	(3,066,934)
31	Kentucky Income Tax	(136,896)	(215,000)
32	Ohio Income Tax	(288)	
33			
34	Federal Taxable Income - Ordinary	(6,351,799)	(2,851,934)
35			
36	Federal Income Tax Before Credits @ 35%	(2,222,998)	(998,000)
37	Fuel Tax Credit	2,320	0
38	Interperiod Income Tax Allocation	19,648	0
39	Prior Year Adjustments	2,353,593	0
40			
41	Federal Income Tax Payable	152,563	(998,000)

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 COMPUTATION OF GROSS REVENUE CONVERSION FACTOR
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

DATA: "X" BASE PERIOD "X" FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): WPH-a; WPH-b

SCHEDULE H
 PAGE 1 OF 1
 WITNESS RESPONSIBLE:
 W. D. WATHEN

LINE NO.	DESCRIPTION		PERCENT OF INCREMENTAL GROSS REVENUE
1	Operating Revenues		100.0000%
2			
3			
4	Less: Uncollectible Accounts Expenses	1.1800%	
5	KPSC Maintenance Tax	0.1730%	
6	Subtotal		<u>1.3530%</u>
7			
8	Income before Income Tax (Line 1 - Line 7)		98.6470%
9			
10	Income Taxes - State of Kentucky		
11	(7% * 98.647%)		<u>6.9053%</u>
12			
13	Income before Federal Income Tax (Line 9 - Line 12)		91.7417%
14			
15	Federal Income Tax (35% x 91.7417%)		<u>32.1096%</u>
16			
17	Operating Income Percentage (Line 14 - Line 16)		<u>59.6321%</u>
18			
19	Gross Revenue Conversion Factor (100% / 59.6321%)		<u>1.6769492</u>

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 COST OF CAPITAL SUMMARY
 THIRTEEN MONTH AVERAGE BALANCE

DATA: BASE PERIOD "X" FORECASTED PERIOD
 DATE OF CAPITAL STRUCTURE: END OF FORECAST PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): See Below

SCHEDULE J-1
 PAGE 2 OF 2
 WITNESS RESPONSIBLE:
 W. L. AUMILLER

LINE NO.	CLASS OF CAPITAL	REFERENCE	13 MONTH AVG BALANCE (\$)	% OF TOTAL	% COST	WEIGHTED COST %
1	Common Equity		353,072,000	54.454%	11.200%	6.099%
2	Long-Term Debt	J-3	247,448,802	38.164%	6.302%	2.405%
3	Short-Term Debt	J-2	<u>47,866,829</u>	<u>7.382%</u>	3.875%	<u>0.286%</u>
4						
5	Total Capital		<u>648,387,631</u>	<u>100.000%</u>		<u>8.790%</u>
6						
7						
8	Accumulated Deferred Investment Tax Credit					
9	Account 255		<u>7,722,452</u>			
10						
11						
12	<u>Investment Tax Credit Included in Total Capital</u>					
13						
14	Common Equity		357,277,184	54.454%	11.200%	6.099%
15	Long-Term Debt		250,395,999	38.164%	6.302%	2.405%
16	Short-Term Debt		<u>48,436,900</u>	<u>7.382%</u>	3.875%	<u>0.286%</u>
17						
18	Total Capital Including Investment Tax Credit		<u>656,110,083</u>	<u>100.000%</u>		<u>8.790%</u>

THE UNION LIGHT, HEAT AND POWER COMPANY
 CASE NO. 2005-00042
 AVERAGE FORECASTED-PERIOD CAPITAL STRUCTURE
 CURRENT RATES

DATA: BASE PERIOD "X" FORECASTED PERIOD
 DATE OF CAPITAL STRUCTURE: SEPTEMBER 30, 2006
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S): See Below

SCHEDULE J-1.1
 PAGE 1 OF 1
 WITNESS RESPONSIBLE:
 W. L. AUMILLER

LINE NO.	CLASS OF CAPITAL	REFERENCE	AMOUNT (\$)	% OF TOTAL	% COST	WEIGHTED COST %
1	Common Equity		353,072,000	54.454%	11.200%	6.099%
2	Long-Term Debt	J-3	247,448,802	38.164%	6.302%	2.405%
3	Short-Term Debt	J-2	<u>47,866,829</u>	<u>7.382%</u>	3.875%	<u>0.286%</u>
4						
5	Total Capital		<u>648,387,631</u>	<u>100.000%</u>		<u>8.790%</u>
6						
7						
8	Accumulated Deferred Investment Tax Credit					
9	Account 255		<u>7,722,452</u>			
10						
11						
12	<u>Investment Tax Credit Included in Total Capital</u>					
13						
14	Common Equity		357,277,184	54.454%	11.200%	6.099%
15	Long-Term Debt		250,395,999	38.164%	6.302%	2.405%
16	Short-Term Debt		<u>48,436,900</u>	<u>7.382%</u>	3.875%	<u>0.286%</u>
17						
18	Total Capital Including Investment Tax Credit		<u>656,110,083</u>	<u>100.000%</u>		<u>8.790%</u>

KyPSC Staff Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 5, 2005
Response Due Date: April 19, 2005
Response Date: April 29, 2005

KyPSC-DR-02-035

REQUEST:

35. Refer to the Application, Schedule C-2.2, pages 1 through 4 of 20, the comparison of the base period with the immediately preceding 12-month period. For each account listed on these pages where the variance is greater than \$20,000 (positive or negative), explain in detail the reason(s) for the variance between the base period and the previous 12-month period.

RESPONSE:

Please see the attachment to KyPSC-DR-02-035.

WITNESS RESPONSIBLE: Steven E. Schrader

DATA: "X" BASE PERIOD FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S):

Account	Description	Total		Variance	
		Base	Prior		
403200	Gas Depreciation Expense	8,190,501	7,147,914	1,042,587	Increased plant in service, including the accelerated main replacement program. Additionally, the base period includes five months of software amortization (account 404200).
404200	Amortization Limited Term Gas	472,899	826,991	(354,092)	The base period includes seven months of software amortization. The remaining five months is included above. The prior period includes 12 months.
405200	Amortization Other Gas Plant	0	30,954	(30,954)	The prior period includes software amortization and the asset is now fully amortized.
408140	Kentucky Property Tax	1,249,827	1,465,669	(215,842)	Increase in estimated Kentucky Property Tax offset by a correction of prior period over-accruals in the Base Period.
408200	West Virginia Property Tax	(56,673)	30,000	(86,673)	Base Period includes a correction of prior period over-accruals. Also, the budget for account 408200 is included in the account 408140 budget.
408230	West Virginia License Tax	275	305	(30)	
408419	Social Security Taxes	565,058	514,182	50,876	Payroll Taxes increased as a result of wage increases and an increase in the FICA wage base. In 2004, the Company began accruing Payroll Taxes on the incentive plan accrual. This also is affected by the percentage of labor charged to expense versus capital.
408480	Indiana Highway Use	9	13	(4)	
408500	Federal Highway Use	3,426	0	3,426	
408520	Ohio Highway Use	58	138	(80)	
408540	Kentucky Highway Use	1,464	2,414	(950)	
409200	Federal Income Taxes	152,563	(3,380,428)	3,532,991	Income taxes fluctuated primarily as a result of prior period adjustments.
409210	Federal Income Taxes	0	0	0	
409240	Kentucky Income Taxes	(1,224,565)	5,880	(1,230,445)	Income taxes fluctuated primarily as a result of prior period adjustments.
409980	Taxes Alloc From Serv Co	164,575	27,038	137,537	This account fluctuated as a result of changes in Service Company income taxes.
410410	Federal Income Tax	5,485,015	6,618,360	(1,133,345)	This account fluctuated as a result of prior period adjustments. Also, in the Base Period, the 2005 Budgeted federal deferred taxes were all accounted for in account 410410.
410420	State Income Tax	1,101,180	1,323,200	(222,020)	This account fluctuated as a result of prior period adjustments. Also, in the Base Period, the 2005 Budgeted state deferred taxes were all accounted for in account 410420.
410980	Taxes Alloc From Serv Co	(23,880)	971	(24,851)	This account fluctuated as a result of changes in Service Company deferred income taxes.
411410	Federal Income Tax	1,381,790	(2,418,539)	3,800,329	This account fluctuated as a result of prior period adjustments. Also, in the Base Period, the 2005 Budgeted federal deferred taxes were all accounted for in account 410410.
411420	State Income Tax	243,125	(525,506)	768,631	This account fluctuated as a result of prior period adjustments. Also, in the Base Period, the 2005 Budgeted state deferred taxes were all accounted for in account 410420.
411430	Amortization of ITC	(42,309)	(76,581)	34,272	The variance in this account is a result of budgeting the 2005 ITC Amortization in account 410410.

DATA: "X" BASE PERIOD FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S):

Account	Description	Total		Variance	
		Base	Prior		
411980	Taxes Alloc From Serv Co	(255,872)	(28,672)	(227,200)	This account fluctuated as a result of changes in Service Company deferred income taxes.
415100	Other Inc - Misc Gas Jobbing Rev	2,168	1,217	951	
415110	Other Inc - Rev Cust Prop - Third Party	9,000	792	8,208	
415210	Other Inc - Rev Inst Gas Serv	1,090	2,710	(1,620)	
415300	Other Inc-Rev Track Assoc CATV	207,298	89,861	117,437	In the prior period, amounts for 2003 were not picked up.
416100	Gas Jobbing - Miscellaneous	6,456	(4,016)	10,472	
416110	Gas Jobbing - Cust Prop Third Party	4,446	865	3,581	
416150	Gas Jobbing - Lighting Pilot	165	230	(65)	
416200	Gas Jobbing - Renew Service	4,830	1,051	3,779	
416210	Gas Jobbing - Install Service	296	2,916	(2,620)	
416300	Gas Jobbing - Placement CATV	44,658	29,371	15,287	
426092	Sale of A/R Fees	107,915	147,711	(39,796)	This is related to Sales of Accounts Receivable Financing Facility. For Actuals the Discount Expense is recorded in account 904002 and 426092. For Budget the total discount is recorded in account 904002.
480400	Residential Sales Gas	78,679,422	75,335,898	3,343,524	Increased cost of gas and change in sales from the prior period.
480410	Residential Unbilled Gas	690,000	(165,000)	855,000	Increased cost of gas and change in sales from the prior period.
481400	Commercial Sales Gas	31,009,042	30,323,642	685,400	Increased cost of gas and change in sales from the prior period.
481410	Commercial Unbilled Gas	(146,000)	(31,000)	(115,000)	Increased cost of gas and change in sales from the prior period.
481450	Industrial Sales Gas	4,354,623	4,196,035	158,588	Increased cost of gas and change in sales from the prior period.
481460	Industrial Unbilled Gas	(93,000)	6,000	(99,000)	Increased cost of gas and change in sales from the prior period.
482400	Public St & Hgwy Lighting Gas	517	2,254	(1,737)	
482450	Other Sales To Pub Authority G	5,099,315	5,034,463	64,852	Increased cost of gas and change in sales from the prior period.
482460	Other Sales To Pub Auth Unbill	(88,000)	(13,000)	(75,000)	Increased cost of gas and change in sales from the prior period.
484400	Inter Departmental Sales Gas	59,673	62,361	(2,688)	
487000	Late Payment Charge	0	0	0	
488010	Misc Service Revenue	15,105	305	14,800	
488020	Misc Rev Reconnc Charges Gas	9,207	10,497	(1,290)	
488030	Misc Gas Rev Erlanger Gas Plt	490,301	613,883	(123,582)	No inter-company included in forecasted portion of base period. Company does not budget inter-company rents.
488040	Misc Rev Cust Diversn Exp	51	131	(80)	
488060	Misc Rev Bad Check Charge	5,996	9,782	(3,786)	
489000	Rev Transp Gas Of Others	27,829	28,144	(315)	

DATA: "X" BASE PERIOD FORECASTED PERIOD
 TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
 WORK PAPER REFERENCE NO(S):

Account	Description	Total		Variance	
		Base	Prior		
489010	Rev Transp of Gas - Assoc Co	383,796	657,936	(274,140)	Change in transportation volume.
489040	Rev Transp Gas - Fuel Oil Repl	1,118,230	1,071,915	46,315	Change in transportation volume.
489110	Rev Firm Transp Agreements - C	366,988	326,798	40,190	Change in transportation volume.
489115	Comm Rev Transp - Unbilled	27,000	6,000	21,000	Change in transportation volume.
489120	Rev Firm Transp Agreements - I	1,957,567	1,960,413	(2,846)	Change in transportation volume.
489125	Ind Rev Transp - Unbilled	79,000	26,000	53,000	Change in transportation volume.
489130	Rev Firm Transp Agree - Other	299,854	277,907	21,947	Change in transportation volume.
489135	Other Rev Transp - Unbilled	21,000	(1,000)	22,000	Change in transportation volume.
489140	Rev Inter Trans - Metered Pool	25	20	5	
493040	Rent Land & Buildings - Assoc	19,936	34,176	(14,240)	
495020	Sales Use Tax Collect Fee	7,101	(88,572)	95,673	Prior period reflects corrections resulting in negative amounts. No revenue included in forecast portion of base.
495030	Sales Use Tax Collect Fee	0	19,276	(19,276)	
711000	Gas Boiler Labor	2,141	11,357	(9,216)	
712000	Gas Production - Other Expense	1,229	4,788	(3,559)	
717000	Liquid Petroleum Gas Expense	93,996	77,557	16,439	
728001	Liquid Petroleum Gas	0	(243,054)	243,054	The prior period includes a propane physical inventory adjustment.
728003	Liquid Petroleum Gas - Erianger/Constance	(53,382)	0	(53,382)	The base period includes a propane physical inventory adjustment in August 2004.
735000	Gas Miscellaneous Prod Expense	6,760	9,211	(2,451)	
742000	Maint Production Equipment	7,148	4,937	2,211	
801000	Natural Gas Field Line Purchase	78,720,249	73,308,857	5,411,392	The increase in account 801 is attributable to the increase in the market price of natural gas at the wellhead. The average NYMEX closing price for the 12 months ended May 2004 was \$5.25/dth. The average NYMEX closing price for June 2004 through December 2004, along with the futures prices for January 2005 through May 2005, utilized in calculating the purchased gas cost budget is \$6.77/dth.
805000	Unrecovered Purch Gas Adjustment	(7,685,868)	4,411,849	(12,097,717)	\$9.9 Million of the difference is the difference between actual Jan-Jun 2004 of the Prior Period and budget Jan-Jun 2005 of the Base Period. The budget amount for Jan-Jun 2005 is zero. The assumption used in the budget is that all Mcf's sold is equal to all Mcf's Purchased. Thus, there is no under/over recovered purchased gas costs. The balance of the account difference, \$2.2 Million, is composed of a net volume variance and an increase in the price variance between the Prior Period and the Base Period.
805200	Purchase Gas Cost Unbilled Rev	7,544,584	(389,334)	7,933,918	\$6.6 Million of the difference is the difference between actual Jan-Jun 2004 of the Prior Period and budget Jan-Jun 2005 of the Base Period. The budget amount for Jan-Jun 2005 is zero. The assumption used in the budget is that all Mcf's sold is equal to all Mcf's Purchased. Thus, no amount is unbilled. The balance of the account difference, \$1.3 Million, is basically composed of the difference between the reversals of the May unbilled estimate in June for both periods and the December unbilled estimates for both periods. This \$1.3 Million is made up of a net volume variance and a price variance between the Periods.

DATA: "X" BASE PERIOD FORECASTED PERIOD
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 WORK PAPER REFERENCE NO(S):

Account	Description	Total		
		Base	Prior	Variance
807000	Gas Purchased Expenses	302,532	258,503	44,029
807010	Gas Purchased Expenses - Inter	38,645	48,118	(9,473)
859000	Other Expenses	(26,413)	(4,426)	(21,987)
870000	Dist Supervision & Engineering	153,462	123,306	30,156
871000	Distribution Load Dispatching	66,173	50,655	15,518
874000	Mains And Services	1,056,840	933,722	123,118
875000	Measuring & Reg Stations - Gen	59,087	43,436	15,651
876000	Measuring & Reg Stations - Ind	19,435	24,235	(4,800)
878000	Meter And House Regulators	(46,075)	(130,485)	84,410
879000	Customer Installations	667,052	509,155	157,897
880000	Gas Distribution Other Expense	944,477	740,297	204,180
881020	Rents Interco - Buildings	95,193	163,188	(67,995)
881030	Rents Interco - Stores	57,946	99,336	(41,390)
881040	Rents Interco - Microwave	72,975	125,100	(52,125)
885000	Maint- Supervision & Engineeri	53,155	97,638	(44,483)
887000	Maintenance Of Mains	994,225	1,043,354	(49,129)
889000	Maint- Measuring & Reg Stat -	50,909	43,115	7,794
890000	Maint- Measuring & Reg Stat -	0	64	(64)
892000	Maintenance Of Services	288,539	387,225	(98,686)
893000	Maintenance Of Meters & House	143,804	214,886	(71,082)
894000	Maint - Other Distribution Equipment	(84,335)	78,966	(163,301)

Salary increases, PC hardware and software previously charged to A&G budgeted to gas operation expense in 2005

Journal entry to clear out imbalance in transportation cost pool

Offsetting decrease in maintenance supervision & engineering account 885 associated with a higher percentage of operation work and less maintenance work due to AMRP.

Less leaks at night due to AMRP; crews shifted to do leak survey. More standard pressure drips checked and pumped.

Less meter credits budgeted in 2005. All meter and house regulator expense was budgeted in account 878 in 2005; actuals hit both 878 and 893 (see offsetting decrease in account 893)

Significant customer outage in Newport in Aug. 2004 drove up customer installation expense plus and increase in failed visual inspections of house lines and curb-to-meter services installed by contractors

Trainers transferred from HR charged labor and expenses to A&G, 2005 labor and expenses budgeted to operation account 880; budgeted for Public Safety Awareness first time in 2005 (compliance requirement); PC's previously charged to A&G were budgeted in operation expense in 2005

Inter-company rents not budgeted 2005 as such are eliminated in consolidation.

Inter-company rents not budgeted 2005 as such are eliminated in consolidation.

Inter-company rents not budgeted 2005 as such are eliminated in consolidation.

Reduction in maintenance supervision & engineering attributed to AMRP; higher percentage of operation supervision & engineering (see account 870)

Reduction in leaks/maintenance of mains due to AMRP

Reduction in main-to-curb service maintenance expense due to AMRP

2005 meter and house regulator expense budgeted in account 878; actuals hit both 878 and 893 (see offsetting increase in account 878)

Increase in revenues from 3rd party damage claim recovery attributed to improved billing process

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Account	Description	Total		
		Base	Prior	Variance
901000	Supvn Cust Bill & Coll	69,671	89,733	(20,062)
902000	Billg Cltms Meter Reading	566,079	553,867	12,212
903000	Marketing Operations	1,764,699	1,474,034	290,665
904002	Loss on Sale of A/R	1,225,134	1,150,251	74,883
905000	Cust Reltns Billg & Coll	50,575	18,994	31,581
907000	Marketing Cust Asst	46,056	63,351	(17,295)
908000	Customer Assistance	96,658	69,114	27,544
909000	Community Affairs	20,820	0	20,820
910000	Misc Cust Serv and Info	189,048	196,511	(7,463)
911000	Marketing Operations	72,790	59,290	13,500
912000	Energy Marketing	42	772	(730)
913000	Marketing/Customer Reltns	10,671	1,070	9,601
916090	Miscellaneous Sales Exp	1,366,579	507,617	858,962
920000	Admin & General Labor	2,269,105	2,069,488	199,617
921000	Admin & Gen Off Suppl & Exp	918,277	737,538	180,739
923000	Special Services	896,587	411,962	484,625
924000	Property Insurance	0	23,115	(23,115)
925000	Injuries & Damages	647,681	(523,294)	1,170,975
926110	Empl Pension & Benefits	2,630,682	2,425,976	204,706
926140	Pension Cost Adj - Cr	37,752	56,628	(18,876)
928000	State Reg Comm Proceedings	266,024	304,906	(38,882)
928002	State Reg Comm Proceedings	26,035	0	26,035
929110	Service Used By Own Dept Cr -	(30,533)	(120,656)	90,123
929130	Lobbying Overheads	(40)	(106)	66
930202	General & Misc Media	151,447	85,262	66,185
930290	General Misc	59,874	357,285	(297,411)
931000	Rents	786,172	931,926	(145,754)

Decrease in staffing
 Increase in salary, telephone, transportation, postage & mailing costs
 Increase in bad debt expense
 Increased indirect labor clearing (cost pool) in base period.
 Certain salaries charged to 920 account in the prior period.
 Expenses charged to 930 account in the prior period.
 DSM Recoveries approved by the commission are greater than the amounts budgeted
 Normal labor increases (wage increase) and net increases in the service company allocation factors to ULH&P gas
 Increases in Risk Management Expenses
 Increases in outside services for Accounting/Auditing (e.g., Sarbanes Oxley) and for information services.
 Risk Management now reflected in 921000 (see above)
 The I&D reserve is reviewed monthly and can be affected by items such as new claims, settlement of claims, and/or insurance reimbursements.
 The prior period activity is negative due to these types of activities reducing the level of the I&D reserve on the books. The projected period does not include any settlements or reimbursements that would cause the activity to be negative.
 Increases in health care and other benefits
 Accounts 928000 and 928002 should be combined in the base period for comparison to the Prior period. When they are combined the variance is under \$20,000.
 In the forecasted portion of the base period (Jan-May of 2005), this account has zero dollars which is causing the variance. Since these dollars are "intra-company" charges, both sides are not forecasted (i.e., net is zero for ULH&P)
 In the forecasted portion of the base period (Jan-May of 2005), accounts 930202 and 930290 were not separated; thus, for comparative purposes, these need to be combined for a net variance of (\$231,226) -- see explanation below
 The decrease is caused by reductions in retirement plan expenses and cash management expenses.
 The inter-company rent expenses included in this account are not budgeted as such are eliminated in consolidation.

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Account	Description	Base	Total Prior	Variance	
931290	Rents - Interco	46,823	80,268	(33,445)	In the forecasted portion of the base period (Jan-May of 2005), the intercompany rents were not forecasted. These items net on a total company basis. This net zero forecasting causes the variance shown.
935000	Maint Of General Plant	163,827	198,174	(34,347)	The prior period reflects a higher level of preventive maintenance than the base period.