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VIA OVERNIGHT MAIL

August 9, 2005

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

RECEIVED

AUG 10 2005

PUBLIC SERVICE
COMMISSION

John J. Finnigan, Jr.
Senior Counsel

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

Dear Ms. O'Donnell:

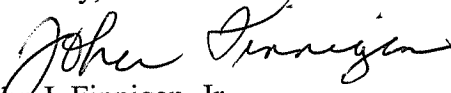
Enclosed please find an original and ten copies of ULH&P's supplemental responses to data requests 23, 24, 33g, 38, 39, 42, 44, 45, 46, and 48 of the Attorney General's Third Set of data requests in the above-referenced case.

Please note that the information for the responses to the Attorney General's data requests numbers 37, 40, 41, 43, 47, 49 and 50 is still not available. ULH&P requests an extension of time until August 11, 2005 to provide this information. These data requests were all assigned to Mr. Spanos, along with several other data requests. We are still awaiting these responses from Mr. Spanos. We expect to receive his remaining responses by the end of the day tomorrow, and we expect to be able to file them by August 11th. We will also e-mail these responses to the attorneys for the Staff and the Attorney General as soon as the information becomes available.

Please file-stamp and return the two extra copies of this letter in the enclosed over-night envelope.

If you have any questions, please call me at (513) 287-3601.

Sincerely,


John J. Finnigan, Jr.
Senior Counsel

JJF/sew

cc: Hon. Elizabeth Blackford (via overnight mail with encl.)

Attorney General First Set Data Requests
ULH&P Case No. 2005-00042
Date Received: July 29, 2005
Supplemental Response Due Date: August 9, 2005

AG-DR-03-023-Supplemental

REQUEST:

23. Please refer to page 2, line 20. Provide the calculation of the \$1,453,553 amount. Include all sources.

RESPONSE:

The amount of \$1,453,553, shown on page 2, line 20, includes a typographical error. The amount should be \$1,653,553. The amount of \$1,653,553 represents the difference between (1) the accrual for net salvage as reflected in my proposed depreciation rates of \$1,355,096 as determined by Mr. Majoros on page 5 and 6 of Exhibit ____ (MJM-2) and (2) the accrual for net salvage in the depreciation rates proposed by Mr. Majoros of \$(298,457) and determined by him on pages 7 and 8 of Exhibit ____ (MJM-12).

WITNESS RESPONSIBLE: John J. Spanos

Attorney General First Set Data Requests
ULH&P Case No. 2005-00042
Date Received: July 29, 2005
Supplemental Response Due Date: August 9, 2005

AG-DR-03-024 - Supplemental

REQUEST:

24. Please refer to page 3, line 4. Provide the calculation of the \$231,312 amount. Include all sources.

RESPONSE:

The amount of \$231,312 represents the difference between (1) the accrual for original cost as reflected in my proposed depreciation rates of \$6,388,332 as determined by Mr. Majoros on page 4 of Exhibit ___ (MJM-2) and (2) the accrual for original cost in the depreciation rates proposed by Mr. Majoros of \$6,157,020 and determined by him on page 6 of Exhibit ___ (MJM-12).

WITNESS RESPONSIBLE: John J. Spanos

Attorney General First Set Data Requests
ULH&P Case No. 2005-00042
Date Received: July 29, 2005
Supplemental Response Due Date: August 9, 2005

AG-DR-03-033-Supplemental

REQUEST:

33. Please refer again to Mr. Spanos' discussion of cash flow on page 7 (lines 13-19). Provide the following information for each calendar year for the last 10 years. If not available for that period, please provide the information going back as many years as is available.
- a. Chairman of the Board's total annual compensation.
 - b. President's total annual compensation.
 - c. Total amount and percent of annual management compensation increases including all bonuses.
 - d. Annual expenditures on unregulated activities.
 - e. Total amount of annual dividends.
 - f. Total amount and percent of annual non-management compensation increases.
 - g. Total annual depreciation expense.

RESPONSE:

- a. – f. The amounts requested are not information obtained by Mr. Spanos during the course of his study.
- g. ULHP's total depreciation expense for 1995 – 2004 is provided below. This does not include non-utility depreciation.

1995	11,438,073.00
1996	11,908,745.00
1997	12,368,953.31
1998	13,148,414.53
1999	14,830,100.20
2000	15,684,956.70
2001	17,038,588.27
2002	17,349,917.92
2003	18,001,640.84
2004	18,675,255.64

WITNESS RESPONSIBLE: John J. Spanos

Attorney General First Set Data Requests
ULH&P Case No. 2005-00042
Date Received: July 29, 2005
Supplemental Response Due Date: August 9, 2005

AG-DR-03-038-Supplemental

REQUEST:

38. On page 10, lines 18-19, Mr. Spanos states that "...net salvage is a capital cost to be recovered through depreciation accruals."
- a. Is it Mr. Spanos' understanding that net salvage is not capitalized under the Uniform System of Accounts?
 - b. If so, what is the basis for calling net salvage "a capital cost" in your testimony here?
 - c. Whose capital is reflected in accumulated depreciation – shareholders' or ratepayers'?
 - d. Reconcile this statement with the statement on page 6, lines 8-13.

RESPONSE:

- a. Net salvage is a capital cost recovered through depreciation rates under the Uniform System of Accounts.
- b. Net salvage should not be added to plant in service, but should be a capital cost for recovery purposes.
- c. Capital recovery reflected in accumulated depreciation is related to utility plant in service.
- d. Capital investment relates to the original cost of the asset while capital cost includes, not only the original cost of the asset, but net salvage component as well.

WITNESS RESPONSIBLE: John J. Spanos

Attorney General First Set Data Requests
ULH&P Case No. 2005-00042
Date Received: July 29, 2005
Supplemental Response Due Date: August 9, 2005

AG-DR-03-039-Supplemental

REQUEST:

39. Please refer to page 11, lines 8 to 23, where Mr. Spanos states that there is “no need” for the Kentucky Public Service Commission to recognize a regulatory liability stemming from SFAS No 143.
- a. Does Mr. Spanos object to a specific KPSC recognition of a regulatory liability relating to SFAS No. 143?
 - b. If the response is anything other than an unqualified “no,” please explain why and, in particular, what harm Mr. Spanos believes would result to either ratepayers or the utility were the KPSC to merely recognize a regulatory liability stemming from SFAS No. 143.

RESPONSE:

- a.&b. No, Mr. Spanos does not object to a specific KPSC recognition of a regulatory liability relating to SFAS No. 143, just Mr. Majoros’ insistence to tie financial issues with regulatory ratemaking issues. As stated in Mr. Spanos’ testimony, SFAS No. 143 is a financial issue, not a regulatory ratemaking issue.

WITNESS RESPONSIBLE: John J. Spanos

Attorney General First Set Data Requests
ULH&P Case No. 2005-00042
Date Received: July 29, 2005
Supplemental Response Due Date: August 9, 2005

AG-DR-03-042-Supplemental

REQUEST:

42. Please provide the net present value of Mr. Spanos' net salvage estimates for the mains and services accounts. Use the same discount factor that ULH&P used for SFAS No. 143 purposes.

RESPONSE:

The net present value of Mr. Spanos' net salvage estimates for the mains and services account cannot be calculated for SFAS No. 143 purposes with the information available.

WITNESS RESPONSIBLE: John J. Spanos

Attorney General First Set Data Requests
ULH&P Case No. 2005-00042
Date Received: July 29, 2005
Supplemental Response Due Date: August 9, 2005

AG-DR-03-044-Supplemental

REQUEST:

44. Please refer to page 22, lines 17-19. Please provide all available proof for the statement on those lines.

RESPONSE:

I believe there is no need to prove that there has been an inflation component in the economy. Additionally, costs of labor today are higher than they were at the time the assets were originally put into service, therefore, the cost to remove an asset that has been in the ground for 50 or so years is more than the cost to remove the same asset the year that the asset was put into the ground. This means service value of this asset includes the component of time which should be recovered in depreciation accruals over the 50 or so years. If you were to eliminate this component by only recovering the net present value, then the sum of the accruals over the 50 or so years would be significantly less.

WITNESS RESPONSIBLE: John J. Spanos

Attorney General First Set Data Requests
ULH&P Case No. 2005-00042
Date Received: July 29, 2005
Supplemental Response Due Date: August 9, 2005

AG-DR-03-045-Supplemental

REQUEST:

45. Please refer to page 25, lines 11-14. Please explain why Mr. Majoros' recommendations are inconsistent with the treatment described in that answer.

RESPONSE:

Mr. Majoros' recommendations are inconsistent with the treatment described on page 25, lines 11-14, because he does not recover, through rates, the total service value of the asset, incurred by the utility.

WITNESS RESPONSIBLE: John J. Spanos

Attorney General First Set Data Requests
ULH&P Case No. 2005-00042
Date Received: July 29, 2005
Supplemental Response Due Date: August 9, 2005

AG-DR-03-046-Supplemental

REQUEST:

46. Please refer to page 29, lines 1-10. Please explain if and why Mr. Majoros' recommendations are inconsistent with the KPSC statement quoted on that page.

RESPONSE:

Mr. Majoros' recommendations do not recover full service value of the assets over the asset's life, nor do his recommendations include the fact that future costs will be higher in the future when the existing plant in service is actually retired.

WITNESS RESPONSIBLE: John J. Spanos

Attorney General First Set Data Requests
ULH&P Case No. 2005-00042
Date Received: July 29, 2005
Supplemental Response Due Date: August 9, 2005

AG-DR-03-048-Supplemental

REQUEST:

48. Please refer to page 37, lines 5-7. Please provide support for the statement that “the costs previously allocated as the cost of retiring services is now considered the cost of retiring mains.” If this was addressed in a discovery response, please provide the number of the response and cite to the portion of the answer that supports this statement.

RESPONSE:

This statement is supported by testimony and responses to data requests by Mr. Gary Hebbeler.

WITNESS RESPONSIBLE: John J. Spanos