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John J. Finnigan, Jr.
Senior Counsel

VIA OVERNIGHT MAIL

April 25, 2005

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Re: Earl Thomas Mitts vs. ULH&P (Cinergy)
Case No. 2005-~~00135~~
00046

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APR 26 2005

PUBLIC SERVICE
COMMISSION

Dear Ms. O'Donnell:

Enclosed please find an original and six (6) copies of The Union Light, Heat and Power Company's responses to the first set of data requests from the KyPSC Staff to be docketed in the above-referenced case. Also enclosed are six (6) copies of ULH&P's responses to the Attorney General's first set of data requests in the same case.

Should you have any further questions, please do not hesitate to call me.

Very truly yours,

John J. Finnigan, Jr.
Senior Counsel

JJF/sew
Enclosures

cc: The Honorable Elizabeth Blackford with enclosure

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APR 26 2005

PUBLIC SERVICE
COMMISSION

Attorney General First Set Data Requests
ULH&P Case No. 2005-00096
Date Received: April 12 2005
Response Due Date: April 26 2005

AG-DR-01-001

REQUEST:

1. With regard to the MISO Schedule 16 and 17 charges to be incurred by ULH&P-Electric effective with the start-up of the MISO Day 2 Market, please provide the following information:
 - a. Confirm that all of these MISO Schedule 16 and 17 charges will be “new” charges to ULH&P-Electric that are incremental to any transmission related charges already included in the Company’s base rates. In addition, confirm that the first time that these MISO Schedule 16 and 17 charges will be incurred by the Company is the effective date of the MISO Day 2 Market, currently scheduled to commence April 1, 2005.
 - b. Has the MISO Day 2 Market started as of today? If so, indicate at which date. If not, indicate why not and when it is scheduled to commence based on the latest known information.
 - c. Based on your best estimate, what will be ULH&P-Electric’s annualized MISO Schedule 16 and 17 charges for 2005 and 2006? In addition, provide worksheets showing the calculations and assumptions used in deriving these annual cost levels.

RESPONSE:

- a) MISO Schedule 16 and 17 charges are new charges incurred for the start-up of the MISO Day 2 Market. These charges commenced April 1, 2005 with the start-up of the MISO Day 2 Market.
- b) Yes. The MISO Day 2 Market started on April 1, 2005.
- c) Below are the ULH&P retail customer estimated charges for MISO Schedules 16 and 17 for 2005 and 2006:

	<u>2005</u>	<u>2006</u>
Schedule 16	\$253,666	\$377,681
Schedule 17	\$255,483	\$311,117

The attached spreadsheet shows the monthly amounts for these totals, the load forecast and the MISO rates used to calculate the monthly amounts. Schedule 16 amounts are calculated by multiplying the load forecast MW’s by the hours in the month times the MISO rate. Schedule 17 amounts are calculated by multiplying the load forecast MWH’s by the MISO rate.

WITNESS RESPONSIBLE: Paul K. Jett

Month	ULH&P Retail		ULH&P Retail Load Forecast		MISO Rates	
	Schedule 16	Schedule 17	MW	MWH	2005	
Jan-05	\$ -	-	701	366,641	Schedule 16	\$ 0.053
Feb-05	-	-	655	306,518	Schedule 17	\$ 0.081
Mar-05	-	-	617	318,022		
Apr-05	22,082	23,708	560	283,255		
May-05	26,380	25,470	669	314,447		
Jun-05	32,374	30,175	821	360,517		
Jul-05	33,951	34,500	861	425,922		
Aug-05	33,951	33,322	861	411,379		
Sep-05	30,481	28,808	773	344,177		
Oct-05	23,304	25,122	591	310,143		
Nov-05	24,527	25,609	622	305,961		
Dec-05	26,617	28,770	675	355,181		
Total	253,667	255,484				
Jan-06	31,386	27,377	715	375,023	2006	
Feb-06	29,323	25,160	668	311,309	Schedule 16	\$ 0.059
Mar-06	27,611	23,673	629	324,283	Schedule 17	\$ 0.072
Apr-06	25,065	21,802	571	289,021		
May-06	30,157	23,436	687	321,039		
Jun-06	37,004	27,705	843	367,277		
Jul-06	38,804	31,643	884	433,469		
Aug-06	38,804	30,857	884	422,704		
Sep-06	34,853	26,362	794	349,477		
Oct-06	26,601	23,121	606	316,730		
Nov-06	27,830	23,521	634	311,815		
Dec-06	30,244	26,460	689	362,460		
Total	\$ 377,682	\$ 311,117				

Attorney General First Set Data Requests
ULH&P Case No. 2005-00096
Date Received: April 12 2005
Response Due Date: April 26 2005

AG-DR-01-002

REQUEST:

2. Based on your best estimate, what will be ULH&P-Electric's annualized MISO Schedule 10 and Schedule 10-FERC charges for 2005 and 2006? In addition, provide worksheets showing the calculations and assumptions used in deriving these annual costs levels.

RESPONSE:

Below are the ULH&P retail customer estimated charges for MISO Schedules 10 and 10-FERC for 2005 and 2006:

	<u>2005</u>	<u>2006</u>
Schedule 10	\$875,832	\$896,022
Schedule 10-FERC	\$196,904	\$200,861

The attached spreadsheet shows the monthly amounts for these totals, the load forecast and the MISO rates used to calculate the monthly amounts. Schedule 10 amounts are calculated by multiplying the load forecast MWh's by the hours in a month times 80% (MISO demand /energy split) times the MISO rate. This amount is added to the amount calculated by multiplying the load forecast MWh's times 20% (MISO demand/energy split) times the MISO rate to get the total Schedule 10 charges. Schedule 10-FERC is calculated by multiplying the load forecast MWh's times the MISO rate.

WITNESS RESPONSIBLE: Paul K. Jett

Month	ULH&P Retail		ULH&P Retail Load Forecast		MISO Rates	
	Schedule 10	Schedule 10-FERC	MW	MWH	2005	2006
Jan-05	\$ 73,585	\$ 17,599	701	366,641	\$ 0.150	\$ 0.048
Feb-05	68,659	14,713	655	306,518		
Mar-05	64,626	15,265	617	318,022		
Apr-05	58,778	13,596	560	283,255		
May-05	69,162	15,093	669	314,447		
Jun-05	84,475	17,305	821	360,517		
Jul-05	89,648	20,444	861	425,922		
Aug-05	89,211	19,746	861	411,379		
Sep-05	79,683	16,520	773	344,177		
Oct-05	62,069	14,887	591	310,143		
Nov-05	65,017	14,686	622	305,961		
Dec-05	70,919	17,049	675	355,181		
Total	875,832	196,903				
Jan-06	75,086	18,001	715	375,023	\$ 0.150	\$ 0.048
Feb-06	69,979	14,943	668	311,309		
Mar-06	65,886	15,566	629	324,283		
Apr-06	59,939	13,873	571	289,021		
May-06	70,967	15,410	687	321,039		
Jun-06	86,649	17,629	843	367,277		
Jul-06	91,928	20,807	884	433,469		
Aug-06	91,605	20,290	884	422,704		
Sep-06	81,722	16,775	794	349,477		
Oct-06	63,606	15,203	606	316,730		
Nov-06	66,270	14,967	634	311,815		
Dec-06	72,388	17,398	689	362,460		
Total	896,025	200,862				

Attorney General First Set Data Requests
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Date Received: April 12 2005
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AG-DR-01-003

REQUEST:

3. Page 4, paragraph 7 of the Application indicates that ULH&P-Electric already has incurred incremental costs related to MISO Schedule 10 since December 15, 2001, and related to Schedule 10-FERC since September 1, 2003, and that these incremental costs (except for a portion of the Schedule 10-FERC costs) are not currently reflected in ULH&P-Electric's retail electric rates. Is the Company in the current Application requesting that it be allowed to defer all of the incremental MISO Schedule 10 and Schedule 10-FERC charges incurred since December 15, 2001 (MISO Schedule 10), and September 1, 2003 (Schedule 10-FERC), or is the Company requesting in this Application that it be allowed to defer only the going-forward MISO Schedule 10 and Schedule 10-FERC charges that will be incurred starting with the effective date of MISO Day 2 Market (currently scheduled to be 4/1/05)?

RESPONSE:

The Company is requesting that it be allowed to defer costs on a going-forward basis effective April 1, 2005.

WITNESS RESPONSIBLE: Paul K. Jett

Attorney General First Set Data Requests
ULH&P Case No. 2005-00096
Date Received: April 12 2005
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AG-DR-01-004

REQUEST:

4. If the response to the prior question is that the Company is requesting in this Application that it be allowed to defer only the going-forward MISO Schedule 10 and Schedule 10-FERC charges that will be incurred starting with the effective date of MISO Day 2 Market (currently scheduled to be 4/1/05), then please provide the following additional information:
 - a. What is the total cumulative MISO Schedule 10 cost amount incurred by the Company from December 15, 2001, through December 31, 2003? And what is the total cumulative MISO Schedule 10 cost amount incurred by the Company from December 15, 2001, through March 31, 2005?
 - b. What is the total cumulative Schedule 10-FERC cost amount incurred by the Company from September 1, 2003, through December 31, 2003? And what is the total cumulative Schedule 10-FERC cost amount incurred by the Company from September 1, 2003 through March 31, 2005?
 - c. Reconcile the fact that the MISO Schedule 10 charges from December 15, 2001, through December 31, 2003, and the Schedule 10-FERC charges from September 1, 2003, through December 31, 2003 that the Company now wishes to defer for future rate recovery were incurred during a time period for which the Company has agreed to a rate freeze.

RESPONSE:

- a. Schedule 10 costs from December 15, 2001 through December 31, 2003 were \$1,336,021. Schedule 10 costs from December 15, 2001 through March 31, 2005 were \$2,344,129.
- b. Schedule 10-FERC costs from September 1, 2003 through December 31, 2003 were \$87,187. Schedule 10-FERC costs from September 1, 2003 through March 31, 2005 were \$303,200.
- c. The Company is not requesting deferral of these costs.

WITNESS RESPONSIBLE: Paul K. Jett

Attorney General First Set Data Requests
ULH&P Case No. 2005-00096
Date Received: April 12 2005
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AG-DR-01-005

REQUEST:

5. What accounting method (expensed or deferred) did the Company apply to the MISO Schedule 10 and Schedule 10-FERC charges booked since December 15, 2001, and September 1, 2003? If expensed, isn't it true that these past costs are no longer reflected in the Company's books since they already flowed through the Company's income statement?

RESPONSE:

The Company expensed the MISO Schedule 10 and Schedule 10-FERC charges from December 15, 2001 through March 31, 2005. The costs are no longer on the Company's books and we are not requesting deferral treatment of these costs. See response to AG-DR-01-003.

WITNESS RESPONSIBLE: Paul K. Jett

Attorney General First Set Data Requests
ULH&P Case No. 2005-00096
Date Received: April 12 2005
Response Due Date: April 26 2005

AG-DR-01-006

REQUEST:

6. With regard to any MISO TEMT related charges and/or credits that are incremental to the transmission related costs currently included in the Company's rates, please provide the following information:
 - a. Based on your best estimate, what will be the annualized LMP charges for 2005 and 2006?
 - b. Based on your best estimate, what will be the annualized charges and credits related to the settlement of FTRs held by market participants for 2005 and 2006?
 - c. Based on your best estimate, what will be the annualized charges and credits related to the so-called "uplift" charges for 2005 and 2006?
 - d. Based on your best estimate, what will be the annualized administrative charges of MISO for 2005 and 2006?
 - e. Based on your best estimate, what will be the annualized charges incurred under MISO Schedule 22 for 2005 and 2006?
 - f. Based on your best estimate, what will be the annualized other miscellaneous charges, costs and credits for 2005 and 2006?

RESPONSE:

- a. The Company cannot estimate these costs at this time.
- b. The Company cannot estimate these costs at this time.
- c. The Company cannot estimate these costs at this time.
- d. The MISO Schedule 10, Schedule 10-FERC, Schedule 16 and Schedule 17 estimated administrative charges for 2005 and 2006 are shown in the response to AG-DR-01-001 and AG-DR-01-002.
- e. The Company cannot estimate these costs at this time.
- f. The Company cannot estimate these costs at this time.

WITNESS RESPONSIBLE: Paul K. Jett

**Attorney General First Set Data Requests
ULH&P Case No. 2005-00096
Date Received: April 12 2005
Response Due Date: April 26 2005**

AG-DR-01-007

REQUEST:

7. At the top of page 16 of his testimony, Mr. Jett states that, "...the MISO will likely provide other services that will result in the imposition of new and different charges on ULH&P." Is it the Company's proposal that any of such new and different charges – which are not included, identified and described in the current Application – can automatically be included in the Regulatory Asset/Regulatory Liability accounts for which the Company is requesting approval in this case? If not, explain in detail how the Company would propose to treat such new and different charges for accounting purposes.

RESPONSE:

Yes. The Company proposes that all MISO revenues and expenses incurred on behalf of ULH&P's retail customers be deferred. In ULH&P's next general rate case, we will support the inclusion of any additional deferred revenues and expenses to be recovered from the retail customers.

WITNESS RESPONSIBLE: Paul K. Jett

Attorney General First Set Data Requests
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AG-DR-01-008

REQUEST:

8. When the Company defers the incremental MISO charges and credits in its proposed Regulatory Asset and Regulatory Liability Account, will it defer these items net of associated deferred federal and state income taxes? If not, why not and how would the Company propose to treat the associated deferred income tax impacts?

RESPONSE:

Cinergy's Tax Department has advised me that the Company is subject to the requirements of FAS 109 for deferred income tax accounting. FAS 109 prohibits "net of tax" accounting. When the Company defers the incremental MISO charges, it will debit FERC account 182 for the deferred expenses. The federal and state income tax deferrals will be credited to FERC account 283 until such time as the deferred expenses are reversed on the books.

WITNESS RESPONSIBLE: Paul K. Jett

Attorney General First Set Data Requests
ULH&P Case No. 2005-00096
Date Received: April 12 2005
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AG-DR-01-009

REQUEST:

9. Please provide a breakout for the 9-month (4/1/05 – 12/31/05) deferral amount of \$1.54 million referenced on page 16 of Mr. Jett’s testimony between (1) MISO Schedule 16 and 17 charges, (2) MISO Schedule 10 and Schedule 10-FERC charges, (3) and the various MISO TEMT charges/credits.

RESPONSE:

The 9-month amounts are listed below:

	2005 <u>4/1 – 12/31</u>
Schedule 10	\$668,962
Schedule 10-FERC	149,326
Schedule 16	253,666
Schedule 17	<u>255,483</u>
Total	<u>\$1,327,437</u>

The estimate of \$1.54 million included Schedules 10 and 10-FERC charges for all of 2005. Per the response in AG-DR-01-003, we are not requesting deferral treatment of these charges for January through March 2005. The other various MISO TEMT charges and credits cannot be estimated at this time.

WITNESS RESPONSIBLE: Paul K. Jett

Attorney General First Set Data Requests
ULH&P Case No. 2005-00096
Date Received: April 12 2005
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AG-DR-01-010

REQUEST:

10. Please provide a summary sheet showing the capital structure, capital cost rates, and resulting overall rate of return the Company was allowed to earn in its most recent electric base rate proceeding.

RESPONSE:

From the Commission's most recent Order involving ULH&P's electric operations which addressed capitalization and rate of return, Order in Case No. 91-370 (pgs. 52 & 55):

Capital Structure	Amount	Percent of Total	Cost Rate	Weighted Cost
Long-Term Debt	75,890,133	46.94%	9.375%	4.40%
Short-Term Debt	11,495,076	7.11%	5.935%	0.42%
Common Equity	74,287,628	45.95%	11.500%	5.28%
Total Capitalization	161,674,762	100.00%		10.11%

WITNESS RESPONSIBLE: Paul K. Jett

Attorney General First Set Data Requests
ULH&P Case No. 2005-00096
Date Received: April 12 2005
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AG-DR-01-011

REQUEST:

11. Please provide the Company's current embedded cost of long-term debt and the current cost of short-term debt.

RESPONSE:

From the Company's filing in Case No. 2005-00042, Schedule J-1, page 1 of 2, at May 31, 2005:

Long-Term Debt	6.308%
Short-Term Debt	3.495%

WITNESS RESPONSIBLE: Paul K. Jett

Attorney General First Set Data Requests

ULH&P Case No. 2005-00096

Date Received: April 12 2005

Response Due Date: April 26 2005

AG-DR-01-012

REQUEST:

12. Will the Company also be deferring (effective at the same date as it proposed to defer the MISO charges in this Application) the differences between the cost of long-term debt and short-term debt included in the current rates (as established in the prior base rate case) and the current cost of long-term debt and short-term debt? If not, why shouldn't this be used as an offset to the proposed MISO cost Regulatory Asset?

RESPONSE:

No, that is not a component of the Company's proposal.

WITNESS RESPONSIBLE: Paul K. Jett



RECYCLED PAPER MADE FROM 30% POST CONSUMER CONTENT

Attorney General First Set Data Requests

ULH&P Case No. 2005-00096

Date Received: April 12 2005

Response Due Date: April 26 2005

AG-DR-01-013

REQUEST:

13. Will the Company also be deferring (effective at the same date as it proposes to defer the MISO charges in this Application) the difference between the return on equity included in the current rates (as established in the prior base rate case) and the current fair return on equity? If not, why shouldn't this be used as an offset to the proposed MISO cost Regulatory Asset?

RESPONSE:

No, that is not a component of the Company's proposal.

WITNESS RESPONSIBLE: Paul K. Jett

Attorney General First Set Data Requests
ULH&P Case No. 2005-00096
Date Received: April 12 2005
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AG-DR-01-014

REQUEST:

14. The Kentucky corporate income tax was recently reduced from 8.25% to 7.00% for 2005 and 2006. In this regard, please provide the following information:
- a. Provide the annualized impact on ULH&P-Electric's revenue requirement of this corporate state income tax reduction from 8.25% to 7.00% (in this revenue requirement impact determination, include the impact of this tax reduction both for the current state income taxes and the deferred state income taxes.)
 - b. Will the Company also be deferring (effective at the same date as it proposes to defer the MISO charges in this Application) the revenue requirement reduction impact of this state income tax reduction? If not, why shouldn't this be used as an offset to the proposed deferred MISO cost Regulatory Asset?

RESPONSE:

- a. The requested information is not available.
- b. No. ULH&P seeks to establish these accounting deferrals related to the MISO costs and revenues because the MISO Day 2 energy markets represent a new and significant change in the nature of MISO's transmission service, resulting in new and significant incremental costs and revenues to ULH&P.

WITNESS RESPONSIBLE: Paul K. Jett