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VIA OVERNIGHT MAIL

July 12, 2005

John J. Finnigan, Jr.
Senior Counsel

RECEIVED

JUL 13 2005

PUBLIC SERVICE
COMMISSION

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 the Application of the Union Light, Heat and Power Company
Relating to the Sale of 7200 Industrial Road Construction/Maintenance Center
Building
Case No. 2005-00199

Dear Ms. O'Donnell:

I have enclosed an original and twelve copies of The Union Light, Heat and Power Company's Reply Comments in the above-referenced case.

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

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

Sincerely,

John J. Finnigan, Jr.
Senior Counsel

JJF/sew

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

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

JUL 13 2005

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF THE UNION)	
LIGHT, HEAT AND POWER)	
COMPANY RELATING TO SALE)	CASE NO. 2005-00199
OF 7200 INDUSTRIAL ROAD)	
CONSTRUCTION/MAINTENANCE)	
CENTER BUILDING)	

REPLY COMMENTS OF
 THE UNION LIGHT, HEAT AND POWER COMPANY
IN SUPPORT OF APPLICATION

In this proceeding, ULH&P seeks approval from the Commission under to KRS 278.218 to sell its current construction/maintenance center at 7200 Industrial Road in Florence, Kentucky. In the alternative, ULH&P seeks a ruling from the Commission that the statute does not require ULH&P to obtain such approval under the circumstances of this case.

ULH&P intends to sell the Florence facility so that it can move into a more optimal location at 1262 Cox Avenue in Erlanger, Kentucky. In the application, ULH&P stated that it planned to sell the Industrial Road building at net book value to Tri-State Improvement Company ("Tri-State"), an ULH&P affiliate in the business of holding and managing non-utility property. Tri-State would then sell the building to the general public. During the discovery process, however, ULH&P stated that it had changed its plan and will sell the Florence building to the general public if the Commission approves ULH&P's sale of the building or rules that such approval is unnecessary.¹

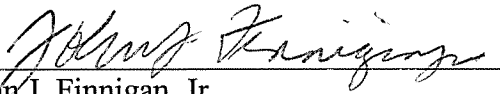
¹ See ULH&P's response to KyPSC-DR-01-003.

The Attorney General's comments do not appear to object to ULH&P's request for Commission approval to sell the building, or for a ruling that approval is not needed. Instead, the Attorney General's comments relate to whether ULH&P's non-regulated affiliate should be allocated any share of the proceeds from the sale of the building. The proceeds from the sale of the building will be allocated proportionately to the net book value of jurisdictional versus non-jurisdictional operations. To allocate all gain from the sale of the building to jurisdictional operations, as the Attorney General recommends, would be patently unreasonable.

ULH&P respectfully requests that the Commission issue an order granting ULH&P approval to sell the Florence building under KRS 278.218 or, in the alternative, a ruling that such approval is unnecessary under the circumstances of this case.

Respectfully submitted,

THE UNION LIGHT, HEAT AND POWER
COMPANY



John J. Finnigan, Jr.

Senior Counsel

P. O. Box 960

Room 2500, Atrium II

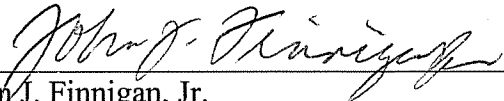
139 East Fourth Street

Cincinnati, Ohio 45201-0960

(513) 287-3601

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing pleading was served of the parties listed below by regular United States mail, postage prepaid, this 12th day of July, 2005.



John J. Finnigan, Jr.

Hon. Elizabeth E. Blackford
Assistant Attorney General
Capital Center Drive, Suite 200
Frankfort, Kentucky 40601-8204