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John J. Finnigan, Jr.
Senior Counsel

VIA OVERNIGHT MAIL

February 18, 2005

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

RECEIVED

FEB 21 2005

**PUBLIC SERVICE
COMMISSION**


Re: Case No. 2005-00027

Dear Ms. O'Donnell:

Enclosed please find an original and five (5) copies of The Union Light, Heat and Power Company's Responses to the Data Request of the Commission Staff.

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: Elizabeth Blackford
Assistant Attorney General
Kentucky Attorney General's Office

KyPSC Staff First Set Data Requests
ULH&P Case No. 2005-00027
Date Received: February 11, 2005
Response Due Date: February 21, 2005

KyPSC-DR-01-001

REQUEST:

1. Refer to page 4 of the application. ULH&P states that it may borrow from authorized issuers of tax-exempt bonds ("Authority") the proceeds of the Authority's tax-exempt bonds. Provide a list of possible Authorities who may issue these types of bonds.

RESPONSE:

The Authorities that would most likely be used for purposes of tax-exempt financing for the East Bend Generating Station, which is located in Boone County, Kentucky, consist of Boone County (or possibly municipalities located in Boone County) or the Kentucky Economic Development Finance Authority. With respect to possible tax-exempt financing for Miami Fort Generating Station, Unit 6, located in Hamilton County, Ohio, and for Woodsdale Generating Station, located in Butler County, Ohio, the most likely issuer of tax-exempt financing would be the Ohio Air Quality Development Authority.

WITNESS RESPONSIBLE: Wendy Aumiller

KyPSC Staff First Set Data Requests
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Date Received: February 11, 2005
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KyPSC-DR-01-002

REQUEST:

2. Refer to page 7 of the application. ULH&P states that inter-company promissory notes other than notes related to projects at East Bend generating station will bear an interest rate equal to the all-in weighted average cost of imbedded long-term debt (excluding tax exempt debt) of The Cincinnati Gas & Electric Company. Explain what the interest rate for notes that are not related to East Bend projects would be as of December 31, 2004.

RESPONSE:

The embedded cost of long-term debt (excluding tax-exempt debt) at CG&E as of December 31, 2004 was 6.77%. Due to the proximity with year end the rate should be very close to the 6.77% but could change slightly due to amortization and similar items.

WITNESS RESPONSIBLE: Wendy Aumiller

KyPSC Staff First Set Data Requests
ULH&P Case No. 2005-00027
Date Received: February 11, 2005
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KyPSC-DR-01-003

REQUEST:

3. Refer to page 13 of ULH&P's Application. ULH&P states that the proceeds from the securities, long-term notes, inter-company promissory notes and loan agreements are expected to be used to repay a portion of ULH&P's short-term indebtedness and for early redemption of long-term debt of ULH&P. Identify the issues of short-term and long-term debt that ULH&P believes are most likely to be refinanced, including the principal amount of each issue identified.

RESPONSE:

ULH&P participates in the "money pool" whereby Cinergy Corp. loans funds on a short-term basis to its utility subsidiaries and several utility subsidiaries loan funds to or borrow funds from one another on a short-term basis. Cinergy Corp. utilizes its commercial paper program for purposes of borrowing funds to loan to its subsidiaries at Cinergy's average cost of funds. The average short-term interest rate for borrowing by ULH&P (and other participants) from the "money pool" for the quarter that ended December 31, 2004, was 2.08% per annum. Other than money pool indebtedness, ULH&P has no other short-term debt. As such, ULH&P has no specific issuances of short-term debt. New funds could be used by ULH&P to pay outstanding balances borrowed from the "money pool."

At the present time, ULH&P has not identified any issuances of long term debt would be redeemed early. However, early redemption might be feasible and appropriate if market conditions change.

WITNESS RESPONSIBLE: Wendy Aumiller

KyPSC Staff First Set Data Requests
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KyPSC-DR-01-004

REQUEST:

4. Refer to pages 13 and 14 of the application.
 - a. ULH&P lists six uses of the proceeds from the proposed \$900 million financing. For each of the six items listed, provide the total amount needed for each use. In addition, specifically identify what ULH&P is including as “such additional expenditures as contemplated by KRS 278.300” and “other lawful corporate purposes.”
 - b. Does ULH&P anticipate it will fund its 2007 construction and acquisition expenditures, as shown in Exhibit D to the application, with proceeds from the proposed \$900 million financing? If yes, explain why these additional expenditures were not referenced on page 13 of the application.

RESPONSE:

- a. The \$900 Million is not an aggregate amount per se, but rather the sum of the requested authorities for each type of financing (\$500 million Bonds, \$200 million tax-exempt, \$200 million inter-company notes). ULH&P has included the financing of the transfer of assets in this application and included in the requested authorities amounts that will give ULH&P the flexibility to use the method of financing that will work best with its financing plans and balance sheet. For example, if a \$200 million inter-company note is utilized to partially finance the initial transfer of assets, it is anticipated that such note would be replaced with long-term financing using Bonds when market conditions are favorable for such replacement. This flexibility will allow ULH&P to refinance the costs of the asset transfer as soon after closing as is reasonable when considering market conditions and not cause ULH&P to be delayed while seeking approval for a specific financing method. Please see timeline attached for a different representation of these funding requests.

With regard to “...additional expenditures...” And “other lawful corporate purposes”, ULH&P would consider these categories to include any funding needs that fall outside of the listed funding needs and which otherwise constitute legitimate and reasonable utility funding requirements. ULH&P did not use these terms with reference to a specific type of cost, but seeks approval to finance any costs that are appropriate for utility financing.

- b. This application covers only the period through December 31, 2006, and as such 2007 expenses were not contemplated within any funding request or listed as uses for funds in this application.

WITNESS RESPONSIBLE: Wendy Aumiller

Balance Sheet Adjustments as Result of Transfer and Financing Mechanisms.
 Only Items Changing Shown for Clarity***

(000s)	Balance 12/31/2004	Changes due to transfer 4/1/2005	Balance*	Changes due to transfer 12/31/2005	Balance**
<u>Assets</u>					
Supplies	8,500	15,148	23,648		23,648
Net Property, Plant & Equip.	414,015	371,646	785,661		785,661
<u>Liabilities</u>					
Long-term Debt					
Intercompany Note		150,000	150,000	(150,000)	0
Taxable	94,340		94,340	73,300	167,640
Tax-Exempt			-	76,700	76,700
Total	94,340	150,000	244,340	-	244,340
<u>Common Stock Equity</u>					
Paid in Capital	23,455		23,455		163,020
Contribution of Equity		139,565	139,565		
Total	23,455	139,565	163,020		163,020

* Does not consider typical changes from ongoing operations

** Does not consider typical changes from ongoing operations or new debt issuances arising from normal operations

*** Does not consider items such as deferred income taxes, etc

KyPSC Staff First Set Data Requests
ULH&P Case No. 2005-00027
Date Received: February 11, 2005
Response Due Date: February 21, 2005

KyPSC-DR-01-005

REQUEST:

5. Refer to page 17 of the application. ULH&P seeks authority to issue and sell up to \$900 million in principal amount of its securities, long-term notes, inter-company promissory notes and loan agreements.
 - a. Explain whether the \$900 million authority that is sought is an aggregate amount that will include all debt of ULH&P that is currently outstanding.
 - b. If ULH&P's response to 5(a) is no, identify all debt by issue and principal amount that would exist in excess of the \$900 million authority.

RESPONSE:

- a. The \$900 million is not an aggregate amount from the standpoint of total outstanding indebtedness and it is not inclusive of the current outstanding debt issuances of ULH&P. As explained in response to KyPSC-DR-01-004, the \$900 million request includes interim financing for the initial transfer of the assets that would be replaced with other financing as soon as market conditions favor such replacement.
- b. Please see #5 on Exhibit E filed with this application for a listing of outstanding long-term issuances at ULH&P that may continue to remain outstanding in addition to the debt that may become outstanding pursuant to the currently requested authority.

WITNESS RESPONSIBLE: Wendy Aumiller