

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAY 10 2005

In the Matter of:

AN ADJUSTMENT OF THE GAS)
RATES OF THE UNION LIGHT,)
HEAT AND POWER COMPANY)

PUBLIC SERVICE
COMMISSION

CASE NO. 2005-00042

**CONTINUATION OF
SUPPLEMENTAL REQUEST FOR INFORMATION
POSED BY THE ATTORNEY GENERAL**

The Attorney General, by and through his Office of Rate Intervention, submits this Continuation of Supplemental Request for Information to the Union Light, Heat and Power Company to be answered in accord with the procedural schedule set out in the Order of April 28, 2005. A hard copy of the first questions comprising the Supplemental Request for Information was filed on April 29, 2005. The responses are to be submitted in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Please identify the witness who will be prepared to answer questions concerning each request.
- (3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (4) If any request appears confusing, please request clarification directly from the Office of Attorney General.
- (5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

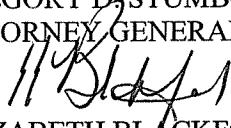
(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL OF KENTUCKY



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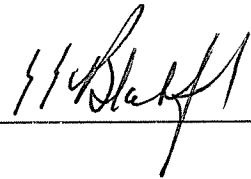
CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 10th day of May, 2005, I have filed the original and ten copies of the foregoing Continuation of Request for Information with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

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31. Considering the relatively small impact on the Forecasted Test Period net operating income (increase of less than \$25,000) as a result of the KY income tax rate reduction from 8.25% to 7.00%, explain how it is possible that the average Forecasted Test Period common equity balance (presumably the retained earnings component of common equity) increases by \$542,000 as a result of the KY income tax rate reduction from 8.25% to 7.00%. In addition, provide all calculations and assumptions used in the derivation of this common equity increase of \$542,000.

32. In preparing the filing update for the KY income tax reduction to 7%, what dollar amount balance did the Company quantify for the “protected” excess deferred income taxes resulting from the KY income tax reduction to 7% effective 1/1/05 and to 6% effective 1/1/07?

In addition, how did the Company treat these “protected” excess deferred state income taxes in the Forecasted Test Period, i.e., did the Company use the average-rate assumption method for flowing back these excess deferred income or did it use some other flow-back method?

33. In preparing the filing update for the KY income tax reduction to 7%, what dollar amount balance did the Company quantify for the “unprotected” excess deferred income taxes resulting from the KY income tax reduction to 7% effective 1/1/05 and to 6% effective 1/1/07?

In addition, how did the Company treat these “unprotected” excess deferred state income taxes in the Forecasted Test Period, i.e., did the Company use the average-rate assumption method for flowing back these excess deferred income or did it use some other flow-back method?

Please provide the impact on the Forecasted Test Period revenue requirement of the assumption that these excess deferred income taxes be amortized back to the ratepayers over a 5-year period.

34. Follow-up to AG-DR-01-026. The response refers to Attachments KyAG-DR-01-00(c) through (g), (r), and (v). However, there does not appear to be a KyAG-DR-00, and no attachments were provided with the response. Please provide the attachments.

35. Follow-up to AG-DR-01-054. The response states that there is no cost of removal applied to main to curb services. However, page III-101 of the depreciation study shows cost of removal expenditures for this account. How was the actual cost of removal experienced, as shown on that page, calculated?

36. Follow-up to AG-DR-01-023. What portion of the accrual for each account represents capital recovery versus net salvage?
37. Follow-up to AG-DR-01-030. Please provide sample work orders showing this allocation and the internal policy and procedure documents describing this procedure.
38. Follow-up to AG-DR-01-050. How will each of these programs specifically affect plant lives? How did Mr. Spanos reflect these programs in his estimates? Did he use a judgmental approach; if yes what adjustments were made? Did he quantify some impacts; if yes, how?
39. Follow-up to AG-DR-01-063. If the requested reconciliation is not available, please provide a side-by-side comparison of the study balances at September 2004, versus the reported balances at December 31, 2004. Please provide your best estimate or guess as to what caused any significant differences.
40. Follow-up to AG-DR-01-069.
 - a. Do Mr. Spanos's proposed depreciation rates include amounts for non-legal AROs as defined by FERC Order No. 631? If yes, what is the amount in each of his proposed rates?
 - b. Please explain the "\$39 million net of tax gain" discussed in Brett Ritchie's August 16, 2004, email to Christa Barnhart, et. al.
 - c. Referring to page 5 of 90 of the attachment, does the company expense cost of removal? Please explain the reference to "operating activity."
 - d. Refer to page 13 of 90 of the attachment. Specifically footnote (8). Does the Company have a regulatory liability for the non-legal AROs it has collected from its regulated operations in the past? Please explain.
 - e. Please identify all of the people named in the emails and attachments, and specify their employers and positions.
 - f. Please refer to page 79 of 90 of the attachment. Under the fourth bullet point, please explain the meaning of "a large favorable one-time adjustment to earnings (\$63 million.)"
 - g. Refer to page 55 of 90. Explain items 1.c. and 1.d.
41. Follow-up to AG-DR-01-070. Refer to page 17 of 172 of the attachment. Please explain and reconcile the reference to John Spanos on that page with your earlier response to AG-DR-023. Please reconsider the response to AG-DR-023.
42. Follow-up to AG-DR-01-78. The response refers to the responses to AG-DR-01-022 and 023, however, these responses do not answer the question. Please provide a response for AG-DR-01-78.
43. What is the relationship of the account numbers in Summary of Estimated Survivor Curves, Net Salvage, Original Cost, Book Reserve and Calculated Annual Deprecation Rates and the depreciation study to the established FERC account numbers?

44. Follow-up to Item 111. Please provide Attachment AG-DR-01-111 in an electronic format, with all underlying formulas left intact. If a portion of this attachment is not available in a PC program format (such as a mainframe output), please supply all portions of the attachment that are in a PC program format.
45. Follow-up to Item 114. The answer to the question was not responsive. Does Cinergy also accept Mr. Karl's conclusion that Global Climate Change is a real problem that needs to be addressed?
46. Follow-up to Item 117. In Attachment JAR-9, Mr. Karl discusses providing data in time frames in addition to the traditional 30-year time frame, in response to client requests. In reviewing JAR-9, we were unable to find where Mr. Karl advocates the use of a 10-year normalization. Please provide the specific places in JAR-9 where Mr. Karl advocates the use of a 10-year normalization period instead of the traditional 30-year period.
47. Follow-up to Item 119(a).
 - a) Please provide all documentation (including copies of Commission Orders or lists of Case Numbers, the dates of the Orders and the page number(s) of the Orders on which the issue is addressed) in which the Commission accepts the concept of the AMRP rider should be collected as a customer charge.
 - b) Please provide all documentation (including Commission Orders or lists of Case Numbers, the dates of the Orders, and the page number(s) of the Orders on which the issue is addressed) that the Commission intends that the AMRP rider costs are to be included as customer costs when these costs are rolled into base rates and made a part of "final rate design" in future rate cases.
48. Follow-up to Item 127.
 - a) Please provide both MCF by class and gas customers by class for the month of March 2005, as soon as it becomes available.
 - b) Please provide both MCF by class and gas customers by class by month for each month of the 10 years prior to historic test year ending October 31, 2004.
 - c) Please provide the number of Firm Transportation customers on a monthly basis, broken down into the subgroups of Commercial, Industrial, and Other, for the following time periods:
 - i) The 10 years prior to historic test year ending October 31, 2004.
 - ii) The historic test year ending October 31, 2004.
 - iii) The months following the historic test year to the present – November 2004 through March 2005.
 - d) Please provide the actual gas volumes by class by month, provided in Attachment AG-DR-01-127, as weather normalized volumes. Please include March 2005 if these figures are now available.
 - e) Please provide each of the class monthly gas volumes for the historic test year, found in WPF-9v page 5 of 31, as weather normalized volumes.
49. Follow-up to Item 130.

- a) Attachment AG-DR-01-130 calculates a decrease of 104,920 MCF associated with a reduction from 54 customers to 51 customers. Please explain the difference between this 104,920 MCF and the difference of 362,945 MCF between the historic test year FT volumes and the forecasted test year FT volumes.
 - b) Attachment AG-DR-01-130, page 1 of 2, calculates a reduction in industrial volumes of 17% between 2001 and 2002.
 - i) Please explain how this one year change in industrial volumes between 2001 and 2002 has any relevance to the forecasting of FT volumes in 2006.
 - ii) Please explain how this 17% reduction was used in the calculation of the FT volumes in the forecasted test year.
 - c) Attachment AG-DR-01-130, page 2 of 2, calculates a reduction of 20% between 2004 and the Forecasted period based on figures from Schedule I-4. Please explain how this 20% reduction was used in the calculation of the 24% reductions in FT volumes in the forecasted test year.
 - d) Attachment AG-DR-01-130, page 2 of 2, calculates a reduction of 20% between 2004 and the Forecasted period based on figures from Schedule I-4. Please provide all calculations, assumptions and workpapers used to generate the forecasted sales and transportation volumes for the forecasted period in Schedule I-4 for the following customer classes:
 - i) Residential sales
 - ii) Commercial sales
 - iii) Industrial sales
 - iv) Other sales
 - v) Commercial transportation
 - vi) Industrial transportation
 - vii) Other transportation
 - viii) Interruptible transportation (Fuel Oil Replacement)
 - e) The calculations in Attachment AG-DR-01-130 do not provide the detail that explains how FT volumes declined from 1,364,056 MCF in the historic test year to 1,001,111 MCF in the forecasted test year (WPFR-9v page 5 and 6 of 31). Please provide all calculations, assumptions and workpapers that make this calculation.
50. Follow-up to Item 130. Attachment AG-DR-01-130 calculates data contained in workpapers WRFR-9v, page 5 and 6 of 31. This Attachment states that it relies on data from Schedule I-4. Comparing the figures in WPFR-9v, pages 5 and 6 of 31, and figures in Schedule I-4, please reconcile the following differences:
- a) Residential sales volumes for the base period of 7,237,570 MCF from Schedule I-4, and 7,086,139 MCF from WPFR-9v, page 5 of 31.
 - b) GS sales volumes for the base period of 4,275,044 MCF from Schedule I-4, and 3,843,621 MCF from WPFR-9v, page 5 of 31.
 - c) Firm Transportation volumes for the base period of 1,330,194 MCF from Schedule I-4, and 1,364,056 MCF from WPFR-9v, page 5 of 31.
 - d) Interruptible Transportation volumes for the base period of 1,338,089 MCF from Schedule I-4, and 1,320,505 MCF from WPFR-9v, page 5 of 31.
 - e) Residential sales volumes for the forecasted period of 6,895,548 MCF from Schedule I-4, and 7,151,018 MCF from WPFR-9v, page 6 of 31.

- f) GS sales volumes for the forecasted period of 4,176,448 MCF from Schedule I-4, and 3,913,164 MCF from WPFR-9v, page 6 of 31.
51. Follow-up to Item 139. Please provide Attachment AG-DR-01-139 in an electronic format.
 52. Follow-up to KyPSC-DR-02-048. Please provide a calculation of ULH&P's costs associated with processing a bad check.
 53. Follow-up to KyPSC-DR-02-048. Please provide the following associated with reconnection charges:
 - a) All documentation to justify the Average Wage per hour of \$25.50.
 - b) All documentation to justify the Average Hourly Vehicle Cost of \$7.00 per hour.
 - c) All documentation to justify the 20 minutes per order to reconnect gas.
 - d) All documentation to justify the 40 minutes per order to reconnect gas and electric.
 - e) All documentation to justify the 30 minutes of travel time.
 54. Please provide an electronic copy of the Attachment AG-DR-01-088 in Microsoft Excel format.
 55. With reference to the response to AG-DR-01-095, please provide (1) the procedures by which the data is extracted from the Value Line Investment Analyzer, and (2) a paper (as opposed to an electronic) copy of the data used in estimating the equity risk premium.
 56. With reference to the response to AG-DR-01-098, please (1) provide copies of the source documents for the 'Bond Yields' used in the regression analysis, and (2) indicate the source(s) used by Regulatory Research Associates to identify major regulatory rate case decisions; (3) how Regulatory Research Associates defines "Major Rate Case Decisions" (i.e., does that mean all decisions, or only those of a certain size)