



Cinergy Corp.
139 East Fourth Street
Rm 25 AT II
P.O. Box 960
Cincinnati, OH 45201-0960
tel 513.287.3601
fax 513.287.3810
jfinnigan@cinergy.com

John J. Finnigan, Jr.
Senior Counsel

VIA OVERNIGHT MAIL

May 20, 2005

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

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MAY 23 2005

PUBLIC SERVICE
COMMISSION

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

Dear Ms. O'Donnell:

I have enclosed an original and six copies of The Union Light, Heat and Power Company's responses to the Attorney General's supplemental set of data requests in the above-referenced case.

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: The Honorable Elizabeth Blackford (w/enc.)

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MAY 23 2005

PUBLIC SERVICE
COMMISSION

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-001

REQUEST:

1. Are there any Other Operating Revenue components that are a direct function of Sales and Transportation Revenues? If so, identify these Other Operating Revenue components; provide the relationship between these Other Operating revenues as a ratio (percentage) of the total Sales and Transportation revenues; and explain why this ratio has not been built into the Gross Revenue Conversion Factor (similar to, for example, the uncollectible and KPSC fee ratios) shown on Schedule H.

RESPONSE:

The only "Other Operating Revenue" components that is a direct function of Sales and Transportation Revenue is "Sales Tax Collection Fee." The fee is based on 1.75% of the first \$1,000 collected and then 1.00% of any amount over \$1,000. At a 6% sales tax rate, the sales tax collection fee is essentially 0.06% of revenue collected.

The fee was excluded because it was considered immaterial.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-002

REQUEST:

2. Account 493040 Other Operating Revenues for Rent Land & Buildings – Assoc. has been at a level of \$34,176 for each of the last 5 years but has not been reflected in the forecasted test period because “Inter-company rents are not budgeted.” (see response to AG-1-193f) Assuming the reflection of \$34,176 revenues from this item in the forecasted test period, what would be the impact on the Company’s forecasted test period net operating income (i.e., would there be offsetting expenses and, if so, explain why)?

RESPONSE:

As stated in response to AG-DR-01-193(f) and KyPSC-DR-02-035, the Company did not forecast inter-company rents (income or expense). Assuming that historical levels continued into the forecast period, the incremental changes to the forecast period would include:

493040 Other Revenues – Rent Assoc Comp.	\$ 34,176
931000 Rents (Rent of Headqtrs building)	316,092
931290 Rents inter-company	<u>80,268</u>
Pre-tax Operating Income change	(\$362,184)
Income Taxes	<u>146,187</u>
Operating Income Change	(\$215,997)

WITNESS RESPONSIBLE: William Don Wathen, Jr.

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-003

REQUEST:

3. In its response to AG-1-193b, e, and e, the Company states that the reason for the reduced forecasted test period transportation revenues in accounts 489040, 489110 and 489120 as compared to the base period and 12-month period ended 5/31/04 is that "The forecasted test period reflects the Rider AMRP expiring on August 31, 2004. The result is a decrease in the amount of revenues forecasted for account 489040 [and 489110 and 489120]." Please explain the above statement in more detail. In addition, provide the following information:
- a) Why did the Company assume that Rider AMRP would expire in August 2004?
 - b) Isn't it the Company's position in this case that Rider AMRP will not expire until the rate effective date of this case?
 - c) Would the projected transportation revenues for the forecasted test period be any different with the assumption that Rider AMRP expires with the rate effective date of this case?
 - d) If so, what would be the forecasted test period revenues for these three transportation revenue accounts without the Rider AMRP expiration assumption?
 - e) Why would the 8/31/04 Rider AMRP expiration assumption result in a decrease of the projected forecasted revenues for these three transportation accounts (explain in detail and, if needed, illustrate with examples).

RESPONSE:

- a) The answer to AG-DR-01-193(b) contained a typographical error. The correct date is August 31, 2005.
- b) In Ordering Paragraph 6 of its January 31, 2002 Order in Case No. 2001-0092, the Commission stated that Rider AMRP was approved for an initial period of three years from the date of the Order. In an Order dated May 24, 2002 in Case No. 2002-00107, the Commission extended this period by providing that ULH&P should file its next general gas rate case such that new rates would become effective on and after September 1, 2005. In an Order dated January 27, 2005 in Case No. 2004-00403, the Commission denied ULH&P's motion to extend the filing date for the present case, and to continue Rider AMRP rates during such interim.

Based on the foregoing, ULH&P's understanding is that Rider AMRP rates will expire as of the first billing cycle in September 2005.

- c) No.
- d) Not applicable.
- e) The AMRP expires August 31, 2005. The current rates (as of May 2005) for transportation accounts are: \$0.234/CCF for Rate FT-L and \$0.0096/CCF for Rate IT. When these rates expire, the level of revenue collected will decrease.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-004

REQUEST:

4. In the response to AG-1-193e, the Company states that the forecasted test period Industrial Firm Transportation revenues reflect "a 10% decrease from January 2004 through September 2006 in the number of industrial customers taking service under Rate FT-L." In this regard, please provide the following information:
- a) What is the basis for this assumed 10% decrease? If available, include all source documentation in support of this assumption.
 - b) Provide the number of industrial customers taking service under Rate FT-1 for each month from January 2002 through to date.
 - c) What would be the projected forecasted test period Account 489120 revenues of \$1,376,000 without the impact of the assumed 10% decrease in the number of customers from January 2004 through September 2006?

RESPONSE:

- a) As was stated in response to AG-DR-01-130:

"For forecasting purposes, ULH&P develops econometric models for aggregate gas sales (retail and transportation) for each customer class. As expected, the aggregate sales forecast is impacted by increasing prices and efficiencies. One would expect that the industrial class is the most price-sensitive group of customers. Schedule I-4 shows that the largest change in retail and transportation sales occurs within the industrial class. Between historic 2004 and the forecasted period, aggregate industrial sales decline 20%. This is not unprecedented. Similar changes have occurred in the past. Historic aggregate industrial sales show a 17% decline from 2001 to 2002."

The industrial customers taking service under Rate FT-L are included in the amounts discussed in response to AG-DR-01-130. The econometric models used for the sales forecast predicted a decrease in usage by industrial customers. These econometric models are based on actual sales results from ULH&P's past experience in providing gas service to these customers. From an economic perspective, as gas prices continue to increase, it may become uneconomical for some industrial customers to continue operations as is. They may switch to alternate fuels or take gas under the other ULH&P tariffs available to them. Of course, the other possible outcome is that over time the number of customers will decrease. The test period forecast predicted thirty FT customers in March 2005 which is only different from actual by one.

Note: a 10% decrease in the number of customers is only three customers based on the current number of customers as of March 31, 2005 of 31.

- b) See attachment AG-DR-02-004(b).
- c) The Company did not prepare the forecast assuming a flat level of industrial FT, nor did it run any sensitivity using this assumption; thus, the data is not available.

WITNESS RESPONSIBLE: Parts (a) and (b) – James A. Riddle
Part (c) – William Don Wathen, Jr.

**Union Light Heat & Power
Number of Industrial Customers
Taking service under Rate FT-L**

Case No. 2005-00042

AG-DR-02-004(b)

Page 1 of 1

<u>Month</u>	<u># Cust</u>	<u>Month</u>	<u># Cust</u>	<u>Month</u>	<u># Cust</u>	<u>Month</u>	<u># Cust</u>
Jan-02	31	Jan-03	58	Jan-04	32	Jan-05	31
Feb-02	31	Feb-03	58	Feb-04	32	Feb-05	31
Mar-02	34	Mar-03	31	Mar-04	32	Mar-05	31
Apr-02	34	Apr-03	31	Apr-04	32		
May-02	33	May-03	32	May-04	31		
Jun-02	60	Jun-03	32	Jun-04	31		
Jul-02	60	Jul-03	32	Jul-04	31		
Aug-02	60	Aug-03	31	Aug-04	30		
Sep-02	60	Sep-03	31	Sep-04	31		
Oct-02	60	Oct-03	31	Oct-04	31		
Nov-02	60	Nov-03	31	Nov-04	31		
Dec-02	59	Dec-03	31	Dec-04	32		

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-005

REQUEST:

5. With regard to the Non-Jurisdictional ADIT balance of \$1,563,620 shown on line 25 of WPA-1d, please provide the following information:
- a) Provide a breakout of this balance by ADIT component, including the MGP Environmental Cleanup, Non-Utility Plant AFUDC and Alternative Minimum Pension Liability adjustment (see response to AG-1-167(a).
 - b) If one hypothetically assumes that none of the ADIT components to be provided in response to part a above is non-jurisdictional, how would this assumption impact the ADIT balances on line 25 of WPA-1d for Gas Jurisdictional and Electric Jurisdictional?
 - c) Provide the reasons why the Tax Department considered the \$1,563,000 of ADIT non-jurisdictional (see response to AG-1-167(a).
 - d) Given that the Company's proposed forecasted period common equity balance of \$352,350,000 includes OCI common equity related to the Minimum Pension Liability, explain why the ADIT included in the \$1,563,000 relating to the Alternative Minimum Pension Liability should be considered non-jurisdictional.

RESPONSE:

- a) This balance is comprised of the following:

Description	Amount
Minimum Pension Liability – FIT	\$692,395
Minimum Pension Liability – SIT	178,112
MGP Hazardous Cleanup – FIT	649,100
MGP Hazardous Cleanup – SIT	165,163
Gift Certificates – FIT	145
Gift Certificates – SIT	37
Ohio Adjustment to Actual - SIT	2,064
AFUDC - FIT	(98,173)
AFUDC - SIT	(25,223)
Total	\$1,563,620

- b) If one assumed this balance would be allocated to gas jurisdictional and electric jurisdictional, those jurisdictional balances would be increased. The

extent of each increase would be dependent on the allocation used for each item in the non-jurisdictional balance.

- c) The Company considered these balances non-jurisdictional because they either were related to non-jurisdictional plant or they were related to expenses to be borne by the Company's shareholders.
- d) This Minimum Pension Liability is for a non-qualified pension plan. These plans are commonly provided through shareholder expenses (below-the-line) rather than from ratepayers. Common equity should not include OCI common equity related to the Minimum Pension Liability.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-006

REQUEST:

6. With regard to the Company's response to PSC-2-105, please provide the following information:
 - a) If a Slippage Factor were to be applied for ratemaking purposes in this case, please provide the Company's position as to whether the 10-year average Slippage Factor should be based on the cumulative average (e.g., 9.38% for the Non-AMRP projects) or the mathematical 10-year average of the yearly slippage factors (e.g., 6.048% for the Non-AMRP projects). If the latter, explain why and provide any KPSC precedent in using this particular Slippage Factor calculation.
 - b) Please re-calculate the Forecasted Period jurisdictional gas plant in service balance of \$277,747,000 and CWIP balance of \$4,120,000 assuming the 10-year average slippage factor shown for Non-AMRP capital construction projects shown on page 1 of 3 of the response.
 - c) If the Slippage factor assumption referenced in part b above also impacts other gas jurisdictional rate base items, please re-calculate such other gas jurisdictional rate base items based on the same 10-year average slippage factor as referenced in part b above.

RESPONSE:

- (a) ULH&P contends that its new rates should be established based on the capital expenditures budgeted in its forecasted test period, without a slippage adjustment. To the extent that the Commission might decide to apply a slippage adjustment, ULH&P submits that the slippage adjustment should be calculated based on a mathematical average of AMRP and non-AMRP projects. This would be a reasonable approach because, even if the Commission re-approves Rider AMRP, it will expire at some point, as it is scheduled to do on September 1, 2005.
- (b) ULH&P has not performed this analysis.
- (c) See response to AG-DR-02-006(b).

WITNESS RESPONSIBLE: Gary J. Hebbeler

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-007

REQUEST:

7. Please provide confirmation that the Forecasted Period total gas plant in service of \$277.747 million includes total plant retirements of \$1.545 million consistent with the assumed gas depreciation reserve retirements shown in the response to AG-1-171. If this cannot be reconciled, explain why not.

RESPONSE:

The plant retirements of \$1.545 million are for the twelve-month period ending September 2006. The calculation of the 13-month average forecasted total gas plant in service of \$277.747 includes the same amount for projected retirements.

WITNESS RESPONSIBLE: Peggy A. Laub

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-008

REQUEST:

8. The response to AG-1-155 states that the Base Period total company Other Rate Base Adjustments, currently shown as \$3,286,870, should be \$1,530,917 and is 100% electric jurisdictional. In this regard, provide the following information:
- a) Provide a description of the rate base items making up this Other Rate Base Adjustment balance.
 - b) Explain why the Company has reflected a balance of \$0 for these Other Rate Base adjustments for the Forecasted Period. Provide any source documentation in support of this projection.

RESPONSE:

- a) The balance of \$1,530,917 represents the electric portion of deferred work force reduction costs related to the Company's downsizing program.
- b) This was eliminated from the Forecasted Period Other Rate Base adjustments because in the Company's last gas rate case (Case No. 2001-00092) the Commission disallowed this item as an Other Rate Base adjustment in the calculation of the Jurisdictional Rate Base Ratio. The Forecasted Period is the period the Commission will use to determine the Company's revenue requirement in this case.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-009

REQUEST:

9. Re. the response to AG-1-177. In preparing the base period gas jurisdictional ADIT balance of \$32,470,191 and Forecasted Period gas jurisdictional ADIT balance of \$33,244,980, did the Company make any pro forma adjustments to the forecasted per books results or do the balances represent the unadjusted projected per books ADIT results? If the Company made any pro forma ADIT adjustments for ratemaking purposes, please describe and quantify these adjustments in detail.

RESPONSE:

The base period gas jurisdictional ADIT balance is (\$33,053,959) as shown on Schedule B-6, page 1 of 2, line 18. A pro forma adjustment in the amount of \$583,768 was made resulting in the Adjusted Jurisdictional balance of (\$32,470,191). The pro forma adjustment was for Facilities Devoted to Other Than ULH&P Customers and is shown on WPB-6c, line 3.

The Forecasted Period gas jurisdictional ADIT balance is (\$33,854,344) as shown on Schedule B-6, page 2 of 2, line 18. A pro forma adjustment in the amount of \$609,364 was made resulting in the Adjusted Jurisdictional balance of (\$33,244,980). The pro forma adjustment was for Facilities Devoted to Other Than ULH&P Customers and is shown on WPB-6d, line 3.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-010

REQUEST:

10. Re. the response to AG-1-177. The most recent actual gas ADIT balance for which detailed ADIT components are available (the January 2005 ADIT balance details in the Trial Balance on PSC-1-30, p. 8 of 20) shows that the Company's actual Account 283 gas ADIT balance as of 1/31/05 includes a total of \$3,134,609 (\$2,500,414 DFIT and \$634,195 DSIT) positive ADIT balance¹ for unbilled revenues. Please provide the corresponding total gas ADIT balance associated with unbilled revenues that is included in the total Forecasted Period jurisdictional gas ADIT balance of \$33,244,980 and indicate whether this also represents a positive ADIT balance.

If your answer is that there is no gas unbilled revenue related ADIT balance included in the Forecasted Period total gas jurisdictional ADIT balance because the Forecasted Period is not assumed to have unbilled revenues, please explain how the basis for this answer given the statement in the response to AG-1-177 that the Company does not know the detailed ADIT components for the Forecasted Period total gas ADIT balance, that "The Company's forecasting tool does not track Balance Sheet amounts by account" and that, therefore, "the only detail of Accumulated Deferred Income Taxes available for the forecasted test period is that presented on WPB-6b."

RESPONSE:

The ADIT balances referred to as Unbilled Revenue – Fuel in Account 283 as of 1/31/05 totaling \$3,134,609 is associated with an accrued expense for gas provided to customers. This book expense accrual is estimated for the gas delivered from the meter reading date to the end of the month. For tax purposes only actual incurred costs are deductible.

WITNESS RESPONSIBLE: Alexander J. Torok

¹ This positive ADIT balance represents pre-paid ADIT that has the effect of increasing the rate base.

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
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AG-DR-02-011

REQUEST:

11. With regard to the response to AG-1-182, please provide the following information:
- a) Given that the amortization of ITC can be budgeted fairly accurately, why is it that the forecasted months, including the Forecasted Period, do not include any amortization of ITC?
 - b) Given that the Company is an "Option 2" company with regard to ITC treatment, would the Company agree that it would be appropriate to reflect an appropriate level of annual ITC amortization for ratemaking purposes in this case? If not, provide all reasons why not.

RESPONSE:

- a) The amortization of ITC was overlooked in this filing.
- b) Yes, the annual ITC amortization should be included.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
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AG-DR-02-012

REQUEST:

12. With regard to the response to AG-1-185/AG-1-220, please provide the following information:
- a) Taking the year 2003 as an example, what exactly represents the taxable income of \$453.168 million for Cinergy Corp.? Does this taxable income include the taxable incomes from ULH&P (\$3.625 million), CG&E (\$269.924 million), PSI (\$105.877 million) and from all other subsidiaries of Cinergy Corp.?
 - b) Should the Cinergy Corp. taxable income for 2003 of \$453.168 million be offset by the negative taxable income amount of \$492.888 million for the Cinergy Elimination Company?
 - c) What exactly represents the negative taxable income amount of \$492.888 million for the Cinergy Elimination Company? What specific taxable incomes (i.e., for which companies listed in the response) are eliminated by virtue of the \$492.888 booking?

RESPONSE:

- a) No, the \$453.168 million is the book income of Cinergy Corp. adjusted for Cinergy Corp.'s stand alone book/tax differences.
- b) No. As noted in AG-DR-02-012(a) above, the \$453.168 million is the book income of Cinergy Corp. adjusted for Cinergy Corp.'s stand alone book/tax differences.
- c) The \$492.888 million is not negative taxable income. It is the book equity earnings of Cinergy Corp.'s subsidiaries and joint ventures. Please see Attachment AG-DR-02-012(c) for a detailed reconciliation of the \$492.888 million.

WITNESS RESPONSIBLE: Alexander J. Torok

Reconciliation of Cinergy Elimination Company for 12/31/2003

Elimination Book Income	(536,476,646)
Preferred Dividends:	
Booked on CGE	845,658
Booked on PSI	2,586,863
Consolidated Capital Losses:	
Union Light, Heat & Power Company	(12,518)
PSI Energy, Inc.	(338,342)
Cinergy Global Power, Inc.	(900,000)
Cinergy Ventures, LLC (Sub of Cinergy Technologies, Inc.)	(5,117,187)
Foreign Company and Partnership Elimination	46,523,907
	<hr/>
Total Cinergy Elimination Company	(492,888,265)

**Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005**

AG-DR-02-013

REQUEST:

13. In response to AG-1-187b, note (4), the Company states that \$535,245 of the projected Forecasted Period property tax increase over the Base Period property taxes is due to the fact that "The Company does not assume that it will continue to obtain assessment values lower than net book value." In this regard, please provide the following information:
- a. For each of the last 3 years (2002, 2003 and 2004), provide details as to how successful the Company has been in its negotiations with the KRD to obtain assessment values that are below the net book value of the Company. To quantify this success, please provide, for each of these 3 years, the actual property taxes paid by the Company as compared to the property taxes it would have had to pay without the successful negotiations with the KRD to obtain assessment values below the net book value of the Company.
 - b. What is the basis for the Company assumption for ratemaking purposes in this case that it will no longer be successful in its negotiations with the KRD to obtain assessment values that are below the net book value of the Company?
 - c. Assuming that the Company will be equally successful in its negotiations with the KRD to obtain assessment values below the net book value of the Company as it has been "in recent years", would this assumption remove the \$535,245 Anticipated Increase in Valuation amount? If not the entire amount of \$535,245 would be eliminated by this assumption, what portion of the \$535,245 would be eliminated?

RESPONSE:

- a. Attachment AG-DR-02-013(a) provides a comparison of total taxes paid for the years 2002 through 2004 as compared to the tentative assessments for the years 2002 through 2004. The tax savings per year is as follows:

2004 - \$1,122,296
2003 - \$557,104
2002 - \$852,446

- b. The assumption is based on discussions with the Kentucky Revenue Cabinet. The Company successfully obtained a value that is below net

book value during the past few years. However, as previously stated, the Company does not anticipate that the Kentucky Revenue Cabinet will continue to allow the Company to be assessed at below net book value.

- c. The \$535,245 reduction assumes the Company will be able to maintain a final tax assessment value based on 79.01% of the net book value. If the Company does maintain this percentage, the entire \$535,245 would be eliminated. However, any increase above of 79.01%, would increase the annual property taxes in proportion to the increase in value above the 79.01% net book value.

WITNESS RESPONSIBLE: Alexander J. Torok

THE UNION LIGHT, HEAT AND POWER COMPANY
COMPARISON OF 2002 - 2004 TENTATIVE KENTUCKY ASSESSMENTS TO FINAL KENTUCKY ASSESSMENTS

	2004		2003		2002	
	Tentative	Final	Tentative	Final	Tentative	Final
Real Estate	189,761,220	158,000,000	162,010,160	158,000,000	158,333,510	158,333,510
Tangible Property	141,227,961	72,000,000	109,042,677	65,500,000	161,674,660	71,347,310
Manufacturing Machinery	67,596,158	66,033,888	49,285,508	46,158,315	50,372,440	50,372,440
Business Inventory	1,966,112	1,966,112	2,341,685	2,341,685	1,946,740	1,946,740
Assessment	400,551,451	298,000,000	322,680,030	272,000,000	372,327,350	282,000,000
Average Tax Rate	1.09%	1.09%	1.07%	1.07%	1.07%	1.07%
Taxes Proposed/Paid	\$4,383,528	\$3,261,232	\$3,478,100	\$2,920,996	\$3,872,577	\$3,020,131
Tax Savings Proposed vs. Paid		\$1,122,296		\$557,104		\$852,446
Net Book Value	377,153,000	377,153,000	356,363,000	356,363,000	331,128,000	331,128,000
% of Net Book Value	106%	79%	91%	76%	112%	85%

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
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AG-DR-02-014

REQUEST:

14. The response to AG-1-200a provides the actual dollars expended on the "Noproj-Default Project." AG-1-200d asked the actual expenses booked for the total Other Professional Services (i.e., including the "Noproj-Default Project" as well as all other expenses shown on WPF-5a, lines 15 – 38. In answering this question, the Company referred back to its response to AG-1-200a. Please provide the correct answer to AG-1-200d and expand it as follows:
- a) Provide the originally budgeted as well as actual expenses for Other Professional Services (equivalent to the expenses shown on WPF-5a, lines 15 – 39) for each of the years 2002, 2003, 2004 and for the 12-month period ended March 31, 2005.

RESPONSE:

Year	Actual	Budget
2002	\$561,927	\$437,324
2003	\$560,584	\$694,785
2004	\$693,991	\$540,603
12 Months Ended 3/31/05	\$774,446	\$590,930

WITNESS RESPONSIBLE: William Don Wathen, Jr.

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-015

REQUEST:

15. With regard to the response to AG-1-199, please provide the following information:
- a) Where on WPF-5b is the \$30,866 outside services expense reflected that was not budgeted to Account 923 and why was this not budgeted to Account 923?
 - b) What makes up the \$67,644 of outside services activities that were included in Account 923, but were not included on WPF-5b and why not?

RESPONSE:

- a) Line 25, Noproj – Default Project. These amounts were not budgeted to account 923 because they were not expenditures for administrative and general related outside services.
- b) The \$67,644 consists of general administration, environmental resource management, leasing/rentals, load research, market research, regulatory affairs and training activities. They were not included on WPF-5b because they were not budgeted using the outside services activity.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-016

REQUEST:

16. With regard to the response to AG-1-202, please provide the following information:
- a) The uncollectible factor of 1.18% proposed to be included in the Gross Revenue Conversion Factor includes fees for the Sale of Accounts Receivable that are below-the-line expenses booked in Account 426. Explain why it is appropriate to give rate recognition to such below-the-line fees.
 - b) What would be the 1.18% ratio without the fees for the Sale of Accounts Receivable?
 - c) Do the Forecasted Test Period uncollectible expenses of \$1,467,819 in account 904 include fees for the Sale of Accounts Receivable? If so, what is the amount of these fees included in the \$1,467,819? If not, are the fees for the Sale of Accounts Receivable that are projected for the Forecasted Test Period included in another above-the-line expense account or are they not reflected at all in the Forecasted Test Period above-the-line expenses?

RESPONSE:

- a) These costs represent a legitimate cost of providing service to retail ratepayers which the Commission has recognized in past proceedings.
- b) 1.06%.
- c) No, the Forecasted Test Period uncollectible expense of \$1,467,819 in Account 904 does not include fees for the Sale of Accounts Receivable. The fees for the Sale of Accounts Receivable are in the Forecasted Test Period below-the-line expenses.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-017

REQUEST:

17. With regard to PSC Assessments, please provide the following information:
- a) The response to AG-1-203 indicates that the Forecasted Test Period assessments are \$189,045. Please provide the PSC Assessment Rate assumed in the derivation of this projected expense amount of \$189,045.
 - b) Is the factor of 0.1730% the most current assessment rate? If not, what is this most current rate? When is the expected date that a new assessment rate will become effective; does the Company know what this rate will be, and if so, what will this rate be?

RESPONSE:

- a) ULH&P does not project its KyPSC assessment using a specific rate. The projected assessment is based on an escalation of the previous year's actual assessment.
- b) Yes.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-018

REQUEST:

18. In its response to AG-1-116, the Company provides the underlying annual HDD data it used in the determination of its proposed average 10-year normal HDD level of 4,950. Specifically, the Company used the following HDDs for 1990 through 1999 as compared to the Covington, KY HDDs listed in the response to AG-1-194:

	<u>AG-1-116</u>	<u>AG-1-194</u>
1990	4,257	4,171
1991	4,625	4,581
1992	4,990	4,898
1993	5,312	5,326
1994	4,963	4,939
1995	5,293	5,321
1996	5,605	5,632
1997	5,301	5,330
1998	4,371	4,322
1999	4,779	4,750

In this regard, please provide the following information:

- a) Explain the differences in the annual HDD numbers in the above table.
- b) Why hasn't the Company used the AG-1-116 HDD numbers (rather than the AG-1-194 HDD numbers) in the two tables in Attachment JAR-4 and JAR-5 for the years 1995 – 2004?
- c) Please replace the annual HDD numbers for 1995 through 2004 in Attachment JAR-4 and JAR-5 with the HDD numbers produced by the same source and method used to calculate the HDD numbers for 1990 – 1999 in the response to AG-1-116.
- d) Please replace the annual HDD numbers for the years 1961 through 1989 shown in the response to AG-1-194 with the HDD numbers produced by the same source and method used to calculate the HDD numbers for 1990 – 1999 in the response to AG-1-116.

RESPONSE:

- (a) The HDDs in the response to AG-DR-01-116 were calculated using an average daily temperature calculated as the sum of the 24 hourly temperatures divided by 24. The Covington, KY HDDs as reported by NOAA in the response to AG-DR-01-194 use an average daily temperature calculated as the sum of the minimum and maximum temperature for the day divided by two.
- (b) For Attachment JAR-4, the table compares actual HDDs to the 30-year normals for Covington, KY as calculated by NOAA. The two sets of numbers are consistent and comparable. The difference in the average of the HDDs over the ten-year period as shown in the table provided by the AG in this data response is less than one-half of 1%; therefore, the Company used the same actuals again for consistency and comparability.
- (c) See Attachment AG-DR-02-18(c). Please note that the value for 2004 Actual HDDs (5,194) as originally reported in Attachment JAR-4 and JAR-5 of the Direct Testimony of James A. Riddle is in error. The correct value is 4,847 HDDs.
- (d) See Attachment AG-DR-02-18(d). Please note that the actual HDD values for 1961 through 1964 as originally reported in Attachment AG-DR-01-115 (5,103; 5,485; 5,776; and 4,993) are in error. The correct values are 5,024, 5,404, 5,741, and 4,944 respectively.

WITNESS RESPONSIBLE: James A. Riddle

ULH&P HDD

	Actual	30 Year Normal
1995	5,293	5,200
1996	5,605	5,200
1997	5,301	5,200
1998	4,371	5,200
1999	4,779	5,200
2000	5,159	5,200
2001	4,692	5,200
2002	4,921	5,200
2003	5,121	5,200
2004	4,878	5,200

ULH&P HDD

	Actual	10 Year Normal
1995	5,293	4,950
1996	5,605	4,950
1997	5,301	4,950
1998	4,371	4,950
1999	4,779	4,950
2000	5,159	4,950
2001	4,692	4,950
2002	4,921	4,950
2003	5,121	4,950
2004	4,878	4,950

Year	HDD
1961	5103
1962	5485
1963	5776
1964	4993
1965	5106
1966	5663
1967	5120
1968	5236
1969	5436
1970	5112
1971	4870
1972	5509
1973	4865
1974	4998
1975	4787
1976	5473
1977	5704
1978	6043
1979	5705
1980	5778
1981	5484
1982	4854
1983	5432
1984	5252
1985	5089
1986	4903
1987	4806
1988	5419
1989	5398

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-019

REQUEST:

19. With regard to the response to AG-1-205 (AIP), please provide the following information:
- a) Does the 2004 dollar amount of \$310,150 represent AIP expense allocated to Gas O&M expenses? If not, provide the amount allocated to Gas O&M.
 - b) The request also asked the AIP expenses allocated to Gas O&M for the years 2001, 2002 and 2003. Please provide this information.

RESPONSE:

- a) Yes, the \$310,150 represents the AIP expense allocated to Gas O&M expenses.
- b) We are unable to provide the information regarding the AIP expenses allocated to Gas O&M for 2001, 2002 and 2003 as the data is unavailable.

WITNESS RESPONSIBLE: Timothy J. Verhagen

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-020

REQUEST:

20. With regard to the response to AG-1-205 (UEIP), please provide the following information:
- a) Does the 2004 dollar amount of \$8,636 represent UEIP expense allocated to Gas O&M expenses? If not, provide the amount allocated to Gas O&M.
 - b) The request also asked the UEIP expenses allocated to Gas O&M for the years 2001, 2002 and 2003. Please provide this information.

RESPONSE:

- a) Yes, the \$8,636 represents the UEIP expense allocated to Gas O&M expenses.
- b) We are unable to provide the information regarding the UEIP expenses allocated to Gas O&M for 2001, 2002, and 2003 as the data is unavailable.

WITNESS RESPONSIBLE: Timothy J. Verhagen

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-021

REQUEST:

21. With regard to the response to AG-1-207, please indicate whether the dollar amounts listed for each of the years 2001 through 2003 represent Gas O&M allocated dollar amounts. If not, provide those numbers.

In addition, reconcile the 2004 LTIP cost amount of \$281,189 to the corresponding 2004 LTIP cost amount of \$229,745 in the response to PSC-2-78b.

RESPONSE:

The dollar amounts shown in ULH&P's response to AG-DR-01-207(b) represent the full amount accrued for ULH&P for the LTIP for years 2001 through 2003. We are not able to retrieve amounts accrued to Gas Operations only for those time periods. For year 2004, the amount accrued and allocated to ULH & P Gas Operations for all outstanding LTIP cycles was \$281,189.

The \$281,189 LTIP cost includes costs related to certain additional stock-related benefits payable to selected participants under the plan. ULH&P does not seek recovery for these amounts, but rather only seeks recovery for the \$229,745 which is the amount accrued for all outstanding cycles and allocated to Gas Operations for 2004.

WITNESS RESPONSIBLE: Timothy J. Verhagen

**Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005**

AG-DR-02-022

REQUEST:

22. With regard to the response to PSC-2-73, provide the impact on the Forecasted Test Period Gas allocated O&M expenses of substituting the 3% wage increase for the 3.2% wage increase that was used by the Company for the Forecasted Test Period.

RESPONSE:

The impact on the Forecasted Test Period Gas allocated O&M expenses of substituting the 3% wage increase for the 3.2% wage increase is \$9,900.

WITNESS RESPONSIBLE: Steven E. Schrader

Attorney General Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 29, 2005
Response Due Date: May 24, 2005

AG-DR-02-023

REQUEST:

23. Please reconcile the Fringe Benefit data for the Base and Forecasted Periods shown in the response to PSC-2-4 to the corresponding Fringe Benefit data for the Base and Forecasted Periods shown in the response to PSC-2-43.

RESPONSE:

Attachment KyPSC-02-043 was incorrect. Please see Attachment KyPSC-02-043-Corrected. The response to AG-DR-01-209 explains the differences between revised Schedule G-1 and Account 926 for both the Base and Forecasted Periods. Please see response to AG-DR-01-209 for an explanation of the differences. The only unexplained variance between Attachment KyPSC-02-004 and Attachment KyPSC-02-043-Corrected is the difference in Account 926. The \$37,752 difference between the Base Period amount of \$2,668,434 and the \$2,630,682 in Attachment KyPSC-02-004 is that the Base Period includes Account 926140 – Pension Cost Adjustment – Credit.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

KyPSC Staff Second Set Data Requests
ULH&P Case No. 2005-00042
Date Received: April 5, 2005
Response Due Date: April 19, 2005
Corrected Date: May 17, 2005

KyPSC-DR-02-043 Corrected

REQUEST:

43. Refer to the Application, Schedule G-1. When the forecasted period on this schedule is compared to the base period, payroll costs decrease while employee benefits and payroll taxes increase. Explain the reason(s) for these results.

RESPONSE:

Please see the corrected attachment to KyPSC-DR-02-043.

WITNESS RESPONSIBLE: William Don Wathen, Jr.

THE UNION LIGHT, HEAT AND POWER COMPANY
CASE NO. 2005-00042
PAYROLL COSTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

KyPSC-DR-02-043-CORRECTED

Case No. 2004-00042
SCHEDULE G-1
PAGE 1 OF 1

DATA: "X" BASE PERIOD "X" FORECASTED PERIOD
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
WORK PAPER REFERENCE NO(S):

LINE NO.	DESCRIPTION	OPERATION AND MAINTENANCE EXPENSES				
		TOTAL COMPANY UNADJUSTED	JURISDICTIONAL % (A)	JURISDICTIONAL UNADJUSTED	JURISDICTIONAL ADJUSTED	
1	Base Period:					
2	Payroll Costs					
3	Labor (B)	7,422,310	100.000	7,422,310	(41,556)	7,380,754
4	Employee Benefits					
5	Pension	1,729,398	100.000	1,729,398	0	1,729,398
6	Injuries and Damages	0	100.000	0	0	0
9	401-K Plan	319,159	100.000	319,159		319,159
11	Group Insurance	898,100	100.000	898,100		898,100
12	Other	22,267	100.000	22,267		22,267
13	Total Benefits	<u>2,968,924</u>		<u>2,968,924</u>	0	<u>2,968,924</u>
14						
15	Payroll Taxes					
16	F.I.C.A.	543,586	100.000	543,586		543,586
17	Federal Unemployment	14,296	100.000	14,296	0	14,296
18	State Unemployment	7,176	100.000	7,176	0	7,176
19	Other Payroll Taxes	0	100.000	0	0	0
20	Total Payroll Taxes	<u>565,058</u>		<u>565,058</u>	0	<u>565,058</u>
21	Total Payroll Costs	<u>10,956,292</u>		<u>10,956,292</u>	(41,556)	<u>10,914,736</u>
22						
23	Forecast Period:					
24	Payroll Costs					
25	Labor (B)	7,914,733	100.000	7,914,733	0	7,914,733
26	Employee Benefits					
28	Pension	1,844,133	100.000	1,844,133	0	1,844,133
29	Injuries and Damages	0	100.000	0	0	0
30	401-K Plan	340,334	100.000	340,334		340,334
31	Group Insurance	957,683	100.000	957,683		957,683
32	Other	102,892	100.000	102,892		102,892
33	Total Benefits	<u>3,245,042</u>		<u>3,245,042</u>	0	<u>3,245,042</u>
34						
35	Payroll Taxes					
36	F.I.C.A.	596,440	100.000	596,440	0	596,440
37	Federal Unemployment	15,686	100.000	15,686	0	15,686
38	State Unemployment	7,874	100.000	7,874	0	7,874
39	Other Payroll Taxes	0	100.000	0	0	0
40	Total Payroll Taxes	<u>620,000</u>		<u>620,000</u>	0	<u>620,000</u>
41	Total Payroll Costs	<u>11,779,775</u>		<u>11,779,775</u>	0	<u>11,779,775</u>

(A) Allocation Code: DALL
(B) Does not agree with totals on Schedule G-2 because the total includes an allocation of labor from Cinergy Services Corp.