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John J. Finnigan, Jr.
Senior Counsel

VIA OVERNIGHT MAIL

March 30, 2005

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

RECEIVED

APR 4 2005

PUBLIC SERVICE
COMMISSION

RE: Case No. 2005-00042

Dear Ms. O'Donnell:

I would like to supplement the record in the above-referenced case with the following enclosures:

- ULH&P's supplemental response to KyPSC-DR-01-006, with attachment KyPSC-DR-01-006-Supplemental;
- ULH&P's gas monthly operating budgets vs. actual results for February 2005, in response to KyPSC-DR-01-007.

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

Very truly yours,

John J. Finnigan, Jr.
Senior Counsel

JJF/sew

cc: Elizabeth E. Blackford, Esq. (with enclosures)
Assistant Attorney General

Enclosure

KyPSC Staff First Set Data Requests
ULH&P Case No. 2005-00042
Date Received: February 15, 2005
Response Due Date: March 15, 2005
Supplemental Response Submitted: March 30, 2005

KyPSC-DR-01-006 Supplemental Response

REQUEST:

6. Provide a comparison of ULH&P's gas monthly operating budgets to the actual results, by account, for 2002, 2003, and 2004. Explain in detail any yearly account variance greater than 5 percent. In the response include comparisons for the following major expenses:
 - a. Total Purchased Gas.
 - b. Distribution – Mains and Services Expense.
 - c. Distribution – maintenance of Mains.
 - d. Customer Accounts Expense.
 - e. Administrative and General Salaries.
 - f. Office Supplies and Expenses.
 - g. Rents.

SUPPLEMENTAL RESPONSE:

Please see Attachment KyPSC-DR-01-006.

ULH&P does not prepare actual to plan income statement variances in its normal course of business, and the only way to determine the reason for the variances is to research accounting entries and interview the management personnel responsible for the areas of ULH&P's operations that would charge costs to these accounts. Prior to 2004, there was less emphasis on budgeting by particular legal entities within the Regulated Businesses Unit and, as a result, there were some significant variances in the actual results vs. the budget for these accounts. Beginning in 2004, the Regulated Businesses Unit placed greater emphasis on budgeting by legal entity. ULH&P researched its records and interviewed its personnel to develop the comparisons requested for certain major expenses (see Attachment KyPSC-DR-01-006-Supplemental) for 2004. As can be seen, the 2004 budget has much smaller variances to plan than prior years. The attachment provides narrative explanation for yearly account variances greater than five percent.

WITNESS RESPONSIBLE: Steven E. Schrader

ULH&P
 2004 Actual vs. Budget

	2004			Explanations
	Budget	Actual	Variance	
Total Gas Purchased	231,478,000	241,775,000	10,297,000	
874000 - MAINS AND SERVICES	2,514,366	847,664	(1,666,702)	Amounts budgeted to one account but actually charged to another account.
887000 - MAINTENANCE OF MAINS	1,673,786	845,862	(827,924)	Expense reduced due to impact of Accelerated Main Replacement Program
901090 - BILLING CLTNS SUPERVISION - GAS	101,936	99,602	(2,334)	Amounts were charged to this account but budgeted to 905090.
902090 - BILLING CLTNS METER READING EXPENSES - GAS	631,232	571,667	(59,565)	Charges made incorrectly to an administrative & general account were corrected to this account
903090 - CUSTOMER RECORDS AND COLLECTIONS - GAS	894,668	1,584,076	689,408	The costs of the sale of accounts receivable budgeted in this account but charged to other accounts.
904090 - CUST ACCTG UNCOLLECTIBLE ACCOUNTS - GAS	1,680,848	-	(1,680,848)	Amounts were budgeted to this account but charged to 902090.
905090 - CUST RELTNS BILLG & COLL - GAS	-	50,290	50,290	Costs were budgeted incorrectly to other legal entities but charged correctly to ULH&P
920090 - ADMINISTRATIVE AND GENERAL SALARIES - GAS	985,137	2,334,217	1,349,081	The budget was developed from a business unit perspective and the allocation to ULH&P appears to be slightly off.
921090 - OFFICE SUPPLIES AND EXPENSES - GAS	1,316,113	661,210	(654,903)	Reg Asset Amortization not budgeted but incurred.
931090 - RENTS - GAS	257,942	891,609	633,667	
	241,534,029	249,661,199	8,127,170	

THE UNION LIGHT, HEAT & POWER COMPANY
SUMMARY INCOME STATEMENT
For the Periods Ended February 28, 2005

(in thousands)
(unaudited)

	Month		
	2005	2005 Plan	Over /(Under) Plan
Operating Revenues			
Electric	\$17,016	\$17,692	(\$676)
Gas	18,233	20,555	(2,322)
	35,249	38,247	(2,998)
Operating Expenses			
Fuel used in electric production	-	-	-
Gas purchased	12,605	14,047	(1,442)
Purchased and exchanged power	12,579	13,948	(1,369)
	25,184	27,995	(2,811)
Operating Margins			
Electric	4,437	3,744	693
Gas	5,628	6,508	(880)
Total Gross Margin	10,065	10,252	(187)
Other Operating Expenses			
Operation and maintenance	4,971	4,460	511
Depreciation	1,702	1,727	(25)
Taxes other than income taxes	494	488	6
	7,167	6,675	492
Operating Income	2,898	3,577	(679)
Other Income and (Expenses) - Net	268	188	80
Interest	579	570	9
Income Before Taxes	2,587	3,195	(608)
Income Taxes	1,028	1,246	(218)
Net Income	\$1,559	\$1,949	(\$390)
Other comprehensive income, net of tax	-	-	-
Comprehensive Income	\$1,559	\$1,949	(\$390)