COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT AND POWER COMPANY FOR APPROVAL OF ITS PROPOSED ECONOMIC DEVELOPMENT RIDERS	)))	CASE NO. 2004-00253

COMMISSION STAFF'S FIRST DATA REQUEST TO
THE UNION LIGHT, HEAT AND POWER COMPANY

The Union Light, Heat and Power Company ("ULH&P") is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due on August 6, 2004. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. In preparing its proposed tariff riders, did ULH&P review the Commission's September 24, 1990 Order in Administrative Case No. 327 ("Admin. 327")?[1] Explain the response in detail.

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[1] Administrative Case No. 327, An Investigation Into the Implementation of Economic Development Rates by Electric and Gas Utilities.

2. In Admin. 327, ULH&P stated that economic development rates ("EDR") should be negotiated and offered through special contracts and that "circumstances to be encountered in implementing an EDR are too diverse in nature to be covered by a general tariff."[2] The Commission ordered that EDRs should be implemented only by special contracts.[3]

a. Explain in detail why ULH&P now believes it is necessary to have EDR tariffs. Describe the circumstances that have changed since Admin. 327 to now support having an EDR tariff.

b. Explain in detail why ULH&P filed an application seeking approval of EDR tariffs when the Commission has ordered that EDRs shall be implemented only by special contract. Explain why ULH&P's application did not address its proposed departure from the Commission's findings in Admin. 327.

3. Each of the proposed EDR tariffs indicates that customers will enter into service agreements with ULH&P.

a. As used in the proposed tariffs does the term service agreement have the same meaning as the term special contract? Explain the response.

b. Does ULH&P submit its service agreements to the Commission for review and approval?

c. Explain whether the service agreements referred to in the proposed tariffs will conform to the findings in the September 24, 1990 Order in Admin. 327.

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[2] Administrative Case No. 327, September 24, 1990 Order at 13.

[3] <u>Id.</u> at 25.

d. Provide the draft service agreements ULH&P intends to use for each of the proposed EDR tariffs. Identify the sections of the agreements that address the Commission's findings in Admin. 327.

4. Describe in detail the analysis ULH&P plans to undertake to demonstrate to the Commission that the customer classes that are not participating under one of the proposed EDR tariffs would be no worse off than if the EDR tariff was not available. Include in the response a discussion of any risk factors considered by ULH&P and how those risks would be shared between shareholders and ratepayers.

5. ULH&P currently obtains power, under a full requirements contract, from The Cincinnati Gas and Electric Company ("CG&E").

a. Is ULH&P in what could be termed a "period of excess capacity" as that term was used in Admin. 327? Explain the response.

b. What is the current reserve margin for ULH&P? For CG&E?

6. The proposed tariff riders are: (1) Brownfield Redevelopment ("Rider BR"); (2) Economic Development ("Rider ED"); and (3) Urban Redevelopment ("Rider UR"):

a. Do affiliates of ULH&P in other states have similar EDRs in effect?

b. Rider BR contains a discount on the demand charge each year for five years. Rider ED contains a discount of the total bill for a 12-month period. Rider UR contains a discount of the monthly billing amount for an unlimited period of time. Explain in detail the reason(s) for the difference in the types of discounts and periods of time the discounts are in effect.

c. Explain why the proposed riders do not include provisions providing for the recovery of EDR customer-specific fixed costs over some period of time.

d. For each rider, provide the expected term of the service agreement.

e. Rider BR includes a discount on the demand charge that is phased out over a 5-year period. Assume for purposes of this question that a customer applies for Rider BR, but the marginal cost associated with serving that customer exceeds the discounted rate offered. Under these circumstances, would ULH&P allow the customer to take service under Rider BR? Explain the response.

f. Explain in detail why Rider ED includes specific job creation and capital investment requirements.

7. Refer to Rider UR and Attachment B of the Application. Rider UR states that the building must be unoccupied or dormant for two years or more and does not state how long the 50 percent discount on the monthly billing amount will be in effect. The description of Rider UR in Attachment B states that the building will be unoccupied for six months or more and that the 50 percent discount will be in effect for 12 months. Explain the reason(s) for these contradictions and indicate which document accurately reflects ULH&P's proposal.

Beth O'Donnell
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Public Service Commission
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DATED: July 27, 2004

cc: All Parties