COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE UNION LIGHT, HEAT AND POWER COMPANY FOR APPROVAL OF FIXED BILL PROGRAM RIDERS APPLICABLE TO RESIDENTIAL CUSTOMERS	))))	CASE NO. 2004-00503

SECOND DATA REQUEST OF COMMISSION STAFF
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 8 copies of the following information, with a copy to all parties of record. The information requested herein is due on March 4, 2005. 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. Refer to the response to the Commission Staff's First Data Request dated January 26, 2005 ("Staff's First Request"), Item 2.

a. In its response to Item 2(a), ULH&P listed the types of expense transactions associated with the fixed bill program along with amounts, but stated that it could not accurately project the program revenues. The request in Item 2(a) was only seeking a listing of the revenue and expense transactions associated with the fixed bill program, not a projection of the amounts. With this clarification, provide the requested information concerning revenues associated with the fixed bill program that would be recorded “below the line.”

b. For each scenario response in Item 2(b), describe the accounting that would take place at the time the customer pays the monthly bill. The assumptions originally outlined in Item 2(b) are to be reflected. In addition, assume for each scenario the customer pays the bill in full.

c. Provide the same information requested in part (b) above, but reflect the assumption that the customer pays only 80 percent of the pending bill.

2. Refer to the response to the Staff’s First Request, Item 3.

a. Would ULH&P agree that the proposed tariff language under “Applicable Removal Charges” stating that a “customer may be charged” the $50 administrative fee is broader and more flexible than ULH&P’s stated intent to have flexibility in the case of extenuating circumstances? Explain the response.

b. Would the following language be acceptable to ULH&P as a substitute for the last sentence under “Applicable Removable Charges”? “In either case, except under extenuating circumstances, the customer will be charged an Administrative Fee of $50 and will be returned to the previous Standard Residential Tariff.” Explain the response.

3. Refer to the response to the Staff’s First Request, Item 4(b).

a. Provide any documents in ULH&P’s possession that originated with Christensen Associates, which reflect Christensen Associates’ experience as mentioned in the second paragraph of the response.

b. Provide the study conducted by Gulf Power which suggests that the expectation that increases in usage will occur in off-peak periods is reasonable.

4. Refer to the response to the Staff's First Request, Item 5(d). Explain in detail why ULH&P's current billing system does not retain budget billing program information from one year to the next.

5. Refer to the response to the Staff's First Request, Item 6(a). ULH&P provided copies of a 1996 focus group study as the basis for the comments about customer dissatisfaction with ULH&P's budget billing program contained in the Direct Testimony of Todd W. Arnold ("Arnold Testimony"), page 7, lines 11 through 19.

a. Were the recommendations contained in the 1996 focus group study implemented by ULH&P? Explain the response.

b. Explain in detail how ULH&P can conclude that the results of a focus group study conducted nearly 9 years ago still reflects its customers' attitudes concerning its budget billing program and the desire for a fixed bill program.

6. Refer to the response to the Staff's First Request, Item 6(c). ULH&P's response did not address the information requested in subparts (1) and (2) of Item 6(c). Provide the originally requested information.

7. Refer to the response to the Staff's First Request, Item 7.

a. If there were 50 employees participating in the internal pilot, explain why only 38 were interviewed concerning their experience with the pilot.

b. On page 8 of the Arnold Testimony is the statement, "A survey of these customer/employees demonstrated an overwhelmingly positive reaction." Define what Mr. Arnold means when he states there was “an overwhelmingly positive reaction” to the fixed bill program.

c. The fixed bill pilot program evaluation provided in the response to Item 7(b) includes the following results:

- 22.3 percent were either neutral or dissatisfied with the fixed bill pilot program;
- 58.3 percent indicated that the fixed bill pilot program had no affect on their satisfaction with Cinergy as their electric service provider;
- When given a choice between budget billing and the fixed bill pilot program, 61.1 percent preferred the fixed bill pilot program;
- 58.4 percent had less stress related to paying their utility bill under the fixed bill pilot program; and
- 38.9 percent were more comfortable in their home due to their participation in the fixed bill pilot program.

Given these results, explain how ULH&P concluded that there was an “overwhelmingly positive reaction” to the fixed bill program.

8. Refer to the response to the Staff’s First Request, Item 7, page 8 of the Arnold Testimony and page 2 of ULH&P’s application.

a. ULH&P’s first-hand knowledge of fixed bill programs consists of the test pilot involving 50 PSI employees. Mr. Arnold refers to the pilot proposal of East Kentucky Power Cooperative, Inc., currently pending before the Commission, which would be a pilot involving approximately 1,000 customers. ULH&P’s proposed pilot, for the first year, would also be limited to 1,000 customers. Explain why ULH&P believes it is appropriate to expand its proposed pilot, after just one year, to 14,000 customers.

b. Assuming there is cause for concern regarding the size of the proposed pilot beyond the pilot’s first year, would ULH&P be willing to consider a pilot which was limited to 1,000 customers for a term of 3 years. Explain the response.

9. Refer to the response to the Staff’s First Request, Items 8(b) and 8(c).

a. Describe the accounting treatment that has been applied to the consultants' costs to date. Indicate whether these costs have been recorded on the books of ULH&P, Public Service Indiana ("PSI"), or The Cincinnati Gas and Electric Company ("CG&E").

b. Has the estimated cost of the information technology and billing system improvements increased or decreased during the development of the fixed bill proposal? Explain the response and identify the reasons for any changes.

c. Provide the amount of costs associated with information technology and billing system improvement incurred as of the date of this data request. In addition, describe the accounting treatment applied to those costs and indicate whether the costs have been recorded on the books of ULH&P, PSI, or CG&E.

d. Describe the allocation methodology or approach that will be used for the consultants' costs and the information technology and billing system improvement costs to allocate these costs among the jurisdictions that approve the fixed bill program.

10. Refer to the response to the Staff's First Request, Item 9.

a. Indicate whether the intervening parties in the PSI fixed bill proposal pending before the Indiana Utility Regulatory Commission ("IURC") support or oppose the proposal.

b. Provide the IURC's order reflecting its decision on the PSI fixed bill proposal as soon as practicable after its issuance.

c. Explain why CG&E has not filed its application for a fixed bill program in Ohio.

11. Refer to the response to the Staff's First Request, Item 12(c). Given the range of program fees, from 4.4 percent to 10.0 percent, among the utilities shown to have fixed bill programs, explain how and why ULH&P selected 10.0 percent, the highest level, as its proposed program fee.

12. Refer to the response to the Staff's First Request, Item 13. Would ULH&P agree that one of the recurring criticisms in the PSI fixed bill pilot program evaluation[1] was the lack of information to compare standard bills with fixed bills? Explain the response.

13. Refer to the response to the Staff's First Request, Item 16.

a. Concerning the response to 16(c), since ULH&P appears not to know who the non-regulated providers of heat are or the billing options offered by those providers, explain in detail how ULH&P concluded it has direct competition with the non-regulated providers, as stated on page 17 of the Direct Testimony of Michael Goldenberg.

b. Would ULH&P agree that a customer's provider selection would be influenced as much or more by the price of the service than by the billing options? Explain the response.

c. Concerning the response to Item 16(e), explain how ULH&P has concluded that the fixed bill program is "an avenue to improve customer satisfaction" when the PSI fixed bill pilot program evaluation indicated that for 58.3 percent of the

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[1] See Response to Staff First Request, Item 7(b), Attachment pages 3 through 7 of 9.

respondents, the fixed bill pilot program had no affect on participants' satisfaction with Cinergy as the electric service provider.

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DATED: _February 22, 2005_

cc: All Parties