COMMONWEALTH OF KENTUCKY

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PUBLIC SERVICE COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE UNION LIGHT, HEAT AND POWER COMPANY'S INTEGRATED RESOURCE PLAN) CASE NO. 2004-00014

KENTUCKY DIVISION OF ENERGY'S FIRST REQUEST FOR INFORMATION TO THE UNION LIGHT, HEAT AND POWER COMPANY

Comes the Kentucky Environmental and Public Protection Cabinet, Division of Energy, Intervenor herein, and makes the following request for information for the purpose of evaluating the effectiveness of the integrated resource plan (IRP) proposed by the Union Light, Heat & Power Company (ULH&P):

1. On page1-9 the IRP refers to "customer-specific contract options" and describes a contract with one industrial customer for load interruption up to 3 MW.

   a. What was the sequence of events leading to the contract being signed with this customer?

   b. What is the procedure for customers wishing to enter into individual contracts? How does ULH&P decide which customers it will contract with?

   c. Are there other such contracts with individual customers? If so, please provide a description of each one.

2. In reference to the two-part real-time pricing (RTP) tariff described on page 1-10, please describe how this tariff was developed and when it went into effect.

3. On June 2, 2004, ULH&P filed a request to extend the RTP tariff while it performs an evaluation concerning its possible future modification or termination. Commission Order, June 14, 2004, Case No. 2004-00210. What factors would lead ULH&P to propose termination of the RTP program?

4. On page 3-21 the IRP discusses cogeneration. In ULH&P's previous IRP filed in November, 1999, the alliance with Trigen Energy was mentioned.

a. Please describe the course of Cinergy's business relationship with Trigen Energy since that date and whether Cinergy/ULH&P still has a partnership that provides cogeneration development services.

b. Did Trigen Energy develop any cogeneration projects in the ULH&P service territory? If so, please describe those projects including quantitative information.

c. During the time when Cinergy had an alliance with Trigen Energy, was a study, estimate, or other assessment developed of the potential for cogeneration in the ULH&P service territory? If so, please provide a copy of this study.

5. The subsection on cogeneration begins, "Cogeneration technology is viewed as most relevant to the industrial class of service." IRP, page 3-21.

a. Was this assumption based on any analysis or assessment of the market? If so, please provide this analysis.

b. Has ULH&P studied the applicability of cogeneration in commercial buildings? If so, please provide this study.

6. The subsection concludes, "It should be pointed out that while the specific potential for cogeneration cannot be identified, the load forecast does reflect the impact

of fuel switching and cogeneration which would occur due to the relative prices for alternative fuels such as oil, gas, and coal." IRP, page 3-21.

a. What are the quantitative relationships between the factors listed above?

b. What is the magnitude of the impacts of these factors?

c. Where in the load forecast analysis do the impacts of these factors appear?

7. On page 3-29 a number of residential electric appliances are listed, but computing equipment was not listed. Does ULH&P foresee a time when it will be appropriate to include home computers in the list of appliances?

8. In comparing the projected energy needs for the year 2023 on pages 3-46 and 3-48, it appears that ULH&P is projecting that the impact of DSM in that year will be a reduction of 4,371 MWh, or 0.078% of the net energy for load.

a. Does this reflect a conclusion by ULH&P that DSM cannot cost-effectively provide more savings?

b. Please explain why the estimated impacts are so miniscule.

9. In developing its IRP, did ULH&P perform a study to estimate the total quantity of demand-side energy efficiency and load shifting measures that would be available within the ULH&P service area (i.e., a technical potential study), the cost of implementing such measures, and the revenue requirements that would be needed to acquire various portions of these potential resources through DSM programs?

10. Page 4-17 describes one new DSM program to control residential air conditioners in the summer months. Did ULH&P analyze other new DSM programs for possible inclusion in the IRP? If not, please explain why not.

11. Did ULH&P estimate the square footage of residential, commercial, and industrial floor space that is being newly constructed each year in its service area? If so, what are the estimated square footage figures?

12. Did ULH&P survey the energy efficiency of the new commercial buildings being constructed in its service area? If so, please provide the results of this analysis.

13. The table on page 8-6 refers to the "DSM Bundle (DSM Settlement Agreement)."

a. Is the DSM Bundle the four existing DSM programs plus the new Power Manager direct load control program? If not, please describe what the DSM Bundle is.

b. What settlement agreement is being referenced?

14. When deciding on the set of DSM programs to recommend for implementation, did ULH&P consider "the extent to which the plan provides programs which are available, affordable, and useful to all customers" [Reference KRS 278.285 (1)(g)]? Please discuss the degree to which the set of DSM programs proposed for the ULH&P service territory meets this statutory criterion.

15. The method of local integrated resource planning (LIRP), as described in a strategic issues paper by E-Source (1995) titled, "Local Integrated Resource Planning: A New Tool for a Competitive Era," is designed to determine if costs could be reduced by

deferring transmission and distribution upgrades through the use of geographically-focused demand-side programs. [Other names for LIRP include "targeted area planning," "local area investment planning," "distributed resources planning," or "area wide asset and customer service."] Did ULH&P use the LIRP approach to determine whether any planned transmission or distribution projects could economically be deferred? If so, please provide the results of the studies.

16. East Kentucky Power Co-op has instituted a green power program whereby customers who wish to support renewable energy sources pay a price premium for electricity produced from landfill gas and other renewable technologies. Has ULH&P considered instituting a similar program to help diversify its portfolio of energy supply technologies?

17. Pages 8-2 and 8-3 discuss how the computer models STRATEGIST and PROVIEW were used to select optimum expansion plans based on Present Value Revenue Requirements (PVRR).

a. In general, was the objective to minimize the PVRR?

b. Does the PVRR include the cost of the fuels used to generate electricity?

18. Pages 8-2 and 8-3 describe the way PROVIEW includes the costs associated with meeting existing emissions requirements. Certain technologies that have met the existing emissions standards nevertheless continue to emit some pollutants into the environment.

a. When comparing various supply-side and demand-side technologies, did ULH&P assign any costs to the emissions that each technology would cause?

b. For those technologies that burn coal, did ULH&P include estimates of other external costs associated with the mining, cleaning, and transporting of coal? If so, please provide the estimates of the size of these environmental impacts.

19. On page 8-14 the Study Period is defined as the 20-year Planning Period plus infinite end effects. Please describe what is meant by infinite end effects.

20. Why would there be such a large difference in PVRR between the first two options shown in the table on page 8-14?

21. The note after the table states emphatically that the PVRRs should not be viewed as absolute values. Please explain why.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on the 15 th day of June, 2004, a true and accurate copy of the foregoing **KENTUCKY DIVISION OF ENERGY'S FIRST REQUEST FOR INFORMATION TO THE UNION LIGHT, HEAT AND POWER COMPANY** was mailed, postage pre-paid to the following:

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