

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

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

REQUEST FOR INFORMATION POSED BY THE ATTORNEY GENERAL

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Request for Information to Union Light, Heat and Power Company to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

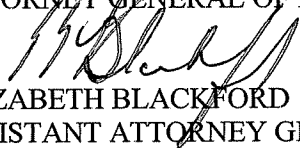
(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL OF KENTUCKY



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CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 26th day of January, 2005, I have filed the original and ten copies of the foregoing Request for Information with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

JOHN J FINNIGAN JR ESQ
SENIOR COUNSEL
CINERGY CORP
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Initial Request for Information Posed
By the Attorney General
Case No. 2004-00503

Michael Goldenberg

1) Would the Company be willing to provide each customer being initially solicited for participation in the fixed bill program or those being solicited with continuation on the fixed bill plan with:

- a) a computation of what their "Annual" Budget Bill plan monthly payment and true up would have been in the preceding year in lieu of simply providing the highest and lowest bill for the preceding 12 month period;
- b) a computation of what their "Quarterly" Budget Bill plan monthly payment would have been for each quarter and how it would have increased over the course of the preceding 12 month period based on actual use in lieu of simply providing the highest and lowest bill for the preceding 12 month period; and
- c) a computation of what their "Annual" Budget Bill plan monthly payment would be and what the first quarter's "Quarterly" Budget Bill would be for the upcoming year in addition to the fixed bill price available for the next 12 months.

2) Would the Company be willing to display the penalties/removal costs associated with voluntary and involuntary mid-term removal from the program in the text of its mailings contained as Attachment MG-1, page 2 of 4?

3) Would the Company be willing to display the penalties associated with voluntary and involuntary mid-term removal from the program in the text of its mailings contained as Attachment MG-1, on page 3 of 4 and to highlight the "Applicable Removal Charges" section and "Increased Actual Usage over Expected Usage Section" in red or to otherwise emphasize those provisions in their entirety on page 4 of 4?

4) At page 4 of the testimony, reference is made to a consultant advising the company on modeling expected energy usage and marketing of the program.

- a) How was this consultant chosen?
- b) Please provide the name, address and credentials of the consultant.
- c) Are the reports, results, or information provided the company by the consultant included in the application? If not, please provide all reports, results and information provided by the consultant to the company upon which the company relied in formulating the proposed offerings.

5) A load profile that can be modeled with predictability is mentioned as a prerequisite to participation. What constitutes a load profile that can be modeled with predictability and how does a load profile that cannot be modeled differ?

- 6) With reference to ULH&P's budget billing customers:
- a) What percentage of ULH&P's electric customers are budget billing customers, and what is the current number of those customers?
 - b) What percentage of ULH&P's gas customers are budget billing customers, and what is the current number of those customers?
 - c) What percentage of ULH&P's combined gas and electric customers are budget billing customers, and what is the current number of those customers?
- 7) At pages 7-8 of your testimony you state that the company wants the ability to begin the program by charging a 10% program fee and to have the authority to lower the fee or move the fee from year to year so that the company can determine the fee on "an annual and customer specific basis." Does this mean that the program fee charged may vary between customers being served under any given fixed bill tariff during a month of service?
- 8) Please provide a copy of the service agreement that the customer will enter into in order to receive fixed bill service.
- 9) Will execution of a new contract for service occur should a customer wish to continue fixed bill participation after the first year?
- 10) Will the company agree to remove the automatic renewal provisions of Your FixedBill and require execution of a new contract for continuation of service at the end of each 12 month period under which fixed bill service is rendered?
- 11) Pages 9-10 of your testimony seem to say that the calculation of whether a customer has exceeded the 20% level of expected usage (that would trigger a recalculation of the fixed bill price or eviction of the customer from the program) applies the 20% factor to usage determined based on the actual weather at the time the spike in use occurs. The tariffs all calculate the expected usage based on weather normalized use and do not appear to make an allowance for actual weather driven changes in usage that create an increase in usage over 20% of expected usage. Please explain how and where weather related spikes in usage are accommodated in the tariffs?
- 12) At page 10 of your testimony you state that the penalty factors are to be applied "If the usage is more than 20% higher than the expected level in a second month..." The tariffs provide the factors may be applied if **any** month's usage exceeds 20% of the expected level. Please reconcile the testimony and the tariff.
- 13) Assume that a severe and prolonged heat or cold spell and maintenance of the thermostat at normal temperatures (rather than at the higher or lower temperatures anticipated as a part of the expected increase in use built into the fixed bill price calculation) causes the usage to rise by more than 20%:
- a) Will the customer then face a recalculated bill or removal from the program?
 - b) If so, how will the customer be advised that the Your FixedBill statements to the effect that the customer need worry no more about the impact of weather on the bill and that

unexpected weather extremes during the contract period will not affect what they pay are not completely accurate?

14) If moving is the cause for the end of Your FixedBill service to a customer, and a true up is calculated, will the entire amounts paid while on the fixed bill be credited to the customer's account or will some portion of the program fee be withheld from the calculation of whether more is owed under the Standard Residential rate?

15) Will the company prominently display in all advertising a statement that in the event the customer moves and has paid more than would have been owing under the Standard Residential rate at the time that they move, they will not receive a refund of amounts overpaid?

16) At page 13 of your testimony you state that a customer can enroll by returning the direct mail response card, by phone, or by internet. In the event of enrollment via phone or internet, how will the company get the customer's signature on a service contract? Will the customer be deemed to have enrolled in the Your FixedBill plan so as to trigger removal charges if they decide the plan is not for them after seeing the service contract?

17) You state that participants will be sent notice of a new fixed bill price for the next year's service at least 45 days before the current term of service expires. It is also stated that the fixed bill calculation for the second or subsequent year is based on changes in actual usage during the preceding year of service. How is actual usage determined for the purpose of calculating the next year's fixed bill price 45 days or more before the year's use is completed?

18) In the markets in which fixed bill pricing is used for internet service and phone bills, is there an actual standard residential tariff to which the customer can be returned in the event the customers jeopardize the profitability of the fixed bill tariff for the company either by excess usage or payment delinquency? If yes, please provide copies both of the fixed bill tariff and the standard residential tariff or its equivalent.

19) What are the alternative types of unregulated providers of heat for residential customers in the ULH&P service territory? Would a change from either source of heat provided by ULH&P require an added cost to most residential customers to adapt their home and/or appliance to utilize to the fuel source sold by the unregulated providers of heat?

20) Please provide any and all evidence that you have that any unregulated provider of heat operating in the ULH&P service territory offers a flat bill plan.

21) Can ULH&P demonstrate any actual gain or loss of residential customers based on J.D. Powers scores? If so, please provide the specifics.

Todd Arnold

22) With reference to the testimony at page 4 pertaining to the J. D. Powers and Associates 2004 Electric Utility Customer Satisfaction Survey, was the survey limited to utilities providing services in a regulated market only?

23) What relevance would responses made in a competitive deregulated market have in a regulated market for the seller of goods in a regulated service territory?

24) Of the 18,000 customers on the Budget Billing Program, how many are enrolled in the “Annual” Budget Billing plan and how many are enrolled in the “Quarterly” Budget Billing plan?

25) Is the decision to enroll in one budget billing plan or the other made by the customer or by the company?

26) In stating that the budget billing program is currently the most popular billing option, what do you mean? Do more customers participate in a budget billing payment plan than pay their bills as incurred on a monthly basis under the standard residential tariffs?

27) Did the study of customers that revealed that customers dislike the annual budget billing plan due to the uncertainty of the settle-up amount give rise to the creation and use of the quarterly budget billing plan?

28) Has a study been done since the implementation of the quarterly budget billing plan to determine whether that plan has eliminated the customers’ concern about the amount of the true up presented in the annual budget billing plan? If so, what are its results? If not, why not?

29) Do payment histories determine the eligibility of a customer for either of the budget billing plans, and if so, how?

30) Of the payment options listed at pages 4-6:

a) Which do not track cost of service rates so that the customer ends up paying over time the standard residential rate?

b) For each rate that does not result in the customer paying the standard residential rate over time, please describe what the variance is, whether the variance is ever reconciled, and if no reconciliation is expected to occur, what adder is built into the rate to compensate the company for that variance.

31) Indianapolis Power and Light Co. is referenced as providing a fixed bill plan. Please answer the following questions about that utility and its fixed bill plan:

a) Is the company regulated or deregulated and does it provide gas service, electric service, or both services?

b) Is it offering an electric fixed bill plan, a gas fixed bill plan, or both?

c) Does any fixed bill plan offered by the company provide for a return of the customer to a standard cost of service rate in the event of an increase in usage beyond a certain point, and if so, what increase in usage produces that result?

d) If the plan does not provide for the return of the customer to a standard cost of service rate for an increase in usage, what means is used in the plan to prevent “gaming” the plan?

- e) What are the terms on which a customer may be or is required to leave the plan during the fixed bill's term of service if;
 - 1. The customer moves?
 - 2. The customer is found to have exceeded permissible levels of usage?
- f) How long has the plan been in place?
- g) What regulatory oversight preceded the implementation of the fixed bill plan? If you reviewed the results of any regulatory oversight, please provide a copy of all materials reviewed.
- h) Has the fixed bill plan undergone subsequent regulatory review since its implementation to review its function, effectiveness and/or satisfaction rate? If so, please provide copies of the results of that review.

32) Northern Indiana Public Service Company is referenced as providing a fixed bill plan. Please answer the following questions about that utility and its fixed bill plan:

- a) Is the company regulated or deregulated and does it provide gas service, electric service, or both services?
- b) Is it offering an electric fixed bill plan, a gas fixed bill plan, or both?
- c) Does any fixed bill plan offered by the company provide for a return of the customer to a standard cost of service rate in the event of an increase in usage beyond a certain point, and if so, what increase in usage produces that result?
- d) If the plan does not provide for the return of the customer to a standard cost of service rate for an increase in usage, what means is used in the plan to prevent "gaming" the plan?
- e) What are the terms on which a customer may be or is required to leave the plan during the fixed bill's term of service if;
 - 1. The customer moves?
 - 2. The customer is found to have exceeded permissible levels of usage?
- f) How long has the plan been in place?
- g) What regulatory oversight preceded the implementation of the fixed bill plan? If you reviewed the results of any regulatory oversight, please provide a copy of all materials reviewed.
- h) Has the fixed bill plan undergone subsequent regulatory review since its implementation to review its function, effectiveness and/or satisfaction rate? If so, please provide copies of the results of that review.

33) Georgia Power is referenced as providing a fixed bill plan. Please answer the following questions about that utility and its fixed bill plan:

- a) Is the company regulated or deregulated and does it provide gas service, electric service, or both services?
- b) Is it offering an electric fixed bill plan, a gas fixed bill plan, or both?
- c) Does any fixed bill plan offered by the company provide for a return of the customer to a standard cost of service rate in the event of an increase in usage beyond a certain point, and if so, what increase in usage produces that result?
- d) If the plan does not provide for the return of the customer to a standard cost of service rate for an increase in usage, what means is used in the plan to prevent "gaming" the plan?

- e) What are the terms on which a customer may be or is required to leave the plan during the fixed bill's term of service if;
 - 1. The customer moves?
 - 2. The customer is found to have exceeded permissible levels of usage?
- f). How long has the plan been in place?
- g) What regulatory oversight preceded the implementation of the fixed bill plan? If you reviewed the results of any regulatory oversight, please provide a copy of all materials reviewed.
- h) Has the fixed bill plan undergone subsequent regulatory review since its implementation to review its function, effectiveness and/or satisfaction rate? If so, please provide copies of the results of that review.

34) Progress Energy is referenced as providing a fixed bill plan. Please answer the following questions about that utility and its fixed bill plan:

- a) Is the company regulated or deregulated and does it provide gas service, electric service, or both services?
- b) Is it offering an electric fixed bill plan, a gas fixed bill plan, or both?
- c) Does any fixed bill plan offered by the company provide for a return of the customer to a standard cost of service rate in the event of an increase in usage beyond a certain point, and if so, what increase in usage produces that result?
- d) If the plan does not provide for the return of the customer to a standard cost of service rate for an increase in usage, what means is used in the plan to prevent "gaming" the plan?
- e) What are the terms on which a customer may be or is required to leave the plan during the fixed bill's term of service if;
 - 1. The customer moves?
 - 2. The customer is found to have exceeded permissible levels of usage?
- f) How long has the plan been in place?
- g) What regulatory oversight preceded the implementation of the fixed bill plan? If you reviewed the results of any regulatory oversight, please provide a copy of all materials reviewed.
- h) Has the fixed bill plan undergone subsequent regulatory review since its implementation to review its function, effectiveness and/or satisfaction rate? If so, please provide copies of the results of that review.

35) Duke Power is referenced as providing a fixed bill plan. Please answer the following questions about that utility and its fixed bill plan:

- a) Is the company regulated or deregulated and does it provide gas service, electric service, or both services?
- b) Is it offering an electric fixed bill plan, a gas fixed bill plan, or both?
- c) Does any fixed bill plan offered by the company provide for a return of the customer to a standard cost of service rate in the event of an increase in usage beyond a certain point, and if so, what increase in usage produces that result?
- d) If the plan does not provide for the return of the customer to a standard cost of service rate for an increase in usage, what means is used in the plan to prevent "gaming" the plan?

- e) What are the terms on which a customer may be or is required to leave the plan during the fixed bill's term of service if;
 - 1. The customer moves?
 - 2. The customer is found to have exceeded permissible levels of usage?
- f) How long has the plan been in place?
- g) What regulatory oversight preceded the implementation of the fixed bill plan? If you reviewed the results of any regulatory oversight, please provide a copy of all materials reviewed.
- h) Has the fixed bill plan undergone subsequent regulatory review since its implementation to review its function, effectiveness and/or satisfaction rate? If so, please provide copies of the results of that review.

Thomas L. Osterhus

36) How does load forecasting for the utility for all of its residential customers differ from the load forecasting done to develop the fixed bill plan for an individual residential customer? Please describe what factors are present for one and not the other and why.

37) Per your testimony at page 6, it is to be expected that there will be an increase in usage in the first year on a fixed bill plan. Given the expectation that there will be an increase in usage in the first year on a fixed bill plan, does the plan amount include pricing for that expected usage as a part of the total price paid in the first year? If so, what is the percentage of expected increase in use included in the plan price? If not, why is the expected increase in use not included in the plan price?

38) Would there ever be a term of service where a customer on a fixed bill plan was not paying a premium associated with an expected increase in usage built into the plan price? If so, when and under what circumstances could this be expected to occur?

39) Is there any difference based on expected increases in usage for the gas fixed bill plan and the electric fixed bill plan? If so, what are the differences?

40) When an actual increase in usage does occur in the first year on a fixed bill plan, is there an expectation that there will be an incremental increase (over and above that first year's increase) in the second year a customer is on a fixed bill plan? If so what is the expected incremental use in the second year and how is that incremental use figured into the fixed bill plan price for the second year?

41) At page 7 of your testimony it states that a portion of the increase in usage is to be expected due to fuel switching. What fuel switching is expected to occur from what other fuel sources?

42) Please provide all data and materials upon which you relied in making the statement, "We also anticipate that proportionally, the majority of this usage will occur in off-peak and shoulder periods."

43) Has any pilot or research plan like that done for Cinergy/PSI Employee Electric Pilot Program been done for gas customers? If so, please provide the results. If not, why not?

44) In the application, what data is provided to allow a calculation of the return the company is calculating for the risks it is assuming in the Your FixedBill plan?

45) Please state why it is fair to allow the company to move a segment of its regulated customer base into a pricing plan that creates an expected higher profit margin for the company until such time as that customer endangers the expected profit margin and then to remove that customer from its risk profile by terminating the term of service. Is this not cherrypicking?

Jeffery L. Pipher

46) How will the Company insulate all customers from additions to peak usage created by the growth in usage associated with fixed bill customers?

47) How will the Company insulate all customers from additions to plant required as a result of growth associated with fixed bill customers?

48) Will additions to shoulder and off-peak use by fixed bill customers reduce the amount of power or gas available for off-system sale? If so, how will the customers not participating in the fixed bill plan be compensated for that decrease in revenue stream?

49) Please explain why it is appropriate to require the customer to pay for demand side management to reduce usage and simultaneously to encourage growth in usage through a fixed bill payment option?

50) The testimony indicates that the company is assuming the risk of weather related usage fluctuations. The tariff CCF is based on projected monthly usage adjusted for weather, which the testimony clarifies is normalized weather based on a 33 year weather normalization period. The tariff provides that if the customer has actual usage for any month that is 20% greater than expected usage, the Company has the right to re-price the Fixed Bill amount for the customer based on the updated usage information.” Could severe weather create a situation in which the customer faces re-pricing or removal and removal charges?

51) The tariff currently does not specify the amount of the program fee? When will it do so?

52) Will the same program fee be applied to all customers taking service under the tariff in the same month of service, regardless of when the 12 month period of service began and regardless of whether a customer is taking service for the first time or is a repeat customer?

53) The tariff does not specify when or how the new fixed bill amount for the following year will be calculated or when or how the customer will be notified. Please describe in detail when the calculation is to be made and how the notice is to be given.

54) Would the Companies agree to remove the provision for automatic renewal under each of the fixed bill proposals?

55) No proposed tariff includes the number of customers who may be served under that tariff. When will the number of customers to be served under each tariff be specified?

56) No tariff contains the specific measures by which (1) the projected monthly usage is to be calculated and (2) that calculation is to be adjusted for weather and (3) that calculation is to be adjusted for expected changes in usage. Please provide the specific factors of the calculation and state when those specific factors will be incorporated into the tariffs.

57) With reference to the Applicable Removal Charges, the tariff does not specify whether the calculation will credit all amounts paid under the fixed bill tariff when determining whether a customer has paid less or more than the Standard Residential Tariff rate or whether some portion reflecting the program fee or other factors will be deducted from the total fixed bill payments in making this calculation. Will the total fixed bill payments be used for this calculation or will the amount of the fixed bill payment be reduced in any way for the calculation? If there will be reductions, what are they?