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Counsel

VIA OVERNIGHT MAIL

CINERGY®

December 16, 2004

Ms. Elizabeth O'Donnell
Executive Director,
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

DEC 17 2004

PUBLIC SERVICE
COMMISSION

Re: Application of ULH&P for Approval to Modify and Extend
the Availability of its Rate RTP, Real Time Pricing Program
Case No. 2004-00509

Dear Ms. O'Donnell:

Enclosed please find an original and 11 copies of The Union Light, Heat and Power Company's Amendment to Application, which are being submitting for filing in the above-referenced case. Please return to me one file-stamped copy in the enclosed overnight mail envelope.

If you have any questions, please feel free to contact me at (513) 287-3075.

Sincerely,


Michael J. Pahutski

MJP/mak

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

DEC 17 2004

PUBLIC SERVICE
COMMISSION

In the Matter of an Application of The Union Light,)
Heat and Power Company For Approval To Modify and) Case No. 2004-00529
Extend the Availability of Its Rate RTP,)
Real Time Pricing Program)

Application

To the Honorable Kentucky Public Service Commission:

The Union Light, Heat and Power Company (ULH&P), Applicant herein, whose post office address is 1697 A Monmouth Street, Newport, Kentucky 41071, is a Kentucky corporation and a public utility as defined in Section 278.010 of the Kentucky Revised Statutes, engaged in the business of furnishing gas and electric services to various municipalities and unincorporated areas in Boone, Campbell, Gallatin, Grant, Kenton and Pendleton Counties in the Commonwealth of Kentucky. ULH&P, in conjunction with said services and upon the facts to be set forth hereafter, requests approval to modify and extend the availability of its Rate RTP, Real Time Pricing Program, through December 31, 2006.

In support of this Application, pursuant to Administrative Regulation 807 KAR 5:001, ULH&P submits the following:

1. ULH&P's articles of incorporation are on file with the Commission as Exhibits in Case Nos. 1797, 2302, 2569, and 5301, which exhibits are incorporated herein by reference.
2. Attachment A is a copy of the proposed electric tariff sheet, Rate RTP, Real Time Pricing Program.

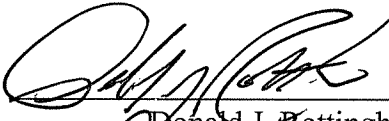
3. Attachment B is a copy of the current electric tariff sheet, Rate RTP, Real Time Pricing Program.
4. Attachment C is a summary description of the proposed tariff change.
5. To the extent that the Commission cannot act on this Application by December 31, 2004, ULH&P requests that the Commission permit it to extend the current Rate RTP program until such time as the Commission can act on this Application. This will prevent ULH&P and its customers from facing a scenario in which neither version of ULH&P's Rate RTP program is available.

WHEREFORE, The Union Light, Heat and Power Company prays that the Commission issue its Order approving the changes herein and directing ULH&P to file tariff in conformance therewith; and further, to the extent that the Commission cannot act on this Application by December 31, 2004, The Union Light, Heat and Power Company prays that the Commission extends the current Rate RTP program until such time as the Commission can act on this Application.

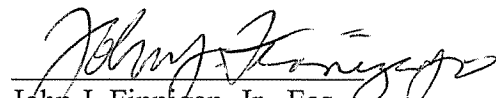
Respectfully submitted,

THE UNION LIGHT, HEAT AND POWER COMPANY

By



Donald J. Rottinghaus
Manager, Rate Services



John J. Finnigan, Jr., Esq.
Michael J. Pahutski, Esq.
P. O. Box 960
Cincinnati, Ohio 45201

Attorneys for
The Union Light, Heat and Power Company

The Union Light, Heat and Power Company
 107 Brent Spence Square
 Covington, Kentucky 41011

Ky. P.S.C. Electric No. 4
 Fourth Revised Sheet No. 99
 Cancels and Supersedes
 Third Revised Sheet No. 99
 Page 1 of 4

**RATE RTP
 REAL TIME PRICING PROGRAM**

APPLICABILITY

Applicable to Customers served under Rate DS, Rate DT, Rate DP or Rate TT. Service under the RTP Program will be offered on an experimental basis through December 31, 2004. The incremental cost of any special metering required for service under this Program beyond that normally provided under the applicable Standard Tariff shall be borne by the Customer. Customers must enter into a written service agreement with a minimum term of one year.

PROGRAM DESCRIPTION

The RTP Program is voluntary and offers Customers the opportunity to manage their electric costs by either shifting load from higher cost to lower cost pricing periods and adding new load during lower cost pricing periods or to learn about market pricing. Binding Price Quotes will be sent to each Customer on a day-ahead basis. The program is intended to be bill neutral to each Customer with respect to their historical usage through the use of a Customer Baseline Load (CBL) and the Company's Standard Offer Rates.

CUSTOMER BASELINE LOAD

The CBL is one complete year of Customer hourly load data that represents the electricity consumption pattern and level of the Customer's operation under the Standard Rate Schedule. The CBL is the basis for achieving bill neutrality for Customers billed under this Rate RTP, and must be mutually agreeable to both the Customer and the Company as representing the Customer's usage pattern under the Standard Rate Schedule (non-RTP). In the event that the Customer's electricity consumption pattern differs significantly from the established CBL, the Company may renegotiate the CBL with the Customer. Agreement on the CBL is a requirement for participation in the RTP Program.

(C)

RTP BILLING

Customers participating in the RTP Program will be billed monthly based on the following calculation:

$$\text{RTP Bill} = \text{BC} + \text{PC} + \text{DSMR} + \sum_{t=1}^n \{ (\text{CC}_t + \text{ED}_t + \text{ASC}_t) \times (\text{AL}_t - \text{CBL}_t) \}$$

Where:

- BC = Baseline Charge
- PC = Program Charge
- DSMR = Rider DSMR Charge
- CC_t = Commodity Charge for hour t
- ED_t = Energy Delivery Charge for hour t
- ASC_t = Ancillary Services Charge for hour t
- AL_t = Customer Actual Load for hour t
- CBL_t = Customer Baseline Load in hour t
- n = total number of hours in the billing period
- t = an hour in the billing period

BASELINE CHARGE

The Baseline Charge is independent of Customer's currently monthly usage, and is designed to achieve bill neutrality with the Customer's standard offer tariff if no change in electricity usage pattern occurs (less applicable program charges). The Baseline Charge is calculated at the end of the billing period and changes each billing period to maintain bill neutrality for a Customer's CBL.

Issued by authority of the Kentucky Public Service Commission pursuant to an Order dated _____ in Case No. _____

Issued:

Issued by Gregory C. Ficke, President

Effective:

BASELINE CHARGE (Contd.)

The Baseline Charge will be calculated as follows:

$$BC = (\text{Standard Bill @ CBL})$$

Where:

BC = Baseline Charge
Standard Bill @ CBL = Customer's bill for a specific month on the applicable Rate Schedule including applicable Standard Contract Riders using the CBL to establish the applicable billing determinants.

The CBL shall be adjusted to reflect applicable metering adjustments under the Rate Schedule. The DSMR charge shall be excluded from the calculation of the Baseline Charge.

PRICE QUOTES

The Company will send to Customer, by 3:00 p.m. each day, Price Quotes to be charged the next day. Such Price Quotes shall include the applicable Commodity Charge, the Energy Delivery Charge and the Ancillary Services Charge.

The Company may send more than one day ahead Price Quotes for weekends and holidays identified in Company's tariffs. The Company may revise these prices by 3:00 p.m. the day before they become effective.

The Company is not responsible for failure of Customer to receive and act upon the Price Quotes. It is Customer's responsibility to inform Company of any failure to receive the Price Quotes by 5:00 p.m. the day before they become effective.

COMMODITY CHARGE

The Commodity Charge is a charge for generation. The applicable hourly Commodity Charge (Credit) shall be applied on an hour by hour basis to Customer's incremental (decremental) usage from the CBL.

Charge (Credit) For Each kW Per Hour From The CBL:

$$\begin{aligned} \text{For kWh}_t \text{ above the CBL, } CC_t &= \text{MVG}_t \times \text{LAF} \\ \text{For kWh}_t \text{ below the CBL, } CC_t &= \text{MVG}_t \times 80\% \times \text{LAF} \end{aligned} \tag{C}$$

Where:

LAF = loss adjustment factor
= 1.0530 for Rate TS
= 1.0800 for Rate DP
= 1.1100 for Rate DS
MVG_t = Market Value Of Generation As Determined By Company for hour t

The MVG_t will be based on the expected market price of capacity and energy for the next day. The expected market price will be based on forecasts of market conditions for the next day using publicly available market indices and/or bona fide third-party price quotes to establish the expected market price. (N)

The kW Per Hour incremental or decremental usage from the CBL shall be adjusted to reflect applicable metering adjustments under the standard Rate Schedule.

Issued by authority of the Kentucky Public Service Commission pursuant to an Order dated _____ in Case No. _____

Issued:

Issued by Gregory C. Ficke, President

Effective:

ENERGY DELIVER CHARGE

The hourly Energy Delivery Charge is a charge for using the transmission and distribution system to deliver energy to the Customer. The applicable hourly Energy Delivery Charge (Credit) shall be applied on a hour by hour basis to Customer's incremental (decremental) usage from the CBL.

Charge (Credit) For Each kW Per Hour From The CBL

| | |
|----------------------------|----------------------------|
| Secondary Service | \$0.004800 per kW Per Hour |
| Primary Service | \$0.004600 per kW Per Hour |
| Transmission Service | \$0.001600 per kW Per Hour |

The kW Per Hour incremental or decremental usage from the CBL shall be adjusted to reflect applicable metering adjustments under the standard Rate Schedule.

ANCILLARY SERVICES CHARGE

The hourly Ancillary Services Charge is a charge for:

- Scheduling, System Control & Dispatch
- Reactive and Voltage Control
- Regulation and Frequency Response
- Spinning Reserve
- Supplemental Reserve

The applicable hourly Ancillary Services Charge (Credit) shall be applied on an hour by hour basis to Customer's incremental (decremental) usage from the CBL

Charge (Credit) For Each kW Per Hour From The CBL

| | |
|-----------------------------|----------------------------|
| Secondary Delivery..... | \$0.000760 per kW Per Hour |
| Primary Delivery..... | \$0.000740 per kW Per Hour |
| Transmission Delivery | \$0.000721 per kW Per Hour |

The kW Per Hour incremental or decremental usage from the CBL shall be adjusted to reflect applicable metering adjustments under the standard Rate Schedule.

DSMR Charge

All kWh, adjusted to reflect required metering adjustments under this rate schedule, shall be subject to application of the amount per kWh stated on Sheet No. 78, Rider DSMR, Demand Side Management Rate (DSMR).

PROGRAM CHARGE

Company will provide Internet based communication software to be used to provide Customer with the Price Quotes. Customer will be responsible for providing its own Internet access. A charge of \$150.00 per billing period per site shall be added to Customer's bill to cover the additional billing, administrative, and cost of communicating the hourly Price Quotes associated with the RTP Program.

Customer may purchase from either Company or any other third-party suppliers any other necessary equipment or software packages to facilitate participation in this program. While Customers are encouraged to use such equipment or software packages to maximize benefits under this Program, it is not a requirement for program participation. It is Customer's responsibility to ensure the compatibility of third-party equipment or software packages with any Company owned equipment or software packages.

SPECIAL TERM AND CONDITIONS

Except as provided in this Rate RTP, all terms, conditions, rates, and charges outlined in the Standard Rate Schedule will apply. Participation in the RTP Program will not affect Customer's obligations for electric service under the Standard Rate Schedule.

Issued by authority of the Kentucky Public Service Commission pursuant to an Order dated _____ No.

in Case

Issued:

Issued by Gregory C. Ficke, President

Effective:

SPECIAL TERM AND CONDITIONS (Contd.)

Customers receiving service under Rider IS or a special contract that contains an interruptible service provision will be eligible to participate in the RTP Program. Adjustments will be made to the CBL to reflect the interruptible service.

Customers who terminate their service agreement under this Rider RTP after the initial one (1) year term shall be ineligible to return to the program for twelve (12) months from the termination date.

The primary term of service is one (1) year consisting of a consecutive twelve month period.

Customers returning to the standard tariff shall have any historical demands in excess of the CBL, waived for purposes of calculating applicable billing demands.

The supplying and billing for service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission.

The Union Light, Heat and Power Company
107 Brent Spence Square
Covington, Kentucky 41011

Ky. P.S.C. Electric No. 4
Third Revised Sheet No. 99
Cancels and Supersedes
Second Revised Sheet No. 99
Page 1 of 4

**RATE RTP
REAL TIME PRICING PROGRAM**

APPLICABILITY

Applicable to Customers served under Rate DS, Rate DT, Rate DP or Rate TT. Service under the RTP Program will be offered on an experimental basis through December 31, 2004. The incremental cost of any special metering required for service under this Program beyond that normally provided under the applicable Standard Tariff shall be borne by the Customer. Customers must enter into a written service agreement with a minimum term of one year. (T)

PROGRAM DESCRIPTION

The RTP Program is voluntary and offers Customers the opportunity to manage their electric costs by either shifting load from higher cost to lower cost pricing periods and adding new load during lower cost pricing periods or to learn about market pricing. Binding Price Quotes will be sent to each Customer on a day-ahead basis. The program is intended to be bill neutral to each Customer with respect to their historical usage through the use of a Customer Baseline Load (CBL) and the Company's Standard Offer Rates.

CUSTOMER BASELINE LOAD

The CBL is one complete year of Customer hourly load data that represents the electricity consumption pattern and level of the Customer's operation under the Standard Rate Schedule. The CBL is the basis for achieving bill neutrality for Customers billed under this Rate RTP, and must be mutually agreeable to both the Customer and the Company as representing the Customer's usage pattern under the Standard Rate Schedule (non-RTP). Agreement on the CBL is a requirement for participation in the RTP Program.

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Customers participating in the RTP Program will be billed monthly based on the following calculation:

$$\text{RTP Bill} = \text{BC} + \text{PC} + \text{DSMR} + \sum_{t=1}^n \{ (\text{CC}_t + \text{ED}_t + \text{ASC}_t) \times (\text{AL}_t - \text{CBL}_t) \}$$

Where:

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PC = Program Charge
DSMR = Rider DSMR Charge
CC_t = Commodity Charge for hour t
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n = total number of hours in the billing period
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BASELINE CHARGE

The Baseline Charge is independent of Customer's currently monthly usage, and is designed to achieve bill neutrality with the Customer's standard offer tariff if no change in electricity usage pattern occurs (less applicable program charges). The Baseline Charge is calculated at the end of the billing period and changes each billing period to maintain bill neutrality for a Customer's CBL.

Issued by authority of the Kentucky Public Service Commission pursuant to an Order dated June 14, 2004 in Case No. 2004-00210.

Issued: June 16, 2004

Effective: June 18, 2004

Issued by Gregory C. Ficke, President

BASELINE CHARGE (Contd.)

The Baseline Charge will be calculated as follows:

$$BC = (\text{Standard Bill @ CBL})$$

Where:

BC = Baseline Charge
Standard Bill @ CBL = Customer's bill for a specific month on the applicable Rate Schedule including applicable Standard Contract Riders using the CBL to establish the applicable billing determinants.

The CBL shall be adjusted to reflect applicable metering adjustments under the Rate Schedule. The DSMR charge shall be excluded from the calculation of the Baseline Charge.

PRICE QUOTES

The Company will send to Customer, by 3:00 p.m. each day, Price Quotes to be charged the next day. Such Price Quotes shall include the applicable Commodity Charge, the Energy Delivery Charge and the Ancillary Services Charge.

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COMMODITY CHARGE

The Commodity Charge is a charge for generation. The applicable hourly Commodity Charge (Credit) shall be applied on an hour by hour basis to Customer's incremental (decremental) usage from the CBL.

Charge (Credit) For Each kW Per Hour From The CBL:

For kWh_t above the CBL, $CC_t = MGC_t \times 110\% \times LAF$
For kWh_t below the CBL, $CC_t = MGC_t \times 90\% \times LAF$

Where:

LAF = loss adjustment factor
= 1.0530 for transmission service
= 1.0800 for distribution service
= 1.1100 for secondary service

MGC_t = the lesser of $CMGC_t$ or $WFGC_t$ for hour t on a \$/kilowatt-hour basis
 $CMGC_t$ = Cinergy's marginal operating cost for hour t + Cinergy's marginal cost of capacity for hour t
 $WFGC_t$ = Cost of firm generation capacity and energy in the wholesale market for hour t based on day ahead price quotes

COMMODITY CHARGE (Contd.)

Cinergy's marginal cost of capacity for any hour t will be based on an analysis of expected reserve margin versus Cinergy's marginal cost of capacity. A table showing the values to be used for the RTP Program will be provided upon request.

The kW Per Hour incremental or decremental usage from the CBL shall be adjusted to reflect applicable metering adjustments under the standard Rate Schedule.

ENERGY DELIVER CHARGE

The hourly Energy Delivery Charge is a charge for using the transmission and distribution system to deliver energy to the Customer. The applicable hourly Energy Delivery Charge (Credit) shall be applied on a hour by hour basis to Customer's incremental (decremental) usage from the CBL.

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PROGRAM CHARGE (Contd.)

Customer may purchase from either Company or any other third-party suppliers any other necessary equipment or software packages to facilitate participation in this program. While Customers are encouraged to use such equipment or software packages to maximize benefits under this Program, it is not a requirement for program participation. It is Customer's responsibility to ensure the compatibility of third-party equipment or software packages with any Company owned equipment or software packages.

SPECIAL TERM AND CONDITIONS

Except as provided in this Rate RTP, all terms, conditions, rates, and charges outlined in the Standard Rate Schedule will apply. Participation in the RTP Program will not affect Customer's obligations for electric service under the Standard Rate Schedule.

Customers receiving service under Rider IS or a special contract that contains an interruptible service provision will be eligible to participate in the RTP Program. Adjustments will be made to the CBL to reflect the interruptible service.

Customers who terminate their service agreement under this Rider RTP after the initial one (1) year term shall be ineligible to return to the program for twelve (12) months from the termination date.

The primary term of service is one (1) year consisting of a consecutive twelve month period.

Customers returning to the standard tariff shall have any historical demands in excess of the CBL, waived for purposes of calculating applicable billing demands.

The supplying and billing for service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission.

Description of the Proposed Tariff Change

The Union Light, Heat, and Power Company (ULH&P) proposes to extend the availability of its Rate RTP, Real Time Pricing Program, through December 31, 2006, subject to receiving approval of the changes described herein. The program is currently scheduled to run through December 31, 2004 and terminate on January 1, 2005.

The Company proposes to modify the calculation of the Commodity Charge (CC_i) such that the Commodity Charge will be based on the expected market price of capacity and energy for the next day. The expected market price will be based on forecasts of market conditions for the next day using publicly available market indices, the MISO locational marginal price (LMP) and/or bona fide third-party price quotes, as applicable, to establish the expected market price. This methodology is consistent with the calculation of the Commodity Charge in The Cincinnati Gas & Electric Company's (CG&E) RTP program.¹ Under ULH&P's existing RTP rate, the Commodity Cost is based on the lesser of Cinergy's marginal costs or wholesale market costs.

The Company proposes the revisions to its Rate RTP because the current pricing methodology provides an excessive discount relative to the standard tariff offers. Basing RTP pricing on market prices is intended to reduce this anomaly.

ULH&P also proposes to insert a sentence in the CUSTOMER BASELINE LOAD section that reads, "In the event that the Customer's electricity consumption pattern differs significantly from the established CBL, the Company may renegotiate the CBL with the Customer." This new language allows the Company to negotiate with the customer to alter the CBL in the event that the customer's load increases or decreases significantly over time. The CBL is intended to represent the customer's typical usage pattern, and it should be modified if it changes over time.

With these changes, ULH&P proposes to extend the availability of its Rate RTP, Real Time Pricing Program, through December 31, 2006.

¹ ULH&P notes that the use of market pricing is consistent with its Rate RTP-M, which is applicable to new customers with loads exceeding 5,000 kilowatts, and existing customers who increase their loads by 5,000 kilowatts or more. However, unlike ULH&P's proposed Rate RTP, under which market prices will apply to load to the extent it varies from the CBL, Rate RTP-M customers see their entire load (new customers) or load above 5,000 kilowatts (existing customers) priced at market.