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PUBLIC SERVICE COMMISSION

VIA OVERNIGHT MAIL

February 9, 2005

Elizabeth O'Donnell, Esq.
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40601-8294

Re: The Application of The Union Light, Heat and Power Company for Approval to Extend the Availability of its Rate RTP, Real Time Pricing Program
Case No. 2004-00509

Dear Ms. O'Donnell:

Please find enclosed an original and 10 copies of the responses of The Union Light, Heat and Power Company to the Staff's First Set of Data Requests in the above-referenced case. Please stamp and return the two extra copies in the enclosed envelope.

Should you have any questions, please contact me at (513) 287-3601.

Very truly yours,

John J. Finnigan, Jr.
Senior Counsel

JJF/sew
Enclosure

KyPSC Staff First Set Data Requests
ULH&P Case No. 2004-00509
Date Received: January 27, 2005
Response Due Date: February 10, 2005

KyPSC-DR-01-001

REQUEST:

1. Refer to the proposed language change on page 1 of the Rate RTP tariff. This language would permit ULH&P to renegotiate a customer's baseline load if the customer's consumption pattern "differs significantly" from its established baseline load.

   a. For purposes of the proposed language, explain how "significantly" will be defined or interpreted.
   b. Over what period of time will a customer's consumption pattern have to "differ significantly" before the customer's baseline load is renegotiated? Explain the response.
   c. Explain why the proposed language says that ULH&P "may" renegotiate rather than "shall" renegotiate.

RESPONSE:

a. Any increase or decrease of 10% in load from the CBL, measured in annual kWh, will be "significant" and consideration will be given to modification of the customer's CBL.

b. It is ULH&P's intent to review customer's CBL's at intervals of not less than two years but no more frequently than annually.

c. Price response and bill neutrality are major tenets of the program. So, it is possible that total kWh could increase significantly, accompanied by significant price response. Under these conditions, it may not be in the interest of the customer or company to initiate changes in the CBL. Therefore, ULH&P will negotiate changes in the CBL when necessary to maintain price responsiveness and bill neutrality. The customer has the option to either reach a mutually agreeable new CBL or to take service under a different tariff.

WITNESS RESPONSIBLE: **Jeffrey R. Bailey**

KyPSC Staff First Set Data Requests
ULH&P Case No. 2004-00509
Date Received: January 27, 2005
Response Due Date: February 10, 2005

KyPSC-DR-01-002

REQUEST:

2. Refer to the proposed change, on page 2 of the Rate RTP tariff to the calculation of the commodity charge.

   a. Explain why, for kWh below the customer's baseline load, the factor of 110 percent has been deleted.
   b. Explain why, for kWh below the customer's baseline load, the factor of 90 percent has been reduced to 80 percent.

RESPONSE:

a. ULH&P desires to shift away from the lesser of marginal cost or market cost and move to the market price for the pricing of commodity. The margin associated with market pricing for load above the CBL is sufficient to eliminate the 10% adder. This change will provide ULH&P with more of an opportunity to recover its costs of providing this service.

b. Reducing the multiplier from .90 to .80 for commodity credits below the CBL will allow ULH&P to provide credits more commensurate with the costs it avoids by load reductions. ULH&P will not be actively purchasing power in the market for these customers. Thus, when load reductions below the CBL occur, ULH&P will reduce generation at a cost, during most hours, that will be less than the market price. With the change in commodity pricing, a change in the multiplier to the new level is necessary.

WITNESS RESPONSIBLE: **Jeffrey R. Bailey**