CINERGY. SERVICES

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VIA OVERNIGHT MAIL

August 18, 2004

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AUG 19 2004
PUBLIC SERVICE COMMISSION

Iris Skidmore, Esq.
Kentucky Division of Energy
Office of Legal Services
Fifth Floor, Capital Plaza Tower
Frankfort, KY 40601

Re: Case No. 2004-00014

Dear Ms. Skidmore:

Enclosed please find The Union Light, Heat and Power Company's responses to the Kentucky Division of Energy's Second Set of Request for Information. Also enclosed you will find a fully executed copy of the Protective Agreement, copies of the responses to the data requests of the Attorney General and the Commission staff and copies of the confidential responses to these same requests.

Should you have any further questions, please do not hesitate to call me.

Very truly yours,

Anita M. Schafer
Paralegal

AMS/mak

Enclosures

cc: Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission

Elizabeth Blackford
Assistant Attorney General
Kentucky Attorney General's Office

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KDOE-DR-02-022

REQUEST:

22. Follow-up to KDOE-2:

a. What efforts has ULH&P made to market the real-time pricing option (Rate RTP) and the PowerShare program to its industrial and commercial customers? Please include quantitative estimates of the marketing budgets.

b. What would the estimated peak load reductions from these two programs be in the future if ULH&P were to significantly expand its marketing efforts?

RESPONSE:

a. ULH&P aggressively marketed RTP to eligible customers in 1998. Cinergy's goal for that year was to sign up 180 customers between CG&E and ULH&P. The Company conducted extensive marketing campaigns during 2000 and 2001 to obtain participation in the PowerShare program. Market prices have been fairly flat during the past few years, and as a result, ULH&P has not actively promoted the programs. The programs were promoted by the Company's account representatives during normal meetings with customers, and quantitative estimates of the marketing budgets are not available.

b. Fifty-seven ULH&P customers presently participate in the PowerShare program with an estimated peak load reduction of 12.5 MW. ULH&P RTP participants have 2 MW of incremental RTP load. Because both program participation and peak load reductions from RTP and PowerShare depend on market prices, it is not known how much reduction could be achieved through significantly expanded marketing activities.

WITNESS RESPONSIBLE: James E. Ziolkowski

Kentucky Division of Energy's 2nd Set Data Requests
Case No. 2004-00014
Date Received: July 28, 2004
Response Due Date: August 19, 2004

KDOE-DR-02-023

REQUEST:

23. Follow-up to KDOE-3:

One of the factors ULH&P listed that might lead to terminating the RTP tariff was the possibility of "high costs to ULH&P in terms of lost revenue versus the standard rates to achieve peak period demand reductions."

a. How can the standard rates be associated with any demand reductions, if standard rates represent the default or baseline condition?

b. Is ULH&P making a comparison between the lost revenue impacts of the RTP program versus some other peak-reducing program or programs? If so, to which other program is RTP being compared?

RESPONSE:

a. The standard rates are not associated with any demand reductions. They simply represent the default or baseline condition. The phrase "high costs to ULH&P in terms of lost revenue versus the standard rates to achieve peak period demand reductions" simply recognizes the fact that Rate RTP is a rider that modifies the billing of the standard rates (DS, DP, DT, TT) and usually causes monthly customer bills that are lower than the bills that would have occurred if the customer had not been on RTP.

b. ULH&P is not making a comparison between the lost revenue impacts of RTP versus some other peak-reducing program.

WITNESS RESPONSIBLE: James E. Ziolkowski

Kentucky Division of Energy's 2nd Set Data Requests
Case No. 2004-00014
Date Received: July 28, 2004
Response Due Date: August 19, 2004

KDOE-DR-02-024

REQUEST:

24. Follow-up to KDOE-8:

KDOE asked about the basis for ULH&P's estimate that the total impact of all DSM programs in 2023 will comprise less than one-tenth of one percent of the total projected energy demand.

a. The first part of ULH&P's response stated, "This is an issue currently being analyzed further. There are other programs that may be cost-effective if the implementation costs can be reduced or shared with other portions of the Cinergy system." To what are these implementation costs being compared?

b. Please provide a brief scenario describing how the implementation costs of a potential new DSM program could be reduced.

c. Does ULH&P envision the possibility that new DSM programs may be developed and implemented in the ULH&P service area that are not offered in Cinergy's other service areas? If not, please explain why not.

d. Does ULH&P envision the possibility that new DSM programs may be developed and implemented in the ULH&P service area and then spread to Cinergy's other service areas? If not, please explain why not.

RESPONSE:

a. The issue is not that the implementation costs must be compared to anything. ULH&P's service area and number of customers is relatively small. As a result, the issue is that the implementation costs can make the DSM programs fail the cost-effectiveness tests. By implementing similar programs in other parts of the Cinergy system, the implementation costs can be spread across more customers such that the programs may become cost-effective.
b. One example is in the bid process on the implementation costs. When the implementation of a DSM program is bid out to potential vendors, the larger the program can be, the lower the bid cost per measure installation. When the program bid is solicited for a larger area and a greater number of customers, the cost per measure declines and the ability to make the program cost-effective is enhanced.
c. Yes.
d. Yes.

WITNESS RESPONSIBLE: Richard G. Stevie

Kentucky Division of Energy's 2nd Set Data Requests
Case No. 2004-00014
Date Received: July 28, 2004
Response Due Date: August 19, 2004

KDOE-DR-02-025

REQUEST:

25. Follow-up to KDOE-16:

a. What efforts has ULH&P made to market the Green Power pilot program to its customers? Please include quantitative estimates of the marketing budgets.

b. Please provide copies of the semi-annual reports filed with the Commission that show the number of participants in the Green Power program, the amount of funds collected, and the expenditures made to purchase green power since the pilot program was approved.

RESPONSE:

a. This Green Power program was initially implemented at ULH&P's affiliate PSI Energy, Inc. in Indiana approximately a year prior to its roll-out in Kentucky. Shortly after the filing and approval of ULH&P's Green Power pilot, evaluation of the Indiana program showed that it was not effective and needed to be revised. As a result of the poor showing in Indiana, it was decided not to promote the current version of ULH&P's Green Power rider, but rather to refrain from any promotion until a new version of the rider could be developed. The Company is in the process of reviewing and evaluating various program designs to determine an effective model for the Company to use.

b. ULH&P has not, to date, had any participants on its Green Power rider. Thus it has not received any funds and has not purchased any form of green power under the rider.

WITNESS RESPONSIBLE: Don Rottinghaus

Kentucky Division of Energy's 2nd Set Data Requests
Case No. 2004-00014
Date Received: July 28, 2004
Response Due Date: August 19, 2004

KDOE-DR-02-026

REQUEST:

26. Follow-up to KDOE-18:

KDOE asked whether costs were assigned to various technology options to reflect their environmental impacts.

a. The first part of ULH&P's response stated, "When dispatching supply-side technologies, a market price was applied to their SO_2 and NO_x emissions. No emissions costs were applied to demand-side technologies." Please specify the market prices that were applied for each technology.

b. Did ULH&P apply any other costs to supply-side technologies, for example, costs related to air toxics or carbon dioxide emissions that may not currently be regulated?

c. In response to the second part of the question, ULH&P stated, "Any external costs associated with mining, cleaning, and transporting coal should be included in the delivered price of the coal." Would ULH&P acknowledge that to the extent that costs are included in the price of an item, they have been internalized and are therefore not "external"?

d. Would it therefore be correct to conclude that when comparing various supply-side and demand-side technologies, ULH&P did not include estimates of the external costs associated with the mining, cleaning, and transporting of coal?

RESPONSE:

a. See Attachments KDOE-DR-02-026-A and –B for the SO_2 and NO_x allowance prices used which are **Confidential Proprietary and Trade Secret**. The attachments to this response will be provided to any party to the case who has signed a confidentiality agreement with the Company.

b. No.

c. ULH&P objects to this question on the grounds that the word "external," as used in the question, is vague and has not been defined. ULH&P stands by its previous answer in KDOE-DR-01-018.

d. See part c.

WITNESS RESPONSIBLE: Diane Jenner