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**John J. Finnigan, Jr.**  
Senior Counsel

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MAY 13 2005

PUBLIC SERVICE  
COMMISSION

**VIA OVERNIGHT MAIL**

May 12, 2005

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

Re: In the Matter of an Assessment of Kentucky's Electric Generation,  
Transmission and Distribution Needs  
Case No. 2005-00090

Dear Ms. O'Donnell:

I have enclosed The Union Light, Heat and Power Company's responses to the Staff's second set of data requests in the above-referenced case.

If you have any questions, please do not hesitate to contact me at (513) 287-3601.

Sincerely,

John J. Finnigan, Jr.  
Senior Counsel

JJF/sew

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COMMONWEALTH OF KENTUCKY

MAY 13 2005

BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE  
COMMISSION

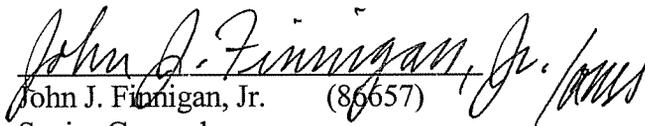
In the Matter of: )  
 )  
 An Assessment of Kentucky's Electric )  
 Generation, Transmission and ) Administrative Case No. 2005-00090  
 Distribution Needs )

THE UNION LIGHT, HEAT AND POWER COMPANY'S  
 RESPONSES TO THE KENTUCKY PUBLIC SERVICE COMMISSION'S  
 SECOND SET OF DATA REQUESTS

The Union Light, Heat and Power Company submits the following responses to  
 the Commission's Second Set of Data Requests in this proceeding.

Respectfully submitted,

THE UNION LIGHT, HEAT AND  
POWER COMPANY

  
 John J. Finnigan, Jr. (86657)

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**CERTIFICATE OF SERVICE**

I hereby give notice that on this 12<sup>th</sup> day of May, 2005, I have served a copy of the foregoing responses of The Union Light, Heat and Power Company to The Kentucky Public Service Commission's second set of Interrogatories and Request for Production of Documents to the parties of interest.

John J. Finnigan, Jr.  
John J. Finnigan, Jr. *ams*



**KyPSC Staff First Set Interrogatories**  
**ULH&P Case No. 2005-00090**  
**Date Received: April 28, 2005**  
**Response Due Date: May 13, 2005**

**KyPSC-INT-02-001**

**REQUEST:**

1. Explain how the development of Regional Transmission Organizations (“RTO”) and the possibility of greater competition in the wholesale market has impacted your planning decisions. Also, provide a discussion of how RTOs have affected your strategy regarding making off-system sales and your ability to arbitrage.

**RESPONSE:**

ULH&P’s planning has not been impacted by the development of RTOs or greater wholesale competition, because ULH&P receives its power through a wholesale contract between CG&E and ULH&P approved by the Commission in Case No. 2001-00058. After the three generating plants are transferred from CG&E to ULH&P, ULH&P may engage in off-system sales or purchases through the MISO Day 2 energy markets. The MISO Day 2 markets will provide a liquid market for real-time and day-ahead energy purchases, but may result in lower prices for off-system sales by ULH&P than would have occurred without these markets.

**WITNESS RESPONSIBLE:** Charles R. Whitlock



**KyPSC Staff First Set Interrogatories**  
**ULH&P Case No. 2005-00090**  
**Date Received: April 28, 2005**  
**Response Due Date: May 13, 2005**

**KyPSC-INT-02-002**

**REQUEST:**

2. Describe the manner in which increasing prices for coal and natural gas have impacted your generation resource decisions. Include in the response a discussion of how the increase in prices has impacted your consideration of new generation technologies.

**RESPONSE:**

Assuming that East Bend, Miami Fort 6, and Woodsdale are transferred to ULH&P as currently contemplated, ULH&P will not have any additional need for new generating resources until after 2010, so there are no immediate resource decisions that have to be made. In future plans, the increasing prices for coal and natural gas will be taken into consideration when developing the least cost plan. In its IRP process, ULH&P monitors the different generation technologies and screens these technologies to determine the most economical taking into account capital costs, fixed and variable O&M costs, fuel costs, and emission costs. One of the new generation technologies under study is the IGCC.

**WITNESS RESPONSIBLE:** Diane L. Jenner



**KyPSC Staff First Set Interrogatories**  
**ULH&P Case No. 2005-00090**  
**Date Received: April 28, 2005**  
**Response Due Date: May 13, 2005**

**KyPSC-INT-02-003**

**REQUEST:**

3. Explain to what extent the availability or possible availability of merchant power has impacted your generation resource decisions.

**RESPONSE:**

Assuming that East Bend, Miami Fort 6, and Woodsdale are transferred to ULH&P as currently contemplated, ULH&P will not have any additional need for new generating resources until after 2010, so there are no immediate resource decisions that have to be made. In future plans, purchases from the market will be considered as a resource alternative.

**WITNESS RESPONSIBLE:** Diane L. Jenner



**KyPSC-INT-02-017**

**REQUEST:**

17. Refer to Items 5 and 7 of ULH&P's response to the Commission's March 10, 2005 Order.
- a. ULH&P's annual weather-normalized energy sales declined slightly over the period 2000 – 2004, while its weather-normalized energy sales declined slightly over the period 2000 – 2004, while its weather-normalized peak demand increased by 84 Mw, or 10.1 percent, over this period. Describe all factors ULH&P has identified that contributed to this increase in demand during a period of declining energy sales.
  - b. ULH&P's weather-normalized peak demand in 2004 was 912 Mw compared to its actual peak demand of 814 Mw. This 2004 weather-normalized peak demand was also 49 Mw greater than the highest weather-normalized peak demand, 863 Mw, in any year from 2000 – 2003. Explain why the 2004 weather-normalized peak demand is so much greater than the actual 2004 peak demand and the weather-normalized peak demand in the 4 previous years.

**RESPONSE:**

- a. ULH&P energy sales between 2000 and 2004 were impacted by the loss of load at Newport Steel which reduced their Kwh usage by approximately 90% starting in April 2001. Also, peak demand is a measure of load for one hour of the year and does not always correlate with annual energy sales. Please note that actual annual energy sales also declined slightly, yet the actual peak grew 5% between 2000 and 2004.

Peak is impacted by weather, customer mix and the saturation of air conditioning. Residential and commercial sales are highly weather sensitive and have a large impact on the peak. Actual sales data show that residential and commercial sales as a percent of total retail sales increased from 64% in 2004 to 71% in 2004. Also, ULH&P estimates that the saturation of air conditioning increased 7% between 2000 and 2004.

- c. The most telling point about 2004 is that the actual peak of 814 occurred with a high temperature of 87 degrees and a previous day high of 85 degrees. This is a significant amount of load given these mild temperatures. The 2004 actual peak is higher than the 2003, 2002 and 2001, all of which occurred on a day with a high temperature of 90 degrees or above. ULH&P calculates that a normal peak-producing high temperature is 93.3 with a previous day high of 92.9 degrees. This is a significant difference between actual and normal. As discussed in response (a.) above, the ULH&P peak is being affected by increasing air conditioning saturations and increasing levels of residential and commercial activity.

**WITNESS RESPONSIBLE:** James Riddle