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John J. Finnigan, Jr.
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VIA OVERNIGHT DELIVERY

December 16, 2005

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

RECEIVED

DEC 19 2005

PUBLIC SERVICE
COMMISSION

Re: The Annual Cost Recovery Filing for Demand Side Management by The Union Light, Heat and Power Company, Case No. 2005-00402

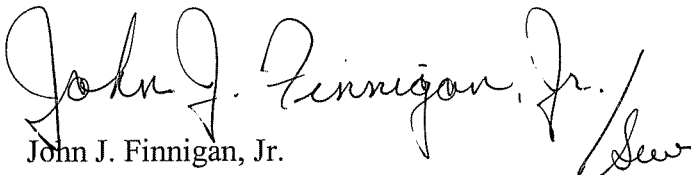
Dear Ms. O'Donnell:

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

Please date stamp and return the two extra copies in the enclosed self-addressed envelope.

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

cc: All parties of record (w/encl.)

KyPSC Staff First Set Data Requests
ULH&P Case No. 2005-00402
Date Received: December 12, 2005
Response Due Date: December 19, 2005

KyPSC-DR-01-001

REQUEST:

1. ULH&P has proposed an energy assistance program ("EAP") for its residential customers. Subsection (1)(f) of KRS 278.285 requires that the Commission give consideration to the extent to which customer representatives and the Office of Attorney General ("AG") are involved in developing proposed EAPs. The first full paragraph on page 4 of ULH&P's amended application indicates that its collaborative's review was pending at the time it filed the amendment. Provide a detailed description of the extent to which the AG or other customer representatives have been involved or are expected to be involved in the development of ULH&P's proposed EAP.

RESPONSE:

The concept of an energy assistance ("EAP") program was brought to the ULH&P DSM Collaborative on November 10, 2005. The members of the Collaborative are identified in the application for the expansion to the WinterCare program. At the meeting, all of the Collaborative members were in favor of the new program except for the AG's representative. The AG's representative was not necessarily opposed to the concept, but wanted more information before giving approval to the program. At a subsequent meeting of the Collaborative on December 13th, the members decided to defer their final decision until the management of ULH&P and the AG's representative meet with the Commission Staff on December 22, 2005 at an informal conference. At this time, the AG's representative is opposed to the idea of volumetric charges and is still considering the reasonableness of a charge per meter.

WITNESS RESPONSIBLE: Richard G. Stevie

**KyPSC Staff First Set Data Requests
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KyPSC-DR-01-002

REQUEST:

2. In other cases involving EAP proposals, the Commission has expressed concerns about the absence of a financial contribution by the utility proposing the EAP. One such case involved the EAP proposed by LG&E in Case No. 2001-00323. Explain why the proposed EAP does not contain a financial contribution by ULH&P.

RESPONSE:

The proposed EAP program, as a part of WinterCare, does contain a contribution by ULH&P. WinterCare is completely funded by company employees, customers, and shareholders. For this winter season, ULH&P will match \$1.00 for every \$1.00 donated, up to \$25,000. Previously, ULH&P matched \$1.00 for every \$2.00 donated. In addition, ULH&P is contributing \$25,000 in new funding for this winter season's WinterCare program. This could result in up to \$75,000 in voluntary WinterCare funding, if employees, shareholders and customers donate at the maximum matching level.

Additionally, ULH&P this winter has significantly increased its efforts to educate customers about conservation measures, bill management programs and financial assistance programs. This media effort includes radio and newspaper advertisements, direct mail, billboards, bill inserts/messages, a new website (CinergyComfort.com), and a dedicated telephone help line (1-888-BEWARM2).

WITNESS RESPONSIBLE: Richard G. Stevie

KyPSC Staff First Set Data Requests
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KyPSC-DR-01-003

REQUEST:

3. Refer to pages 2-3 of the amended application, specifically, the discussion of the funding for the WinterCare program.
 - a. Provide a schedule or table which reflects the breakdown of the proposed WinterCare program funding described therein.
 - b. Provide a schedule of the annual funding of ULH&P's WinterCare program, for the period 2000 through 2004 and year-to-date for 2005, which identifies the amounts contributed by ULH&P and by its customers.
 - c. Explain whether ULH&P intends to match dollar for dollar, up to \$25,000, all donations to WinterCare, or only those donations collected by ULH&P.

RESPONSE:

- a. The total charge to gas customers is \$385,000. The total charge to electric customers is \$385,000. ULH&P's donation to WinterCare for the 2005 – 2006 winter season is \$25,000. Voluntary contributions by employees, customers and shareholders is unknown. ULH&P's matching contribution is \$1.00 per \$1.00 up to \$25,000.
- b. Refer to Attachment KyStaff-DR-01-003(b).
- c. Refer to ULH&P's response to KyStaff-DR-01-002.

WITNESS RESPONSIBLE: Richard G. Stevie

WinterCare	Customer contributions	Cinergy contributions
2000	\$ 27,192.71	\$ 16,429.88
2001	\$ 28,479.98	\$ 125,000.00
2002	\$ 29,776.57	\$ 15,016.50
2003	\$ 26,713.39	\$ 13,961.33
2004	\$ 25,887.33	\$ 15,163.31
2005	\$23,420.92 (Year-to-date)	\$ 13,710.48 (Year-to-date)

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KyPSC-DR-01-004

REQUEST:

4. Refer to pages 3-4 of the amended application. Explain how ULH&P determined that \$770,000 is the appropriate level of funding for its proposed EAP.

RESPONSE:

ULH&P designed its proposal by considering what would be a reasonable amount to charge customers for the program. ULH&P considered the 10 cents per meter charge used by LG&E and KU for similar programs, but ULH&P does not have any existing meter-based billing rates, and concluded that this type of a charge would be more difficult to implement than a usage charge. ULH&P decided to propose \$0.05 per Mcf, because Columbia Gas charges a similar amount for its home energy assistance program. ULH&P decided the amount of the electric rate by selecting a charge which would have a similar impact on a typical electric customer's bill as the \$0.05 rate has on a typical gas customer's bill. The total amount of revenue collected was a secondary consideration.

WITNESS RESPONSIBLE: Richard G. Stevie

KyPSC Staff First Set Data Requests
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KyPSC-DR-01-005

REQUEST:

5. Refer to Attachment A of the amended application. Page 1 of 2 shows average monthly residential gas usage of 6.8 Mcfs and uses this to calculate \$4.08 as the average annual bill impact on a residential customer of the proposed EAP. Page 2 of 2 uses 10.8 Mcfs as the usage on a "typical gas customer bill" to calculate a .3922 percent impact on a typical bill. Explain the reason for using 2 different usage levels to perform these calculations and whether they should be performed using the same usage level.

RESPONSE:

The average monthly gas usage of 6.8 Mcfs shown on page 1 of 2 in Attachment A is an average derived from ULH&P's monthly financial statements for 2005 and reflects the actual average usage for that year. Obviously, the average gas usage for any year varies based on the weather experienced in that year. Page 2 of Attachment A reflects the average monthly use figure of 10.8 Mcfs which is a figure the Company generally uses in rate comparisons as a "typical" residential average monthly usage. While this level of usage doesn't represent the average monthly usage when weather is severe, this figure has been used for many years and provides a ready means to compare gas prices from one year to the next.

ULH&P agrees that it would be reasonable to perform these calculations using the same usage level.

WITNESS RESPONSIBLE: Donald J. Rottinghaus

KyPSC Staff First Set Data Requests
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KyPSC-DR-01-006

REQUEST:

6. Explain how ULH&P can assure the Commission that the funds collected from ratepayers through the proposed EAP will be disbursed in an efficient and effective manner.

RESPONSE:

ULH&P and the Northern Kentucky Community Action Commission (“CAC”) have worked together for many years coordinating the distribution of LIHEAP funds, WinterCare funds, and most recently the funds from the Payment Plus pilot program. The Payment Plus pilot program has been found to be very cost-effective as a combination demand-side management (“DSM”) and EAP program. While the new proposed EAP is not designed to provide DSM benefits, the distribution of funds would be administered with the same level of attention and focus as in the Payment Plus program. The CAC has demonstrated the capability to administer funds from several funds, including WinterCare, efficiently in the past. ULH&P expects the CAC would continue to perform as well with an expanded WinterCare program.

WITNESS RESPONSIBLE: Richard G. Stevie

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KyPSC-DR-01-007

REQUEST:

7. What incremental expenses, administrative or otherwise, does ULH&P expect to incur if it is permitted to implement the proposed EAP? Explain the response.

RESPONSE:

None. The only incremental costs would be CAC's for administering this program, but that is expected to be covered by the funds collected through the program.

WITNESS RESPONSIBLE: Richard G. Stevie

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KyPSC-DR-01-008

REQUEST:

8. The description of the proposed EAP seems to indicate that ULH&P intends to provide benefits during the current heating season while it will be collecting funds for the program over calendar year 2006. If this is a correct description, explain how ULH&P intends to address the "carrying costs" that it will incur prior to collecting the full funding for the program. If this is not a correct description, explain why.

RESPONSE:

For this initial program, ULH&P did not request recovery of the carrying costs that may develop due to the differential in the timing between disbursement of funds and collection of revenues. This is additional funding of the program by ULH&P that has not been quantified. ULH&P reserves the right to re-visit this issue if the program is continued in future years.

WITNESS RESPONSIBLE: Richard G. Stevie

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KyPSC-DR-01-009

REQUEST:

9. In Case No. 2001-00323, the commission denied the \$0.46 monthly per meter surcharge proposed by LG&E on the basis that it was not reasonable. It is likely that a \$0.05 per Mcf surcharge will result in a monthly increase to some gas customers' bills in excess of \$0.46 in high usage months during the winter heating season. Explain why the Commission should find ULH&P's proposed surcharge to be reasonable.

RESPONSE:

ULH&P is seeking approval of the program for only one year due to the extreme level of energy prices currently being experienced. ULH&P will re-visit the need for this program and will make an application to the Commission if deemed appropriate. At this time, ULH&P fully expects the expansion of the WinterCare program to terminate after this year. It is ULH&P's understanding that the LG&E proposal was for a longer term program which could be renewed indefinitely. Due to the fact the ULH&P is requesting approval of the program for only one year, the increase to customers is limited to one year. Additionally, the current extreme prices warrant raising the charges collected from customers for this program, in order to generate meaningful financial assistance for low-income customers.

WITNESS RESPONSIBLE: Richard G. Stevie