COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT AND POWER COMPANY TO IMPLEMENT A HEDGING PROGRAM TO MITIGATE PRICE VOLATILITY IN THE PROCUREMENT OF NATURAL GAS	)))))	CASE NO. 2005-00191

FIRST DATA REQUEST OF COMMISSION STAFF TO THE UNION LIGHT, HEAT AND POWER COMPANY

The Union Light, Heat and Power Company ("ULH&P"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and six copies of the following information, with a copy to all parties of record. The information requested herein is due no later than June 20, 2005. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to page 2 of Attachment B, Amount of ULH&P's Gas Supply Subject to the Hedging Plan. ULH&P states that base supply is the sum of its estimated minimum daily natural gas purchases, plus daily storage injection capabilities. For clarification, is it also correct to describe base gas as the gas requirements that are not dependent on weather conditions? Explain the response.

2. Refer to page 3 of Attachment B, Schedule for Purchase of Hedging Instruments.

a. ULH&P states that by including minimum quantities to be hedged it will gain the advantages of a mechanistic feature while preserving management discretion as to the timing of gas supply purchases. Identify the advantages of a mechanistic hedging feature.

b. Provide the derivation of the minimum and maximum hedged volume percentages.

3. Refer to page 6 of Attachment B, Price Caps. ULH&P states that it utilizes price caps as part of its hedging instruments. Provide the current premium for a price cap.

4. Refer to page 7 of Attachment B, Fixed Price Contracts. ULH&P states that fixed priced contracts will be set between the highest and the lowest price that NYMEX trades on the strike date. Explain how ULH&P and the supplier will determine the price for these contracts.

5. Refer to page 8 of Attachment B, No-Cost Collars. Describe ULH&P's method for determining the floor price for collars.

6. Describe how ULH&P determines which hedging method to use and how it determines which supplier it will use to execute a given hedge transaction.

7. Provide the typical and maximum terms for a supplier contract that ULH&P uses as a hedge instrument.

8. Provide the expiration date of ULH&P's current asset management agreement with Cinergy Marketing & Trading.

9. Explain how ULH&P executes its hedging arrangements through its asset manager.

Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

DATED June 10, 2005

cc: All Parties