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*VIA OVERNIGHT MAIL*

July 22, 2004

**CINERGY**

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

**RECEIVED**

JUL 23 2004

PUBLIC SERVICE  
COMMISSION

Re: In the Matter of the Application of the Union Light, Heat and Power Company for a Certificate of Public Convenience and Necessity to Acquire Certain Generation Resources and Related Property; for Approval of Certain Purchase Power Agreements; for Approval of Certain Accounting Treatment; and for Approval of Deviation from Requirements of KRS 278.2207 and 278.2213(6); Case No. 2003-00252

Dear Ms. O'Donnell:

In the above captioned proceeding, in which The Union Light, Heat and Power Company (ULH&P) sought, among other things, Commission approval to acquire certain generating facilities from its parent company, The Cincinnati Gas & Electric Company (CG&E), ULH&P stated that its anticipated date for the closing of this transaction would be July, 2004. For reasons related to the Federal Energy Regulatory Commission's (FERC) close scrutiny of affiliate transactions, ULH&P has not yet sought FERC approval of certain purchase power agreements between ULH&P and CG&E related to this transaction, and thus has not closed this transaction.

ULH&P believes that the most prudent course of action with regard to seeking FERC approval is to postpone seeking FERC approval of this transaction at the present time, and to continue to monitor developments in similar cases currently before FERC, including the Ameren case<sup>1</sup>, and Cinergy's case involving the transfer of two generating facilities to PSI Energy, Inc. (which is pending rehearing).<sup>2</sup> FERC also has recently initiated two technical conferences examining the issues pertinent to affiliate purchase power transactions<sup>3</sup> and

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<sup>1</sup> See *Ameren Energy Generating Co., et al.*, 103 FERC P 61,128 (2003), reh'g pending.

<sup>2</sup> See *Cinergy Services, Inc.*, 102 FERC P 61,128 (2003), reh'g pending.

<sup>3</sup> See *In the Matter of Solicitation Processes for Public Utilities*, Docket No. PL04-6-000.

Elizabeth O'Donnell, Executive Director  
Kentucky Public Service Commission  
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utility purchase of affiliate generating facilities.<sup>4</sup> ULH&P has monitored these technical conferences. ULH&P believes that by waiting for these cases to progress further, it will be better able to shape its filing to any specific requirements arising out of these proceedings and avoid a hearing at FERC. ULH&P believes that if it makes its filing before these proceedings are concluded, the matter may very well be set for hearing, delaying the ultimate closing date by 14 – 16 months.

ULH&P and CG&E maintain every intention of seeing this transaction close, and providing ULH&P's customers a reliable source of reasonably-priced electric generation. Please be encouraged to contact me should you have any questions regarding this matter.

Very truly yours,



John J. Finnigan, Jr.

JJF/mak

cc: A. W. Turner  
Anita Mitchell  
Elizabeth Blackford

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<sup>4</sup> See *In The Matter of Conference on Public Utilities' Acquisition and Disposition of Merchant Generation Assets*, Docket No. PL04-9-000.