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November 16, 2005

Mr. Cyrus L. Miller
1027 Hamilton Road
Park Hills, KY 41044-2036

RE: Case No. 2005-00042
The Union Light, Heat and Power Company ("ULH&P")

Dear Mr. Miller,

This is in response to your letter received on November 3, 2005 regarding your concerns about the ULH&P gas rate case. Your letter is being treated as an official protest and will be placed in the case file of this proceeding. The Commission will take your concerns into consideration in its review of, and decision in, this matter.

As ULH&P's gas rate increase application is still pending before the Commission, any comments that can be offered concerning the specifics mentioned in your letter have to be limited. However, I would like to address some of the items you have raised.

ULH&P did not arbitrarily implement its proposed rate increase in October 2005. ULH&P filed for this rate increase in February 2005. ULH&P proposed to make the new rates effective on April 1, 2005. Under the provisions of KRS 278.190(2), the Commission suspended the implementation of the proposed rates until September 30, 2005. KRS 278.190(2) permits ULH&P to place its proposed rates into effect, subject to refund, after the end of the suspension period, provided that it submits prior written notice to the Commission. ULH&P complied with this requirement and placed its proposed rates into effect, subject to refund, effective October 1, 2005.

ULH&P published notice of its proposed increase in gas rates in late February and early March 2005. The notice was published three consecutive weeks in newspapers of general circulation in the service area. KRS 278.190(2) did not require ULH&P to republish that notice when it implemented its proposed rates on October 1, 2005.

You note that your monthly billing statement showed you were charged for 7/29 of a month at the old rate and 22/29 of a month at the new rate. This was necessary due to the billing cycle and the October 1, 2005 effective date for the new rate. Utilities the size of ULH&P have multiple billing cycles, rather than having a single cycle that starts at the first of the month. Since the rate change took effect at a point in time other than at the beginning of your billing cycle, ULH&P was required to "pro-rate" the increase, charging you the new rate only for the days after the October 1, 2005 effective date.

ULH&P's statement that it has not had a base rate increase since 2002 is correct. The Main Replacement Rider does not represent an increase in ULH&P's base rates. The Main Replacement Rider is a surcharge designed to provide ULH&P with cost recovery related to its accelerated mains replacement program, which was adopted by ULH&P to replace its cast iron and bare steel mains with plastic. The Main Replacement Rider went to zero because the investments recovered through the Main Replacement Rider were proposed to be recovered through the new base rates.

Your comparison of the 6.3 percent referenced in the disclosure document with the change in the customer charge, which you note was increased from \$8.30 to \$15.01, compares two different items related to the gas bill. The following chart is a complete comparison of all customer bill components, using the 108 Ccf shown in the disclosure document:

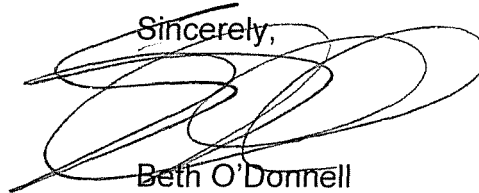
Component of Gas Bill	Old ULH&P Rate	New ULH&P Rate (a)	\$ Change	% Change
Customer Charge	\$8.30	\$15.00	\$6.70	80.72%
Main Replacement Rider	\$3.29	\$0.00	-\$3.29	-100.00%
Gas Delivery Charge Old 108 Ccf x \$.2334 New 108 Ccf x \$.298534	\$25.21	\$32.24	\$7.03	27.89%
Gas Cost Recovery 108 Ccf x \$1.1597	\$125.25	\$125.25	\$0.00	0.00%
DSM Rider 108 Ccf x \$.0329914	\$3.56	\$3.56	\$0.00	0.00%
Total Bill	\$165.61	\$176.05	\$10.14	6.30%

(a) These are the rates proposed by ULH&P that were placed into effect on October 1, 2005, subject to refund.

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Thank you for your letter of interest and concern in this matter. You may view Orders and data requests issued by the Commission in this case on our website <http://psc.ky.gov>.

Sincerely,

A handwritten signature in black ink, appearing to be "Beth O'Donnell", written over the word "Sincerely,".

Beth O'Donnell
Executive Director

cc: Parties of Record

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