

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of the:

APPLICATION OF THE UNION LIGHT,)
HEAT AND POWER COMPANY TO)
IMPLEMENT A HEDGING PROGRAM)
TO MITIGATE PRICE VOLATILITY IN)
THE PROCUREMENT OF NATURAL GAS)

JUN 10 2005

PUBLIC SERVICE
COMMISSION

CASE NO. 2005-00191

ATTORNEY GENERAL'S REQUEST FOR INFORMATION TO ULH&P

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Request for Information to the Union Light, Heat and Power Company to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.


(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL OF KENTUCKY

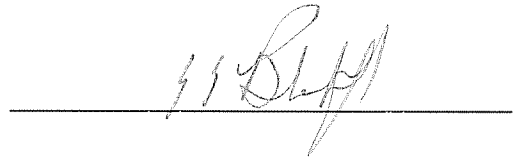


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CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 10th day of June, 2005, I have filed the original and ten copies of the foregoing Request for Information with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

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Attorney General's Request for Information
To ULH&P
Case No. 2005-00191

1. Given the recent announcement of the anticipated merger of Cinergy and Duke Energy, is it possible that any changes will take place in connection with the purchase of gas?

2. Why is it appropriate to approve a plan for three years, with ramifications through October 2010, when ULH&P, as a subsidiary of Cinergy, is undergoing major merger activity?

3. The 2005 plan states that it will limit hedging to contracts for the physical delivery of gas. Does any aspect of the merger with Duke Energy provide prospects of bulk buying advantage that might enhance ULH&P's ability to acquire the benefits of hedging at lower prices?

4. The Natural Gas Hedging Plan, May 2005, page 3 states that, "By including minimum quantities to be hedged as early as 30 months prior to the month of delivery, ULH&P will gain the advantages of a mechanistic feature for part of its program, while preserving management discretion as to the timing of gas supply purchases."
 - a. Please explain how a mechanistic feature preserves discretion as to the timing of supply purchases.
 - b. Please explain the advantage of any mechanistic feature over the utilization of management discretion and describe the nature of the anticipated advantage specifically.
 - c. Please explain how a mechanistic feature incorporates prudent decision making at the time it operates.

5. Page 5 of the Natural Gas Hedging Plan, May 2005 states “ULH&P will not purchase futures contracts on the NYMEX or any other financial instruments to effectuate its hedging strategy.”

Does this represent a change from previous hedging practice? If so, what is the basis for the change and what benefit is the change expected to gain?

6. What advantage does the entry into contracts for the physical delivery of gas have over the use of strictly financial hedges?

7. Compared to one another, what are the advantages of fixed price contracts with cost-averaging, fixed price contracts without price averaging, price caps and no-cost collars, and in what type of circumstance or projected/current market would it be most advantageous to utilize each?