COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT AND POWER COMPANY TO IMPLEMENT A PILOT PROGRAM TO EVALUATE THE USE OF A HEDGING PROGRAM TO MITIGATE PRICE VOLATILITY IN THE PROCUREMENT OF NATURAL GAS	))))))	CASE NO. 2001-128

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 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before June 11, 2001. Each copy of the data requested should be placed in a bound volume with each item tabbed. 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 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. Define the terms “base supply” and “swing supply” as used in ULH&P’s hedging proposal.

2. Explain how ULH&P determined the range of volumes included in its base supply that it proposes to hedge.

3. Explain how and why ULH&P decided on the four specific hedging instruments – fixed-price contracts with cost averaging, fixed price contracts without cost averaging, price caps, and collars – included in its proposed hedging program.

4. Provide ULH&P’s total sales load (volumes) for twelve months, based on normalized weather, separated into the categories of base supply, storage withdrawals, and swing supply.

5. Using current storage injection levels, planned storage injections over the remainder of the 2001 injection season, and current NYMEX futures prices for the remainder of the injection season, provide the current estimate of ULH&P’s expected average cost of storage withdrawals for the upcoming heating season.

6. Verify whether or not the Commission Staff’s understanding of ULH&P’s presentation of its total gas supply requirements, as described below, is accurate: The volumes that remain after recognizing the base gas to be hedged and the gas withdrawn from storage reflects base gas purchased at market prices plus swing gas. The sum of these two components of ULH&P’s winter gas supply represents the total volumes that will be purchased at market prices.

The following questions relate to the 2001-2002 hedging proposal:

7. Explain how and why ULH&P decided on the specific fixed percentage for the volumes it proposes to hedge pursuant to fixed-price contracts with cost averaging during the 2001-2002 heating season.

8. Explain how and why ULH&P decided on the tolerance levels it has proposed for each of the different types of hedging instruments included in its hedging plan for the 2001-2002 heating season.

9. Describe and quantify the range of potential costs associated with each type of hedging instrument ULH&P is proposing to employ for the 2001-2002 heating season.

10. For purposes of this request, assume the following: the hedging plan for the 2001-2002 heating season, as set out in ULH&P's hedging filing, was in effect during the 2000-2001 heating season; ULH&P had hedged the maximum percentage volume of base gas reflected in the plan for the 2000-2001 heating season; the percentage of base gas volumes hedged under fixed-price contracts with cost averaging was as ULH&P has proposed; and the remainder to be hedged, based on the proposed maximum volume percentage, was evenly split between (1) fixed-price contracts without cost averaging, (2) price caps, and (3) collars. Provide the results of this hypothetical scenario, showing (1) the volumes that would have been hedged under each of the four hedging instruments, (2) the implementation/transaction costs that would have been incurred to hedge, (3) the actual level of gas costs incurred for ULH&P's base gas

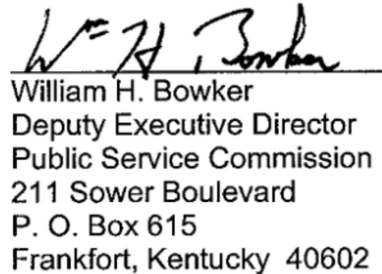
supply, and (4) the hypothetical level of gas costs that would have been incurred under the hedging program.

The following questions relate to the 2002-2003 hedging proposal:

11. ULH&P proposed an April 1, 2002 filing date for its 2002-2003 hedging plan with the plan becoming effective within fourteen days unless ordered by the Commission.

a. Provide the rationale for the April 1, 2002 filing date.

b. Provide the rationale for proposing that the 2002-2003 plan becomes effective fourteen days after it is filed.



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DATED 5/29/01

cc: All Parties