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. 2001-00128

THIRD 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 8 copies of the following information, with a copy to all parties of record. The information requested herein is due seven days from the date of the request. 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. Refer to the Historic Analysis section on pages 2 and 3 of ULH&P s Annual Report on Hedging Activity filed May 1, 2002. The 10-year analysis referenced therein used published price information to compare the price customers would have paid under a program of systematically purchasing NYMEX futures during the summer for the following winter season s requirements against the average actual Inside FERC

First of Month Index price for the same winter season. Provide the results of the analysis in sufficient detail that ULH&P s conclusions, as described on page 3 of the Historic Analysis section, can be easily verified.

2. Refer to Item 6 of ULH&P s response to the Commission Staff s second request for information which explains why ULH&P does not rely on the Black-Scholes model for pricing options. Provide an example of how ULH&P would price options for a no-cost collar.

3. Refer to Item 7(b) of ULH&P s response to the Commission Staff s second request for information which indicates that ULH&P believes the filed hedging plan would become unnecessary if no minimum volume of hedging were set. Provide further explanation for why ULH&P believes a minimum hedged volume is a necessary part of a hedging plan.

Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

DATED May 13, 2002

cc: All Parties