

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT	)	
AND POWER COMPANY FOR DEVIATION	)	CASE NO.
FROM THE REQUIREMENTS OF KRS	)	2003-00024
278.2207(1)(b)	)	

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 eight copies of the following information, with a copy to all parties of record. The information requested herein is due not later than 10 days from the date of this request. 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. ULH&P, Mirant Americas Energy Marketing, LP ( Mirant ), and Cinergy Marketing & Trading, LP ( CM&T ) entered into an agreement that assigned Mirant s

asset management responsibilities to CM&T which was effective November 1, 2002. On December 1, 2002, ULH&P and CM&T entered into an amendment of the asset management agreement ( Second Amendment ). ULH&P filed its application seeking a deviation from the requirements of KRS 278.2207(1)(b) for these documents on January 16, 2003. In Case No. 2002-00375,<sup>1</sup> ULH&P sought and was granted a deviation from the requirements of KRS 278.2207(1)(b) to permit ULH&P to purchase natural gas from CM&T. In that proceeding, ULH&P sought the deviation prior to the effective date of the proposed transaction with CM&T. In the approving Order, the Commission stated ULH&P must seek prior Commission approval for any and all transactions with CM&T not specifically approved herein.<sup>2</sup>

a. Explain in detail why ULH&P filed its current request for deviation after executing the assignment agreement and Second Amendment.

b. In Case No. 2002-00375, it appeared important for ULH&P to secure the deviation from KRS 278.2207(1)(b) before its arrangement with CM&T became effective. Explain in detail what circumstances have changed since Case No. 2002-00375 that caused ULH&P to seek the requested deviation in this case more than 45 days after the last agreement covered by this deviation request became effective.

c. On November 1, 2002, the Commission clearly stated that any and all transactions with CM&T that were not specifically approved in Case No. 2002-00375

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<sup>1</sup> Case No. 2002-00375, Application of The Union Light, Heat and Power Company for a Deviation to Allow The Union Light, Heat and Power Company to Purchase Natural Gas from Cinergy Marketing & Trading, final Order dated November 1, 2002.

<sup>2</sup> Case No. 2002-00375, November 1, 2002 Order at 4.

would require prior Commission approval. Explain in detail why ULH&P disregarded this statement when it executed the Second Amendment on December 1, 2002.

2. Refer to page 8 of the application, where it states that ULH&P and CM&T renegotiated the asset management fee.

a. Provide a list identifying the individuals who represented ULH&P in these negotiations. For each individual, provide the person's job title at ULH&P and any other job title the individual holds within Cinergy Corp. ( Cinergy ).

b. Provide a list identifying the individuals who represented CM&T in these negotiations. For each individual, provide the person's job title at CM&T and any other job title the individual holds within Cinergy.

c. Provide a list identifying all the individuals who approved the Second Amendment that contains the renegotiated asset management fee. For each individual, identify whether the person approved the change on behalf of ULH&P, CM&T, or another Cinergy company. For each individual identified, provide all job titles the person holds within Cinergy.

3. Refer to pages 3 and 4 of the application. ULH&P provided information on capacity release sales for the period January 1999 through November 2001. It also provided the 1999 and 2000 sales revenue from capacity sold under contracts still in effect in 2002.

a. Provide the 2001 sales revenue from capacity sold under contracts still in effect in 2002.

b. Provide the volume sold and the average price per unit received for capacity release sales during 1999, 2000 and 2001.

4. Refer to page 4 of the application, which states that ULH&P awarded the Asset Management Agreement ( Agreement ) to Mirant following a competitive bidding process initiated in the summer of 2001.

a. Provide ULH&P s Request for Proposal ( RFP ) issued during this process and a list of the companies that received the RFP.

b. Provide all responses ULH&P received to that RFP.

5. Refer to page 5 of the application and Exhibit A, the Agreement between Mirant and ULH&P that was granted confidential treatment on February 4, 2003.

a. For clarification, did the Agreement apply to any portion of Cinergy s system other than ULH&P? If yes, identify those portions.

b. The Agreement was effective December 1, 2001. Provide the date that ULH&P received the first management fee payment under this Agreement.

c. ULH&P states that it passed 100 percent of the asset management fee through to ratepayers through its Gas Cost Adjustment Clause ( GCA ). Provide the case numbers of all GCA filings that show the management fee payments.

d. ULH&P states that Mirant assigned the Agreement to CM&T because it and Mirant were unable to reach an agreement on how Mirant would establish financial responsibility for the assignment of ULH&P s 2002-2003 winter gas supply contracts to Mirant.

(1) Explain how Mirant previously established financial responsibility under the Agreement.

(2) Explain why any previous arrangements were unacceptable for the 2002-2003 winter season.

6. Refer to page 7 of the Direct Testimony of Leonard C. Randolph, Jr., where he states that ULH&P agreed to renegotiate the asset management fee with CM&T because it had insufficient time to solicit new proposals for a new agreement. Explain whether Mirant's attempts to assign the Agreement to other companies included an offer to renegotiate the management fee.

7. Refer to the Agreement and the Second Amendment.

a. Article XXVIII of the Agreement grants each party a certain right. Explain whether ULH&P has exercised this right with either Mirant or CM&T since December 1, 2001.

b. If ULH&P has not exercised this right, explain why it has not been exercised.

c. If ULH&P did exercise the right, provide the company involved, the date the right was exercised and a summary of the findings.

d. Article V of the Agreement provides the method ULH&P will use to determine the delivered cost of gas at ULH&P's City Gate. ULH&P states that the determination of gas quantities and costs under this method may differ substantially from that determined by Mirant. Provide the differences between the quantities and costs actually determined by Mirant and the quantities and costs determined under the agreed method while the Agreement was in place with Mirant.



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DATED March 11, 2003  
cc: All Parties