

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	)	2003-00150
KRS 278.2207(1)(b) TO PERMIT SUMMER	)	
2003 NATURAL GAS PURCHASES FROM	)	
CINERGY MARKETING & TRADING, LP, AN	)	
AFFILIATE	)	

COMMISSION STAFF S NOTICE OF INFORMAL CONFERENCE AND  
THE FIRST DATA REQUEST OF COMMISSION STAFF TO  
THE UNION LIGHT, HEAT AND POWER COMPANY

On May 1, 2003, The Union Light, Heat and Power Company ( ULH&P ) submitted an application requesting that the Commission enter an Order by May 23, 2003, granting ULH&P permission to deviate from the requirements of KRS 278.2207(1)(b) to permit it to make natural gas purchases from Cinergy Marketing & Trading, LP ( CM&T ), its affiliate, for the summer 2003. In an attempt to complete this matter by the requested date, Commission Staff has scheduled an informal conference on May 14, 2003 at 9:00 a.m., Eastern Daylight Time, in Conference Room 2 of the Commission s offices at 211 Sower Boulevard, Frankfort, Kentucky and has propounded the following data requests to ULH&P. ULH&P should be prepared to discuss the data requests at the informal conference and should be prepared to file with the Commission the original and 8 copies of the requested information as soon as practicable, but in no event later than 7 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. Provide the following dates related to ULH&P's activities concerning intermediate term firm supply contracts:

a. The date ULH&P decided not to enter into any intermediate term firm supply contracts, based on the 11 responses to the Request for Proposals ( RFP ).

b. The date ULH&P received notification from CM&T that it was willing to supply gas for summer 2003 without a reservation fee.

c. The date ULH&P contacted the five producers about supplying gas during summer 2003.

d. The date(s) of the replies from the five producers that indicated reservation fees would still be imposed by those producers.

e. The date ULH&P and CM&T finalized the terms and conditions of the proposed purchase of summer 2003 gas supplies.

2. Provide all the terms, conditions, and pricing contained in the proposed natural gas purchase by ULH&P from CM&T.

3. Concerning CM&T's notification to ULH&P that CM&T was willing to supply gas for summer 2003 without a reservation fee:

a. Provide copies of all communications between CM&T and ULH&P relating to this notification. For purposes of this request, communications includes internal Cinergy e-mails.

b. State whether ULH&P believes CM&T was aware that all of the respondents to the February 2003 RFP had submitted bids including a reservation fee. Explain the response.

c. If ULH&P is aware, explain why CM&T dropped the requirement for a reservation fee.

4. Besides CM&T's offer to supply gas without a reservation fee, describe the changes in the market between February 21, 2003 and mid-April 2003 that changed ULH&P's decision on pursuing intermediate term firm supply contracts.

5. Concerning the mid-April contact with five producers who had originally responded to the February 2003 RFP:

a. Provide copies of all communications between ULH&P and each of the five producers.

b. Were the five producers asked if the responses to the February 2003 RFP were still valid or were they asked to supply new bids?

c. Were the five producers informed that another bidder had offered to supply gas without a reservation fee? If no, explain in detail why this information was not provided to the producers.

6. On page 7 of the application, ULH&P states that CM&T has agreed to supply firm gas for summer 2003 at the same index prices as the other bidders. Indicate where in the application ULH&P has provided evidence to support this claim.

7. On page 8 of the application, ULH&P states that the proposed transaction with CM&T is at arm's length because separate employees of separate Cinergy affiliates negotiated the transaction and that the employee negotiating on behalf of ULH&P has the obligation to secure gas for ULH&P at the least cost.

a. Provide the job titles and names of the individuals who negotiated the transaction between ULH&P and CM&T.

b. Were these same individuals responsible for the negotiations between CM&T and Cincinnati Gas & Electric Company and CM&T and Lawrenceburg Gas Company?

c. Explain in detail why ULH&P believes the reasons provided constitute a basis to determine the proposed transaction is at arm's length.

8. Assume for purposes of this question the Commission does not grant the requested deviations or finds the proposed purchase is not at arm's length.

a. Explain how ULH&P would meet its summer 2003 gas supply needs.

b. Describe what contingency plans ULH&P developed in the event the Commission did not grant the requested deviations or findings.

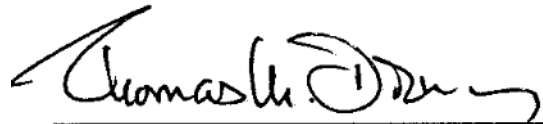
9. Provide a copy of the responses to the RFP that ULH&P received.

10. Refer to page 7 of the application. ULH&P states that if it had accepted the three lowest bids, it would still have had to pay substantial reservation fees.

a. Provide the number of suppliers that ULH&P originally planned to use for the summer purchases.

b. Provide the number of suppliers that ULH&P has used for its summer purchases in the past.

11. The report submitted by Liberty Consulting Group ( Liberty ) as a result of the Management Audit conducted in Administrative Case No. 384<sup>1</sup> addresses ULH&P s concern over the shrinking number of viable natural gas suppliers. In that report, Liberty recommended that ULH&P increase its efforts to find additional gas suppliers. ULH&P responded that it doubled the number of suppliers utilized for the 2002/2003 winter over the previous winter and that it was contacting new suppliers. Explain how using only one supplier, CM&T, for the summer purchases addresses the need to expand the number of suppliers that ULH&P utilizes.



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

DATED May 12, 2003

cc: All Parties

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<sup>1</sup> Administrative Case No. 384, An Investigation of Increasing Wholesale Natural Gas Prices and The Impacts of Such Increases on the Retail Customers Served by Kentucky s Jurisdictional Natural Gas Distribution Companies, Orders dated January 30, 2001 and July 16, 2001.