

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE EFFECTS OF THE FEDERAL TAX)
REFORM ACT OF 1986 ON THE RATES OF)
THE UNION LIGHT, HEAT AND POWER) CASE NO. 9788
COMPANY - GAS)

O R D E R

On June 11, 1987, the Commission issued its Final Order in this proceeding wherein it directed the Union Light, Heat and Power Company ("ULH&P") to reduce its rates by \$818,048 annually to reflect the savings resulting from the Tax Reform Act of 1986 ("Tax Reform Act"). On July 1, 1987, ULH&P filed its Application for Rehearing wherein it requested that the Commission reconsider its decision to exclude a proposed interest imputation adjustment in calculating the required decrease, stating that the adjustment was warranted in order to achieve consistency. The Commission has made such an adjustment in previous ULH&P rate filings.

The interest imputation adjustment imputes an interest expense based upon the capital structure of ULH&P's parent company, Cincinnati Gas and Electric. The Commission agrees that to achieve appropriate consistency, an imputation adjustment should be made within this Tax Reform Act proceeding. Therefore, based upon the information provided in its filing of July 31, 1987, the ordered reduction in rates of \$818,048 should be decreased by \$134,196 to \$683,852, calculated as follows:

Base Change

Imputed Interest ¹	\$ 716,097	
Tax Rate Change (49.9152% - 38.785%)	X .1113	
Change in Income Tax	\$ 79,702	
Revenue Multiplier	X 1.633587	
Revenue Effect		\$130,200

Rate of Return Factor

Rate Base Adjustments	\$ 354,630 ²	
Rate of Return (Percent)	9.73 ³	
Additional Return Requested	\$ 34,505	
Revenue Multiplier	X 1.633587	
Revenue Effect	56,367	
Return Offset - Order	52,371	3,996

ADDITIONAL REVENUE GRANTED \$134,196

IT IS THEREFORE ORDERED that:

1. The reduction in rates of \$818,048 Ordered in the Commission's Order of June 11, 1987, be and hereby is decreased by \$134,196 to \$683,852.

2. All aspects of the Commission's Order of June 11, 1987, not specifically addressed herein shall remain in force.

¹ Response to the Commission's Order dated July 21, 1987, Item No. 5.

² Final Order of the Commission dated June 11, 1987, page 16.

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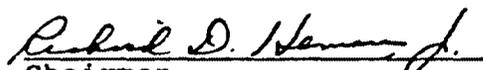
Imputed Interest	\$ 716,097
Effective Tax Rate	38.785%
Reduction in Tax Rate	277,738
Test Year Operating Income	3,643,243
Adjusted Test Year Operating Income	3,920,981
Rate Base	40,303,328
Rate of Return	9.73%

3. The rates and charges in Appendix A are the fair, just and reasonable rates for ULH&P to charge for gas service rendered on and after the date of this Order.

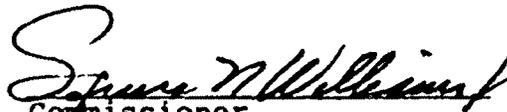
4. ULH&P shall file tariffs reflecting the additional revenues granted herein within 30 days.

Done at Frankfort, Kentucky, this 18th day of August, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A
8/18/87

The following rates and charges are prescribed for the customers served by Union Light, Heat and Power Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

RATE GS
GENERAL SERVICE

Customer Charge per month:

Residential Service	\$4.50
Non-Residential Service	\$6.00

	Base Rate	Gas Cost Adjustment	Total Rate
All Gas Used	13.91¢	plus 34.13¢	equals 48.04¢ per 100 cu. ft.

Minimum Bill: The minimum monthly charge shall be the customer charge as stated above.

The "Gas Cost Adjustment" as shown above, is an adjustment per 100 cubic feet determined in accordance with the "Gas Cost Adjustment Clause" set forth on Sheet No. 19 of this tariff.

RATE F

Special Contract - Firm Use

	Base Rate	Gas Cost Adjustment	Total Rate
All Gas Used	7.39¢	plus 34.13¢	equals 41.52¢ per 100 cu. ft.

The "Gas Cost Adjustment" as shown above, is an adjustment per 100 cubic feet determined in accordance with the "Gas Cost Adjustment Clause" set forth on Sheet No. 19 of this tariff.

RATE OP
OFF PEAK

NET MONTHLY BILL

Computed in accordance with the following charges:

(1) Firm Use shall be billed in accordance with Rate GS, General Service;

(2) Off Peak Gas (i.e., Gas in excess of Firm Use) shall be billed in accordance with the following:

	<u>Base</u> <u>Rate</u>	<u>Gas</u> <u>Cost</u> <u>Adjustment</u>	<u>Total</u> <u>Rate</u>
All Gas Used	4.42¢	plus 34.13¢	equals 38.55¢ per 100 cu. ft.

The "Gas Cost Adjustment" as shown above, is an adjustment per 100 cubic feet determined in accordance with the "Gas Cost Adjustment Clause" set forth on Sheet No. 19 of this tariff.

RATE TS
TRANSPORTATION SERVICE

Net Monthly Bill:

Computed in accordance with the following charges:

The charge shall be \$0.70 per Mcf of transported gas except as specified in the "ALTERNATIVE FUELS" provision.

RATE CF

EXPERIMENTAL COMPETITIVE FUEL SERVICE

Net Monthly Bill:

Computed in accordance with the following charges:

\$0.75 per 1,000 cubic feet (Mcf) of gas delivered, except as specified in the "ALTERNATIVE FUELS" provision contained herein, plus gas cost per Mcf based on the Company's highest cost source of spot market purchases during the billing period.

The rates in this Appendix have been adjusted to reflect purchased gas adjustments filed by ULH&P in Case No. 9029-K.