

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT AND)
POWER COMPANY TO ADJUST ELECTRIC RATES) CASE NO. 91-370

O R D E R

On December 11, 1991, The Union Light, Heat and Power Company ("ULH&P") filed an application requesting rehearing of that portion of the Commission's November 25, 1991 Order suspending through May 3, 1992 ULH&P's proposed electric rates. The proposed rates were designed to recover an anticipated increase in purchase power expenses and other increases in operating and maintenance expenses. The application states that the portion of the proposed rate increase that is designed to recover the anticipated increase in purchase power expense should be allowed to become effective contemporaneous with said increase in expense.

ULH&P owns no generating facilities and purchases all of its electric power from its parent, Cincinnati Gas and Electric Company ("CG&E"), pursuant to tariffs on file with the Federal Energy Regulatory Commission ("FERC"). CG&E has filed with the FERC an application to increase the rate for power purchased by ULH&P. The FERC has not yet established an effective date for CG&E's proposed rate increase. However, ULH&P states that if the FERC establishes an effective date prior to May 3, 1992, this

Commission's rate suspension will preclude ULH&P from recovering this increase in expense from its retail customers.

ULH&P requests the Commission to modify its November 25, 1991 Order to authorize an increase in retail rates to coincide with any increase in purchase power expense which the FERC may allow to become effective.


Based on the application and being advised, the Commission hereby finds that ULH&P's proposed rates were suspended for five months pursuant to KRS 278.190 in order to conduct an investigation to determine their reasonableness. This statute authorizes the Commission to either allow proposed rates to become effective or to suspend them; it does not authorize the Commission to modify proposed rates prior to a hearing.

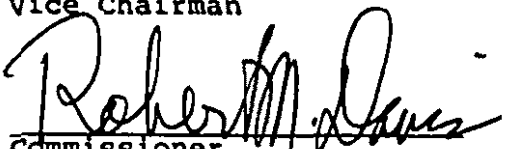
ULH&P did not propose a schedule of rates designed exclusively to recover the anticipated increase in purchase power expense. Consequently, there are no proposed rates which, if allowed to become effective, would permit ULH&P to recover only this increase in expense. However, KRS 278.190(2) authorizes all or a portion of a utility's proposed rates to become effective during the suspension period if the Commission finds, after a hearing, that the utility's credit or operations will be materially impaired or damaged absent such interim rate relief. At this time, ULH&P has not even alleged, no less made the requisite showing, of impairment or damage to its credit or operations. In the event such financial evidence is presented, an expeditious review will be conducted.

IT IS THEREFORE ORDERED that ULH&P's application for rehearing be and it hereby is denied.

Done at Frankfort, Kentucky, this 17th day of December, 1991.

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman

Commissioner

ATTEST:


Executive Director