

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE UNION LIGHT,)
HEAT AND POWER COMPANY FOR)
AUTHORITY TO PROVIDE A REDUCTION) CASE NO. 96-195
IN RATES TO CUSTOMERS THROUGH)
THE FUEL ADJUSTMENT CLAUSE)

O R D E R

On May 8, 1996, The Union Light, Heat and Power Company ("ULH&P") filed an application to reduce its retail electric rates to reflect a reduction in its cost of purchase power. ULH&P purchases all its power from its parent, Cincinnati Gas and Electric Company ("CG&E"), under a contract regulated by the Federal Energy Regulation Commission ("FERC"). Pursuant to a March 29, 1996 directive of the FERC, the wholesale rates charged by CG&E to ULH&P were reduced by approximately \$1.8 million annually, retroactive to July 3, 1995.

ULH&P subsequently filed, on June 1, 1996, a Joint Stipulation and Recommendation ("Stipulation") negotiated with the usual intervenors in its rate cases: the Attorney General's Office, Newport Steel Corporation, and the Northern Kentucky Legal Aid Society. The Stipulation is intended to resolve all outstanding issues of fact and, if accepted by the Commission, will obviate the need for a hearing. The Stipulation provides that ULH&P should be entitled to reduce its electric rates by approximately \$1.8 million annually on a prospective basis and to reflect a temporary bill credit to refund the retroactive portion.

Based on the evidence of record and being otherwise sufficiently advised, the Commission hereby finds that the Stipulation is reasonable and should be accepted for ratemaking purposes. The rates that result from the Stipulation are reasonable and in accord with generally accepted ratemaking standards.

IT IS THEREFORE ORDERED that:

1. The Stipulation, attached hereto and incorporated herein as Appendix A, shall be accepted and approved.
2. Within 20 days of the date of this Order, ULH&P shall file revised tariff sheets reflecting the rate reductions provided for in the Stipulation.

Done at Frankfort, Kentucky, this 3rd day of July, 1996.

By the Commission

ATTEST:


Executive Director

APPENDIX "A"

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION
IN CASE NO. 96-195 dated July 3, 1996.
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION)
OF THE UNION LIGHT, HEAT AND POWER)
COMPANY FOR AUTHORITY TO PROVIDE)
A REDUCTION IN RATES TO CUSTOMERS) CASE NO. 96-195
THROUGH THE FUEL ADJUSTMENT)
CLAUSE.)

JOINT STIPULATION AND RECOMMENDATION

It is the intent and purpose of the parties to this proceeding, namely, The Union Light, Heat and Power Company, (ULH&P), the Attorney General for the Commonwealth of Kentucky, Newport Steel Corp., and the Northern Kentucky Legal Aid Society, to express their agreement on a mutually satisfactory resolution of all of the issues in the instant case.

It is understood by all parties hereto that this Stipulation and Recommendation is not binding upon the Commission, nor does it represent agreement on any specific theory supporting the appropriateness of any stipulated and recommended adjustments to ULH&P's rates. This Stipulation and Recommendation is not to be construed as precedent in any future proceedings unless required to enforce the terms and conditions of this Joint Stipulation and Recommendation. The parties have fully investigated the reasonableness of this proposed Stipulation and Recommendation, and agree

that this Stipulation and Recommendation, viewed in its entirety, is a reasonable resolution of all issues in this proceeding.

Furthermore, the adoption of this Stipulation and Recommendation will eliminate the need for the Commission and the parties to expend further resources in litigation of this proceeding, and eliminate the possibility of, and any need for, rehearing or any appeals of the Commission's final order herein. It is the position of the parties hereto that this Stipulation and Recommendation is supported by sufficient and adequate data and information and is entitled to serious consideration by the Commission. Based upon the parties' participation in settlement conferences and the materials on file with the Commission, and upon the belief that these materials adequately support this Stipulation and Recommendation, the parties hereby stipulate and recommend the following:

- (1) ULH&P initiated this proceeding through the filing on May 8, 1996, of an Application for Authority to provide a reduction in rates to customers Through the Fuel Adjustment Clause.
- (2) The rate reduction proposed by ULH&P results from a reduction in ULH&P's purchased power costs.
- (3) ULH&P purchases power from The Cincinnati Gas & Electric Company (CG&E). On March 29, 1996, the Federal Energy Regulatory Commission (FERC), in Docket No. ER95-625-000 *et al.* (FERC Order attached as Exhibit 1) adopted a settlement agreement under which the wholesale rates charged by CG&E to ULH&P will be reduced by approximately \$1.8 million annually,

effective July 3, 1995. (Stipulation and Agreement attached as Exhibit 2).

- (4) ULH&P will pass on this reduction in its purchased power costs, by means of a dollar for dollar refund and prospective rate reduction, to its retail customers, effective as of July 3, 1995. The rate reduction will be accomplished by adjusting the Fuel Adjustment Clause, as specifically set forth on Exhibit 3.
- (5) The parties expressly agree and acknowledge that the waiver of 807 KAR 5:056 § 3 (c), to the extent necessary to accomplish this *rate reduction* is the most simple and efficient way possible, does not constitute precedent or provide a basis for any future argument in any forum with respect to the administrative rule or what costs may be recovered through the Fuel Adjustment Clause.
- (6) Each party hereto waives all cross-examination of the witnesses of the other parties unless the Commission disapproves the Stipulation and Recommendation, and further stipulates and recommends that this Joint Stipulation and Recommendation, with attached Exhibits, be admitted into the record of this proceeding.
- (7) This Stipulation and Recommendation is submitted for purposes of this case only and is not deemed binding upon the parties hereto in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving ULH&P or any other utility.

- (8) If the Commission issues an order adopting this Stipulation and Recommendation in its entirety, each of the parties hereto agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court from such order.
- (9) If this Stipulation and Recommendation is not adopted in its entirety, or is modified in any way, each party reserves the right to withdraw from it and require that hearings go forward upon all or any matters involved herein, and that in such event, the terms of this agreement shall not be deemed binding upon the parties hereto, nor shall such agreement be admitted into evidence or referred to or relied on in any manner by any party hereto, the Commission, or its staff, in any such hearing.
- (10) All of the parties hereto agree that the foregoing Stipulation and Recommendation is reasonable and in the best interest of all concerned, and urge that the Commission adopt this agreement in its entirety.

Betsy Blackford
Public Service Litigation Branch
Attorney General Office
1024 Capital Center Drive
Frankfort, KY 40601

Carl J. Melcher
Northern Kentucky Legal Aid
Society
302 Greenup Street
Covington, KY 41011

David F. Boehm
Boehm, Kurtz & Lowry
2110 CBLD Center
35 East Seventh Street
Cincinnati, OH 45202

David T. Musselman (J.B.G.)
David T. Musselman
Senior Counsel
The Union Light, Heat and
Power Company
139 East Fourth Street
Cincinnati, OH 45202

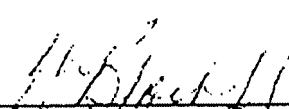
James B. Gainer
Associate General Counsel
The Union Light, Heat and
Power Company
139 East Fourth Street
Cincinnati, OH 45202

MAY-28-1996 15:34

CINergy Corp.

513 287 3818 P.087/012


- (8) If the Commission issues an order adopting this Stipulation and Recommendation in its entirety, each of the parties hereto agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court from such order.
- (9) If this Stipulation and Recommendation is not adopted in its entirety, or is modified in any way, each party reserves the right to withdraw from it and require that hearings go forward upon all or any matters involved herein, and that in such event, the terms of this agreement shall not be deemed binding upon the parties hereto, nor shall such agreement be admitted into evidence or referred to or relied on in any manner by any party hereto, the Commission, or its staff, in any such hearing.
- (10) All of the parties hereto agree that the foregoing Stipulation and Recommendation is reasonable and in the best interest of all concerned, and urge that the Commission adopt this agreement in its entirety.


Betsy Blackford
Public Service Litigation Branch
Attorney General Office
1024 Capital Center Drive
Frankfort, KY 40601

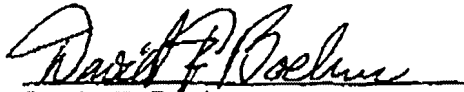
Carl J. Melcher
Northern Kentucky Legal Aid
Society
302 Greenup Street
Covington, KY 41011

- (8) If the Commission issues an order adopting this Stipulation and Recommendation in its entirety, each of the parties hereto agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin Circuit Court from such order.
- (9) If this Stipulation and Recommendation is not adopted in its entirety, or is modified in any way, each party reserves the right to withdraw from it and require that hearings go forward upon all or any matters involved herein, and that in such event, the terms of this agreement shall not be deemed binding upon the parties hereto, nor shall such agreement be admitted into evidence or referred to or relied on in any manner by any party hereto, the Commission, or its staff, in any such hearing.
- (10) All of the parties hereto agree that the foregoing Stipulation and Recommendation is reasonable and in the best interest of all concerned, and urge that the Commission adopt this agreement in its entirety.

Betsy Blackford
Public Service Litigation Branch
Attorney General Office
1024 Capital Center Drive
Frankfort, KY 40601



Carl J. Melcher
Northern Kentucky Legal Aid
Society
302 Greenup Street
Covington, KY 41011



David F. Boehm
Boehm, Kurtz & Lowry
2110 CBLD Center
35 East Seventh Street
Cincinnati, OH 45202

David T. Musselman
Senior Counsel
The Union Light, Heat and
Power Company
139 East Fourth Street
Cincinnati, OH 45202

James B. Gainer
Associate General Counsel
The Union Light, Heat and
Power Company
139 East Fourth Street
Cincinnati, OH 45202

THE CINCINNATI GAS & ELECTRIC COMPANY

Effect of Purchased Power Reduction and Refund on ULH&P Retail Customers.

Flow-through of Purchased Power Reduction to Retail

1)	Total Purchased Power Reduction Amount to ULH&P	1,750,782
2)	Less: Amount to UHL&P Wholesale Customer	23,425
3)	Reduction to ULH&P Retail Customers (1 - 2)	1,727,357
4)	Number of Months	12
5)	Monthly Retail Reduction Amount (3 / 4)	<u>143,946</u>

<<<<<<< To remain in effect until ULH&P's next general rate case. >>>>>>>

Flow-through of Purchased Power Refund to Retail

1)	Purchased Power Refund to ULH&P	1,504,024
2)	FERC Interest Calculated on Refund Amount	63,237
3)	Total Purchased Power Refund Amount (1 + 2)	1,567,261
4)	Wholesale Component of Refund	20,970
5)	Amount of Refund to Retail Customers (3 - 4)	1,546,291
6)	Number of Refund Months	9
7)	Retail Refund Amount per Month (5 / 6)	<u>171,810</u>

<<<<<<<<<< To remain in effect for nine (9) months only. >>>>>>>>>>>

THE CINCINNATI GAS & ELECTRIC COMPANY
Electric Department

Calculation of Refund + Interest Due ULH&P Co.
Refund Period: July, 1995 through April, 1996 Billing Months

Billing Month	Payment Date	As Billed Amount	Revised Billing Amount	Refund Amount	Quarterly Accumulated Refund	FERC	
						Annual Interest Rate	Monthly Interest
July, 1995	8/10/95	15,826,944	15,647,523	179,421	179,421	9.00%	1,346
August	9/10/95	17,424,708	17,240,192	184,516	363,937	9.00%	2,730 4,076
September	10/10/95	13,239,496	13,085,793	153,703	521,716	8.85%	3,848
October	11/10/95	11,675,705	11,555,648	120,057	641,773	8.85%	4,733
November	12/10/95	12,824,232	12,687,581	136,651	778,424	8.85%	5,741 14,322
December	1/10/96	14,244,619	14,095,095	149,524	942,270	8.75%	6,871
January, 1996	2/10/96	14,428,078	14,281,546	146,532	1,088,802	8.75%	7,939
February	3/10/96	14,263,390	14,104,622	158,768	1,247,570	8.75%	9,097 23,907
March	4/10/96	13,782,593	13,634,932	147,661	1,419,138	8.47%	10,017
April	5/10/96	12,050,863	11,923,672	127,191	1,546,329	8.47%	10,915
Total		139,760,628	138,256,604	1,504,024	<u>1,567,261</u>		63,237

THE CINCINNATI GAS & ELECTRIC COMPANY
Electric Department

Calculation of ULH&P Purchased Power Refund
July, 1995 through April, 1996

PROPOSED RATE

Billing Month/Year	Billing Demand	Demand Charge	Energy (KWh)	Energy Charge	Total Charge
July, 1995	690,082	\$ 6,376,358	331,113,053	\$ 9,271,165	\$ 15,647,523
August	709,678	\$ 6,557,425	381,527,387	\$ 10,682,767	\$ 17,240,192
September	591,165	\$ 5,462,365	272,265,275	\$ 7,623,428	\$ 13,085,793
October	461,758	\$ 4,266,644	260,321,567	\$ 7,289,004	\$ 11,555,648
November	525,580	\$ 4,856,359	279,686,494	\$ 7,831,222	\$ 12,687,581
December	575,094	\$ 5,313,869	313,615,204	\$ 8,781,226	\$ 14,095,095
January, 1996	563,586	\$ 5,207,535	324,071,829	\$ 9,074,011	\$ 14,281,546
February	610,645	\$ 5,642,360	302,223,646	\$ 8,462,262	\$ 14,104,622
March	567,926	\$ 5,247,636	299,546,295	\$ 8,387,296	\$ 13,634,932
April	489,196	\$ 4,520,171	264,410,764	\$ 7,403,501	\$ 11,923,672
Total	5,784,710	\$ 53,450,722	3,028,781,514	\$ 84,805,882	\$ 138,256,604

PRESENT RATE

Billing Month/Year	Billing Demand	Demand Charge	Energy (KWh)	Energy Charge	Total Charge
July, 1995	690,082	\$ 6,555,779	331,113,053	\$ 9,271,165	\$ 15,826,944
August	709,678	\$ 6,741,941	381,527,387	\$ 10,682,767	\$ 17,424,708
September	591,165	\$ 5,616,068	272,265,275	\$ 7,623,428	\$ 13,239,496
October	461,758	\$ 4,386,701	260,321,567	\$ 7,289,004	\$ 11,675,705
November	525,580	\$ 4,993,010	279,686,494	\$ 7,831,222	\$ 12,824,232
December	575,094	\$ 5,463,393	313,615,204	\$ 8,781,226	\$ 14,244,619
January, 1996	563,586	\$ 5,354,067	324,071,829	\$ 9,074,011	\$ 14,428,078
February	610,645	\$ 5,801,128	302,223,646	\$ 8,462,262	\$ 14,263,390
March	567,926	\$ 5,395,297	299,546,295	\$ 8,387,296	\$ 13,782,593
April	489,196	\$ 4,647,362	264,410,764	\$ 7,403,501	\$ 12,050,863
Total	5,784,710	\$ 54,954,746	3,028,781,514	\$ 84,805,882	\$ 139,760,628
Refund Amount		\$ (1,504,024)		\$ -	\$ (1,504,024)


Based on the evidence of record and being otherwise sufficiently advised, the Commission hereby finds that the Stipulation is reasonable and should be accepted for ratemaking purposes. The rates that result from the Stipulation are reasonable and in accord with generally accepted ratemaking standards.

IT IS THEREFORE ORDERED that:

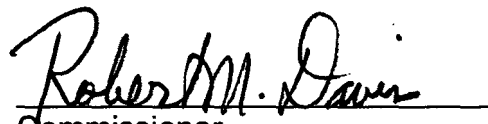
1. The Stipulation, attached hereto and incorporated herein as Appendix A, shall be accepted and approved.
2. Within 20 days of the date of this Order, ULH&P shall file revised tariff sheets reflecting the rate reductions provided for in the Stipulation.

Done at Frankfort, Kentucky, this 3rd day of July, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director