

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE UNION	)	
LIGHT, HEAT AND POWER COMPANY	)	
FOR AN ORDER TO ENTER INTO UP	)	CASE NO. 2000-113
TO \$25,000,000 PRINCIPAL AMOUNT	)	
OF CAPITAL LEASE OBLIGATIONS	)	

O R D E R

On April 11, 2000, The Union Light, Heat and Power Company ("ULH&P") filed its application for authority to enter into up to \$25,000,000 in principal amount of capital lease obligations ("Capital Leases") through a period ending April 1, 2002 to finance its capital requirements.<sup>1</sup> The Capital Leases will have structures and terms similar to other forms of debt financing, but will also have the potential to lower the overall cost associated with financing property acquisitions.

On May 9, 2000, the Commission entered an Order requesting additional information to which ULH&P responded May 19, 2000.<sup>2</sup> On May 30, 2000, ULH&P filed information to supplement its previous response as requested by the Commission.

Capital Leases will be used to finance new utility property, including construction, or to re-finance utility property in order to lower the original financing cost of the property.

---

<sup>1</sup> ULH&P originally submitted its application on March 7, 2000. On March 31, 2000, the Commission informed ULH&P that its application was deficient, and would not be considered until the filing deficiencies were cured. ULH&P submitted additional information on April 11, 2000 that cured the cited deficiencies. ULH&P's application was filed as of April 11, 2000.

<sup>2</sup> On May 19, 2000, ULH&P requested an extension of the due date to respond to the Commission's Order of May 9, 2000. The due date was extended from May 19, 2000 to May 31, 2000.

Property to be leased will consist of plant and equipment used in ULH&P's utility operations and may presently be in service, under construction, or yet to be acquired or constructed. ULH&P will obtain third-party financing for property acquisitions or, in the case of existing property, will sell the property to a third-party finance lessor and will simultaneously lease the property back from the lessor. ULH&P will retain its obligation to pursue the most cost-effective form of financing to meet its capital requirements. Any Capital Lease transaction entered by ULH&P in excess of \$1,000,000 should be reported in detail to the Commission. For Capital Leases in excess of \$1,000,000, ULH&P should perform an analysis of the cost of financing through use of Capital Leases to that of other forms of debt financing, and retain said analysis for potential examination during future rate proceedings.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance of up to \$25,000,000 in principal amount of Capital Lease obligations by ULH&P is for lawful objects within its corporate purposes, is necessary and appropriate for and consistent with the proper performance of its service to the public, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. ULH&P is authorized to enter into Capital Leases of which the aggregate principal amount shall not exceed \$25,000,000 in one or more transactions over a period ending April 1, 2002.

2. ULH&P shall agree only to such terms and pricing as to be consistent with the parameters set forth in its application.

3. If any Capital Lease in excess of \$1,000,000 is executed by ULH&P, full details of the transaction, including a description of the leased property, shall be filed with the Commission by ULH&P.

4. ULH&P shall perform an analysis of the cost of financing through Capital Lease to that of other forms of debt financing for any Capital Lease in excess of \$1,000,000. The analysis and supporting data should be retained as documentation for establishing ratepayer benefits from Capital Leases during future rate proceedings.

5. Proceeds from the transactions authorized herein shall be used only for the lawful purposes outlined in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 9<sup>th</sup> day of June, 2000.

By the Commission

ATTEST:

  
Executive Director