

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

GENERAL ADJUSTMENT OF ELECTRIC)
RATES OF KENTUCKY UTILITIES) CASE NO. 5915
COMPANY)

* * * * *

On July 20, 1981, the Commission entered an interim order in the above-captioned proceeding which, among other things, ordered that a public hearing would be held on August 14, 1981, at 10:00 E.D.T., in the Commission's offices in Frankfort, Kentucky for the purpose of hearing testimony on a proper interest rate Kentucky Utilities should pay for the period July 11, 1974 to June 19, 1981, on the principal amount the Company overcollected from its customers from May 1974 to June 1975. On August 4, 1981, a settlement was reached between this Commission, Kentucky Utilities, and the Attorney General regarding the method of the refund and the resolution of the remaining issues regarding an appropriate interest rate to be applied to the refundable amount. A copy of this settlement agreement is attached as an appendix to this Order.

Based upon this settlement agreement, the Commission hereby ORDERS that the Commission's Order of July 29, 1981, is hereby withdrawn, and the aforementioned hearing scheduled for August 14, 1981, is hereby cancelled.

Done at Frankfort, Kentucky this August 4, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Vok
Chairman

Did not participate
Vice Chairman

A. S. Larnage
Commissioner

ATTEST:

Secretary

SETTLEMENT AGREEMENT

The Public Service Commission of Kentucky and the Kentucky Utilities Company hereby enter into and agree to abide by the terms of the following agreement for the purpose of settling all outstanding issues remaining in PSC Case No. 5915 and the ensuing court litigation which ended June 19, 1981.

- I. Kentucky Utilities Company and the Public Service Commission shall enter into an agreed order dismissing, without prejudice, Case No. 81-CI-1021, filed July 24, 1981, in the Franklin Circuit Court; and contemporaneously therewith the Commission and K.U. and all other parties to Franklin Circuit Court consolidated civil actions Nos. 85298, 85384 and 85386, shall move the court to reopen said proceedings to resolve the further legal issues hereinafter described in paragraphs II(d) and III. Such dismissal and reopening shall reserve all legal rights of the parties.
- II. Kentucky Utilities Company shall submit a plan to the Public Service Commission setting forth the terms and conditions under which Kentucky Utilities shall refund the \$7.1 million it over-collected for the period May 15, 1974, to June 23, 1975. Such plan shall include:
 - (a) Payment by Kentucky Utilities, by mailing refund checks by August 14, 1981, of the appropriate principal refund amount for all customers on its system for the period

May 15, 1974, to June 23, 1975. In addition to the principal sum, K.U. shall add an interest rate of 6% per annum in computing each customer's total refund for the period from May 15, 1974, to August 18, 1981.

(b) K.U. will inform its customers, by appropriate press release, that an additional refund may be made at some future date based on a 10% interest rate instead of 6% for a portion of the refund period, depending on the resolution by the courts of further legal issues in this proceeding.

(c) K.U. shall submit an estimated cost of making this refund plan to the PSC.

(d) The refund amounts for all customers K.U. cannot locate or account for, shall be used as a credit on future bills of K.U.'s existing customers, if it is determined by the courts, by final judgment binding upon the Kentucky Department of Revenue, that all such amounts are not subject to escheat and that such credit does not subject K.U. to double liability.

(e) With regard to a customer who has an outstanding unpaid account with the Company, K.U. shall offset that customer's outstanding indebtedness against the amount of the refund.

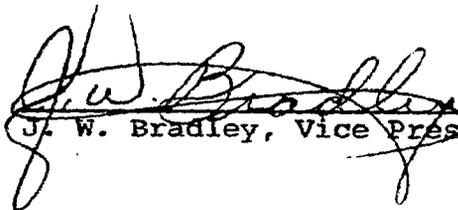
(f) K.U. agrees that the payment of the refund amounts at 6% interest, as provided in Section II(a) above, does not prejudice customers' right to interest at 10%

instead of 6% depending upon final resolution of the issues herein provided.

- III. Counsel for Kentucky Utilities and the Public Service Commission (and all other parties to the original proceeding in Case No. 5915 who so choose) shall prepare a stipulation to the Franklin Circuit Court in consolidated civil actions Nos. 85298, 85384 and 85386 for resolution of the questions of whether the Commission's order of July 10, 1974, governs K.U.'s total refund liability for the period May 15, 1974, to August 18, 1981, or only a portion of such period; and if the refund amounts for customers K.U. cannot locate or account for must escheat to the Commonwealth or may be applied as a credit against future bills of K.U.'s existing customers. If the courts hold that two separate time periods are proper for computing the total refund liability, K.U. agrees to pay additional interest in the amount of the difference between 10% and 6% per annum for such of the period July 11, 1974, to August 18, 1981, as the courts may determine.
- IV. The Public Service Commission's Interim Order entered July 29, 1981, setting a further hearing on August 14, 1981, for the purpose of taking testimony on the question of a proper interest rate, is hereby withdrawn, and said hearing scheduled for August 14, 1981, is hereby cancelled. It is agreed that the Public Service Commission's Interim Order of July 10, 1981, was superseded by the

above Interim Order of July 29, 1981, and, hence, has
been withdrawn.

For Kentucky Utilites:



J. W. Bradley, Vice President

For the Public Service Commission:



Marlin M. Volz, Chairman

For the Attorney General:



Michael R. Beiting

Dated: August 4, 1981.