

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) CASE NO. 9782
THE UNION LIGHT, HEAT AND POWER)
COMPANY - ELECTRIC)

O R D E R

On July 1, 1987, the Union Light, Heat and Power Company ("ULH&P") filed a petition requesting rehearing on the Commission's treatment of interest expense in the Commission's Order dated June 11, 1987, pursuant to KRS 278.410.

ULH&P requests that the Commission reconsider its finding to disallow a proposed adjustment to impute interest expense based upon the capital structure of its parent company, Cincinnati Gas and Electric ("CG&E"). The Commission has made such an adjustment in previous ULH&P rate proceedings.

The Commission is of the opinion that the petition should be granted for the purpose of further investigating the merits of this adjustment. To facilitate this review, ULH&P should file the following information along with the associated workpapers and calculations on or before July 31, 1987:

1. The month-end total company capitalization for each month of the test year for ULH&P.
2. The month-end jurisdictional job development investment tax credit balance for each month of the test year for ULH&P.

3. The month-end capital structure for each month of the test year for CG&E.

4. The month-end embedded cost of debt for CG&E for each month of the test year.

5. Provide in the format as shown on Attachment A of ULH&P's application for rehearing a calculation of the average hypothetical interest expense (i.e., line 17) based upon the amounts calculated in Item Nos. 1-4.

6. If ULH&P disagrees with the methodology for calculating the average hypothetical interest expense as determined in Item No. 5, provide the proposed alternative calculation along with a statement explaining the reasons for such disagreement.

IT IS THEREFORE ORDERED that:

1. Rehearing on the issue of interest synchronization is hereby granted.

2. ULH&P shall file the information as set out above by July 31, 1987.

Done at Frankfort, Kentucky, this 21st day of July, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director