

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE REQUEST OF THE UNION LIGHT, HEAT)	
AND POWER COMPANY FOR PERMISSION TO)	
ESTABLISH A PROCESS TO RECOVER THE)	CASE NO. 91-313
ANTICIPATED INCREASE IN ITS PURCHASED)	
POWER COST)	

O R D E R

On August 30, 1991, The Union Light, Heat and Power Company ("ULH&P") filed a petition requesting the Commission to establish a pre-filing conference and to grant a deviation from 807 KAR 5:001 and 807 KAR 5:011, to allow the filing of a single issue rate case. ULH&P states that its parent and wholesale supplier, the Cincinnati Gas and Electric Company ("CG&E"), will soon be filing an application with the Federal Energy Regulatory Commission ("FERC") for authority to increase rates for wholesale power sold to ULH&P. Since the Commission has just recently concluded a review of ULH&P's revenue requirements and established just and reasonable rates in Case No. 90-041,¹ ULH&P requests authority to file a rate case limited to the issue of its cost for purchased power. ULH&P's petition notes that the requested procedure would be similar to those utilized by the Commission to adjust rates to reflect the impacts of the 1986 Tax Reform Act.

¹ Case No. 90-041, An Adjustment of Gas and Electric Rates of The Union Light, Heat and Power Company.

Based on ULH&P's petition and being advised, the Commission hereby finds that the petition should be served on the parties to Case No. 90-041 and they should have an opportunity to file written comments on the requested rate case procedure. The Commission will serve a copy of this Order, and a copy of ULH&P's petition, on the parties to Case No. 90-041.

IT IS THEREFORE ORDERED that the parties to Case No. 90-041 shall have 20 days from the date of this Order to file written comments on the rate case procedure requested by ULH&P.

Done at Frankfort, Kentucky, this 20th day of September, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

Commissioner

ATTEST:


Executive Director

RECEIVED

Commonwealth of Kentucky
Before the Public Service Commission

AUG 30 1991

PUBLIC SERVICE
COMMISSION
RECEIVED

In the Matter of:

The request of The Union Light, Heat)
and Power Company for Permission to)
Establish a Process to Recover the)
Anticipated Increase in its Purchased)
Power Cost)

SEP 10 1991
Case No. 97-313
GENERAL COUNSEL

Petition to Establish a Pre-Filing Conference and
for Deviation from Commission Rules

The Union Light, Heat and Power Company (ULH&P) whose post office address is 107 Brent Spence Square, Covington, Kentucky 41011, and whose mailing address is P. O. Box 960, Cincinnati, Ohio 45201; a Kentucky Corporation and a public utility subject to the jurisdiction of the Kentucky Public Service Commission (Commission), engaged in the business of furnishing electric service in various municipalities and unincorporated areas in Kenton, Campbell, Boone, Grant, and Pendleton Counties hereby requests pursuant to 807 KAR 5:0001 that the Commission convene a pre-filing conference and if necessary, modify the Commission's regulations in order to permit ULH&P an opportunity to recover from its retail customers an anticipated increase in purchased power costs from rates to be approved by the Federal Energy Regulatory Commission (FERC). ULH&P is requesting a case specific modification similar to past cases before the Commission. The purpose of this request is to enable ULH&P to efficiently adjust its electric rates to accommodate an increase in a single operating expense item, purchased power, and to permit such

adjustment only after another regulatory agency, FERC, has reviewed the reasonableness of such an increase.

ULH&P further believes it would be advantageous for the Commission to establish a procedure for recovering increased purchased power costs manner similar to the Fuel Adjustment Clause in 807 KAR 5:056 and that the Commission may be able to examine the merits of such a modification of its rules in this proceeding.

As the Commission is well aware, ULH&P will soon be faced with increased purchased power costs when its parent Company, The Cincinnati Gas & Electric Company, files an application before the FERC to recover increased costs resulting from the addition of the W. H. Zimmer Station to the generation mix as that plant is now providing much needed electricity to ultimate consumers. When ULH&P's parent Company is permitted by FERC to increase its rates, it will be necessary for ULH&P to file its notice with this Commission to adjust ULH&P's retail rates. Under the current filing requirements, ULH&P will be required to file financial exhibits, testimony, responses to data requests, and participate in the hearing process covering its entire electric operations. By so doing, the focus is away from the central and sole issue, i.e., an increase in purchased power costs resulting from a FERC approved tariff. The existing retail rate adjustment examination takes considerable time and is costly to the Commission, the intervening parties, and the Company ultimately contributing to higher rates for ULH&P's customers. Such an examination was just performed by the Commission in Case No.

90-041 and ULH&P believes it is not necessary to engage in that process again at this time.

As an alternative, ULH&P proposes to file information which will allow the Commission and intervening parties to examine the impact on ULH&P and its customers resulting from the increase in purchased power costs. This examination can be performed at a minimum cost and effort on the part of the parties involved in the proceeding.

The FERC proceeding will determine the increased purchased power costs that will be experienced by ULH&P. The Kentucky Commission has historically intervened in the parent Company's filings at FERC. ULH&P anticipates and expects this will be the case in the soon to be filed proceeding of the parent Company. Through such intervention this Commission will be a party in establishing the appropriate level of purchased power costs to be experienced by ULH&P. Once new purchased power rates have been approved by the FERC there remains only the issue of how such increased cost will be recovered by ULH&P from its customers and only this issue need be addressed by this Commission subsequent to its participation in the FERC proceeding.

In order to facilitate this process, ULH&P proposes the following:

- 1) A letter of intent will be filed with the Kentucky Commission on the same date that the parent Company makes its filing with FERC. A copy of the parent

Company's filing with FERC will be given to the Kentucky Commission.

- 2) Thirty days after the letter of intent is given to the Kentucky Commission, an application will be filed with the Kentucky Commission containing ULH&P's present and proposed tariffs. The proposed tariffs will be developed as a cent per kWh adder to the rates recently determined in Case No. 90-041. The proposed rates will increase only to the extent there is an increase in purchased power costs resulting from the FERC proceeding. Such increase can be measured by applying the tariff rates to the billing statistics.

- 3) Legal notice of the proposed rate change will be published by ULH&P in accordance with 807 KAR 5:011 Section 8 (2)(c); and,

- 4) ULH&P's filing will coincide with the expected date of increase of the parent Company's FERC rates applicable to ULH&P. ULH&P requests that the Kentucky Commission permit it to increase its retail rates as set forth herein coincide with the effective date for new FERC rates of the parent.

The process which ULH&P is proposing is similar to the process contained in 807 KAR 5:056 to recover increases in fuel

costs. In the fuel adjustment process, changes in the retail fuel cost rate are measured by comparing the current costs to the base fuel cost rate established in Case No. 90-041.

In addition, the requested process is similar to the process used by this Commission in its federal Tax Reform Act Case No. 9782. In Case No. 9782 and the related gas Case No. 9788, the Kentucky Commission and other parties focused on one single issue, i.e., changes in the tax rate. The Commission may recall, ULH&P received a reduction from its parent Company due to the change in the Tax Reform Act, and voluntarily passed such reduction through to its retail customers. This reduction was beyond the scope of the issues to be addressed in Case No. 9782; however, ULH&P felt it was obligated to pass through such a reduction to its customers.

The Commission under 807 KAR 5:001 Rules of Procedure Section 14 and 807 KAR 5:011 Tariffs, Section 14 has latitude to deviate from rules in special cases and for good cause. ULH&P believes that the circumstances surrounding the soon to be filed increase in purchased power costs from the parent Company is a special case. This is especially true since the Kentucky Commission will be an intervening party in the FERC filing of the parent Company. A retail proceeding initiated by ULH&P to recover the increased purchased power costs should focus solely on these costs. An examination of all other costs was recently completed in Case No. 90-041. It must be remembered that the only purpose of the current case will be to recover increased purchased power costs resulting from a FERC approved rate.

ULH&P can assure the Commission that updated financial information would demonstrate ULH&P's need to increase its rates above the increase in purchased power costs. ULH&P does not propose at this time to pursue any increase beyond the FERC approved purchased power increase. ULH&P believes that it has shown good cause for the Commission to deviate from its rules and regulations. For this reason ULH&P seeks an order of the Commission allowing it to file its case as outlined above.

ULH&P requests a pre-filing conference be arranged to discuss the merits of its proposal. It is anticipated that the parent Company will make its request of the FERC in late September. Because of the timing of the proposed filing, ULH&P request a pre-filing conference at the Commission's earliest convenience.

WHEREFORE, The Union Light, Heat and Power Company respectfully requests that this Honorable Commission:

- (a) find the proposed process outlined above reasonable under the circumstances and approve such process to reflect the increase in purchased power cost;
- (b) grant ULH&P any waiver request that the Commission believes is appropriate to facilitate the process outlined above; and,
- (c) grant ULH&P's request for a pre-filing conference.

THE UNION LIGHT, HEAT AND POWER COMPANY

By 

Michael A. Gribler
Attorney