

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 AUTHORIZING)
THE (i) ISSUANCE AND SALE OF UP TO \$50,000,000) CASE NO. 97-210
PRINCIPAL AMOUNT OF FIRST MORTGAGE)
BONDS OR UNSECURED DEBT AND (ii) USE OF)
INTEREST RATE MANAGEMENT TECHNIQUES)

O R D E R

On April 18, 1997, The Union Light, Heat and Power Company ("ULH&P") filed its application for authority to issue and sell long-term debt in the form of First Mortgage Bonds or unsecured indebtedness in one or more transactions from time to time through September 30, 1999, the aggregate principal amount of which would not exceed \$50,000,000 and to enter into one or more interest rate management arrangements to lower its overall effective interest cost. The interest rate applicable to securities issued with a maturity of 10 years or less would not exceed by more than 150 basis points the yield to maturity of United States Treasury Notes of comparable maturity at the time of pricing. The interest rate applicable to securities issued with a maturity of more than 10 years would not exceed by more than 200 basis points the yield to maturity on United States Treasury Bonds of comparable maturity at the time of pricing. The proceeds from the sale of the securities would be used to repay at maturity ULH&P's \$20,000,000 First Mortgage Bonds 6-1/2% Series due August 1, 1999; to redeem ULH&P's \$10,000,000

First Mortgage Bonds 8% Series due October 1, 2003, if market conditions are favorable; to repay a portion of ULH&P's short-term indebtedness; and for other general corporate purposes.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance and sale by ULH&P of up to \$50,000,000 in First Mortgage Bonds and unsecured indebtedness are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, are reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. ULH&P is authorized to issue and sell up to \$50,000,000 of its First Mortgage Bonds or unsecured indebtedness in one or more transactions through September 30, 1999 and to enter into such interest rate hedging instruments as will reduce its overall interest cost. The securities will be sold on a negotiated basis with one or more underwriters or agents or through a competitive bidding process.

2. ULH&P shall agree only to such terms and prices that are consistent with said parameters as set out in its application. If variable rate bonds are used, ULH&P shall prepare on an annual basis an analysis of the relationship between such variable rate bonds and fixed rate bonds at the time of the analysis. Such analysis shall be available for Commission review on an annual basis beginning with an initial calculation within 30 days after the closing of the financing approved herein.

3. ULH&P shall, within 30 days after each issuance of the securities referred to herein, file with the Commission a statement setting forth the date or dates of issuance, the price paid, the interest rate, the purchasers, and all fees and expenses, including underwriting discounts or commission or other compensation, involved in the issuance and distribution and the use of the proceeds.

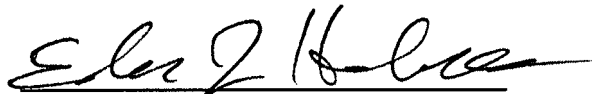
4. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

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 17th day of June, 1997.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director