

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 PRINCIPAL AMOUNT OF) CASE NO. 99-245
FIRST MORTGAGE BONDS OR)
UNSECURED DEBT AND (ii) USE OF)
INTEREST RATE MANAGEMENT)
TECHNIQUES)

O R D E R

IT IS ORDERED that The Union Light, Heat and Power Company (ULH&P) shall file an original and 6 copies of the following information with the Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided previously, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The information requested herein shall be filed no later than 14 days from the date of this Order.

1. Refer to page 5 of the Application.

a. Concerning the Registration Statement, does ULH&P currently plan to amend the Registration Statement or file new registration statements with the Securities and Exchange Commission relating to the new securities?

b. Explain the factors that ULH&P would consider when deciding whether to amend the existing Registration Statement or file new registration statements.

2. Refer to page 6 of the Application. ULH&P indicates that it will account for the transactions in accordance with generally accepted accounting principles. By this reference, does ULH&P mean the Federal Energy Regulatory Commission's Uniform System of Accounts? Explain the response.

3. Refer to page 7 of the Application. ULH&P states that the proceeds could be used to repay at maturity its \$20 million principal amount of First Mortgage Bonds, 6½% Series due August 1, 1999. In Case No. 97-210,¹ the Commission authorized ULH&P to issue and sell up to \$50 million of its First Mortgage Bonds or unsecured indebtedness in one or more transactions through September 30, 1999. Among the uses listed for the proceeds from those securities was the repayment of the same \$20 million principal amount of First Mortgage Bonds, 6½% Series due August 1, 1999.

a. Provide a schedule showing each issuance and sale of First Mortgage Bonds or unsecured indebtedness covered by the June 17, 1997 Order in

¹ Case No. 97-210, 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 Principal Amount of First Mortgage Bonds or Unsecured Debt and (ii) Use of Interest Rate Management Techniques, final Order dated June 17, 1997.

Case No. 97-210. Also indicate how the proceeds from each transaction were used. The schedule should be current through the date of this Order.

b. Explain in detail why the \$20 million First Mortgage Bonds 6½% Series due August 1, 1999 were not repaid with proceeds from the securities authorized in Case No. 97-210.

4. Refer to page 7 of the Application.

a. Based upon current expectations, how much of ULH&P's short-term indebtedness would be repaid with the proceeds from the issuance of the securities?

b. Describe the factors that would be evaluated if ULH&P was contemplating an early redemption of other long-term debt.

5. Refer to page 6 and Exhibit A of the Application. On page 6, ULH&P states that net fees and commissions in connection with any Interest Rate Management Agreement will not exceed 1.00 percent of the amount of the underlying obligation involved. However, Exhibit A shows that commissions and fees will not exceed 1.25 percent of the principal amount. Explain the reason for this apparent contradiction within the Application and indicate which statement is correct.

6. Refer to Exhibit A of the Application. The summary for the proposed securities contains specific parameters for underwriting commissions or agents fees and the price to the public. However, there are no quantified parameters stated for the interest rate. The interest rates on the securities authorized in Case No. 97-210 could not exceed a specific number of basis points above the yield to maturity of United States Treasury Notes of comparable maturity at the time of pricing.

a. Explain in detail why interest rate parameters such as those provided in Case No. 97-210 have not been proposed for these new securities.

b. Have the interest rate parameters that were established for the securities authorized in Case No. 97-210 caused ULH&P any difficulties in issuing or selling those securities? Explain the response.

c. Provide the interest rate parameters ULH&P believes would be reasonable for these securities. Also explain why the selected parameters are reasonable.

7. Refer to Exhibit B of the Application.

a. Do the estimated construction expenditures shown on this exhibit reflect ULH&P's current capital construction budget?

b. If yes to part (a), has the current capital construction budget been approved or adopted by ULH&P's board of directors?

c. If no to part (a), provide a copy of the approved or adopted capital construction budget and explain any differences between the budget and the estimated construction expenditures shown in Exhibit B.

Done at Frankfort, Kentucky, this 8th day of July, 1999.

By the Commission

ATTEST:

Executive Director