

The Union Light, Heat and Power Company

107 Brent Spence Square

COVINGTON, KENTUCKY 41011-1433

DONALD I. MARSHALL
MANAGER
RATE AND ECONOMIC
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October 26, 1987
PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

OCT 26 1987
PURSUANT TO KY. KAR 5.011,
SECTION 9(1)
BY: George Saltee
PUBLIC SERVICE COMMISSION MANAGER

Ms. Phyllis R. Fannin
Director Rates and Tariffs
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, Kentucky 40602

Dear Ms. Fannin:

We have completed our annual review of costs associated with Underground Residential Distribution Policy as required by the Order in Administrative Case No. 146. Based on this review, we have concluded that the current charge of \$1.65 per front foot (as reflected on ULH&P's Original Sheet No. 96 - KY. P.S.C. No. 4) for service to new sub-division developments should remain in effect.

As was noted in my letter of November 26, 1986 to Mr. George Saltee, the Federal Tax Reform Act of 1986 provides for a tax expense reflective of contributions in aid of construction. This change necessitated a change in our underground policy to the extent that we will be obligated to gross-up the amount of the contribution to reflect this tax expense. As was noted, we increased the contribution amount by 35% which was the effective rate beginning July 1, 1987. This increase was handled through our internal billing procedure and was not reflected on the filed tariff. We have followed this practice in areas where other taxes (i.e., school district taxes on behalf of the school district) may be appropriately collected. Developers have been notified of this change necessitated by the change in the Federal Tax Reform Act. In the future, we will follow procedures that will be forthcoming in the final Order in Administrative Case No. 313.

Please consider this a request to continue our current charge which has been in effect since April 1, 1982. I would appreciate your review and approval of our recommendation. If you have any questions regarding this matter, please contact me.

Very truly yours,

Donald I. Marshall

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PHVC:ga

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