

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Joint Appli-)
cation of The Cleveland Electric)
Illuminating Company and Cleveland)
Thermal Energy Corporation for the)
Consent and Approval of the Sale) Case No. 87-2033-HT-ATR
and Purchase of Heating and Cooling)
Utility Property, Plant, and Busi-)
ness, and for Related Relief and)
Authority.)

OPINION AND ORDER

The Commission, coming now to consider the above-entitled application and exhibits filed November 25, 1987, the supplements thereto filed December 9, 18, 21, and 23, 1987; having appointed its attorney examiners Barth E. Royer and Colleen L. Mooney to conduct a public hearing and to certify the record directly to the Commission; having reviewed the record of the public hearing held December 15 and 23, 1987; and being otherwise fully advised in the premises, hereby issues its Opinion and Order.

APPEARANCES:

Mr. Craig I. Smith, Senior Corporate Counsel, The Cleveland Electric Illuminating Company, 55 Public Square, Cleveland, Ohio 44113 on behalf of applicant, The Cleveland Electric Illuminating Company.

Messrs. Vorys, Sater, Seymour and Pease, by Messrs. Sheldon A. Taft and Stephen M. Howard, 52 East Gay Street, P.O. Box 1003, Columbus, Ohio 43216-1008, on behalf of applicant, Cleveland Thermal Energy Corporation.

Mr. Anthony J. Celebrezze, Jr., Attorney General, by Messrs. David C. Champion, and Charles H. Lease, Assistant Attorneys General, 180 East Broad Street, Columbus, Ohio 43266-0573, on behalf of the staff of the Public Utilities Commission of Ohio.

Messrs. Burke, Haber & Berick, L.P.A. by Messrs. Stephen T. Parisi and Roger Kleinman, 300 National City Bank Building, 629 Euclid Avenue, Cleveland, Ohio 44114, and Messrs. Walter, Haverfield, Buecher & Chockley, by Mr. Howard A. Marken, 1215 Terminal Tower, Cleveland, Ohio 44113, on behalf of Cleveland State University.

HISTORY OF THE PROCEEDINGS:

On November 25, 1987, The Cleveland Electric Illuminating Company ("CEI") and Cleveland Thermal Energy Corporation ("Clev-

87-2033-HT-ATR

-2-

TEC") filed a joint application pursuant to Section 4905.48, Revised Code, requesting Commission approval of the sale by CEI and the purchase by ClevTEC of the CEI steam heating and cooling company property, plant, and business, hereinafter referred to as the steam utility service.

CEI is an Ohio corporation engaged in the business of supplying steam utility service to consumers in certain portions of the city of Cleveland, Ohio.¹ As a public utility within the definition of Section 4905.02, Revised Code, and a heating or cooling company within the definition of Section 4905.03(A)(9), Revised Code, CEI is subject to the jurisdiction of this Commission pursuant to Sections 4905.04, 4905.05, and 4905.06, Revised Code. ClevTEC is an existing Ohio corporation which currently provides steam service in Youngstown, Ohio, and, thus, is also a public utility and a heating or cooling company subject to the jurisdiction of this Commission. Under its former name, Youngstown Thermal Energy Corporation, it acquired the Youngstown steam utility facilities of Ohio Edison Company and has operated those facilities since 1979 under the municipal regulation of the city of Youngstown. Because this application seeks approval of a purchase and sale of certain property, plant, and business by two public utilities, it is governed by the provisions of Section 4905.48, Revised Code.

Although Section 4905.48, Revised Code, does not require that a hearing be held on applications filed pursuant thereto, the attorney examiner, by Entry of November 27, 1987, required that notice of this application be published in a newspaper of general circulation in Cuyahoga County, Ohio. This notice, which was published in The Cleveland Plain Dealer on November 30, 1987 (Joint Applicants' Exhibit 1), provided that any interested party who could show good cause why the joint application should not be granted should submit a written statement detailing the reasons for its opposition on or before December 11, 1987. The notice provided that if the Commission received such a written statement, an oral hearing would be held on Tuesday, December 15, 1987, at the offices of the Commission.

On December 10, 1987, Cleveland State University ("CSU"), a steam customer of CEI, filed a document styled "Motion to Intervene/Statement in Opposition to Granting of Joint Application/Request for Oral Hearing/Request for Continuance and Motion for Continuance of Hearing." CSU set forth certain concerns it had with the application, primarily dealing with the effect this transfer proceeding might have upon pending litigation between

¹ CEI's primary business is supplying electric service to customers in the greater Cleveland area and in all or parts of nine northeastern Ohio counties. However, CEI's electric operations are not affected by this case.

CSU and CEI. The joint applicants filed a memorandum contra on December 11, 1987, and CSU filed a reply on December 15, 1987.

No other CEI steam customer filed a statement opposing the proposed transaction. In fact, by letter of December 25, 1987, the Building Owners and Managers Association of Greater Cleveland, an association which has intervened in prior CEI steam rate cases on behalf of CEI steam customers, advised the Commission that it supports the purchase of the steam system. The mayors of Cleveland and Youngstown also support the transaction (Letter of December 22, 1987; Exhibit I to Application).

Pursuant to the terms of the published notice, the hearing commenced on December 15, 1987 at the office of the Commission. At the outset of the hearing, the attorney examiners convened an informal conference among counsel and representatives of the joint applicants, the Commission staff, and CSU. The examiners reserved ruling on the CSU motions pending the result of the conference. The hearing was continued at the request of all parties until December 23, 1987. At the December 23, 1987, hearing, it was indicated that the issues and concerns raised by CSU had, for the most part, been resolved, and that it was anticipated that CSU would withdraw its motion for leave to intervene, its opposition to the application, and its request for a continuance (Tr. II, 3-4). The matter has now been certified to the Commission by its examiners for its consideration.

As of this time, CSU has not voluntarily withdrawn its motion. For reasons set forth therein, the Commission has denied CSU's motion by a companion Entry issued this date in this docket. Thus, the matter is now ripe for decision.

COMMISSION REVIEW AND DISCUSSION:

This case comes before the Commission upon the joint, verified application of CEI and ClevTEC for approval of the transfer of CEI's steam operations to ClevTEC and for related relief and authority. Supplements to the application filed December 9, 18, 21, and 23, 1987 have provided the Commission all documents related to this transaction. The joint applicants seek approval of their application and request the following related relief:

- A. A finding that the proposed transaction is a substitution of parties and not an abandonment under Sections 4905.20 and 4905.21, Revised Code.
- B. The release of CEI from any and all obligations to continue to provide steam utility service in Cleveland, Ohio;

- C. The authority for CEI to withdraw and cancel its PUCO No. 7 Tariff, Rules, and Regulations relating to steam utility service;
- D. The authority for CEI and ClevTEC under Sections 4905.13, 4905.15, 4905.17, and 4905.18, Revised Code, to make any and all accounting adjustments necessary to reflect the transaction proposed herein;
- E. The authority under Section 4909.18, Revised Code, for ClevTEC to make a first filing of its tariff, P.U.C.O. No. 1, for steam utility service, which proposes no increase in any rate, joint rate, toll, classification, charge or rental for the steam utility service which is the subject of the application;
- F. The substitution and succession of ClevTEC for CEI in any reasonable arrangement under Section 4905.31, Revised Code, presently approved by the Commission and existing between CEI and any of its customers for the provision of steam utility service;
- G. Approval under Section 4905.48, Revised Code, of the lease by CEI to ClevTEC of parts of the Canal Road Substation property;
- H. Approval under Section 4905.31, Revised Code, of the contract of the sale of electric utility service by CEI to ClevTEC; and
- I. Any and all other relief that may be appropriate in the premises.

Background:

CEI currently provides steam utility service to approximately 231 customers, including CSU, in an area of approximately one square mile in downtown Cleveland, extending from West 9th Street to East 25th Street, and from Lakeside Avenue to Bolivar Road. Steam utility service was initiated in 1902 with steam being distributed from the Canal Road plant, which had been built in 1894 for electric generation. A second small plant on East 20th Street was built in 1923 solely for the purpose of providing steam for the steam utility. In 1946, the Canal Road plant was dedicated entirely to steam generation, and most of the steam today is provided by the Canal Road plant, which includes five

coal-fired boilers. The East 20th Street plant is used primarily for peaking purposes and includes six oil-fired boilers.

The distribution system consists of approximately fifteen miles of steam mains and four miles of steam services. Steam is provided at three pressures: 150 psi high pressure steam, 60 psi intermediate pressure steam, and 22 psi low pressure steam, the latter of which is used by most customers. Several types of steam lines are used, including prefabricated, concrete envelope, concrete tunnel, channel tile and wood log.

CEI has sought to provide continuous, reliable steam service to its steam customers in the downtown Cleveland area. Because the steam business comprises a very small part of CEI's total business, CEI has, since early 1983, pursued the possibility of selling the steam system to an experienced operator, with a proven record of having effectively managed other steam systems by improving efficiency and service, making necessary investments, and marketing the service so as to increase customers and sales. CEI entered into the purchase and sale agreement with ClevTEC because it believes ClevTEC meets these criteria.

As indicated above, ClevTEC, formerly known as Youngstown Thermal Energy Corporation, has operated the steam utility facilities in Youngstown, Ohio since 1979. ClevTEC is owned entirely by Catalyst Thermal Energy Corporation, a Delaware corporation whose common stock is traded over the counter. Catalyst Thermal's only business is the steam business, and it is the second largest and fastest growing supplier of district heating and cooling service in the United States. In addition to the Youngstown system, Catalyst Thermal subsidiaries own city steam systems in St. Louis, Baltimore, Philadelphia, and Boston, delivering a total of approximately 9.5 billion pounds of steam annually. This is approximately eight times the annual steam deliveries of CEI.

Catalyst Thermal Energy Corporation is controlled by Catalyst Energy Corporation, a Louisiana corporation whose common stock is listed on the New York Stock Exchange, with assets in excess of \$1,000,000,000 and annual revenues of approximately \$425,000,000. Catalyst Energy is an independent power producer and owns or leases and operates facilities that produce electricity and thermal energy for sale at wholesale to public utilities and at retail to industrial, commercial, and residential consumers.

Terms of the Proposed Transaction:

The proposed sale and purchase between CEI and ClevTEC would take place on or before December 30, 1987, if approved by the Commission. The first year of operation by ClevTEC would be a transition period between CEI and ClevTEC, to ensure continuity of service and procedures. During this period, CEI employees

would work alongside ClevTEC employees under the direct supervision of ClevTEC's general manager to assure effective transfer of all operating information and procedures which have been developed over the last eighty years of operation of the system by CEI. ClevTEC will have customer service, distribution, and operations personnel beginning duties on the day the sale is closed. ClevTEC would reimburse CEI for its expenses associated with producing and distributing steam for the steam utility during the transition period pursuant to an Interim Operating Agreement (Exhibit R to the Steam System Asset Purchase Agreement). CEI and ClevTEC will enter into a "Coal Storage and Handling Service Agreement" (Exhibit S to the Steam System Asset Purchase Agreement) whereby CEI will store and handle ClevTEC's coal inventory of up to 20,000 tons at CEI's Lakeshore Electric Generating Plant. ClevTEC will also have available to it, through its parent, Catalyst Thermal Energy Corporation, sophisticated experts in the management, operation, and maintenance of steam utilities.

During the negotiations between CEI and ClevTEC, ClevTEC corresponded and met with existing steam utility customers to provide them with information concerning the history, experience, and plans of ClevTEC. A general meeting for all customers was held on November 24, 1987, at which time ClevTEC responded to questions or concerns regarding the transaction (Exhibit D to the Application). ClevTEC has indicated that it will continue to hold open meetings for all customers on a periodic basis during the transition period to discuss the provision of steam utility service by ClevTEC.

The applicants allege that customers will not see any change in service. ClevTEC has agreed to adopt the CEI tariffs and seeks approval of those currently effective contracts with customers which have been approved by the Commission pursuant to Section 4905.31, Revised Code (Exhibit I to the Application). ClevTEC will be using the same plant to provide the same quality and character of service to the same customers at the same rates as CEI.

The purchase price of this transaction is the sum of \$7,000,000 plus the market value of the CEI's fuel inventory for the steam operations. To finance this acquisition, Catalyst Thermal Energy Corporation will invest approximately \$7,000,000 of its own equity capital in ClevTEC and will make short-term (less than twelve months) loans of up to \$2,072,000. Since no new securities will be issued and Catalyst Thermal will continue to own all of the common stock of ClevTEC, ClevTEC is not seeking any authority under Sections 4905.40, et seq., Revised Code.

On December 7, 1987, an ordinance was introduced before Cleveland City Council to grant ClevTEC the right to provide steam utility service within the city of Cleveland (Exhibit K to

the Application). This ordinance was subsequently passed by Cleveland City Council on December 21, 1987, and signed by the Mayor of Cleveland (Revised Exhibit K to the Application). In addition, the mayor of the city of Youngstown has sent a letter to the chairman of Catalyst Thermal Energy Corporation expressing his community's support of this transaction (Exhibit L to the Application).

ClevTEC alleges that, upon approval of the application, it will implement a comprehensive program which has been instituted by its affiliates in other cities. This program includes: (a) increasing service reliability by upgrading the efficiency of the system; (b) continuing use of stable-priced solid fuels such as coal; (c) increasing the customer base to spread fixed costs; and (d) providing customers with energy management tools to reduce overall energy consumption. ClevTEC has also indicated that it will implement a responsive customer service program similar to those already in place in other operating subsidiaries of Catalyst Thermal. This program would include (a) information newsletters, (b) on-site energy audits of customer buildings, (c) special twenty-four hour phone line service, (d) special seminars on system maintenance and energy control, and (e) preventive maintenance programs.

The joint applicants have also asked the Commission to approve, pursuant to Section 4905.48, Revised Code, a 50-year lease whereby CEI will lease the basement and fourth floor of the substation building at Canal Road and all air rights above the building for a consideration of \$5,000 per year, escalated annually (Exhibit P to the Steam System Asset Purchase Agreement). ClevTEC and CEI have also submitted a contract for the purchase of electricity by ClevTEC from CEI (Exhibit Q to the Steam System Asset Purchase Agreement). ClevTEC will require electricity for its steam operations. The applicants request approval of this agreement pursuant to Section 4905.31, Revised Code. In addition, the applicants request that the Commission approve the substitution of ClevTEC for CEI in all contracts which have been previously approved by the Commission under Section 4905.31, Revised Code, for steam utility service to CEI's customers. See Cleveland Electric Illuminating Company, Case No. 83-1601-HT-AEC, Entry, (January 3, 1984). This substitution of parties is expressly authorized by the form of contract at paragraph IV(b) (Exhibit J to the Application).

Authority Requested:

The applicants have alleged that if their application is granted, the public will continue to be furnished adequate service at a reasonable and just rate, rental, toll or charge. Therefore, the applicants have requested approval by the Commission under Section 4905.48, Revised Code, of the sale by CEI and purchase by ClevTEC of CEI's steam utility property, plant and

business in Cleveland, Ohio, and for related relief. Each of the specific requests for relief are discussed below.

- A. The applicants request that the Commission find that the proposed transaction is a substitution of parties and not an abandonment under Sections 4905.20 and 4905.21, Revised Code.

Based on a review of the terms of the transaction, it is clear that no abandonment of service will occur as a result of approval of this application. The application is properly before the Commission pursuant to Section 4905.48, Revised Code, as a transfer or substitution proceeding. The steam utility service will continue. The Commission is satisfied that this is not an abandonment proceeding as contemplated by Sections 4905.20 and 4905.21, Revised Code.

- B. The applicants request that CEI be released from any and all obligations to continue to provide steam utility service in Cleveland, Ohio.

Given the fact that CEI will transfer to ClevTEC all of its steam utility assets and business in order for ClevTEC to provide the steam service, and because the Commission is satisfied that ClevTEC will provide service of equal or greater quality at rates equal to those charged by CEI, CEI should be relieved from any obligation to continue to provide steam service.

- C. The applicants request authority for CEI to withdraw and cancel its PUCO No. 7 Tariff, Rules, and Regulations relating to steam utility service.

Because ClevTEC will be adopting and filing this tariff as its tariff P.U.C.O. No. 1 and will be providing steam utility service in Cleveland, Ohio, it is appropriate that CEI be authorized to withdraw and cancel its tariffs, and be removed from the Commission's roll of steam utilities.

- D. The joint applicants request authority under Sections 4905.13, 4905.15, 4905.17, and 4905.18, Revised Code, to make any and all accounting adjustments necessary to reflect the proposed transaction.

Representatives of CEI and ClevTEC have each contacted the Commission staff on an informal basis to discuss any concerns the staff might have with the accounting entries. The Commission recognizes that the opening entry for steam system purchase as shown on Exhibit F to the application contains estimated numbers.

Pursuant to its staff's recommendation, the Commission directs CEI and ClevTEC to follow the Uniform System of Accounts in making these accounting entries (Tr. II, 10). Further, the term "deferred asset surplus" should be treated as an "acquisition adjustment" pursuant to the Uniform System of Accounts.

The staff has indicated that its position is that, for ratemaking purposes, deferred taxes associated with the property involved should be deemed to follow the property (Tr. II, 10-11). Although ClevTEC disagrees with the staff position and CEI takes no position on the matter, ClevTEC, CEI, and the staff agree that this matter need not be decided at this time and that the possibility that this issue may arise in a future ClevTEC rate case is no bar to the accounting approvals requested herein (Tr. II, 12).

- E. The applicants request authority under Section 4909.18, Revised Code, for ClevTEC to file its tariff P.U.C.O. No. 1 for steam utility service.

ClevTEC is merely "adopting" CEI's tariffs, and changing only the name of the utility, the number of the tariff, the dates, and the case numbers which are contained therein. This application is a first filing and is not for an increase in any rate; and, therefore, the Commission will permit the filing of ClevTEC's tariff P.U.C.O. No. 1 to become effective with the closing date of this purchase and sale transaction.

- F. The applicants request the substitution and succession of ClevTEC for CEI in any reasonable arrangement under Section 4905.31, Revised Code, presently approved by the Commission and existing between CEI and any of its customers for the provision of steam utility service.

The form of the contract, as shown in Exhibit J to the application, expressly provides that the agreement may be assigned by either CEI or the customer without the consent of the other in connection with the merger, consolidation, or sale of substantially all of the assets of CEI's steam utility. The Commission finds that the substitution and succession of ClevTEC for CEI in any such reasonable arrangement complies with the terms of such arrangements and is, itself, reasonable and in the public interest under Section 4905.31, Revised Code.

- G. The applicants seek approval pursuant to Section 4905.48, Revised Code, of the lease by CEI to ClevTEC of parts of the Canal Road substation property.

This lease, which has a term of fifty years, was filed as Exhibit P to the Steam System Asset Purchase Agreement. The Commission is satisfied that this lease will better enable ClevTEC to furnish adequate steam service for a reasonable and just rate, rental, toll, or charge and that this lease should be approved.

- H. The applicants seek approval under Section 4905.31, Revised Code, of an Electric Power Agreement (Exhibit Q to the Steam System Asset Purchase Agreement) pursuant to which CEI would provide electricity to ClevTEC in order that ClevTEC might operate its steam facilities.

The agreement provides for a five-year term and that ClevTEC will be served under the tariffs of CEI PUCO No. 12 for electric service, as those tariffs may be amended or superseded from time to time by the authority of the Commission. The agreement provides that ClevTEC shall pay a \$3,000 annual fee for DC power and for all energy consumed at its facilities at a base rate of 6.88 cents per kWh in the summer months, and a base rate of 2.240 cents per kWh during the winter months. The rates shall be adjusted in the same amounts as are the rates contained in CEI's Electric Space conditioning scheduled authorized by the Commission. The rates are also subject to all applicable riders of PUCO No. 12 as may be amended or superseded from time to time by authority of the Commission. The Commission finds that this is a reasonable arrangement between public utilities which is practicable and advantageous to the parties. The Commission finds that this arrangement should be approved pursuant to Section 4905.31, Revised Code.

- I. The applicants had also initially requested approval pursuant to Section 4905.31, Revised Code, of a contract for the sale of steam utility service by ClevTEC to CEI.

At the December 23, 1987 hearing, the applicants withdrew their request for approval of such an arrangement (Tr. II, 5). Counsel indicated that the applicants would be filing under a separate docket an application for approval of a contract providing for the sale of steam by ClevTEC to CEI (Id.).

CONCLUSION:

The Commission has reviewed the application and the supporting documentation and finds that the application is well made and should be granted. CEI and ClevTEC are in good standing with the Commission, and ClevTEC has shown that it has the experience and expertise in the steam business and the financial backing necessary to enable it to consummate the agreement and to fulfill its

responsibility to customers affected by the application. Implementation of the programs proposed by ClevTEC should not only maintain the current level of service, but also improve the quality of service to the public. The Commission is satisfied that the transfer of CEI's plant, property, and business to ClevTEC will not impair the quality of service presently provided, and that adequate service will continue at reasonable rates.

The Commission also finds that the additional authority requested by the applicants should be granted. Specifically, the Commission finds that this proposed transaction is a substitution of parties and not an abandonment under Sections 4905.20 and 4905.21, Revised Code. CEI should be released from any and all obligations to continue to provide steam utility service in Cleveland, Ohio and should be authorized to withdraw and cancel its PUCO No. 7 Tariff for steam service. CEI and ClevTEC are authorized to make the appropriate accounting adjustments, consistent with the Uniform System of Accounts, necessary to reflect the proposed transaction. ClevTEC is authorized to file its tariff for steam service with the Commission to be effective with the closing date of the sale and purchase transaction. Such an application is not for an increase in rates. The Commission approves the substitution and succession of ClevTEC for CEI in any reasonable arrangement under Section 4905.31, Revised Code, previously approved by the Commission and existing between CEI and any of its customers for the provision of steam utility service. The Commission also approves the lease by CEI to ClevTEC of parts of the basement and fourth floor of the Canal Road Substation property pursuant to Section 4905.48, Revised Code, and approves the sale of electric utility service by CEI to ClevTEC pursuant to Section 4905.31, Revised Code. ClevTEC should include in its next billing cycle a notice to its customers explaining the purchase and the continuation of service under existing rates.

FINDINGS OF FACT AND CONCLUSIONS OF LAW:

- 1) On November 25, 1987, the Cleveland Electric Illuminating Company and Cleveland Thermal Energy Corporation filed a joint application with the Commission for authority to sell and purchase certain steam utility property and business of CEI pursuant to the provisions of Section 4905.48, Revised Code.
- 2) The seller, CEI, is a heating or cooling company and a public utility subject to the Commission's jurisdiction pursuant to Sections 4905.03(A)(9) and 4905.02, Revised Code. CEI serves approximately 231 steam customers in the downtown Cleveland, Ohio, area.

- 3) ClevTEC is also a heating or cooling company and a public utility subject to the Commission's jurisdiction. ClevTEC currently serves customers in Youngstown, Ohio, and is providing such service under municipal regulation.
- 4) The Commission has jurisdiction over the instant proceeding under Sections 4905.48, 4905.31, 4905.13, 4905.15, 4905.17, and 4905.18, Revised Code.
- 5) CEI has considered selling its steam plant, property and business to a qualified operator since 1983. The Steam System Asset Purchase Agreement which is the subject of this proceeding was filed with the Commission as Exhibit A to the application. The purchase price of the assets being transferred is the sum of \$7,000,000 plus the market value of the system's inventory of coal and inel oil on the closing date. The applicants state that the transfer of the steam utility property and business will not have an adverse effect on CEI's steam utility customers. Further, there will be no increase in rates or decline in the quality or character of service presently provided.
- 6) The Commission has reviewed the application and the supporting documentation and finds that the application is well made and should be granted. CEI and ClevTEC are in good standing with the Commission; and ClevTEC has shown that it has the experience, expertise, and financial backing to enable it to consummate the agreement and fulfill its responsibilities to customers affected by the application. The Commission is satisfied that the transfer of CEI's property and business to ClevTEC will not impair the quality of service presently provided and that adequate service will continue at reasonable rates.
- 7) The related authority requested by the applicants should also be granted. Specifically, CEI is relieved from any and all obligations to continue to provide steam utility service and is authorized to withdraw and cancel its PUCO No. 7 Tariff for steam customers. ClevTEC is authorized to file its

tariff, P.U.C.O. No. 1, for steam utility service to become effective with the closing date of this purchase and sale transaction. Pursuant to Section 4905.31, Revised Code, the Commission approves the substitution and succession of ClevTEC for CEI in any reasonable arrangement previously approved by the Commission and existing between CEI and any of its customers for steam service and the contract for the sale of electricity service by CEI to ClevTEC. Pursuant to Section 4905.48(C), Revised Code, the Commission approves the lease by CEI to ClevTEC of parts of the Canal Road Substation property. Pursuant to Sections 4905.13, 4905.15, 4905.17, and 4905.18, Revised Code, CEI and ClevTEC are authorized to make any and all accounting adjustments, consistent with the Uniform System of Accounts, necessary to reflect the proposed transaction.

- 8) ClevTEC should include in its next billing cycle a notice to customers explaining the purchase and the continuation of service under existing rates.

ORDER:

It is, therefore,

ORDERED, That the applicants, CEI and ClevTEC, are hereby authorized to sell and purchase the plant, property, and business described in the application upon the terms and conditions set forth therein. It is, further,

ORDERED, That the authority to buy and sell assets granted herein is effective from and after the date of this Opinion and Order. It is, further,

ORDERED, That CEI is hereby authorized to withdraw its PUCO Tariff No. 7 for steam service. It is, further,

ORDERED, That CEI be released from any and all obligations to continue to provide steam utility service in Cleveland, Ohio, and that its name be removed from the Commission's roll of steam utility companies. It is, further,

ORDERED, That ClevTEC be authorized to provide steam utility service to steam customers under the rates adopted and filed by ClevTEC in its tariff, P.U.C.O. No. 1. It is, further,

87-2033-HT-ATR

-14-

ORDERED, That ClevTEC file three copies of its newly approved tariff P.U.C.O. No. 1 to become effective with the closing date of the transaction. It is, further,

ORDERED, That CEI and ClevTEC be authorized to make any and all accounting adjustments, consistent with the Uniform System of Accounts, necessary to reflect the proposed transaction. It is, further,

ORDERED, That ClevTEC be substituted for CEI in any reasonable arrangement under Section 4905.31, Revised Code, previously approved by the Commission and existing between CEI and any of its steam customers. It is, further,

ORDERED, That the agreements providing for the sale of electric utility service by CEI to ClevTEC be approved. It is, further,

ORDERED, That the lease by CEI to ClevTEC of parts of the Canal Road Substation property be approved. It is, further,

ORDERED, That ClevTEC include in its next billing cycle a notice to CEI's customers explaining the purchase and the continuation of service under existing rates. It is, further,

ORDERED, That nothing contained herein shall be binding upon the Commission in any subsequent investigation of rates or rate increase case. It is, further,

ORDERED, That a copy of this Opinion and Order be served upon counsel for all parties of record and all interested persons.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Thomas V. Chemo
Thomas V. Chemo, Chairman

Gloria L. Gaylord
Gloria L. Gaylord

Ashley C. Brown
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Nancy L. Wolpe
Nancy L. Wolpe
Secretary