

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION PURSUANT TO 1994)
HOUSE BILL NO. 501 FOR THE APPROVAL OF)
THE PRINCIPLES OF AGREEMENT, DEMAND)
SIDE MANAGEMENT, THE UNION LIGHT, HEAT)
AND POWER COMPANY, AND FOR AUTHORITY) CASE NO. 95-312
FOR THE UNION LIGHT, HEAT AND POWER)
COMPANY TO IMPLEMENT VARIOUS TARIFFS)
TO RECOVER COSTS, LOST REVENUES, AND)
RECEIVE INCENTIVES ASSOCIATED WITH)
DEMAND SIDE MANAGEMENT PROGRAMS)

O R D E R

On October 1, 1998, The Union Light, Heat, and Power Company ("ULH&P") and the members of ULH&P's Demand-Side Management Collaborative ("Collaborative") (collectively, "Joint Applicants"), filed a joint application for the adjustment of the 1999 demand-side management ("DSM") cost recovery mechanism and amendments to ULH&P's gas and electric DSM tariff sheets. Specifically, the Joint Applicants seek approval of new gas and electric DSM rates to be effective January 1999.

In support of the application, the Joint Applicants provided 1) actual program and administrative costs, lost revenues, and shareholder incentives for each DSM program from July 1, 1997 through June 30, 1998; 2) projected program and administrative costs, lost revenues, and shareholder incentives for calendar year 1999; 3) a summary of activity of the Commission-approved DSM programs; 4) a reconciliation of actual versus projected costs and revenues for the period July 1, 1997 through June 30, 1998;

5) the calculation of the residential electric decoupling mechanism; and 6) the proposed rate adjustment for each class. The Joint Applicants also filed an annual progress report on a study required by the Commission to compare gas and electricity usage patterns of DSM program participants with those of non-participants.

Based on its review of the detailed information provided by the Joint Applicants, the Commission finds that the new gas and electric DSM rates, to be applied to customer bills beginning with the January 1999 revenue month, are reasonable and should be approved.

IT IS THEREFORE ORDERED that:

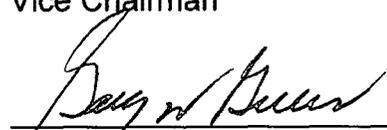
1. ULH&P's 1999 Rider DSM for gas customers and 1999 Rider DSM for electric customers are approved.
2. Within 20 days of the date of this Order, ULH&P shall file its new DSM tariff schedules.

Done at Frankfort, Kentucky, this 23rd day of November, 1998.

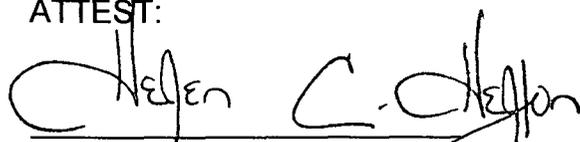
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director