

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 FOR) CASE NO. 95-312
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 April 25, 1997, the Commission suspended a joint application of The Union Light, Heat and Power Company ("ULH&P") and its Demand-Side Management Collaborative ("Collaborative") for ULH&P to recover in rates the costs associated with demand-side management ("DSM") programs, to modify existing programs, to initiate a new program and to terminate two existing programs. The joint application included new tariffs for gas and electric service to be effective April 30, 1997. The Commission suspended the proposed tariffs for five months up to and including September 29, 1997.

In its April 25, 1997 Order suspending the proposed tariffs, the Commission found that ULH&P (1) had not recalculated the electric and gas usage-per-customer growth factors contained in the residential decoupling mechanism using customer usage data from the most recent eleven-year period; and (2) had not performed an annual update of a Commission-mandated study which compares the electricity and gas usage patterns of DSM program participants with those of non-participants. An informal conference was held on May 16, 1997 to discuss the joint application.

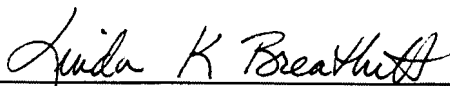
On May 29, 1997, ULH&P filed supplemental information in response to requests made by Commission Staff at the informal conference. Specifically, ULH&P filed (1) the calculation, on an annual basis, of the electric and gas usage-per-customer growth factors contained in the residential decoupling mechanism, (2) a progress report concerning a study which compares the electricity and gas usage patterns of DSM program participants with those of non-participants, (3) a corrected Rider DSM tariff schedule, and (4) additional explanation of the DSM Collaborative's decision to terminate the Heat Pump Rebate Program and the Peak Conservation Plan. The Commission finds that ULH&P's supplemental filing satisfies the Commission's need for additional information and sufficiently corrects the deficiencies of the original joint application. Based on a review of the joint application and the supplemental filing, the Commission further finds that the proposed modifications and tariffs are reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. ULH&P's 1997 Rider DSM for gas customers, corrected 1997 Rider DSM for electric customers, withdrawal of Rider IRS, and redesigned DSM programs are approved.
2. Within 30 days of the date of this Order, ULH&P shall file its revised tariff schedules in accordance with this Order.

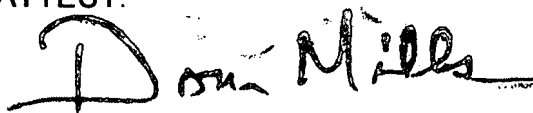
Done at Frankfort, Kentucky, this 7th day of July, 1997.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner