

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT)	
AND POWER COMPANY FOR A CERTIFICATE)	
OF PUBLIC CONVENIENCE AND NECESSITY)	CASE NO. 2004-00017
TO CONSTRUCT GAS DISTRIBUTION FACILITIES)	
WITHIN ITS SERVICE TERRITORY)	

O R D E R

On January 14, 2004, The Union Light, Heat and Power Company ("ULH&P") filed an application with the Commission requesting a Certificate of Public Convenience and Necessity ("CPCN") to replace approximately 20.7 miles of cast iron and bare steel mains, main-to-curb services, and curb-to-meter services.

ULH&P has divided the majority of its proposed construction into modules. Each module consists of approximately 2 to 5 miles of cast iron and bare steel pipe located within a particular community. ULH&P also requests approval to replace certain cast iron and bare steel mains in addition to the module work. ULH&P states that this additional replacement work involves mains identified for replacement under its Cast Iron Maintenance Optimization System[®] ("CIMOS") and its Bare Steel Maintenance Optimization System[®] ("BSMOS")¹ as well as mains involved in road improvement projects. ULH&P estimates that the cost of the proposed construction work for 2004 will

¹ CIMOS and BSMOS are grading systems that ULH&P uses to prioritize its cast iron and bare steel gas main replacements.

total \$11,594,485. ULH&P states that, as in the 2002 and 2003 construction plan, there are contingencies that may arise, such as field conditions, road resurfacing projects, and leaks, that may require additional work and expenditures. Therefore, ULH&P requests that the Commission permit it to deviate from the proposed construction in an amount not to exceed 20 percent of the total projected expenditure of \$11,594,485 to address such contingencies.

ULH&P has provided construction maps showing the location and route of the construction work.

ULH&P states that it plans to finance the construction through revenues to be derived from Rider AMRP and through debt proceeds as necessary.

After reviewing the record and being otherwise sufficiently advised, the Commission finds that ULH&P's request for a CPCN for the construction proposed herein should be approved. The Commission further finds that ULH&P should be permitted to deviate from the proposed construction to address the contingencies discussed above in an amount not to exceed 20 percent of the total construction costs of \$11,594,485. ULH&P should provide the actual costs of the construction through the end of year 2004 in its fourth quarter report.

IT IS THEREFORE ORDERED that:

1. ULH&P is granted a CPCN for the construction projects set forth in the plans and specifications of record herein.
2. ULH&P is permitted to deviate from the construction to address unforeseen contingencies in an amount not to exceed 20 percent of the total projected costs of \$11,594,485.

3. ULH&P shall file with the Commission the actual costs of the construction performed in 2004 in its fourth quarter progress report.

Done at Frankfort, Kentucky, this 3rd day of May, 2004.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Charles W. [unclear]", written over a horizontal line.

Executive Director