COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ANNUAL COST RECOVERY FILING FOR DEMAND SIDE MANAGEMENT BY THE UNION LIGHT, HEAT AND POWER COMPANY	)))	CASE NO. 2005-00402

O R D E R

This matter comes before the Commission through the September 30, 2005 filing of The Union Light, Heat and Power Company ("ULH&P") on behalf of its Demand-Side Management ("DSM") Collaborative. The filing reflects the continuation of the DSM programs approved for ULH&P by the Commission in prior DSM cases, including the programs approved in Case No. 2004-00389,[1] as well as status reports on individual programs. In its application, ULH&P requested that four DSM programs scheduled to terminate at the end of 2005 be approved for four additional years, through 2009.[2] In the event the Commission was not able to decide this case prior to the end of calendar year 2005, ULH&P requested approval to continue the existing programs and existing tariff riders until the effective date of new tariffs implemented pursuant to a final order in this case.[3]

[1] Case No. 2004-00389, Annual Cost Recovery Filing for Demand Side Management by The Union Light, Heat and Power Company, February 14, 2005 Order.

[2] Those programs are (1) Residential Conservation and Energy Education, (2) Residential Home Energy House Call, (3) Residential Comprehensive Energy Education Program, and (4) Program Administration, Development and Evaluation Funds.

[3] By Order dated January 3, 2006, the Commission approved the continuation of ULH&P's existing DSM programs and DSM tariff riders beyond the end of 2005.

ULH&P also proposed to adjust the charges in its electric and gas DSM tariff riders. These tariff riders were intended to recover ULH&P's 2006 DSM program costs, reconcile DSM revenues recovered from July 1, 2004 through June 30, 2005 with DSM costs incurred during that period, and recover lost revenues and a shared savings incentive associated with various DSM programs. One aspect of this proposal was to reduce the funding for the Commercial and Industrial ("C & I") High Energy Efficiency program from $454,963 to $149,972, based on lower than expected participation levels.

On November 21, 2005, ULH&P filed an amended application in which it sought approval of a pilot Home Energy Assistance ("HEA") program to be administered under the umbrella of its WinterCare program. On December 22, 2005, ULH&P filed an addendum to its application, requesting approval to implement a new pilot residential DSM program, the Personalized Energy Report program, for one year. This program is intended to survey customers about their energy consumption and provide them with an "Energy Efficiency Starter Kit" containing nine conservation measures and a customer-specific report on energy use and tips for reducing energy consumption.

Both the HEA program and the proposed Personalized Energy Report program were discussed at a December 22, 2005 informal conference attended by ULH&P, the Attorney General of the Commonwealth of Kentucky ("AG"),[4] and Commission Staff. Based on subsequent discussions between ULH&P and the AG, by its Order of January 31, 2006, the Commission approved ULH&P's request to bifurcate the HEA program from the other issues in this case and approved a modified HEA program agreed to by ULH&P and the AG.

[4] The AG was granted intervention by Order dated December 12, 2005.

On January 17, 2006, ULH&P filed an amended application in which it requested to add back the proposed reduction in funding for the C & I High Energy Efficiency program included in its September 30, 2005 application. This request was based on a dramatic increase in demand for the incentives provided by the program subsequent to the filing of ULH&P's original application. Based on this request, plus the request to implement the Personalized Energy Report program, ULH&P attached revised tariff riders to this amended application which included DSM rates designed to recover the costs of all DSM programs, at their 2006 budget amounts.[5]

The revised tariff riders included DSM charges of $0.141952 per Mcf for residential gas customers, $0.00180 per kWh for residential electric customers and $0.000012 per kWh for non-residential distribution level electric customers. The revised charges were calculated using the methodology proposed by ULH&P and approved by the Commission in ULH&P's prior DSM cases.

Individual program reports described participation levels and savings attributed to each existing program through June 30, 2005. The filing included detailed descriptions of the cost projections, lost revenue projections and shared savings incentive agreed upon by the DSM Collaborative for calendar year 2006.

ULH&P's long-term DSM programs (identified in Footnote No. 2) were scheduled to terminate at the end of 2005, but our January 3, 2006 Order allowed them to be continued until a final Order was issued in this proceeding. Subsequent to the January 31, 2006 Order approving the modified HEA program, the Commission established a

[5] The costs of the HEA program, as approved in our January 31, 2006 Order, are recovered separately from the costs of ULH&P's other DSM programs.

procedural schedule for filing comments and reply comments by the AG and ULH&P on the remaining new program, the Personalized Energy Report program. Those filings have been received and the case stands submitted for decision.

SUMMARY

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. ULH&P has kept the Commission properly informed of the progress and status of its DSM programs by timely filing status reports on those programs.

2. Continuing, through 2009, the four DSM programs scheduled to terminate at the end of 2005 is reasonable and should be approved as proposed.

3. Continuing the C & I High Energy Efficiency program at the funding level of $454,963 previously approved in Case No. 2004-00389 should be approved.

4. The Personalized Energy Report pilot program, supported by members of ULH&P's residential DSM collaborative, except for the AG, who takes no position on the program, is reasonable and should be approved.

5. ULH&P's revised DSM tariff riders are reasonable as they reflect ongoing DSM program costs, the reconciliation of prior period DSM costs and revenues, and reasonable levels for lost revenues and shared savings.

IT IS THEREFORE ORDERED that:

1. ULH&P's proposed DSM programs and revised DSM tariff riders are approved effective with its first billing cycle of the May 2006 revenue month.

2. Within 10 days from the date of this Order, ULH&P shall file revised DSM tariff riders showing the date of issue and that they were authorized by this Order.

Done at Frankfort, Kentucky, this 4th day of April, 2006.

By the Commission

ATTEST:

Executive Director