BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION

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

ADDENDUM TO THE FILING OF THE ANNUAL STATUS REPORT, APPLICATION FOR CONTINUATION OF THE ENERGY EDUCATION RESIDENTIAL COMPREHENSIVE ENERGY EDUCATION (NEED), AND PROGRAM ADMINISTRATION PROGRAMS, AND ADJUSTMENT OF THE 2005 DSM COST RECOVERY MECHANISM WITH FILING OF THE AMENDED TARIFF SHEETS FOR GAS RIDER DSM (REVISED SHEET NO. 62.9) AND ELECTRIC RIDER DSM (REVISED SHEET NO. 78.9)

Now comes Applicant The Union Light, Heat & Power Company (ULH&P) with the consensus of most members of the Residential Collaborative to file an addendum to the adjustment to the 2005 DSM Cost Recovery Riders (Application). The Applicant is The Union Light, Heat and Power Company (ULH&P) of 1697A Monmouth Street, Newport Shopping Center, Newport, Kentucky 41071, and its mailing address is P.O. Box 960, Cincinnati, Ohio 45201-0960. The Residential Collaborative members are: Ann Louise Cheuvront (AG), Nina Creech (People Working Cooperatively), Joy Rutan (League of Women Voters), Florence Tandy, the Northern Kentucky Community Action Commission (CAC), Beth Hodge (Brighton Center), Carl Melcher (Northern Kentucky Legal Aid), Karen Reagor (Kentucky NEED Project), Pat Dressman (Campbell County Fiscal Court), Monica Braunwart (Boone County Fiscal Court) and John Davies (Kentucky Office of Energy Policy). The Attorney General's representative indicated that an opinion on the program would be provided at a later date.

The purpose of this filing is to seek approval for the immediate implementation of a new pilot residential demand-side management program, the Personalized Energy Report Pilot program, as well as recovery of the costs of the new program through an adjustment to ULH&P's residential DSM riders previously filed in this proceeding. To provide this service to customers in time for this winter season, ULH&P is asking for an expedited consideration of this application.

I. INTRODUCTION

ULH&P and the Residential Collaborative recognize that energy bills will be significantly higher this winter due to the rise in fuel costs. The Gulf Coast hurricanes have contributed to increases in the cost of natural gas and soaring prices at the gas pump. Depending on weather and usage, many residential customers may struggle to manage these cost increases. ULH&P and the Residential Collaborative would like to provide an additional tool to customers to help them at this time. With this in mind, ULH&P and the Residential Collaborative are proposing to implement a new pilot program, the Personalized Energy Report Pilot, for one year, with the potential to continue the program depending upon customer response.

II. PERSONALIZED ENERGY REPORT

This detailed report provides customers with a better understanding of their energy usage and customized ideas to help save money on their monthly bill. Customers all have different home appliances and use energy in different ways. By improving customers' understanding of their individual home energy usage, ULH&P believes they can determine where and how to use less energy. Here is what the Personalized Energy Report(PER) provides customers:

- A breakdown of how they use electricity and natural gas by major appliance
- Month-to-month comparisons of electric and gas usage
- Cost and usage trends
- Customized energy saving tips for the home

In addition, the PER program also includes the *"Energy Efficiency Starter Kit"* which is nine easily installed measures which demonstrate how easy it is to move towards improved home energy efficiency. Appendix G provides a detailed description of the pilot program. Appendix H provides a copy of the letter to the customer to notify them of the program. Appendix I contain a sample survey used to obtain information on the customer's residence. Appendix J provides a sample PER report.

The projected program costs are detailed in the following table.

	Program Costs	
Printing Costs	$	18,000
Postage	$	20,700
Reports	$	24,840
Scanning	$	576
Mailhouse costs	$	5,130
Energy Kits	$	40,000
Total Costs	$	109,246

ULH&P has performed a cost-effectiveness analysis of the program. The results of the analysis are as follows:

Utility Cost Test	10.63
Total Resource Cost Test	33.85
Ratepayer Impact Measure Test	1.14

This indicates that the program is very cost-effective.

III. CALCULATION OF THE 2006 DSM COST RECOVERY MECHANISM

The addition of the Personalized Energy Report pilot program to the set of residential DSM programs will have a slight impact of the calculation of the DSM Cost Recovery Riders. The projected level of expenditures would rise from the \$2.27 million stated in the original filing of the application to \$2.37 million. ULH&P is not seeking recovery of lost revenues or shared savings for the Personalized Energy Report pilot program in 2006 due to the expedited nature of this program. If this program is continued in future years, ULH&P reserves the right to request recovery of lost revenues or shared savings for this program.

2006 DSM Riders

ULH&P, with the consent of the Collaborative, submits the proposed revised DSM Riders (Revised Appendices E and F). The revised riders are intended to recover projected 2006 program costs, lost revenues and shared savings stated in the original filing, the PER program costs identified in this addendum filing, and to reconcile the actual DSM revenue requirement for the period July 1, 2004 through June 30, 2005. Revised Appendix D provides the calculations of the revised DSM Riders. Page 1 of 5 is unchanged. It tabulates the reconciliation of the DSM Revenue Requirement associated with the prior reconciliation, ULH&P's program costs, lost revenues, and shared savings between July 1, 2004 and June 30, 2005, and the revenues collected through the DSM Riders over the same period. The calculation of lost revenues and shared savings only covers the period from the time of the Order in Case 2004-00389 to June 30, 2005. The true-up adjustment is based upon the difference between the actual DSM revenue requirement and the revenues collected during the period July 1, 2004 through June 30, 2005.

The actual DSM revenue requirement for the period July 1, 2004 through June 30, 2005, consists of: 1) program expenditures, lost revenues, and shared savings and 2) amounts approved for recovery in the previous reconciliation filing. The actual program costs incurred are reflected in column (2) labeled "Projected Program Costs 7/2004 to 6/2005."

Revised Appendix D, page 5 of 5 contains the calculation of the revised 2006 Residential DSM Riders. The calculation includes the reconciliation adjustments calculated in Appendix D, page 1 of 5 and the DSM revenue requirement for 2006. The residential DSM revenue requirement for 2006 includes the costs associated with the Residential DSM programs including PER, the program development funds, the pilot Energy Education and Bill Assistance Program (Payment Plus), the Power Manager program, the Energy Star Products program, the Energy Efficiency Website program, and the associated net lost revenues and shared savings (Revised Appendix D, pages 2 and 3 of 5). Total revenue requirements are incorporated along with the projected electric and gas volumes (Revised Appendix D, page 4 of 5) in the calculation of the revised Residential DSM Rider.

Revised Appendix D, page 5 of 5 also contains the calculation of the 2006 Commercial and Industrial DSM Rider. This calculation is unchanged from the initial filing. The calculation includes the reconciliation adjustments calculated in Revised Appendix D, page 1 of 5 and the DSM revenue requirement for 2006. The Commercial & Industrial DSM revenue requirement for 2006 includes the costs associated with the commercial and industrial DSM program (C&I High Efficiency Incentive) and the associated net lost revenues and shared savings (Revised Appendix D, pages 2 and 3 of 5). Total revenue requirements are incorporated along with the projected electric volumes (Revised Appendix D, page 4 of 5) in the calculation of the Residential DSM Rider.

The Company's proposed Revised 2006 DSM Riders, shown as Revised Appendices E and F, replace the current DSM Riders, which were implemented in the first billing cycle of March, 2005. The electric DSM rider, proposed to be effective with the first billing cycle in January 2006, is applicable to service provided under ULH&P's electric service tariffs as follows:

Residential Electric Service provided under:

Rate RS, Residential Service, Sheet No. 30

Non-Residential Electric Service provided under:

Rate DS, Service at Secondary Distribution Voltage, Sheet No. 40

Rate DT, Time-of-Day Rate for Service at Distribution Voltage, Sheet No. 41

Rate EH, Optional Rate for Electric Space Heating, Sheet No. 42

Rate SP, Seasonal Sports, Sheet No. 43

Rate GS-FL, Optional Unmetered General Service Rate for Small Fixed Loads, Sheet No. 44

Rate DP, Service at Primary Distribution Voltage, Sheet No. 45

Rate RTP-M, Real Time Pricing – Market-Based Pricing, Sheet No. 59

Rate RTP, Experimental Real Time Pricing Program, Sheet No. 99

The gas DSM rider is applicable to service provided under the following residential gas service tariff:

Rate RS, Residential Service, Sheet No. 30

ULH&P respectfully requests that, if the Commission cannot issue an Order within the time-frame sought in this filing, the Company be permitted to continue the current set of DSM programs and to collect revenues under the existing DSM Riders until the effective date of new tariffs issued under the Commission's Order in this filing.

Calculation of the Residential Charge

The proposed residential charge per kWh for 2006 was calculated by dividing the sum of: 1) the reconciliation amount calculated in Revised Appendix D, page 1 of 5, and 2) the DSM Revenue Requirement associated with the DSM programs projected for calendar year 2006, by the projected sales for calendar year 2006. DSM Program Costs for 2006 include the total implementation costs plus program rebates, lost revenues, and shared savings. The calculations in support of the residential recovery mechanism are provided in Revised Appendix D, page 5 of 5.

Calculation of the Non-Residential Charge

The proposed non-residential charge per kWh for 2006 was calculated by dividing the sum of: 1) the reconciliation amount calculated in Revised Appendix D, page 1 of 5, and 2) the DSM Revenue Requirement associated with the DSM program projected for calendar year 2006, by the projected sales for calendar year 2006. DSM Program Cost for 2006 includes the total implementation costs plus program rebates, lost revenues and shared savings.

Allocation of the DSM Revenue Requirement

As required by KRS 278.285 (3), the DSM Cost Recovery Mechanism attributes the costs to be recovered to the respective class that benefits from the programs. The amounts associated with the reconciliation of the Rider are similarly allocated as demonstrated in Revised Appendix D, page 2 of 5. The costs for the Power Manager program are fully allocated to the residential electric class, since this is the class directly benefiting from the implementation of the program. As required, qualifying industrial customers are permitted to "opt-out" of participation in, and payment for, the DSM programs. In fact, all of ULH&P's Rate TT customers met the "opt-out" requirements prior to the implementation of the DSM Riders in May 1996, and are not subject to the DSM Cost Recovery Mechanism.

WHEREFORE, ULH&P respectfully requests that the Commission approve the DSM programs and revised rider charges as requested herein.

Respectfully submitted,

THE UNION LIGHT, HEAT AND POWER COMPANY

By: ______________________

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served on the following via ordinary United States mail, postage prepaid, this 22nd day of December, 2005:

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