

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF LOUISVILLE GAS)
AND ELECTRIC COMPANY MODIFYING GAS) CASE NO. 9697
SERVICE RESTRICTIONS)

O R D E R

On September 24, 1986, Louisville Gas and Electric Company ("LG&E") filed a request for exemption from a certain requirement contained in the Commission Order of October 11, 1979 (Case No. 7586). In that proceeding LG&E filed a proposal with the Commission to modify gas service restrictions and end the moratorium on new connections to single family structures and commercial and industrial customers under specified connection and load conditions. In its Order the Commission conditioned tariff approval by stipulating that LG&E shall require buildings constructed after the implementation of the tariff to meet those energy conservation practices established by the Building Officials and Code Administrators ("BOCA") and set out in the Basic Energy Conservation Code ("BOCA Code").

On November 5, 1986, an Order was issued requesting additional information from LG&E. The decision of the Commission is based upon the information provided in LG&E's request for exemption, the additional information supplied in response to the

Commission's information request, and information available in the Commission's office.

BACKGROUND

LG&E bases its request for exemption on four principal assertions. First, the Kentucky Building Code now contains energy conservation requirements recommended by BOCA for new structures. Second, LG&E is of the opinion that adequate economic incentives currently exist, and will likely continue to exist, to encourage builders to thermally protect buildings to meet the BOCA Code. Third, LG&E states that it shares the Commission's commitment to conservation that prompted the requirement to comply with BOCA standards. In this regard LG&E states that it conducts programs, produces consumer education advertisements, and participates in projects which promote energy conservation. Fourth, LG&E believes that the requirement to obtain certification of compliance with the BOCA Code is costly and administratively burdensome, and no longer necessary to achieve the results initially sought by the Commission.

In its response to the Commission's request for information, LG&E provided additional support for these assertions. While the Commonwealth of Kentucky has adopted the Council of American Building Officials Model Energy Code as recommended by BOCA, single family structures are exempt from the Kentucky Building Code. However, many of the cities and counties in which LG&E provides service have passed ordinances which extend the scope of the Kentucky Building Code to include most single family

structures. Based upon Exhibit "A" of LG&E's response, over 96 percent of its customers live in cities or counties which have passed such ordinances, including Louisville and Jefferson County where 91 percent of LG&E's customers reside.

Exhibit "B" of LG&E's response has information from the Home Builders Association of Louisville which states that builders use energy efficiency as a marketing tool, and cite lower utility bills as one advantage in buying an energy efficient home over an existing home. It is further stated that "All single family homes in our market area far exceed the minimum standards contained in the Kentucky Energy Code." Exhibits "C" and "D" include documents which demonstrate LG&E's various activities with regard to promoting energy conservation in newspapers and the electronic media and distributing related literature to its customers. Information is also included which describes LG&E's role in Project Warm, whereby LG&E provides funding for materials used by a local community group to weatherize homes of low-income families.

Regarding the extent to which the requirement to obtain certification of compliance with the BOCA Code is administratively burdensome, LG&E states that \$5,000 to \$10,000 per year has been expended to administer this requirement and that the costs have more than doubled over the past 5 years. Applications for gas service have increased from 981 in 1981 to 2,022 in 1985. In addition, this requirement adds three to four days to the processing of a gas service application compared to an electric service. LG&E further states that in a recent management audit

conducted by Commission staff LG&E was encouraged to expand its marketing activities. However, LG&E points out that the process of handling gas applications and the associated forms to assure compliance takes time and attention away from marketing personnel. (Market Services personnel prepare the gas applications due to the necessity of completing the compliance forms.)

FINDINGS AND ORDERS

After reviewing the record and being advised, the Commission is of the opinion and hereby finds that:

1. Since the implementation of its approved tariff to modify certain gas service restrictions in 1979, LG&E has required all buildings covered by this requirement to meet those energy conservation standards set out in the BOCA Code.

2. LG&E has complied with all aspects of this provision by requiring such an applicant for gas service to sign a statement which certifies that the structure complies with the BOCA Code.

3. The Commonwealth of Kentucky has adopted the Council of American Building Officials Model Energy Code into the Kentucky Building Code as recommended by BOCA.

4. While the Kentucky Building Code exempts single family structures, many of the cities and counties in which LG&E's customers are served have passed ordinances which extend the scope of the Kentucky Building Code to include most single family structures. This includes Louisville and Jefferson County where over 91 percent of LG&E's customers reside.

5. In addition to the requirements of the Kentucky Building Code and the ordinances passed by certain cities and counties

extending the scope of the Kentucky Building Code, additional incentives appear to exist to encourage most builders to meet or exceed the minimum requirements for energy conservation.

6. LG&E continues to promote energy conservation to its customers through newspaper, telephone, and radio advertisements, distributing related information directly to its customers and participating in energy conservation projects.

7. Based upon these circumstances, obtaining certification of compliance with the BOCA Code is unnecessary to achieve the desired results as stated in the Order issued in Case No. 7586 on October 11, 1979.

IT IS THEREFORE ORDERED that:

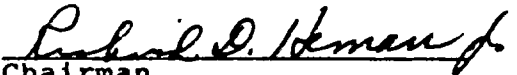
1. LG&E shall not be required to obtain a certificate from applicants for gas service that their buildings comply with the energy conservation standards set out in the BOCA Code.

2. LG&E may be required to file with the Commission a request to reinstitute the compliance requirement if the scope of the Kentucky Building Code is narrowed, or if the energy conservation standards in the Kentucky Building Code are lowered or eliminated.

3. LG&E may be required to file with the Commission a request to reinstitute the compliance requirement if any of the cities or counties in which LG&E provides gas service, which have passed ordinances extending the scope of the Kentucky Building Code, revise their ordinances to exclude single family structures now covered.

Done at Frankfort, Kentucky, this 15th day of December, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director