

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN APPLICATION OF THE UNION LIGHT,)
HEAT AND POWER COMPANY FOR AUTHORITY) CASE NO.
TO DEVIATE FROM COMMISSION REGULATION) 10136
807 KAR 5:022, SECTION 9(17)(a)(2))

O R D E R

On January 18, 1988, The Union Light, Heat and Power Company ("ULH&P") filed an application with the Commission requesting authority to modify its existing gas service regulations. The proposed modifications would permit ULH&P to install gas service pipe from the point of delivery to the inlet of the meter connection at no charge to prospective customers whose premises are currently heated through consumption of a nonregulated energy source.

The intent of ULH&P's proposed program is to offer an incentive to prospective customers who utilize nonregulated sources of energy to convert to natural gas space heat. The program would not apply to any other prospective gas customers.

ULH&P placed this program into effect in Kentucky in January 1987. On August 19, 1987, the Commission Staff was informed about this program through a customer complaint. The Commission Staff informed ULH&P that such a program would be in violation of 807 KAR 5:006, Section 5, which prohibits the utility from adopting such a program without the approval of the Commission and that 807

KAR 5:022, Section 9(17)(a)(2), places the responsibility of the installation of service lines upon the customers. ULH&P placed the program in abeyance on August 19, 1987.

The ULH&P program provides for the extension of free service lines to a certain class of customers who are heating their premises with nonregulated energy sources and who agree to install gas heating systems. The intent is to increase the number of gas customers by allowing the fixed cost of service line installation to be spread over a larger number of customers. However, since only a segment of customers would have the privilege of benefiting from the program, this establishes undue preference to a small group of customers and is in violation of KRS 278.030 and KRS 278.170.

The Commission, after reviewing the record in this case and being advised, is of the opinion and finds that:

1. ULH&P requests the adoption of an incentive program to extend its exclusive services by installing gas service lines at no cost to prospective customers who are not currently using a regulated energy source for heating their premises.

2. The proposed program by ULH&P is in violation of 807 KAR 5:022, Section 9(17)(a)(2) which states:

The customer shall furnish and lay the necessary pipe to make the connection from the curb stop to the place of consumption and keep the service line in good repair and in accordance with such reasonable requirements of the utility and/or the Commission as may be incorporated in their rules and regulations.

3. The intention of ULH&P is to extend its services of gas heating to prospective customers currently using nonregulated fuel

by spreading the cost of the installation of service line, which was estimated by ULH&P to be approximately \$450/customer, over all the customers of the utility, resulting in free installation for eligible applicants. ULH&P estimated the annual rate impact per customer resulting from this program to be \$0.24.

4. The program is not applicable to all new applicants for gas service or to new premises. Since this program is only applicable to a limited number of prospective gas customers, it is considered to be unreasonable preference to applicants who utilize nonregulated fuel and is in violation of KRS 278.030 and KRS 278.170.

IT IS THEREFORE ORDERED that:

1. ULH&P be and it hereby is denied authority to deviate from Public Service Commission Regulation 807 KAR 5:022, Section 9(17)(a)(2) and shall not adopt the program of free installation of service line to the applicants using nonregulated energy sources for heating their premises.

2. ULH&P shall perform services in accordance with Commission regulation 807 KAR 5:022, Section 9(17)(a)(2), in the installation of service lines to new customers irrespective of the type of energy source the applicant utilizes.

3. ULH&P shall perform its services in accordance with KRS 278.030 and KRS 278.170.

Done at Frankfort, Kentucky, this 24th day of May, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Wemmer
Chairman

Robert M. Lewis
Vice Chairman

Gene W. Williams
Commissioner

ATTEST:

Executive Director