

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

A JOINT APPLICATION FOR THE APPROVAL OF)
DEMAND-SIDE MANAGEMENT PROGRAMS, A DSM)
COST RECOVERY MECHANISM, AND A CONTINUING) CASE NO. 93-150
COLLABORATIVE PROCESS ON DSM FOR)
LOUISVILLE GAS AND ELECTRIC COMPANY)

O R D E R

On April 21, 1993, Louisville Gas and Electric Company ("LG&E"), the Attorney General, Jefferson County, Metro Human Needs Alliance, People Organized and Working for Energy Reform, Anna Shed, Kentucky Industrial Utility Customers, Louisville Resources Conservation Council, and the Louisville and Jefferson County Community Action Agency (collectively, "Joint Applicants") tendered for filing a joint application for Commission approval of a document entitled Principles of Agreement ("Agreement") entered into by the Joint Applicants, and all other documents and tariffs necessary for the implementation of the Agreement.

The Agreement contains the basic structure and procedures for an experimental collaborative process to implement, monitor and administer demand-side management ("DSM") programs for LG&E's electric and natural gas customers. The Agreement also sets forth the guidelines under which LG&E would be allowed to recover administrative and program costs for DSM programs that have been approved by the collaborative process, revenues from sales lost due to implemented DSM programs, and a shareholder incentive. The Agreement further allows for an in-depth analysis and review of the

operation of the Agreement by the Commission either in LG&E's next rate case or at the end of the three year experimental period, whichever comes first.

The Commission is impressed with the extraordinarily broad spectrum of individuals who entered into this Agreement. We are convinced that the Agreement is the product of many long and arduous hours of give and take, debate and probably strong argument, by a great number of people.

Throughout the course of its investigation into the merits of the Agreement, the Commission has developed misgivings and concerns about certain aspects of the Agreement. Although flaws exist now and others are likely to appear later, we are confident that the Agreement has built in sufficient flexibility to eliminate those flaws and address our concerns during and at the end of this three year experiment.

The Commission, being otherwise sufficiently advised, hereby finds that the joint application to implement on a three year experimental basis DSM programs, a cost recovery mechanism, and shareholder incentives should be approved. This decision is not intended to establish a precedent for LG&E or any other utility contemplating the implementation of DSM programs. The Commission remains committed to the principle that jurisdictional utility rates be at their lowest reasonable level consistent with the delivery of adequate and efficient service. To this end, we expect future DSM programs to be screened by cost/benefit tests.

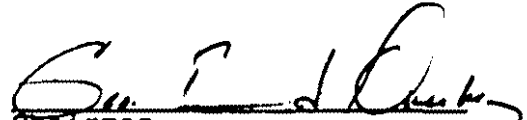
IT IS THEREFORE ORDERED that:

1. The joint application, including the Principles of Agreement and related documents and tariffs, be and hereby are approved on a three year experimental basis.

2. Within 20 days from the date of this Order, LG&E shall file with the Commission its tariff sheets implementing the Principles of Agreement approved herein. The effective date of the tariffs shall be the date of this Order.

Done at Frankfort, Kentucky, this 12th day of November, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director