

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION FOR THE APPROVAL OF)
DEMAND-SIDE MANAGEMENT PROGRAMS, A DSM)
COST RECOVERY MECHANISM, AND A CONTINUING) CASE 93-150
COLLABORATIVE PROCESS ON DSM FOR)
LOUISVILLE GAS AND ELECTRIC COMPANY)

O R D E R

On September 26, 1996, Louisville Gas and Electric Company ("LG&E"), the Office of the Attorney General; Jefferson County, Kentucky; Metro Human Needs Alliance; People Organized and Working for Energy Reform; Louisville Resource Conservation Council; Kentucky Industrial Utility Customers; and Louisville/Jefferson County Community Action Agencies, collectively the members of the Louisville Gas and Electric Company Demand-Side Management ("DSM") Collaborative (the "Collaborative") filed a request for extensions of time from November 1, 1996 to February 15, 1997 to file the three-year review of its three initial DSM programs, and from November 1, 1996 to a date to be set in the spring of 1997 for all other filings, including the joint comments and recommendations that will make up the Collaborative's own three-year evaluation of its operations.

In support of this request the Collaborative states that the program evaluations for two of the three initial programs require that certain customer-specific information be

obtained from LG&E's CIS-II customer information database. LG&E has determined that the system within the CIS-II database which must be used to obtain the data contains defects which have compromised the integrity of the data that the system will produce. LG&E is in the process of correcting the defects within the system but will be unable to complete the work in time to permit the program evaluations of the affected programs to be completed by the scheduled November 1, 1996 filing date. LG&E estimates that the program evaluations cannot be completed and prepared for filing with the Commission prior to February 15, 1997.

The Collaborative also states that the Commission's decision to conduct a management audit of the DSM programs and the Collaborative's operations has made the previously established November 1, 1996 filing date less crucial for the three-year review. The Collaborative further states that having the recommendations of the Commission's management audit available for review will assist it in completing its own review of the Collaborative's operation and effectiveness over its three-year existence. With the management audit report tentatively due on March 7, 1997, the Collaborative requests that its own report, comments, and recommendations be filed in the spring of 1997, with the specific date determined on or about the time the management audit report is filed.

The Commission, having considered the Collaborative's request for a three and one-half month extension to file program evaluations, finds the request troublesome because it was filed barely one month before the due date while the Collaborative has

had nearly three full years to prepare for this filing.¹ The discovery at this late date of a database problem resulting in a three and one-half month delay raises additional concerns about the Collaborative's administrative abilities. However, given the problems with LG&E's customer information database, there is no alternative but to grant the extension.² The Commission does not expect this extension to have a significant impact on the management auditor's ability to prepare his final report in a timely manner.

The Commission further finds that the Collaborative has not sufficiently justified its request for an extension to file its own report, comments, or recommendations on its first three years of operation. When the Commission decided to conduct a management audit of the Collaborative's operations, the expectation was that the Collaborative's report, which would initiate the three-year review proceeding, would be filed by November 1, 1996.³ The Commission expects its management auditor to conduct an independent evaluation of the initial programs and the Collaborative's operations and to have the auditor's report completed sometime during the first quarter of 1997.

¹ A three-year review was proposed by the Collaborative in its initial application and approved by the Commission's Order dated November 12, 1993. Designating November 1, 1996 as the filing date to initiate the three-year review was proposed in the Collaborative's filing of December 1, 1995 and approved by the Commission's Order dated June 24, 1996.

² The Commission notes that February 15, 1997 falls on a Saturday. Therefore, the extension will be granted to February 18, 1997, the first working day after the three-day, Presidents' Day weekend.

³ Based on the Collaborative's statement that it had selected an outside consultant to review the Residential Energy Education and Conservation Program, the Commission now also expects to review any reports prepared by the Collaborative or its consultants.

It appears reasonable and appropriate for the Collaborative's joint report, comments, and recommendations to be delayed until the Collaborative's program evaluations have been prepared. However, we are not persuaded to grant a delay to an unspecified future date in the spring of 1997 for the Collaborative to review the management audit's recommendations prior to completing its own review of its first three years of operation. The Commission expects the Collaborative to be capable of preparing a thorough, competent report on its first three years of operation and its three initial DSM programs without having to rely on the Commission's audit report.

It is clear from the June 24, 1996 Order that the purpose of the management audit is to assist the Commission in its review of the operations of the Collaborative "to ensure that the DSM programs which have been approved are being effectively administered and that ratepayers are receiving full value from the Collaborative's DSM expenditures." While it is hoped that the management audit will produce recommendations that LG&E, the Collaborative, and the Commission will find useful, it was never intended that the audit be performed to assist the Collaborative in making its own review of its operations.⁴ In addition, extending the Collaborative's filing to an indefinite date in the spring of 1997 will needlessly delay the completion of the three-year review proceeding.

⁴ There is no need for the Collaborative's report to address, respond to, or adopt any of the recommendations from the management audit report. The Collaborative will have ample opportunity to comment on the audit report throughout the upcoming three-year review proceeding.

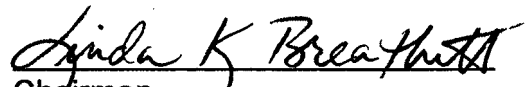
Therefore, the Collaborative's report, comments, etc. on the first three years of its operation should be filed by February 18, 1997, at the same time as the filing of the Collaborative's program evaluations of its three initial DSM programs.


IT IS THEREFORE ORDERED that:


1. The Collaborative's request to extend the time for filing the program evaluations for its three initial DSM programs until February 18, 1997 is approved.
2. The Collaborative's request to extend the time for filing its joint report, comments, and recommendations on its first three years of operation until an unspecified date in the spring of 1997 is denied. The joint report, comments, and recommendations shall be filed no later than February 18, 1997.

Done at Frankfort, Kentucky, this 25th day of October, 1996.

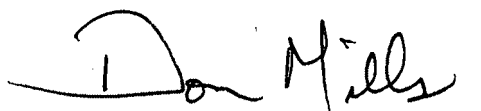
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Executive Director