

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION PURSUANT TO 1994)
HOUSE BILL NO. 501 FOR THE APPROVAL OF)
THE PRINCIPLES OF AGREEMENT, DEMAND SIDE)
MANAGEMENT, THE UNION LIGHT, HEAT AND)
POWER COMPANY, AND FOR AUTHORITY FOR) CASE NO. 95-312
THE UNION LIGHT, HEAT AND POWER COMPANY)
TO IMPLEMENT VARIOUS TARIFFS TO RECOVER)
COSTS, LOST REVENUES AND RECEIVE)
INCENTIVES ASSOCIATED WITH DEMAND SIDE)
MANAGEMENT PROGRAMS)

O R D E R

On October 31, 1997, The Union Light, Heat and Power Company ("ULH&P") and the members of ULH&P's Demand-Side Management Collaborative ("Collaborative") (collectively named "Joint Applicants") filed a joint application for the adjustment of the 1998 demand-side management ("DSM") cost recovery mechanism and amendments to ULH&P's gas and electric DSM tariff sheets. The Joint Applicants seek approval of: 1) new gas and electric DSM rates to be effective January 1998; 2) a new residential construction and renovation program; and 3) the use of checks, rather than bill credits, to make refunds to two Rate TT customers.

In support of the application, the Joint Applicants provided 1) actual program and administrative costs, lost revenues, and shareholder incentives for each DSM program through 1996, 2) projected program and administrative costs, lost revenues, and shareholder incentives for calendar year 1998, 3) a summary of DSM activity of the Commission-approved DSM programs and a description of the proposed residential new construction/renovation program, 4) a reconciliation of actual versus projected costs and

revenues for the period, 5) the calculation of the residential electric decoupling mechanism, and 6) the proposed adjustment for each class. In addition, the Joint Applicants filed an annual progress report on a study required by the Commission to compare electricity and gas usage patterns of DSM program participants with those of non-participants.

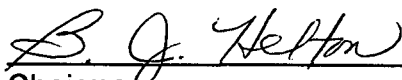
Based upon its review of the detailed information provided by the Joint Applicants, the Commission finds that the new gas and electric DSM rates to be applied to customer bills beginning with the January 1998 revenue month and the new residential construction and renovation program are reasonable and should be approved. Furthermore, the Commission finds that ULH&P should be authorized to make refunds to two Rate TT customers by check instead of bill credit.

IT IS THEREFORE ORDERED that:

1. ULH&P's 1998 Rider DSM for gas customers, 1998 Rider DSM for electric customers, and residential new construction/renovation program are approved.
2. ULH&P is authorized to make refunds to two Rate TT customers by check instead of bill credit.
3. Within 30 days of the date of this Order, ULH&P shall file its new DSM tariff schedules.

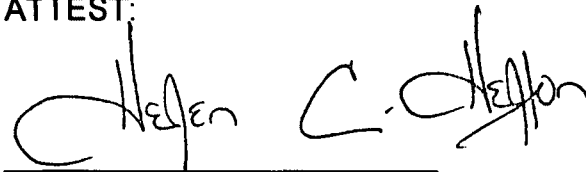
Done at Frankfort, Kentucky, this 23rd day of December, 1997.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner