

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE UNION LIGHT, HEAT)
AND POWER COMPANY FOR APPROVAL OF ITS) CASE NO. 2002-00267
PROPOSED RIDER GP, GREEN POWER RIDER)

O R D E R

On June 10, 2002, The Union Light, Heat and Power Company (ULH&P) filed a proposal to implement a pilot green power tariff, designated as Rider GP. By Order dated July 10, 2002, the Commission established this docket in order to more thoroughly investigate ULH&P s proposal. There are no intervenors and ULH&P responded to one data request from Commission Staff. The record is now complete and the matter stands submitted for decision.

BACKGROUND

Under ULH&P s proposed tariff rider, customers will have the option to contribute to a green power fund to permit ULH&P to purchase or develop green power energy sources. Green power is defined (by ULH&P) as energy generated from environmentally friendly sources including: hydroelectric generation, photovoltaic generation, solar thermal generation, wind generation, biomass generation, and methane recovery. Customers who elect to participate will enter into written service agreements with ULH&P for a minimum term of 1 year that will specify the monthly amount to be contributed. For an individual customer, the minimum monthly voluntary contribution will be one dollar.

After 3 years, if customer contributions have not been sufficient to permit ULH&P to develop or purchase green power energy sources, the contributions will be refunded to participating customers with 6 percent annualized interest. ULH&P intends to file semi-annual reports with the Commission showing the contributions and expenditures made during the preceding 6-month period.

DISCUSSION

ULH&P's green power proposal is significantly different from the green power program already offered by East Kentucky Power Cooperative, Inc. (East Kentucky), a wholesale provider of generation and transmission service to 17 distribution cooperatives.¹ East Kentucky's green power program is based on its cost to actually purchase green power and its tariff includes an adder or premium to be charged to customers who elect to pay for green power. ULH&P's green power tariff is not based on a specific source of green power because its current billing system is unable to bill a green power premium to customers. ULH&P indicated that it was in the process of making significant upgrades to its billing system and that, by June 2003, it should be able to bill customers a premium for specific green power purchases, similar to East Kentucky's program. Upon completion of its billing system upgrades, ULH&P intends to revisit its green power tariff design.

The Commission finds that a green power program that actually procures green power and passes the costs on to participating customers is preferable to ULH&P's proposal. However, in recognition of ULH&P's current billing limitations, and the fact

¹ The Commission accepted East Kentucky's wholesale green power tariff effective October 1, 2001, and two of its member distribution cooperatives have since filed retail green power tariffs.

that these limitations should be eliminated in less than 1 year, the Commission will approve ULH&P's tariff on a 3-year pilot basis with the requirement that a redesigned program be filed within 1 year. Further, the Commission finds that no customer contributions should be spent on the development of green power sources since development costs are more properly capitalized and recovered over the life of these sources. Customer contributions should only be expended for green power energy that is actually acquired and consumed on ULH&P's system.

Filings Requirements

The Commission intends to actively monitor the progress of this green power program during the 3-year pilot. To facilitate this monitoring, we will require ULH&P to file semi-annual reports which include the number of participants, the amounts of both the contributions and expenditures associated with Rider GP,² and any other information that ULH&P determines to be relevant. Upon redesign of the program, the first report should include the information identified herein for the 6 months ended March 31, 2003 and each subsequent report should cover successive 6-month periods.

SUMMARY

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that ULH&P's proposed green power tariff, Rider GP, should be approved as a pilot for a period of 3 years beginning October 1, 2002, subject to a redesigned program being filed within 1 year as discussed herein.

² If the tariff rider is redesigned in the future, these filing requirements may change.

IT IS THEREFORE ORDERED that:

1. The proposed green power pilot tariff rider, Rider GP, as modified herein to only allow customer contributions for green power energy actually acquired, is approved for a period of 3 years beginning October 1, 2002, subject to a redesigned program being filed within 1 year of the date of this Order.

2. ULH&P shall file semi-annually an original and 5 copies of the information previously identified in this Order. The 6-month filings shall be submitted, alternately, no later than June 1 and December 1 during the next 3 calendar years with the first filing due June 1, 2003.

3. ULH&P shall file its revised Rider GP, with an effective date of October 1, 2002, that reflects the change required by ordering paragraph 1, with this Commission within 20 days from the date of this Order.

Done at Frankfort, Kentucky, this 30th day of September, 2002.

By the Commission

ATTEST:


Executive Director