

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE ANNUAL COST RECOVERY FILING FOR |) | |
| DEMAND-SIDE MANAGEMENT BY THE UNION |) | CASE NO. 2002-00358 |
| LIGHT, HEAT AND POWER COMPANY |) | |

O R D E R

This matter comes before the Commission as a result of the September 27, 2002 filing by The Union Light, Heat and Power Company (ULH&P) and the Northern Kentucky Community Action Commission (CAC) on behalf of ULH&P s Demand-Side Management Collaborative (Collaborative). The filing includes summary reports on each of ULH&P s existing Demand-Side Management (DSM) programs and revised DSM electric and gas tariffs. The filing seeks recovery of costs associated with the development and implementation of ULH&P s revised low-income home energy assistance program, the Energy Education and Bill Assistance Program. The filing also seeks Commission approval for continuation, expansion and cost recovery of the Residential Conservation and Energy Education, Residential Home Energy House Call, and Residential Comprehensive Energy Education programs for a 3-year period, through December 31, 2005. In addition, the filing seeks approval of the termination of the Residential New Construction/Renovation program. The current programs are approved through the end of 2002. If the Commission is delayed in making its determination until December 31, 2002, or later, the filing seeks approval to continue the existing programs and recovery of their costs until new tariffs are implemented pursuant to a Commission Order.

The summary reports on the existing programs include, among other things, estimated energy savings or penetration rates for the programs since their inception in 1997, projected program costs for 2003, discussion to support the termination of the Residential New Construction/Renovation program and the proposed revisions to the low income home energy assistance program. Those revisions include continuing the program as a pilot for the next two heating seasons and increasing the annual funding for the program from \$50,000 to \$75,000, with ratepayers continuing to fund 100 percent of the program's cost. Also included in the report are descriptions of other program changes implemented in 2002 and changes that the Collaborative has agreed to implement in 2003.

The revised DSM tariffs reflect increased DSM charges for residential gas customers and an increase for residential electric customers. Non-residential gas customers' DSM charges are unchanged, while the DSM charges for non-residential electric customers are increased. The DSM charge for residential gas customers will be (0.23583) cents per Ccf, while the charge for residential electric customers will be 0.0185 cents per kWh. The DSM non-residential gas charge will remain at 0.00 cents per Ccf, while the non-residential electric charge will be 0.0286 cents per kWh for distribution service and 0.00 cents per kWh for transmission service.

There were no intervenors in this proceeding. The application was submitted by ULH&P and CAC on behalf of ULH&P's DSM Collaborative, which also includes the Kentucky Attorney General, People Working Cooperatively, League of Women Voters, Brighton Center, Northern Kentucky Legal Aid, Kentucky Need Project, Home Builders Association of Northern Kentucky, Campbell County Fiscal Court, United Way, Boone

County Fiscal Court, and the Kentucky Division of Energy. On October 25, 2002, the Commission Staff issued a data request to ULH&P to address ratepayer funding issues for the low-income home energy assistance program, support for increased program costs, and further documentation and calculations used in the cost-effectiveness tests of the programs. ULH&P filed its response to the data request on November 8, 2002.

The summary report and the responses to the Commission Staff's data request provide the necessary information on the progress and status of the existing programs. Based on the summary reports and the responses to the data request, the Commission concludes that it is reasonable to continue the programs for an additional 3-year period, through December 31, 2005.¹

As referenced in previous Orders, any proposal to expand the pilot low-income home energy assistance program approved for this past winter would have to examine the issue of ratepayer funding for the program and determine an appropriate cost-recovery mechanism, if necessary. In this instance, due to the fact that the increase in funding is relatively small, \$25,000 per year, we find that requiring ratepayers to continue to supply 100 percent of the funds for the program is reasonable, and should be approved.

SUMMARY

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

¹ ULH&P's next annual DSM filing will be due to be filed with the Commission no later than September 30, 2003.

1. ULH&P has kept the Commission informed of the progress and status of its DSM programs by including the summary reports of each program in its application.

2. ULH&P's proposed continuation and expansion of existing DSM programs is reasonable and should be approved.

3. The proposed termination of the Residential New Construction/Renovation program is reasonable and should be approved.

4. ULH&P's new DSM charges are reasonable as they reflect the expected level of DSM costs for 2003 and the true-up of prior period DSM costs and revenues.

5. The revised low-income home energy assistance program as proposed is reasonable and should be approved as a pilot through May 31, 2004.

6. Any future proposal to implement an energy assistance program involving a more substantial funding level should address the issues set forth under Future Issues Energy Assistance Programs in the Commission's Order in Case No. 2001-00309,² dated December 28, 2001.

IT IS THEREFORE ORDERED that:

1. ULH&P's proposal to continue and expand its existing DSM programs, with the exception of the Residential New Construction/Renovation program, is approved.

2. The Residential New Construction/Renovation program shall be terminated as set forth in the application.

² Case No. 2001-00309, The Annual Cost Recovery Filing for Demand-Side Management Costs by The Union Light, Heat and Power Company.

3. The revised DSM charges proposed by ULH&P for residential and non-residential gas and electric customers are approved.

4. The effective date of the new DSM tariffs shall be January 1, 2003.

5. ULH&P's revised low-income home energy assistance program is approved on a pilot basis as set out in the application.

6. Within 20 days of the date of this Order, ULH&P shall file with this Commission its revised DSM tariffs showing the date of issue and that they were issued by authority of this Order.

Done at Frankfort, Kentucky, this 17th day of December, 2002.

By the Commission

ATTEST:


Executive Director