

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE UNION LIGHT, HEAT)	
AND POWER COMPANY FOR A CERTIFICATE)	
OF PUBLIC CONVENIENCE AND NECESSITY)	CASE NO. 2002-00407
TO CONSTRUCT GAS DISTRIBUTION FACILITIES)	
WITHIN ITS SERVICE TERRITORY)	

O R D E R

On November 14, 2002, The Union Light, Heat and Power Company (ULH&P) filed an application with the Commission requesting a Certificate of Public Convenience and Necessity (CPCN) to replace approximately 24 miles of cast iron and bare steel mains, main-to-curb services, and curb-to-meter services. Since its proposal was based largely on estimates, ULH&P amended its application on March 18, 2003 to reflect more accurate replacement footages.

The majority of ULH&P s proposed construction is divided into modules located within a particular community, with each module consisting of approximately 2 to 5 miles of cast iron and bare steel pipe. In addition, ULH&P requests approval to replace certain cast iron and bare steel mains outside the module work. It identified these additional mains in its application as those chosen for replacement under its cast iron maintenance optimization system (CIMOS) and bare steel maintenance optimization system (BSMOS)¹ and as those involved in road improvement projects. ULH&P estimates that the cost of the proposed construction work for 2003 will total

¹ CIMOS and BSMOS are grading systems that ULH&P uses to prioritize its cast iron and bare steel gas main replacements.

\$14,155,861. ULH&P states that, as in the 2002 construction plan, there are contingencies that may arise, such as field conditions, road resurfacing projects, and leaks, that may require additional work and expenditures. Therefore, ULH&P requests that the Commission permit it to deviate from the proposed construction in an amount not to exceed 20 percent of the total projected expenditure of \$14,155,861 to address such contingencies.

ULH&P has provided construction maps showing the location and route of the construction work. It states that all module work for 2003 was competitively bid, and it has provided the Commission with the names of the construction contractors who were awarded the contracts and who will perform the work.

ULH&P states that it plans to finance the construction through revenues to be derived from Rider AMRP and debt as necessary.

After reviewing the record and being otherwise sufficiently advised, the Commission finds that ULH&P's request for a CPCN for the construction proposed herein should be approved. The Commission further finds that ULH&P should be permitted to deviate from the proposed construction to address the contingencies discussed above in an amount not to exceed 20 percent of the total construction costs of \$14,155,861. ULH&P should provide the actual costs of the construction through the end of year 2003 in its fourth quarter report.

IT IS THEREFORE ORDERED that:

1. ULH&P is granted a CPCN for the construction projects set forth in the plans and specifications of record herein.

2. ULH&P is permitted to deviate from the construction to address unforeseen contingencies in an amount not to exceed 20 percent of the total projected costs of \$14,155,861.

3. ULH&P shall file with the Commission the actual costs of the construction performed in 2003 in its fourth quarter progress report.

Done at Frankfort, Kentucky, this 4th day of June, 2003.

By the Commission

ATTEST:


Executive Director