

The Union Light, Heat and Power Company
107 Brent Spence Square
Covington, Kentucky 41011

Ky.P.S.C. Electric No. 4
Sheet No. 78.3
Cancels and Supersedes
Sheet No. 78.2
Page 1 of 1

RIDER DSMR
DEMAND SIDE MANAGEMENT RATE

The Demand Side Management Rate (DSMR) shall be determined in accordance with the provisions of Rider DSM, Demand Side Management Cost Recovery Rider, Sheet No. 75 of this Tariff.

The DSMR to be applied to residential customer bills beginning with the January 1999 revenue month is 0.0659 cents per kilowatt-hour. (D)

The DSMR to be applied to non-residential service customer bills beginning with the January 1999 revenue month for distribution service is (0.0573) cents per kilowatt-hour, and 0.00000 cents per kilowatt-hour for transmission service. (I)



PUBLIC SERVICE COMMISSION
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JAN 04 1999

PURSUANT TO 207 KAR 6011,
SECTION 9 (1)

BY Stephen Bell
SECRETARY OF THE COMMISSION

Issued by authority of an Order by the Kentucky Public Service Commission, dated November 23, 1998 in Case No. 95-312.

Issued: December 7, 1998

Handwritten signature of E. R. Conley in blue ink.

Issued by E. R. Conley, President

Effective: January 4, 1999

EMERGENCY ELECTRIC PROCEDURES

(N)

APPLICABILITY

In the event of an energy emergency which necessitates curtailment of electric service, The Union Light, Heat and Power Company (ULH&P) may curtail electrical service to its customers in the manner set forth herein, either at its sole discretion, or under applicable policies, guidelines, directives or procedures issued by the East Central Area Reliability Council (ECAR), National Electric Reliability Council (NERC), the Midwest Independent Transmission System Operator, Inc. (Midwest ISO), or their successor organizations, or when required by the Kentucky Public Service Commission (Commission).

PROCEDURES

I. General Rules Applicable to Energy Emergency

Emergency electrical procedures may be necessary in the event of electric supply shortages, transmission constraints, or other emergency conditions in the assigned service area of ULH&P and/or outside the assigned service area of ULH&P.

An emergency means an anticipated or existing shortage in the supply of or constraint in the transmission or distribution of electrical energy, which cannot be avoided by market purchases of energy or transmission capacity and which has or may adversely affect the operation or reliability of generating or transmission and distribution facilities.

In the event of an emergency, ULH&P may take any remedial measure that it deems reasonably necessary to alleviate the emergency condition or that may be required either by the Commission or under applicable policies, guidelines, directives or procedures issued by ECAR (including the then current revision of ECAR Document No. 3, Emergency Operations), NERC, the Midwest ISO, or their successor organizations, or ULH&P's emergency plan. During an emergency, ULH&P will follow the procedures set forth herein with regard to essential customers as defined in section II, below. ULH&P will take the remedial measures to alleviate the emergency conditions as set forth in section III, below.

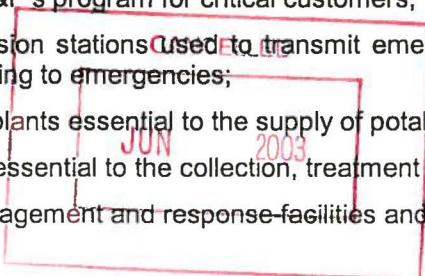
II. Essential Customers

Essential customers are defined as follows:

- (A) hospitals and emergency care facilities, which shall be limited to those facilities providing medical care and performing in-patient surgery on patients;
- (B) federal, Commonwealth and county prisons and detention institutions;
- (C) police and fire stations, Kentucky national guard facilities, military bases, and federal facilities essential to the national defense;
- (D) "critical customers," which means any customer or consumer on a medical or life support system for whom an interruption of service would be immediately life threatening and who is enrolled in ULH&P's program for critical customers;
- (E) radio and television stations used to transmit emergency messages and public information broadcasts relating to emergencies;
- (F) water pumping plants essential to the supply of potable water to a community;
- (G) sewage plants essential to the collection, treatment or disposal of a community's sewage;
- (H) emergency management and response facilities and the county-wide "911" system;

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J. Joseph Hale Jr.
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BY: *Stephan Belf*

II. **Essential Customers (Contd.)**

- (I) nursing homes;
- (J) central office telephone switching stations; and
- (K) blood banks.

ULH&P does not guarantee a continuous and uninterrupted flow of power to any customer. Power interruptions may occur due to many causes other than the emergency procedures set forth herein. Further, essential customers should expect that their power may be interrupted in the event of an emergency due to the nature of the emergency and the normal configuration of electric supply systems.

Essential customers are responsible for anticipating the possibility that power may be interrupted and for developing contingency plans if continuity of service is essential. Such contingency plans may include installing on-site backup generation, uninterruptible power supplies, other alternative power sources or evacuation to another location.

ULH&P will make reasonable efforts to maintain service to essential customers during an emergency and will attempt to minimize the time period of any interruption, when practical. ULH&P may, however, curtail power to essential customers during an emergency. ULH&P will attempt to identify essential customers and maintain a list of these customers for its load curtailment plans. ULH&P will verify and update this list annually and review its curtailment rotation schedules in an attempt to minimize the number of essential customers affected by curtailment.

Residential customers may request to participate in ULH&P's program for critical customers. Residential customers requesting to participate in this program must initially obtain a Medical Certificate from a licensed physician as to the need for and use of life support equipment in their household and must submit the certificate to ULH&P along with their request to enroll in the program.

Upon enrollment in the program, ULH&P will notify the customer in writing of the customer's options and responsibilities during an interruption, such as the need for backup generation, uninterruptible power supplies, other alternative power sources or evacuation to another location. ULH&P will also notify these customers that it cannot guarantee a continuous and uninterrupted flow of power. ULH&P will annually verify the customers' eligibility to continue to participate in the program.

Any non-residential customer may apply to be considered an essential customer, provided they must notify ULH&P in writing of this request and provide the specific reasons why they should be considered an essential customer. ULH&P will respond in writing within ten days of receipt of the request informing the customer whether, in ULH&P's sole discretion, they will be classified as a non-residential essential customer. Non-residential essential customers are also encouraged to develop contingency plans for use during an emergency, such as the need for backup generation, uninterruptible power supplies, other alternative power sources or evacuation to another location.

Essential customers should prepare to implement their contingency plans any time that ULH&P makes a public appeal for voluntary conservation, due to the possibility that ULH&P may experience an emergency during such time that ULH&P makes public appeals for voluntary conservation.

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BY: *Stephan O. Bell*
SECRETARY OF THE COMMISSION

II. Essential Customers (Contd.)

If ULH&P has adequate advance notice that an emergency may occur, then ULH&P will attempt to call critical customers to alert them of the possibility of a power interruption. Due to the frequently sudden onset of an emergency and the time necessary to contact all critical customers, ULH&P may not be able to contact critical customers in advance of an emergency.

III. Remedial Measures in the Event of Emergency

In case of an emergency, ULH&P will exercise the following series of load reduction measures to match the load with available generation. These measures are arranged in order of severity of the measures necessary to alleviate the emergency conditions presented. In the case of a sudden or unanticipated emergency, the urgency of the situation may require ULH&P to immediately implement the more severe measures.

Pricing Signals and Special Contracts

ULH&P offers a variety of pricing signals using approved tariffs and special contracts to encourage customers to reduce their load when generation is in short supply. Participating customers may elect to voluntarily reduce their demand based on the terms of these tariffs and contracts.

Internal Conservation

ULH&P will reduce its own energy consumption by instructing its employees to adjust thermostats, turn off lights and reduce other non-essential loads at ULH&P facilities.

Voltage Reduction

ULH&P may reduce voltages. However, ULH&P will not reduce voltage more than 5% below normal allowable ranges.

Public and Targeted Appeals for Voluntary Conservation

ULH&P will issue news releases to request customers to voluntarily conserve electricity, with suggestions on how to conserve. ULH&P will also contact large commercial and industrial customers (1000 kW or more) requesting them to conserve energy.

Depending on the nature of the emergency, ULH&P will issue additional news releases advising customers of a more critical need for voluntary conservation and also notifying customers that ULH&P may implement rotating blackouts if the emergency conditions are not alleviated. ULH&P will contact large commercial and industrial customers (1000 kW or more) requesting them to curtail all non-essential load.

Automatic Reserve Sharing

Automatic Reserve Sharing is a standard method for utilities to aid an adjoining, interconnected utility whose power reserves are low by transmitting power through the interconnection points to raise the reserves of the affected utility. In time of emergency, ULH&P may utilize Automatic Reserve Sharing.

Manual, Involuntary Load Curtailment

ULH&P may implement manual load curtailment, which is a controlled process of rotating customer outages during extreme emergencies. NERC policies may require manual curtailment when ULH&P experiences an emergency. NERC policies may also require manual curtailment when the reliability of the Eastern Interconnect is threatened by supply or transmission problems unrelated to conditions within ULH&P's transmission system.

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III. Remedial Measures in the Event of Emergency (Contd.)

Automatic Load Curtailment

ULH&P may implement automatic load curtailment, which is a process where under-frequency relays are used to shed load as soon as the relays detect problems based upon the system frequency. NERC policies may require automatic curtailment when ULH&P experiences an emergency or when the Eastern Interconnect is threatened by transmission system reliability problems unrelated to conditions affecting ULH&P's transmission system.

IV. Curtailment Procedures

Involuntary load curtailment is generally accomplished via remote control of circuits that feed large individual customers and/or general distribution loads. Most general distribution circuits supply many customers including one or more essential customers. ULH&P will analyze circuits for curtailment eligibility based upon the ability to perform curtailment via remote control and upon the type of load the circuits serve. ULH&P will attempt to limit the number of essential customers affected by involuntary load curtailments; however, given the number of circuits within ULH&P's system and the number of customers served by ULH&P, it is likely that ULH&P will interrupt power to some essential customers if involuntary load curtailment procedures become necessary to alleviate emergency conditions. ULH&P will adjust manual involuntary curtailment schedules and attempt to provide advance notification to essential customers if involuntary load curtailment occurs.

ULH&P will advise the Commission of the nature, time and duration of all implemented emergency conditions and procedures which affect normal service to customers.

ULH&P may initiate the following actions, as it deems appropriate, in the event of an emergency where curtailment is imminent or necessary.

- (A) If ULH&P is unable to balance its generation and interchange schedules to its load after using all available resources, ULH&P may, at its discretion, declare an emergency Commonwealth to the NERC/ECAR Security Coordinator.
- (B) ULH&P may enter into power purchases to the extent that generation resources are reasonably available and transmission loading will allow.
- (C) ULH&P may use any or all of the remedial measures in section III, above.
- (D) If the transmission system frequency is above 59.8 Hz and ULH&P cannot reasonably balance resources to load, then ULH&P may curtail firm load to balance resources to load.
- (E) If the transmission system frequency is at or below 59.8 Hz, then ULH&P may curtail firm load to balance resources to load.
- (F) If the transmission system frequency is at or below 59.7 Hz, then ULH&P may curtail firm load to assist in maintaining regional system integrity.

Automatic under-frequency load shedding may occur in the event of a sudden decline of the frequency on the ECAR System or a sudden breakup that isolates all or parts of the Kentucky transmission system from other interconnected transmission systems. The under-frequency load shed may occur according to the following schedule, with each step shedding approximately an additional five percent of load as compared to the system load:

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IV. Curtailment Procedures (Contd.)

<u>Step</u>	<u>Freq-Hz</u>	<u>Approximate % Load Shed</u>
1	59.5	5.0
2	59.3	5.0
3	59.1	5.0
4	58.9	5.0
5	58.7	5.0

Under these circumstances, ULH&P will interrupt power of selected distribution circuits and lines serving customers throughout its assigned service area at ULH&P's sole discretion.

If automatic load shedding has occurred and frequency is still declining, ULH&P may take any additional actions that it deems reasonably necessary to arrest the decline. This may include additional load shedding and coordinated network separations.

If necessary to resynchronize the isolated area or to curtail the decline in frequency, ULH&P may take the following steps in the sequence set forth below:

- (A) ULH&P may, at its discretion, interrupt power to controlled service loads and to loads rendered service under interruptible tariffs.
- (B) ULH&P may reduce voltage up to five percent when deemed appropriate.
- (C) ULH&P may manually shed load.

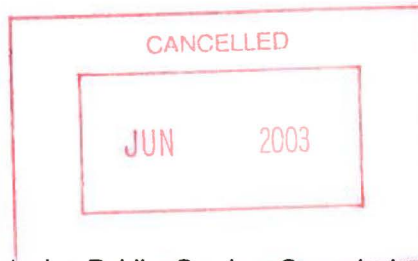
ULH&P shall not be liable for power interruptions attributable to:

- (A) the availability of or malfunctions in generation or transmission facilities;
- (B) malfunctions in the local distribution system due to conditions beyond ULH&P's control, such as storms, floods, vandalism, strikes, fires, or accidents caused by third parties;
- (C) ULH&P following any applicable orders, policies, guidelines, directives or procedures issued by the Commission, governmental authorities, East Central Area Reliability Council (ECAR), National Electric Reliability Council (NERC), the Midwest ISO, or their successor organizations;

provided that ULH&P makes reasonable efforts to restore service as soon as reasonably practicable.

Notwithstanding the foregoing, ULH&P may be liable for damages resulting from power interruptions attributable to its gross negligence or willful misconduct.

The provisions of these Emergency Electrical Procedures are subject to the provisions of ULH&P's Retail Electric Tariff, as then in effect and approved by the Commission, including but not limited to the provisions of ULH&P's General Terms And Conditions For Electric Service.



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