

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| APPLICATION OF LOUISVILLE GAS AND |) | |
| ELECTRIC COMPANY FOR APPROVAL OF AN |) | CASE NO. |
| ALTERNATIVE METHOD OF REGULATION OF ITS |) | 98-426 |
| RATES AND SERVICES |) | |
| |) | |
| AND |) | |
| |) | |
| APPLICATION OF KENTUCKY UTILITIES |) | |
| COMPANY FOR APPROVAL OF AN ALTERNATIVE |) | CASE NO. |
| METHOD OF REGULATION OF ITS RATES AND |) | 98-474 |
| SERVICE |) | |

O R D E R

On January 7, 2000, the Commission issued Orders requiring Louisville Gas and Electric Company (“LG&E”) and Kentucky Utilities Company (“KU”) to reduce their respective electric rates and offering each an opportunity to elect an optional Earnings Sharing Mechanism (“ESM”). Both LG&E and KU elected to adopt the Commission’s optional ESM, as evidenced by their respective tariff filings on February 4, 2000.

On February 18, 2000, Kentucky Industrial Utility Customers, Inc. (“KIUC”) filed a response to the LG&E and KU ESM tariff filings. KIUC asserts that the filed tariffs should be modified because in some respects they do not fully conform to the ESM offered in the Commission’s January 7, 2000 Orders, and in other respects they are unnecessarily vague or ambiguous.

Based on a review of the filed tariffs and the response thereto, and being sufficiently advised, the Commission finds that the tariffs should be allowed to become effective as proposed on March 5, 2000 subject to future change in this proceeding. To

expedite the investigation and review of the filed tariffs, any issue related thereto should be addressed by the parties in accordance with the procedural schedule that was appended to the Commission's February 9, 2000 Order.

Also pending is KIUC's unopposed motion to reschedule the March 30, 2000 rehearing due to a conflict with a prior commitment. Based on the motion, the Commission finds good cause to reschedule the rehearing to March 31, 2000.

IT IS THEREFORE ORDERED that:

1. The ESM tariffs filed by LG&E and KU shall become effective as designated on March 5, 2000 subject to future change in this proceeding.

2. Any issue relating to whether the ESM tariffs as filed conform to the Commission's January 7, 2000 Order or are in some respects unnecessarily vague or ambiguous shall be raised by the parties in accordance with the procedural schedule appended to the Commission's February 9, 2000 Order.

3. The procedural schedule appended to the Commission's February 9, 2000 Order is amended to the limited extent that the public hearing is rescheduled from March 30, 2000 to March 31, 2000.

Done at Frankfort, Kentucky, this 25th day of February, 2000.

By the Commission

ATTEST:

Executive Director