

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF THE EARNINGS)
SHARING MECHANISM TARIFF OF) CASE NO. 2002-00472
KENTUCKY UTILITIES COMPANY)

AND

AN INVESTIGATION OF THE EARNINGS)
SHARING MECHANISM TARIFF OF) CASE NO. 2002-00473
LOUISVILLE GAS AND ELECTRIC COMPANY)

O R D E R

On November 27, 2002, Kentucky Utilities Company (KU) and Louisville Gas and Electric Company (LG&E) filed revised tariffs to continue their respective Earnings Sharing Mechanisms (ESM) for an additional 3-year term ending December 31, 2005. The tariffs, designated as Fourth Revision of Original Sheet No. 24.5 by KU and Fourth Revision of Original Sheet No. 23P by LG&E, will become effective on December 27, 2002.

The Office of the Attorney General and Kentucky Industrial Utility Customers, Inc. have each written the Commission to request that the tariffs be suspended and subjected to investigation. KU and LG&E responded to these requests by stating that if an investigation is conducted, the Commission should conduct a focused management audit pursuant to KRS 278.255 to review the ESM and its reasonableness as was envisioned when the ESM was originally established in January 2000.

Based on a review of the tariffs and the requests to investigate, the Commission finds that the revised ESM tariffs should be suspended for one day, to become effective on December 28, 2002 subject to change prospectively. This procedure will ensure that there will be an ESM in effect for the full 12 months of 2003. The Commission will also proceed expeditiously to conduct a focused management audit of the KU and LG&E ESMs. Upon completion, the audit report will be included in the records of these cases.

IT IS THEREFORE ORDERED that:

1. KU's revised ESM tariff, Fourth Revision of Original Sheet No. 24.5, is suspended for one day, to become effective on December 28, 2002 subject to investigation and change prospectively.

2. LG&E's revised ESM tariff, Fourth Revision of Original Sheet No. 23P, is suspended for one day, to become effective on December 28, 2002 subject to investigation and change prospectively.

Done at Frankfort, Kentucky, this 20th day of December, 2002.

By the Commission

ATTEST:


Executive Director