

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

AND

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

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 Commission previously approved the KU and LG&E ESM as 3-year pilots covering the period 2000 through 2002. On December 20, 2002, the Commission issued an Order suspending the revised ESM tariffs for one day, allowing them to become effective on December 28, 2002 subject to prospective change. In addition, that Order initiated these investigations and announced that a focused management audit of KU s and LG&E s ESM would be conducted pursuant to KRS 278.255.

The Commission selected the Barrington-Wellesley Group ( BWG ) to conduct the focused management audit. The audit is now complete and BWG has submitted its final audit report ( BWG Report ). Based on a review of the BWG Report and being otherwise sufficiently advised, the Commission finds that further proceedings are needed to review the BWG Report and to determine whether the revised ESM tariffs are

reasonable. Since the revised ESM tariffs contain rates, KRS 278.190(3) requires that these pending investigations be concluded by September 26, 2003, which is 10 months after the tariffs were filed.

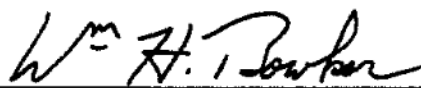
Recognizing that a review of the BWG Report cannot be concluded by that date, the Commission further finds that new investigations of the LG&E and KU ESM tariffs should be initiated on our own motion pursuant to KRS 278.260(1). The above-captioned investigations should be terminated and the revised ESM tariffs will continue to be effective subject to any perspective changes found reasonable by the Commission in the new investigations to be initiated today. Terminating these existing investigations and initiating new ones pursuant to KRS 278.260(1) will have no discernable impact on ratepayers since the revised ESM tariffs have been, and will continue to be, effective subject to prospective change.

IT IS THEREFORE ORDERED that the above-captioned investigations are terminated and KU's and LG&E's revised ESM tariffs shall continue to be effective subject to prospective change upon conclusion of Commission-initiated investigations pursuant to KRS 278.260(1).

Done at Frankfort, Kentucky, this 4<sup>th</sup> day of September, 2003.

By the Commission

ATTEST:

*Deputy*  
  
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Executive Director

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