

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION PURSUANT TO KRS)
278.260 OF THE EARNINGS SHARING) CASE NO.
MECHANISM TARIFF OF KENTUCKY) 2003-00334
UTILITIES COMPANY)

AND

AN INVESTIGATION PURSUANT TO KRS)
278.260 OF THE EARNINGS SHARING) CASE NO.
MECHANISM TARIFF OF LOUISVILLE GAS) 2003-00335
AND ELECTRIC COMPANY)

O R D E R

The Commission, on its own motion pursuant to KRS 278.260, hereby initiates these investigations of the revised tariffs filed by Kentucky Utilities Company (KU) and Louisville Gas and Electric Company (LG&E) to continue their respective Earnings Sharing Mechanism (ESM) for an additional 3-year term ending December 31, 2005. The revised ESM tariffs, designated as Fourth Revision of Original Sheet No. 24.5 by KU and Fourth Revision of Original Sheet No. 23P by LG&E, became effective on December 28, 2002.

Late last year the Commission decided that it was appropriate to conduct a focused management audit pursuant to KRS 278.255 to review the 3-year ESM pilot that had been in effect for 2000-2002. The Commission hired the management consulting firm of Barrington-Wellesley Group (BWG) to perform the management audit. That audit is now complete and BWG s audit report (BWG Report) has been submitted to the Commission. Based on a review of the BWG Report and being

otherwise sufficiently advised, the Commission finds that these investigations should be initiated to review the BWG Report and the reasonableness of KU s and LG&E s revised ESM tariffs. Those persons who were granted intervention in Case No. 2002-00472¹ will be deemed to be parties to this new investigation of KU s ESM tariff, whereas those persons granted intervention in Case No. 2002-00473² will be deemed to be parties to this new investigation of LG&E s revised ESM tariff. Further, the Commission finds that the BWG Report should be filed in the records of each of these investigations and the procedural schedule set forth in Appendix A hereto should be followed.

IT IS THEREFORE ORDERED that:

1. BWG s Report on its focused management audit of KU s and LG&E s ESM is made a part of the records in these investigations. BWG s workpapers are also made a part of these records. BWG s Report shall be considered as its prepared direct testimony and BWG shall not be required to file any additional written testimony.

2. Those persons granted intervenor status in Case No. 2002-00472 shall be deemed to be parties to Case No. 2003-00334, and those granted intervenor status in Case No. 2002-00473 shall be deemed to be parties to Case No. 2003-00335. BWG shall not be a party to either case but it shall be included on both service lists to facilitate its participation.

3. The procedural schedule set forth in Appendix A, attached hereto and incorporated herein by reference, shall be followed in these investigations.

¹ Case No. 2002-00472, An Investigation of the Earnings Sharing Mechanism Tariff of Kentucky Utilities Company.

² Case No. 2002-00473, An Investigation of the Earnings Sharing Mechanism Tariff of Louisville Gas and Electric Company.

4. Case Nos. 2003-00334 and 2003-00335 are consolidated for all procedural purposes.

5. All requests for information and responses thereto shall be appropriately indexed and an original and eight copies shall be filed with the Commission and a copy shall be served on all parties.

6. Any requests from the Commission Staff for information shall be responded to as if set forth in a Commission Order. All responses should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, item 1(a), Sheet 2 of 6. Each response shall include the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where the requested information has been previously provided in the record of this case, reference may be made to the specific location of the information in responding to the request.

7. Any party filing testimony shall file an original and 11 copies.

8. KU and LG&E shall give notice of any hearing in accordance with the provisions set out in 807 KAR 5:011, Section 8(5). At the time publication is requested, KU and LG&E shall forward a duplicate of the notice and request to the Commission.

9. At any public hearing in this matter, neither opening statements nor summarization of direct testimony shall be permitted.

10. Motions for extension of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

11. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

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

By the Commission

ATTEST:

Wm. H. I. Barker

Deputy Executive Director

Case No. 2003-00334
Case No. 2003-00335

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NOS. 2003-00334 AND 2003-00335 DATED
September 4, 2003

Requests for information by KU and LG&E to
BWG shall be filed no later than9/12/03

BWG shall file its responses to KU and LG&E
requests for information no later than9/22/03

Requests for information by Intervenors and Staff
to BWG shall be filed no later than9/26/03

KU and LG&E shall file direct testimony in
verified prepared form no later than9/30/03

BWG shall file its responses to requests for
information by Intervenors and Staff no later than10/08/03

Requests for information to KU and LG&E shall
be filed no later than10/15/03

KU and LG&E shall file responses to requests
for information no later than10/30/03

Intervenors testimony, if any, shall be filed in
verified prepared form no later than11/17/03

Requests for information to Intervenors
shall be filed no later than12/02/03

Intervenors shall file responses to requests
for information no later than12/17/03

Last day for KU and LG&E to give notice of public hearing..... To be scheduled

Public Hearing, if necessary, for the purpose of
cross-examination of witnesses To be scheduled