Louisville Gas and Electric Company

Third Revision of Original Sheet No. 1
P. S. C. of Ky. Electric No. 5

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PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
MAY 11 2001
PURSUANT TO 807 KAR 5:011,
SECTION 9 (1).
BY Stephan O. Bell
SECRETARY OF THE COMMISSION

Date of Issue: June 29, 2001
Canceling: Second Revision of Original Sheet No. 1
Issued August 1, 2000

Issued By
Michael S. Beer mlg
Michael S. Beer, Vice President
Louisville, Kentucky
Issued Pursuant to K.P.S.C. Order dated 5/11/01 in Case No. 2000-459

Date Effective: ~~XXXXXXX~~
May 11, 2001

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OF KENTUCKY
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AUG 01 2000

Date of Issue: August 1, 2000
Canceling Original Sheet No. 1
Issued February 21, 2000

Issued By

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)

R. M. Hewett

Stephan Bell
SECRETARY OF THE COMMISSION

R. M. Hewett, Group Executive
Louisville, Kentucky

Date Effective: August 1, 2000

C 1/01

STANDARD RATE SCHEDULE PBR

Electric Performance Based Rate Mechanism

Availability: T

This tariff is closed effective January 7, 2000 and thereafter is limited to the disposition of the last two billing calendar quarters of 1999, as prescribed herein. The Bill Reduction component of the EPBR is limited to January and February (the prorated amount for the partial first quarter of 2000) consistent with the implementation of the Commission's order dated January 7, 2000 in Case No. 98-426.

Applicable:

To all electric rate schedules

Rate Mechanism:

The monthly amount computed under each of the rate schedules to which this tariff is applicable shall be increased or decreased by the Electric Performance-Based Rate Adjustment Factor (EPBRAF) at a rate per kilowatt-hour of monthly consumption during the billing calendar quarter computed as follows:

$$EPBRAF(q) = EPBRA(q) / KWH(q)$$

$$EPBRA(q) = FCR + MDS + GP + SQ + BR + BA$$

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Where:

EPBRAF(q) = Electric Performance-Based Rate Adjustment Factor for the current quarter
EPBRA(q) = Electric Performance-Based Rate Amount for the current quarter
FCR = Fuel Cost Recovery
MDS = Merger Dispatch Savings expressed as a credit
GP = Generation Performance expressed as a credit
SQ = Service Quality
BR = Bill Reduction expressed as a credit
BA = Balancing Adjustment
KWH(q) = Kentucky Retail Jurisdictional Kilowatt-hour Sales in the current quarter
q = Current quarter shall be the second calendar quarter preceding the billing calendar quarter in which the EPBRAF is billed (Due to FERC Form 423 data availability the current quarter for the FCR computation will be defined as the three-month period ending February, May, August, or November)

Fuel Cost Recovery (FCR)

Fuel Cost Recovery (FCR): Changes in the level of purchased fuel cost on a ¢/MMBTU basis will be compared to changes in a fuel cost index to determine the level of fuel cost to be charged to customers. Each quarter, the Company's current purchased fuel cost will be compared to the cost of fuel purchased by the Company during the Base Period and the fuel cost index for each quarter will be compared to the fuel cost index for the same Base Period. The resulting percentage change in the Company's cost of purchased fuel will be compared to the percentage change in the fuel cost index. When the percentage change in the Company's fuel cost is greater than the percentage change in the index, the percentage change in the index will be used for fuel cost recovery purposes. When the Company's percentage change in actual fuel cost is less than the change in the fuel cost index, the difference will be shared equally between the Company and customers by using the average of the two percentages for fuel cost recovery purposes.

Current Quarter Actual Fuel Cost (QA): Actual fuel cost shall be the average weighted cost of fuel purchased for each quarter, stated in ¢/MMBTU. Included therein will be the cost of coal delivered (including transportation costs) and the cost of gas delivered.

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Fuel Cost Recovery (FCR) Continued

Current Quarter Fuel Cost Index (QI):

$$QI = (a\% \times CC) + (b\% \times PR) + (c\% \times MS) + (d\% \times HS) + (e\% \times NG)$$

Where:

The percentages: a, b, c, d and e will be based on the relative amounts of MMBTU purchased during the current three-month period.

All prices are weighted averages for the current three-month period and are expressed in ¢/ MMBTU

The source for all coal data is FERC Form 423 for reporting electric utilities in a five-state region which includes Indiana, Ohio, Kentucky (excluding LG&E Energy Utilities), West Virginia, and Tennessee.

CC = Compliance Coal: Weighted average spot price of delivered compliance coal ($\leq$ 1.2 lb. SO_2/MMBTU) excluding Powder River Basin Coal

PR = Powder River Basin Coal: Weighted average spot price of delivered coal from the Powder River Basin

MS = Medium Sulfur Coal: Weighted average spot price of delivered medium sulfur coal (1.21 to 3.0 lb. SO_2/MMBTU)

HS = High Sulfur Coal: Weighted average spot price of delivered high sulfur coal (> 3.0 lb. SO_2/MMBTU)

NG = Natural Gas: The natural gas price shall be the average of the current three-month period of weekly *Natural Gas Week* postings for Spot Prices on Interstate Pipeline Systems for CNG Transmission Co. - North and South

Fuel Cost Recovery (FCR) will be computed on a quarterly basis as follows:

$$FCR = BK \times CR \times KWH$$

$$\text{If } CA \geq CI \text{ then } CR = CI$$

$$\text{If } CA < CI \text{ then } CR = (CA + CI) / 2$$

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Fuel Cost Recovery (FCR) Continued

Where:

Base Period = 12 months ended April 30, 1999 determined as the most recent 12-month period prior to the effective date of this tariff for which data is available

BK = Base Period Fuel Cost Recovery included in Base Rates expressed as $.01119/Kwh as determined using 12 months of data for F(m)/S(m) as defined by 807 KAR 5:056 for the Base Period excluding any Merger Dispatch Savings

CR = Percentage Change in the Fuel Cost Recovery

KWH = Kentucky Retail Jurisdictional Kwh Sales for the current three-month period

BPA = Base Period Actual Fuel Cost = ____¢/MMBTU based on the weighted average cost of fuel purchased during the Base Period

BPI = Base Period Fuel Cost Index = ____¢/MMBTU consistent with the computation of the quarterly index (QI) using the 12 month Base Period

QA = Current Quarter Actual Fuel Cost in ¢/MMBTU

QI = Current Quarter Fuel Cost Index in ¢/MMBTU

CA = Percentage Change in Actual Fuel Cost = (QA - BPA) / BPA

CI = Percentage Change in Fuel Cost Index = (QI - BPI) / BPI

Merger Dispatch Savings (MDS)

Merger Dispatch Savings (MDS) will be expressed as a credit in the quarterly EPBRA(q) and will be computed on a monthly basis pursuant to the Power Supply System Agreement (PSSA) approved in LG&E Energy Rate Schedule FERC No. 1. Each quarterly computation of the EPBRA will include the three month accumulation of the Kentucky retail jurisdictional merger dispatch savings computed as follows:

$$MDS = IEP\$ + IES\$$$

Where:

IEP$ = Internal Economy Purchases equal to one-half of the difference in the purchasing company's avoided fuel cost and selling company's fuel cost pursuant to Rate Schedule FERC No. 1.

IES$ = Internal Economy Sales equal to the difference in the transaction price and the selling company's own fuel cost pursuant to Rate Schedule FERC No. 1.

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STANDARD RATE SCHEDULE PBR

Electric Performance Based Rate Mechanism (Continued)

Generation Performance (GP)

Generation Performance (GP) will be expressed as a credit in the quarterly EBPRA(q) and is based on the Composite Performance (CP) of the Equivalent Availability Factor(EAF) and the Capacity Factor(CF) computed on a 12-month rolling quarter-ended basis using the combined LG&E/KU generation system computed as follows:

$$\mathbf{CP = (EAF + CF)/2}$$

$$\mathbf{ISV = (CP - THRESHOLD) \times \$625{,}000 \text{ per \% point}}$$

$$\mathbf{IF\ CP \leq THRESHOLD \text{ then } ISV = zero}$$

$$\mathbf{GP = 50\% \times ISV}$$

Where:

CP = Composite Performance.

ISV = Indicated Savings Value of $625,000 for each percentage point improvement in the Composite Performance over the established Threshold.

Maximum ISV = $2,500,000 per quarter.

Maximum GP = $1,250,000 per quarter.

EAF = Equivalent Availability Factor expressed as a percentage. The EAF is the availability of installed generation capacity (adjusted for de-ratings and excluding hydro) to meet load requirements for the 12-month rolling quarter-ended period. The 12-month rolling average EAF is the weighted average of the 12 monthly system EAF values weighted by the number of hours per month.

CF = Capacity Factor expressed as a percentage. The CF is a measure of the utilization of the generating units (excluding hydro) for the 12-month rolling quarter-ended period. The 12-month rolling average CF is the weighted average of the 12 monthly system CF values weighted by the number of hours per month.

THRESHOLD = 71.8% = The established composite benchmark which must be exceeded to produce an ISV.

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Service Quality (SQ)

Service Quality (SQ) is comprised of five measures with separate penalties or rewards to the Company that are accumulated for an overall Service Quality (SQ) amount. SQ is computed each quarter as follows:

SQ = SAIDI$ + SAIFI$ + CUSTSAT$ + CALLHANDL$ + SAFETY$ + PREVSQ$

Where:

SAIDI$ = System Average Interruption Duration Index (SAIDI) Measure
SAIFI$ = System Average Interruption Frequency Index (SAIFI) Measure
CUSTSAT$ = Overall Customer Satisfaction Measure
CALLHANDL$ = Call Handling Customer Satisfaction Measure
SAFETY$ = Safety Performance Measure
PREVSQ$ = Net Service Quality rewards carried forward from previous quarters
Maximum Penalty SQ = $1,250,000 per quarter (prior to the recovery of any PREVSQ$)
Maximum Reward SQ = lesser of $1,250,000 per quarter or GP

**SAIDI$** = System Average Interruption Duration Index (SAIDI) Measure. SAIDI$ shall be calculated quarterly by subtracting the current 12-month rolling quarter-ended measurement (QSAIDI) in minutes of average duration of interruption per customer from the established SAIDI benchmark of 65.8 minutes and multiplying the resulting difference by $30,000 per minute of duration. Positive improvements in SAIDI shall produce rewards and negative values will produce penalties.

SAIDI$ = (65.8 minutes - QSAIDI) x $30,000/minute

**SAIFI$** = System Average Interruption Frequency (SAIFI) Measure. SAIFI$ shall be calculated quarterly by subtracting the current 12-month rolling quarter-ended measurement (QSAIFI) in average frequency of interruption per customer from the established SAIFI benchmark of 1.16 outages and multiplying the resulting difference by $425,000 per outage. Positive values in SAIFI$ will result in rewards and negative values will result in penalties.

SAIFI$ = (1.16 outages - QSAIFI) x $425,000/outage

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STANDARD RATE SCHEDULE PBR

Electric Performance Based Rate Mechanism (Continued)

Service Quality (SQ) Continued

**CUSTSAT$** = Overall Customer Satisfaction Measure. CUSTSAT$ shall be calculated quarterly by comparing the current 12-month rolling quarter-ended measurement (QCUSTSAT) of the company's overall customer satisfaction to a similar measurement (PEERS) of the established peer group of comparable companies. The Company will be rewarded for having overall customer satisfaction in excess of 10 percentage points above this peer group's average performance and penalized for customer satisfaction below this peer group's average performance. Each percentage point in overall customer satisfaction will be worth $72,500 of reward or penalty. No penalty or reward will be assessed if the Company's performance is within the deadband between the peer group's average performance and the peer group's average performance plus 10 percentage points.

If QCUSTSAT > (PEERS + 10%pt) then CUSTSAT$ = [QCUSTSAT - (PEERS + 10%pt)] x $72,500/%point

If QCUSTSAT < PEERS then CUSTSAT$ = (QCUSTSAT - PEERS) x $72,500/%point

If PEERS ≤ QCUSTSAT ≤ (PEERS + 10%pt) then CUSTSAT$ = Zero

**CALLHANDL$** = Call Handling Customer Satisfaction Measure. The CALLHANDL$ shall be calculated quarterly by comparing the current 12-month rolling quarter-ended measurement (QCALLHANDL) of Call Handling Customer Satisfaction to the established Call Handling Performance Range (CHPR) or deadband within which no penalties or rewards will be assessed. CHPR will be established as the sample margin of error for the Customer Call Handling Callback Survey with UCHPR being the upper boundary of the performance band and LCHPR being the lower boundary of the performance band. Performance above the UCHPR will result in rewards. Penalties are assessed when the QCALLHANDL is lower than the LCHPR. Each percentage point outside the range will be worth $18,000.

If QCALLHANDL > UCHPR then CALLHANDL$ = (QCALLHANDL - UCHPR) x $18,000/%pt

If QCALLHANDL < LCHPR then CALLHANDL$ = (QCALLHANDL - LCHPR) x $18,000/%pt

If LCHPR ≤ QCALLHANDL ≤ UCHPR then CALLHANDL$ = Zero

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STANDARD RATE SCHEDULE PBR

Electric Performance Based Rate Mechanism (Continued)

Service Quality (SQ) Continued

**SAFETY$** = Safety Performance Measure. The SAFETY$ shall be calculated quarterly by comparing the current 12-month rolling quarter-ended measurement (QSAFETY) of the company's OSHA Recordable Incidence Rate to the established Safety Performance Range (SPR) or deadband of 3.39 to 5.01 incidence rate within which no penalties or rewards will be assessed. Performance outside the SPR will result in rewards when the incidence rate is lower than the range and penalties when the incidence rate is higher than the range. Each .1 incidence outside the range will be worth $32,500.

If QSAFETY < 3.39 then SAFETY$ = (3.39 - QSAFETY) x $32,500 per .1 incidence rate

If QSAFETY > 5.01 then SAFETY$ = (5.01 - QSAFETY) x $32,500 per .1 incidence rate

If 3.39 ≤ QSAFETY ≤ 5.01 then SAFETY$ = Zero

PREVSQ$ = Net Service Quality rewards carried forward from previous quarters. If the preliminary sum of the five SQ measures is greater than GP for any quarter, the difference (Net Service Quality rewards) will be carried forward for up to four quarters after which time any unrecovered amount will be forfeited. SQ will be set equal to GP for the current quarter.

Bill Reduction (BR)

The Bill Reduction (BR) will be equal to:
$2,350,000 for each of the first four quarters that this tariff is in effect, $940,000 for each of the next 16 quarters, and $0 thereafter.

Balancing Adjustment (BA)

The Balancing Adjustment (BA) will be computed on a quarterly basis to reconcile any variance in the EPBRA calculated from the second preceding quarter and the EPBRAF billed in the current billing quarter computed as follows:

BA = EPBRA(q-2) - [EPBRAF(q-2) x KWH(q)]

Where:
EPBRA(q-2) = EPBR Amount calculated from the second preceding quarter
EPBRAF(q-2) = EPBR Adjustment Factor calculated from the second preceding quarter and billed in the current quarter
KWH(q) = KY Retail Jurisdictional Kwh sales for the current billing quarter

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RULES AND REGULATIONS GOVERNING THE SUPPLY OF ELECTRIC SERVICE

Underground Electric Extension Rules for New Residential Subdivisions

The Company will install underground electric distribution facilities within new residential subdivisions in accordance with its standard policies and procedures and the rules of the Public Service Commission of Kentucky applicable thereto (807 KAR 5:041E, Section 21, Electric) under the following conditions:

1. These rules shall apply only to 120/240 volt, single phase service to:

   (a) Residential subdivisions containing ten or more lots for the construction of new residential buildings designed for less than five-family occupancy.

   (b) High density, multiple-occupancy residential building projects consisting of two or more buildings not more than three stories above grade level and containing not less than five family units per building.

2. When an Applicant has complied with these rules and with the applicable rules of the Public Service Commission, and has given the Company at least 120 days' written notice prior to the anticipated date of completion (i.e., ready for occupancy) of the first building in the subdivision, the Company will undertake to complete the installation of its facilities at least 30 days prior to such estimated date of completion. However, nothing herein shall be interpreted to require the Company to extend service to portions of subdivisions not under active development.

3. Any Applicant for underground distribution facilities to a residential subdivision, as described in Paragraph 1(a) above, shall pay to the Company, in addition to such refundable deposits as may be required in accordance with Paragraph 5 below, a unit charge of $2.30 per aggregate lot front foot along all streets contiguous to the lots to be served underground. Such payment shall be non-refundable.

4. The Company will install underground single-phase facilities to serve high-density, multiple-occupancy residential building projects, as described in Paragraph 1(b) above, as follows:

   (a) Where such projects have a density of not less than eight family units per acre, at no charge to the Applicant except where a refundable deposit may be required in accordance with Paragraph 5 below.

   (b) Where such buildings are widely separated and have a density of less than eight family units per acre, at a cost to the Applicant equivalent to the difference between the actual cost of constructing the underground distribution system and the Company's estimated cost for construction of an equivalent overhead distribution system, the latter including an allowance of not less than $50 per service drop required. Such payment shall be non-refundable.

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RULES AND REGULATIONS GOVERNING THE SUPPLY OF ELECTRIC SERVICE

Underground Electric Extension Rules for New Residential Subdivisions

5. The Applicant may be required to advance to the Company the full estimated cost of construction of its underground electric distribution extension. This advance, to the extent it exceeds the non-refundable charges set forth above, shall be subject to refund.

   (a) In the case of residential subdivisions, this advance, if required, shall be calculated at a unit charge of $10.21 per aggregate front-foot and the refund shall be made, on the basis of 2000 times the amount by which such unit charge advance exceeds the non-refundable unit charge set forth in Paragraph 3 above, for each permanent customer connected to the underground distribution system during the ten year period following the date such advance is made.

   (b) In the case of high-density, multiple-occupancy residential building projects, this advance, if required, shall be based on construction costs for the project as estimated by the Company and shall be refunded, to the extent such advance exceeds any non-refundable charges applicable, when permanent service is commenced to 20 percent of the family units in the project, provided such conditions are met within ten years following the date such advance is made.

   (c) In no case shall the refunds provided for herein exceed the amounts deposited less those non-refundable charges applicable to the project.

6. Where, upon mutual agreement by the Company and the Applicant, Applicant performs the trenching and/or backfilling in accordance with the Company's specifications, the Company will credit the Applicant's costs in an amount equal to the Company's estimated cost for such trenching and/or backfilling. Such credit will be based on the system as actually designed and constructed.

7. In order that the Company may make timely provision for materials and equipment, a contract between an Applicant and the Company for an underground extension under these rules shall ordinarily be required at least six months prior to the date service in the subdivision is needed. The Applicant shall advance not less than 10% of the amounts due under the said contract at the time of its execution. The remaining amounts due shall be payable in full prior to the commencement of actual construction by the Company of its facilities.

8. Three-phase primary mains or feeders required within a subdivision to supply local distribution or to serve individual three-phase loads may be overhead unless underground facilities are required by governmental authorities or chosen by Applicant, in either of which cases the differential cost of underground shall be borne by the Applicant.

9. Unit charges, where specified herein, are determined from the Company's estimate of the average unit cost of such construction within its service area and the "estimated average cost differential," if any and here applicable, between the estimated average cost of underground distribution systems in residential subdivisions and the estimated cost of equivalent overhead distribution systems in representative residential subdivisions.

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RULES AND REGULATIONS GOVERNING THE SUPPLY OF ELECTRIC SERVICE

Bill Format

LG&E
A SUBSIDIARY OF LG&E ENERGY

Louisville Gas and Electric Company
P.O. Box 32000
Louisville, Kentucky 40232

Monday-Thursday
8 a.m.-6 p.m.
Friday 8 a.m.-6 p.m.
Phone: (502) 589-1444

Saturday Locations & Hours
701 South Ninth Street
4424 Outer Loop
8 a.m.-12 p.m.

16 13 400001 9
DOE, JOHN
1234 ANYWHERE ST
LOUISVILLE KY 40213

Please refer to Account Number when calling or writing

Your Account Number is:
16 13 400001

Definition of Codes:
KWH - Kilowatt hours of electricity
CCF - 100 cubic feet of gas
EST - Estimated
CR - Credit item

Next Reading Date:
04/23/92

SERVICE LOCATION: 1234 ANYWHERE ST

TYPE OF SERVICE	BILLING FROM	BILLING TO	READING PREVIOUS	READING PRESENT	METERING CONSTANT	KWH/CCF USAGE		CHARGES
ELECTRIC RESIDENTIAL	02/24	03/24	41249	42042		793	$	45.59
GAS RESIDENTIAL	02/24	03/24	5672	5790		118	$	44.10
			CURRENT BILL TOTAL				$	89.69
			LATE CHARGE IF PAID AFTER DUE DATE				$	4.49

ITEMS INCLUDED IN CHARGES

ELECTRIC FUEL COST ADJUSTMENT $ .0015500CR PER KWH = $ 1.23CR
GAS SUPPLY COST COMPONENT $ .2247800 PER CCF = $ 26.52

AMOUNT PAID

PRINTED ON RECYCLED PAPER RETAIN THIS PORTION FOR YOUR RECORDS

ACCOUNT NUMBER	PREVIOUS BALANCE INCLUDED IN TOTAL	AMOUNT TO BE PAID AFTER DUE DATE	PAYMENT DUE DATE	AMOUNT TO BE PAID BY DUE DATE
16 13 400001 9	$ .00	$ 94.18	04/13/92	$ 89.69

PRINTED ON RECYCLED PAPER PLEASE RETURN THIS PORTION WITH YOUR PAYMENT

ACCOUNT NUMBER	PREVIOUS BALANCE INCLUDED IN TOTAL	AMOUNT TO BE PAID AFTER DUE DATE	PAYMENT DUE DATE	AMOUNT TO BE PAID BY DUE DATE
16 13 400001 9	$ .00	$ 94.18	04/13/92	$ 89.69

OFFICE USE ONLY:

WINTERHELP DONATION $ ___.__

AMOUNT PAID

DOE, JOHN
1234 ANYWHERE ST
LOUISVILLE KY 40213

Louisville Gas and Electric Company
P.O. Box 32000
Louisville, Kentucky 40232

SERVICE LOCATION: 1234 ANYWHERE ST

16134000019000009418000008969041 3920

PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE

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BY: Stephan O Bell
SECRETARY OF THE COMMISSION

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RULES AND REGULATIONS GOVERNING THE SUPPLY OF ELECTRIC SERVICE

Bill Format

Understanding Your Bill...

The following definitions may help you better understand some of the terms and abbreviations on the front of your bill.

Credit (CR) — Your bill is reduced by the amount shown. Credits occur for a variety of reasons, such as an overpayment, a correction, customer deposit and interest refund, and when it appears with the electric fuel cost adjustment.

For a customer on The Equalized Monthly Payment Plan (EMPP), a credit reflects the accumulated difference between the agreed-upon EMPP payment amount and the actual charges for service.

100 Cubic feet (Ccf) — The unit of volume by which LG&E measures the amount of natural gas you use. For example, 100 cubic feet of our gas would fuel an average 100,000 Btu furnace for about one hour of continuous operation.

Estimated (Est) — The amount of gas and/or electricity you used during the billing period is estimated when your meter cannot be read. The estimate is based on your prior month's usage and the weather.

Electric Fuel Cost Adjustment — The charge or credit per kilowatt hour (Kwh) that reflects changes in the cost of fuel that we buy to produce electricity. This is passed along directly to you through the monthly electric charge without any markup by LG&E.

Gas Supply Cost Component — The charge per 100 cubic feet (Ccf) that reflects the cost of natural gas which the Company acquires to sell to you. This is passed along directly to you through the monthly gas charge without any markup by LG&E.

Kilowatt hour (Kwh) — A measure of the amount of electricity you use. For example, the amount of electricity needed to light a 100-watt light bulb for ten hours is one kilowatt hour.

Late Charge — The amount that is added to your bill if you pay it after the due date.

Metering Constant — A few customers have meters designed so that a multiplier, or constant, must be applied to the meter reading difference to determine actual usage.

School Tax — "Rate increase for school tax." The amount added to your bill to pay for school tax in your county; where applicable.

Questions Or Concerns? Please Contact Us!

If you would like a rate schedule, please enclose a note with your payment. We'll be glad to send you one.

If you ever have a question or complaint about your bill or service, we're here to help. We're committed to providing you with quality service, untangling problems, and getting to the bottom of misunderstandings. Please call us at 589-1444 or visit any of our customer service centers.

4917 Dixie Highway
4424 Outer Loop
4121 Shelbyville Road
701 South Ninth Street

PUBLIC SERVICE COMMISSION
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Louisville Gas and Electric Company

Original Sheet No 23-0

Canceling ______ Sheet No

PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE

P.S.C. of KY. Electric No. 4

MAR 05 2000

PURSUANT TO 807 KAR 5:011, SECTION 9 (1)

BY: Stephan O Bell
SECRETARY OF THE COMMISSION

STANDARD RATE SCHEDULE ESM

Earnings Sharing Mechanism

N

APPLICABLE

In all territory served by the Company .

AVAILABILITY OF SERVICE

To all Louisville Gas and Electric Company Electric Rate Schedules excluding the Rider for Interruptible Service.

RATE

The monthly billing amount computed under each of the rate schedules to which this mechanism is applicable, including the Fuel Adjustment Clause, the Trimble County Credit, the Demand-Side Management Cost Recovery Mechanism, the Environmental Cost Recovery Surcharge, and the Merger Surcredit Rider, shall be adjusted by a percentage factor which shall be calculated in accordance with the following formula:

Earning Sharing Mechanism Factor $\quad ESMF = (RA + BA) / ER$

Where:

(RA) is the jurisdictional **Revenue Adjustment** for the Current Reporting Period that is equal to 40% of any revenue surplus or deficit outside the deadband established by the Commission's Orders in Case No. 98-426.

(BA) is the **Balancing Adjustment** which reconciles any over- or under-collection of the RA from the prior adjustment year.

(ER) is the **Estimated Revenue** of the jurisdictional sales for Current Adjustment Year.

DEFINITIONS:

(1) **Current Reporting Period** shall be a calendar year.

(2) **Current Adjustment Year** shall be the twelve months beginning with the first April billing cycle following the Current Reporting Period.

TERMS AND CONDITIONS

(1) The Earnings Sharing Mechanism will
   a) exclude all electric jurisdictional revenues and expenses associated with the Fuel Adjustment Clause and the Environmental Cost Recovery Surcharge,

DATE OF ISSUE February 4, 2000 DATE EFFECTIVE March 5, 2000

ISSUED BY Robert M. Hewett (NAME) Group Executive (TITLE) Louisville, KY (ADDRESS)

Issued pursuant to an Order of the PSC of KY. In Case No. 98-426

C 6/00

DSMRM

Demand-Side Management Cost Recovery Mechanism

APPLICABLE TO: Residential Rate R, General Service Rate GS, Large Commercial Rate LC, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD. Customers served under Industrial Power Rate LP and Industrial Power Time-of-Day Rate LP-TOD who elect not to participate in a demand-side management program hereunder shall not be assessed a charge pursuant to this mechanism.

The monthly amount computed under each of the rate schedules to which this Demand-Side Management Cost Recovery Mechanism is applicable shall be increased or decreased by the DSM Cost Recovery Component (DSMRC) at a rate per kilowatt hour of monthly consumption in accordance with the following formula:

DSMRC = DCR + DRLS + DSMI + DBA

Where: **DCR = DSM COST RECOVERY**. The DCR shall include all expected costs which have been approved by the Commission for each twelve-month period for demand-side management programs which have been developed by a collaborative process ("approved programs"). Such program costs shall include the cost of planning, developing, implementing, monitoring, and evaluating DSM programs. Program costs will be assigned for recovery purposes to the rate classes whose customers are directly participating in the program. In addition, all costs incurred by or on behalf of the collaborative process, including but not limited to costs for consultants, employees and administrative expenses, will be recovered through the DCR. Administrative costs that are allocable to more than one rate class will be recovered from those classes and allocated by rate class on the basis of the estimated avoided capacity and energy costs resulting from each program.

The cost of approved programs assigned or allocated to Residential Rate R or General Service Rate GS shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DCR for such rate class. The cost of approved programs assigned or allocated to Large Commercial Rate LC, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD shall be allocated as either demand-related or energy-related on the basis of the respective percentage of avoided capacity cost or avoided energy cost to the total avoided cost estimated in the determination of the net resource savings for the program. For purposes of this tariff, net resource savings are defined as program benefits less the cost of the program, where program benefits will be calculated on the basis of the present value of LG&E's avoided costs over the expected life of the program, and will include both capacity and energy savings. The demand-related and energy-

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R. M. Hewett

R. M. Hewett, Group Executive
Louisville, Kentucky

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Demand-Side Management Cost Recovery Mechanism (Continued)

related program costs thus determined shall be combined and divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DCR applicable to each rate class.

DRLS = DSM REVENUE FROM LOST SALES

For Residential Rate R, revenues from lost sales due to DSM will be recovered through the decoupling of revenues from actual sales. At the end of each twelve-month period after implementation of the Demand-Side Management Cost Recovery Mechanism, the non-variable revenue requirement (total revenue requirement less variable costs) approved for Residential Rate R in LG&E's most recent general rate case will be adjusted to reflect changes in the number of customers and the usage per customer as follows: (1) the non-variable revenue requirement in LG&E's most recent general rate case will be divided by the test-year-end number of customers in order to obtain the average non-variable revenue requirement per customer, which will then be multiplied by the average number of customers during the twelve-month period, (i.e., the sum of the monthly number of customers divided by twelve), (2) the non-variable revenue requirement will be multiplied by a factor F_g calculated by the following formula:

$$F_g = (1 + g)^{n/12}$$

Where: g = Growth factor (.0131), and
n = the number of months from the end of the test year in the most recent rate case to the end of the current twelve-month period.

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At the end of each twelve-month period after implementation of the Demand-Side Management Cost Recovery Mechanism, the difference between the actual non-variable revenue billed during the twelve-month period and the adjusted non-variable revenue requirement, as described above, will be determined. This difference ("DRLS amount established for the twelve-month period") will be divided by the estimated kilowatt-hour sales for the upcoming twelve-month period to determine the DRLS for Residential Rate R.

Effective June 1, 1998, LG&E will not book revenues from lost sales due to DSM for Residential Rate R. Revenues from lost sales due to DSM booked prior to June 1, 1998 will be recovered through the Demand Side Management Cost Recovery Mechanism pursuant to this tariff.

For Non-Residential Rate Classes (General Service Rate GS, Large Commercial Rate LC, Large Commercial Time-of -Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP- TOD), revenues from lost sales due to DSM programs implemented on and after the effective date of this tariff and will be recovered as follows:

DSMRM

Demand-Side Management Cost Recovery Mechanism (Continued)

For each upcoming twelve-month period, the estimated reduction in customer usage (in Kwh) as determined for the approved programs shall be multiplied by the non-variable revenue requirement per Kwh for purposes of determining the lost revenue to be recovered hereunder from each customer class. The non-variable revenue requirement for the General Service customer class is defined as the weighted average price per Kwh of expected billings under the energy charges contained in the Rate GS rate schedule in the upcoming twelve-month period after deducting the variable costs included in such energy charges. The non-variable revenue requirement for each of the non-residential customer classes that are billed under demand and energy rates (Rates LC, LC-TOD, LP and LP-TOD is defined as the weighted average price per Kwh represented by the composite of the expected billings under the respective demand and energy charges in the upcoming twelve-month period, after deducting the variable costs included in the energy charges.

The lost revenues for each customer class shall then be divided by the estimated class sales (in Kwh) for the upcoming twelve-month period to determine the applicable DRLS surcharge. Recovery of revenue from lost sales calculated for a twelve-month period for non-residential rate classes shall be included in the DRLS for 36 months or until implementation of new rates pursuant to a general rate case, whichever comes first. Revenues from lost sales will be assigned for recovery purposes to the rate classes whose programs resulted in the lost sales.

Revenues collected hereunder are based on engineering estimates of energy savings, expected program participation and estimated sales for the upcoming twelve-month period. At the end of each such period, any difference between the lost revenues actually collected hereunder and the lost revenues determined after any revisions of the engineering estimates and actual program participation are accounted for shall be reconciled in future billings under the DSM Balance Adjustment (DBA) component.

A program evaluation vendor will be selected to provide evaluation criteria against which energy savings will be estimated for that program. The engineering estimates of energy savings will be approved by the collaborative before the request for a new program is filed. Each program will be evaluated after implementation and any revision of the original engineering estimates will be reflected in both (a) the retroactive true-up provided for under the DSM Balance Adjustment and (b) the prospective future lost revenues collected hereunder.

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Demand-Side Management Cost Recovery Mechanism (Continued)

DSMI = DSM INCENTIVE. For all Energy Impact Programs except Direct Load Control, the DSM incentive amount shall be computed by multiplying the net resource savings expected from the approved programs which are to be installed during the upcoming twelve-month period times fifteen (15) percent. Net resource savings are defined as program benefits less utility program costs and participant costs where program benefits will be calculated on the basis of the present value of LG&E's avoided costs over the expected life of the program, and will include both capacity and energy savings. For Energy Education and Direct Load Control Programs, the DSM incentive amount shall be computed by multiplying the annual cost of the approved programs which are to be installed during the upcoming twelve-month period times five (5) percent.

The DSM incentive amount related to programs for Residential Rate R, General Service Rate GS, Large Commercial Rate LC, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DSMI for such rate class. DSM incentive amounts will be assigned for recovery purposes to the rate classes whose programs created the incentive.

DBA = DSM BALANCE ADJUSTMENT. The DBA shall be calculated on a calendar year basis and is used to reconcile the difference between the amount of revenues actually billed through the DCR, DRLS, DSMI and previous application of the DBA and the revenues which should have been billed, as follows:

(1) For the DCR, the balance adjustment amount will be the difference between the amount billed in a twelve-month period from the application of the DCR unit charge and the actual cost of the approved programs during the same twelve-00000month period.

(2) For the DRLS applicable to Residential Rate R, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from the application of the DRLS unit charge and the DRLS amount established for the same twelve month period.

For the DRLS applicable to other rate schedules, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DRLS unit charge and the amount of lost revenues determined for the actual DSM measures implemented during the twelve-month period.

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Demand-Side Management Cost Recovery Mechanism (Continued)

(3) For the DSMI, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DSMI unit charge and the incentive amount determined for the actual DSM measures implemented during the twelve-month period.

(4) For the DBA, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DBA and the balance adjustment amount established for the same twelve-month period.

The balance adjustment amounts determined on the basis of the above paragraphs (1)-(4) shall include interest applied to the monthly amounts, such interest to be calculated at a rate equal to the average of the "3-month Commercial Paper Rate" for the immediately preceding 12-month period. The total of the balance adjustment amounts shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DBA for such rate class. DSM balance adjustment amounts will be assigned for recovery purposes to the rate classes to which over- or under-recoveries of DSM amounts were realized.

All costs recovered through the DSMRC will be assigned or allocated to LG&E's electric or gas customers on the basis of the estimated net electric or gas resource savings resulting from each program.

The filing of modifications to the DSMRC which require changes in the DCR component shall be made at least two months prior to the beginning of the effective period for billing. Modifications to other components of the DSMRC shall be made at least thirty days prior to the effective period for billing. Each filing shall include the following information as applicable:

(1) A detailed description of each DSM program developed by the collaborative process, the total cost of each program over the twelve-month period, an analysis of expected resource savings, information concerning the specific DSM or efficiency measures to be installed, and any applicable studies which have been performed, as available.

(2) A statement setting forth the detailed calculation of the DCR, DRLS, DSMI, DBA and DSMRC.

Each change in the DSMRC shall be placed into effect with bills rendered on and after the effective date of such change.

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DSMRM

Demand-Side Management Cost Recovery Mechanism (Continued)

APPLICABLE TO:

Residential Rate R, General Service Rate GS, Large Commercial Rate LC, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD.

DSM Cost Recovery Component (DSMRC):

Residential Rate R	Energy Charge	
DSM Cost Recovery Component (DCR):	0.016 ¢/Kwh	
DSM Revenues from Lost Sales (DRLS):	0.000 ¢/Kwh	
DSM Incentive (DSMI):	0.000 ¢/Kwh	
DSM Balance Adjustment (DBA):	(0.010)¢/Kwh	
DSMRC Rate R:	0.006 ¢/Kwh	R

General Service Rate GS	
DSM Cost Recovery Component (DCR):	0.026 ¢/Kwh
DSM Revenues from Lost Sales (DRLS):	0.011 ¢/Kwh
DSM Incentive (DSMI):	0.005 ¢/Kwh
DSM Balance Adjustment (DBA):	(0.008)¢/Kwh
DSMRC Rate GS:	0.034 ¢/Kwh

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DSMRM

Demand-Side Management Cost Recovery Mechanism (Continued)

DSM Cost Recovery Component (DSMRC):
(Continued)

Large Commercial Rate LC

DSM Cost Recovery Component (DCR):	0.011 ¢/Kwh
DSM Revenues from Lost Sales (DRLS):	0.003 ¢/Kwh
DSM Incentive (DSMI):	0.002 ¢/Kwh
DSM Balance Adjustment (DBA):	(0.003)¢/Kwh
DSMRC Rate LC:	0.013 ¢/Kwh

Large Commercial Time-of-Day Rate LC-TOD	Energy Charge
DSM Cost Recovery Component (DCR):	0.021 ¢/Kwh
DSM Revenues from Lost Sales (DRLS):	0.006 ¢/Kwh
DSM Incentive (DSMI):	0.004 ¢/Kwh
DSM Balance Adjustment (DBA):	(0.007)¢/Kwh
DSMRC Rate LC-TOD:	0.024 ¢/Kwh

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DSMRM

Demand-Side Management Cost Recovery Mechanism (Continued)

DSM Cost Recovery Component (DSMRC):
(Continued)

Industrial Power Rate LP

DSM Cost Recovery Component (DCR):	0.000 ¢/Kwh
DSM Revenues from Lost Sales (DRLS):	0.000 ¢/Kwh
DSM Incentive (DSMI):	0.000 ¢/Kwh
DSM Balance Adjustment (DBA):	0.000 ¢/Kwh
DSMRC Rate LP:	0.000 ¢/Kwh

Industrial Power Time-of-Day Rate LP-TOD

DSM Cost Recovery Component (DCR):	0.000 ¢/Kwh
DSM Revenues from Lost Sales (DRLS):	0.000 ¢/Kwh
DSM Incentive (DSMI):	0.000 ¢/Kwh
DSM Balance Adjustment (DBA):	0.000 ¢/Kwh
DSMRC Rate LP-TOD:	0.000 ¢/Kwh

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STANDARD RIDER **VDSR**

Value Delivery Surcredit Rider

N

APPLICABLE

In all territory served by the Company.

AVAILABILITY OF SERVICE

To all electric rate schedules.

RATE

The monthly billing amount computed under each of the rate schedules to which this surcredit is applicable shall be adjusted by the Value Delivery Surcredit Factor, which shall be calculated in accordance with the following formula:

Value Delivery Surcredit Factor = VDS + BA

Where:

(VDS) is the Value Delivery Surcredit which is based on the total Company net savings that are to be distributed to the Company's customers in each 12-month period.

	Net Savings to be Distributed	Value Delivery Surcredit (VDS)
Year 1, Dec 1, 2001 to Dec 31, 2001	$1,080,000	2.82%
Year 2, Jan 1, 2002 to Dec 31, 2002	$ 840,000	0.15%
Year 3, Jan 1, 2003 to Dec 31, 2003	$4,360,000	0.72%
Year 4, Jan 1, 2004 to Dec 31, 2004	$5,360,000	0.85%
Year 5, Jan 1, 2005 to Dec 31, 2005	$6,400,000	0.99%
Year 6, Jan 1, 2006 to Mar 31, 2006	$1,720,000	1.21%

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(BA) is the Balancing Adjustment for the second through the twelfth months of the current distribution year which reconciles any over- or under-distribution of the net savings from prior periods. The Balancing Adjustment will be determined by dividing the differences between amounts which were expected to be distributed and the amounts actually distributed from the application of the Value Delivery Surcredit Factor from the previous year by the expected retail electric revenues. The final Balancing Adjustment will be applied to customer billings in the second month following the fifth distribution year.

TERMS OF DISTRIBUTION

(1) The total distribution to Company's customers will, in no case, be less than the sum of the amounts shown above.

(2) In the event that the actual net savings to the customers differs from the values shown under "Net Savings to be Distributed" an adjustment shall be made to Year 6 via the Balancing Adjustment. The determination of any such adjustment shall be reported to the Commission when it becomes available.

(3) On or before the 21st of the first month of each distribution year following Year 1, the Company will file with the Commission a status report of the Surcredit. Such report shall include a statement showing the amounts which were expected to be distributed and the amounts actually distributed in previous periods, along with a calculation of the Balancing Adjustment (BA) which will be implemented with customer billings in the second month of that distribution year to reconcile any previous over-or under-distributions.

(4) The Value Delivery Surcredit shall be applied to the customer's bill following the rates and charges for electric service, but before application of the school tax, the franchise fee, sales tax or similar items.

(5) The Value Delivery Surcredit shall be withdrawn with application of the final Balancing Adjustment following Year 6.

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