

Louisville Gas and Electric Company

Original Sheet No 23-0

Canceling PUBLIC SERVICE COMMISSION  
State of Kentucky

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

STANDARD RATE SCHEDULE

ESM

Earnings Sharing Mechanism

MAR 05 2000

**APPLICABLE**

In all territory served by the Company .

PURSUANT TO 807 KAR 5.011,  
SECTION 9(1)

BY: Stephan D. Bell  
SECRETARY OF THE COMMISSION

**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

$$ESMF = (RA + BA) / ER$$

**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  
Robert M. Hewett

Group Executive

Louisville, KY

NAME

TITLE

ADDRESS

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

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C6/00

Louisville Gas and Electric Company

Original Sheet No 23-P

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

STANDARD RATE SCHEDULE

ESM

Earnings Sharing Mechanism

- b) contain a threshold of 11.5% return on equity with a symmetrical deadband of 100 basis points above and below the threshold, and
  - c) share any revenue surplus or deficit outside of the deadband, 60% shareholders and 40% customers.
- (2) An annual Earnings Sharing Mechanism filing will be made on the 1<sup>st</sup> of March following a Current Reporting Period. The first Current Reporting Period subject to this tariff shall be the calendar year 2000. The Earnings Sharing Mechanism filing will contain
- a) the calculation of the adjusted jurisdictional revenues, expenses and net operating income. These calculations will recognize current and future orders of the Commission that cause revenues, expenses or both, in part or in total, to be collected or incurred differently than in the Current Reporting Period. Revenues will be adjusted for off-system sales and expenses will be adjusted to remove advertising costs, in accordance with Commission 's regulations.
  - b) the calculation of the adjusted jurisdictional capitalization, capital structure, and the cost rates for debt and preferred stock.
  - c) the calculation of the rate of return on common equity reflecting the adjusted jurisdictional net operating income, the adjusted jurisdictional capitalization, adjusted capital structure, and the Current Reporting Period end of period cost rates for debt and preferred stock.
  - d) the calculation of the revenue requirement for the Current Reporting Period based on the upper and lower points of the deadband. This calculation will reflect the adjusted financial data described above.
  - e) a comparison of the adjusted net operating income to the upper and lower point revenue requirements, a calculation of the amount of sharing with or collection from customers (Revenue Adjustment), and a determination of the Earnings Sharing Mechanism Factor to be applied to customers' bills. The Revenue Adjustment used to compute the Earning Sharing Mechanism Factor will be applied in the first April billing cycle following the Current Reporting Period, if applicable.
- (3) The Balancing Adjustment will be used to compute the Earning Sharing Mechanism Factor to be applied in the second through twelfth months of the Current Adjustment Year. This calculation will be filed ten days prior to the first billing cycle of the second month of the Current Adjustment Year.

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

MAR 05 2000

DATE OF ISSUE February 4, 2000

PURSUANT TO 807 KAR 5.011, March 5, 2000

SECTION 9(1)

ISSUED BY

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