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Stephanie L. Stumbo, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

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AUG 21 2008

PUBLIC SERVICE
COMMISSION

**Louisville Gas and
Electric Company**
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

August 21, 2008

Robert M. Conroy
Director - Rates
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**Re: Filing of Value Delivery Surcredit Final Balancing Adjustment
For Louisville Gas and Electric Company Gas Service**

Dear Ms. Stumbo:

In its Order dated March 24, 2006, in Case No. 2005-00352, the Commission approved a Settlement Agreement which stipulated that Louisville Gas and Electric Company's (LG&E's) Value Delivery Team (VDT) surcredits would continue until the end of the billing month in which rate applications are filed. On July 29, 2008, LG&E filed with the Commission an Application for an Adjustment of Electric and Gas Base Rates. Therefore, the VDT surcredits were discontinued effective with the August 2008 cyclical billings.

LG&E herewith files the Value Delivery Surcredit Status Report for the first, second, third, fourth, fifth, sixth, seventh, and eighth distributions years (through July 2008), and the Final Balancing Adjustment required to distribute the remaining amount of \$97,723 due to gas customers, with supporting calculations.

A Value Delivery Surcredit Factor of -0.742% will be applied to bills rendered for gas service during the September 2008 cyclical billings only. This will conclude the Value Delivery Team surcredit initiative.

Sincerely,

Robert M. Conroy

Attachment

LOUISVILLE GAS AND ELECTRIC COMPANY

GAS SERVICE - VALUE DELIVERY SURCREDIT STATUS REPORT

Kentucky Retail Jurisdiction

Status Report	Net Savings to be Distributed	Actual Value Delivery Surcredit Distributed	Over/(Under) Payment of Value Delivery Surcredit
Year 1	\$120,000	\$67,683	(\$52,317)
Year 2	\$320,000	\$285,309	(\$34,691)
Year 3	\$1,240,000	\$1,568,774	\$328,774
Year 4	\$1,520,000	\$1,469,289	(\$50,711)
Year 5	\$1,800,000	\$1,967,508	\$167,508
Year 6	\$1,760,000	\$1,045,286	(\$714,714)
Year 7	\$1,760,000	\$1,612,927	(\$147,073)
Year 8 (Jan-Jul)	<u>\$1,026,667</u>	<u>\$1,432,167</u>	<u>\$405,501</u>
	\$9,546,667	\$9,448,943	(\$97,723)

Final Balancing Adjustment		Value Delivery Surcredit Factor
Line 1	Final Over/(Under) to be Distributed in Sept.	(\$97,723)
Line 2	Est. Revenues for Month 9	<u>\$13,171,725</u>
Line 3	Month 9 Factor	-0.742%