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Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

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**PUBLIC SERVICE
COMMISSION**

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

Robert M. Conroy
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November 21, 2006

Dear Ms. O'Donnell:

Pursuant to the Commission's Order dated June 30, 2004, in Case No. 2003-00434, Kentucky Utilities Company ("KU") filed an experimental electric tariff P.S.C. No. 62 for the Small Time of Day Service ("STOD"). That electric tariff provides for the calculation of a monthly charge per KWH to recover programming costs associated with modifying the customer billing system, not to exceed \$29,050 per year, plus any lost revenues associated with STOD. This monthly charge is to be applied to customers taking service under the Large Power Service ("LP") for KU.

Attached is Exhibit 1 which presents the calculation of the factor to be applied during the period of December 2006 through November 2007. The balancing adjustment is being made for the difference in the Program Cost to be recovered in the second year and the actual recovery for the second year. This balancing adjustment is being made such that KU neither overcharges nor under collects the STOD program costs.

Attached as Exhibit 2 is a calculation of the loss revenue in support of Exhibit 1.

KU will begin applying the recovery factor of \$0.00006 per KWH effective with the first billing cycle of December 2006. Please contact me at (502) 627-3324 or Don Harris at (502) 627-2021 if you have any questions about this information.

Sincerely,

A handwritten signature in black ink, appearing to read "R. M. Conroy". The signature is fluid and cursive, with the first name "R." and last name "Conroy" clearly distinguishable.

Robert M. Conroy

Program Cost Recovery Factor Calculation

	KU
(1) Program Cost Recovery (3rd Program Year)	\$29,050
(2) Lost Revenue (2nd Program Year) (See Exhibit 2)	\$334,276
<i>Balancing Adjustment:</i>	
Program Cost Recovery (2nd Program Year)	\$279,234
Less: Actual Recovery (2nd Program Year)	\$281,600
(3) Total Balancing Adjustment	(\$2,366)
(4) Total Program Cost Recovery (3rd Program Year) [(1)+(2)+(3)]	\$360,959
(5) LPKWH - Projected Dec '06 thru Nov '07	5,884,588,262
PCRF (dollars per KWH) [(4)/(5)]	0.00006

Kentucky Utilities Company

	Nov '05	Dec '05	Jan '06	Feb '06	Mar '06	Apr '06	May '06	Jun '06	Jul '06	Aug '06	Sep '06	Oct '06
Fuel Adjustment Clause	\$0.00670	\$0.00579	\$0.00231	\$0.00263	\$0.00203	\$0.00440	\$0.00720	\$0.00608	\$0.00723	\$0.00829	\$0.00947	\$0.01299
Demand Side Management	\$0.00004	\$0.00004	\$0.00005	\$0.00005	\$0.00005	\$0.00007	\$0.00007	\$0.00007	\$0.00007	\$0.00007	\$0.00007	\$0.00007
Environmental Surcharge	2.120%	2.810%	2.670%	2.320%	2.340%	2.850%	3.080%	3.540%	2.530%	3.580%	3.410%	3.410%
Merger Surcredit	2.246%	2.246%	2.246%	2.246%	2.246%	2.246%	2.246%	2.246%	2.442%	1.326%	1.326%	1.326%
Earning Sharing Mechanism	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Value Delivery Surcredit	0.410%	0.410%	0.440%	0.110%	0.110%	0.350%	0.350%	0.350%	0.350%	0.350%	0.350%	0.350%
Billing Determinants												
Customers	49	49	53	53	53	53	53	53	53	53	53	53
Demand-Secondary	26,387.0	24,598.2	27,753.8	27,631.9	28,990.8	30,286.3	32,046.7	34,311.9	35,827.1	36,789.7	35,898.3	33,144.6
Demand-Primary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Energy	5,756,212	5,943,272	7,554,800	6,666,328	6,652,952	6,838,340	7,564,480	7,383,728	6,916,120	7,169,060	6,713,368	6,443,656
On-Peak	7,165,356	7,547,524	9,500,540	8,819,420	8,648,488	8,887,004	9,386,380	10,602,332	12,550,732	13,012,804	12,156,616	10,498,948
Off-Peak												
Small Time-of-Day Rate												
Rate	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00
Customer	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65
Demand - Secondary	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65
Winter	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26
Summer	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26
Energy	\$0.03116	\$0.03116	\$0.03116	\$0.03116	\$0.03116	\$0.03116	\$0.03116	\$0.03116	\$0.03116	\$0.03116	\$0.03116	\$0.03116
On-Peak	\$0.01816	\$0.01816	\$0.01816	\$0.01816	\$0.01816	\$0.01816	\$0.01816	\$0.01816	\$0.01816	\$0.01816	\$0.01816	\$0.01816
Off-Peak												
Billing	\$4,410.00	\$4,410.00	\$4,770.00	\$4,770.00	\$4,770.00	\$4,770.00	\$4,770.00	\$4,770.00	\$4,770.00	\$4,770.00	\$4,770.00	\$4,770.00
Customer	\$175,473.55	\$163,578.03	\$184,562.77	\$183,752.14	\$192,788.82	\$201,403.90	\$213,110.56	\$228,174.14	\$238,250.22	\$244,651.51	\$238,723.70	\$220,411.59
Demand	\$308,486.43	\$322,255.40	\$407,937.38	\$367,883.45	\$364,362.52	\$374,470.66	\$406,165.86	\$422,615.31	\$443,427.59	\$459,700.43	\$429,952.70	\$391,445.22
Energy	\$86,574.51	\$78,111.71	\$39,397.84	\$40,727.52	\$31,061.92	\$69,191.51	\$122,046.19	\$109,355.24	\$140,745.34	\$167,307.65	\$178,698.75	\$220,084.43
Fuel Clause	\$516.86	\$539.63	\$852.77	\$774.29	\$763.07	\$1,100.77	\$1,186.56	\$1,362.68	\$1,412.73	\$1,320.90	\$1,320.90	\$1,185.98
Demand-Side Management	\$12,220.98	\$15,985.94	\$17,021.80	\$13,871.45	\$13,893.71	\$18,551.70	\$23,016.20	\$27,122.55	\$20,962.46	\$31,426.76	\$29,103.19	\$28,572.30
Environmental Surcharge	(\$13,221.81)	(\$13,136.42)	(\$14,701.03)	(\$13,740.55)	(\$13,647.64)	(\$15,036.71)	(\$17,300.83)	(\$17,817.43)	(\$20,745.24)	(\$12,056.91)	(\$11,702.87)	(\$11,489.39)
Merger Surcredit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Earning Sharing	(\$2,359.39)	(\$2,344.15)	(\$2,815.30)	(\$657.84)	(\$653.39)	(\$2,290.58)	(\$2,635.48)	(\$2,714.18)	(\$2,900.71)	(\$3,140.24)	(\$3,048.03)	(\$2,992.43)
Value Delivery	\$573,101.13	\$569,400.14	\$637,026.23	\$597,380.46	\$593,341.01	\$652,161.25	\$750,359.06	\$772,764.65	\$825,872.34	\$894,071.93	\$867,818.34	\$851,987.70
Total Regenerated Billing	573,091	569,462	636,056	596,316	592,357	651,160	749,373	771,712	824,841	892,985	866,886	850,967
Actual Billing	0.99998	1.00011	0.99848	0.99822	0.99834	0.99846	0.99869	0.99864	0.99875	0.99878	0.99869	0.99880
Ratio of Actual to Regenerated	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00
Large Power Rate	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65
Customer	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65
Demand - Secondary	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26	\$6.26
Winter	\$0.02516	\$0.02516	\$0.02516	\$0.02516	\$0.02516	\$0.02516	\$0.02516	\$0.02516	\$0.02516	\$0.02516	\$0.02516	\$0.02516
Summer												
Energy	\$3,675.00	\$3,675.00	\$3,975.00	\$3,975.00	\$3,975.00	\$3,975.00	\$3,975.00	\$3,975.00	\$3,975.00	\$3,975.00	\$3,975.00	\$3,975.00
Customer	\$175,473.55	\$163,578.03	\$184,562.77	\$183,752.14	\$192,788.82	\$201,403.90	\$213,110.56	\$228,174.14	\$238,250.22	\$244,651.51	\$238,723.70	\$220,411.59
Demand	\$325,106.65	\$339,428.43	\$429,112.35	\$389,621.42	\$384,984.23	\$395,649.66	\$426,483.64	\$452,529.27	\$489,786.00	\$507,775.70	\$474,768.80	\$426,275.92
Energy	\$86,574.51	\$78,111.71	\$39,397.84	\$40,727.52	\$31,061.92	\$69,191.51	\$122,046.19	\$109,355.24	\$140,745.34	\$167,307.65	\$178,698.75	\$220,084.43
Fuel Clause	\$516.86	\$539.63	\$852.77	\$774.29	\$763.07	\$1,100.77	\$1,186.56	\$1,362.68	\$1,412.73	\$1,320.90	\$1,320.90	\$1,185.98
Demand-Side Management	\$12,536.55	\$16,447.85	\$17,565.95	\$14,357.33	\$14,357.66	\$19,132.64	\$23,617.50	\$28,153.36	\$22,115.22	\$33,119.39	\$30,604.31	\$29,732.91
Environmental Surcharge	(\$13,563.21)	(\$13,515.99)	(\$15,170.96)	(\$14,221.84)	(\$14,103.37)	(\$15,507.59)	(\$17,752.82)	(\$18,494.60)	(\$21,886.05)	(\$12,706.29)	(\$12,306.49)	(\$11,956.09)
Merger Surcredit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Earning Sharing	(\$2,420.31)	(\$2,411.89)	(\$2,905.90)	(\$680.88)	(\$675.21)	(\$2,362.31)	(\$2,704.33)	(\$2,817.33)	(\$3,080.22)	(\$3,309.37)	(\$3,205.25)	(\$3,130.98)
Value Delivery	\$587,899.60	\$585,852.77	\$657,390.40	\$618,304.98	\$613,154.12	\$672,583.58	\$769,962.30	\$802,134.10	\$871,288.19	\$942,226.32	\$912,579.72	\$886,595.76
Total Regenerated Billing	\$587,889.13	\$585,916.73	\$656,388.66	\$617,203.18	\$612,136.79	\$671,550.65	\$768,950.60	\$801,041.95	\$870,199.90	\$941,081.22	\$911,388.51	\$885,533.67
Adjusted for Ratio to Actual												
Lost Revenue by Month	(\$14,798.21)	(\$16,454.43)	(\$20,333.14)	(\$20,887.23)	(\$19,780.24)	(\$20,390.97)	(\$19,577.48)	(\$29,329.46)	(\$45,359.12)	(\$48,095.87)	(\$44,702.95)	(\$34,566.60)
Cumulative Lost Revenue		(\$14,798.21)	(\$31,252.63)	(\$51,585.77)	(\$72,473.00)	(\$92,253.24)	(\$112,644.21)	(\$161,551.15)	(\$206,910.27)	(\$255,006.14)	(\$299,709.09)	(\$334,275.70)