



RECEIVED

APR 30 2008

PUBLIC SERVICE
COMMISSION

Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

E.ON U.S. LLC
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.eon-us.com

April 30, 2008

F. Howard Bush
Manager - Tariffs/Special
Contracts
T 859-367-5636 (Lexington)
T 502-627-4136 (Louisville)
F 502-627-3213
howard.bush@eon-us.com

**RE: In the Matter of Application of Louisville Gas and Electric Company
for an Adjustment of the Gas and Electric Rates, Terms and Conditions
Case No. 2003-00433**

and

**In the Matter of Application of Kentucky Utilities Company for an
Adjustment of the Electric Rates, Terms and Conditions
Case No. 2003-00434**

Dear Ms. Stumbo:

Pursuant to the Stipulation dated May 4, 2004 in the above-referenced proceedings, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") (collectively "Companies") agreed to conduct a three year pilot program for a Small Time-of-Day Service ("STOD"). The Commission's Final Order in those proceedings approved STOD and provided the Companies file a report within six months of the end of the pilot program to include detailed findings and recommendations.

Attached is a copy of that report. In summary, the Companies find no appreciable reduction or shift in load by the participating customers. Conversely, the Companies' other customers bear the burden of supporting STOD through the lost revenue recovery mechanism. The Companies seek the Commission's approval to terminate STOD.

If you have any questions or concerns with respect to this filing, please do not hesitate to contact me.

Sincerely,

F. Howard Bush

Small Commercial Time-of-Day (“STOD”) Rate Impact

Regulatory Background

As part of the Stipulation in Case Nos. 2003-00433 and 2003-00434 For An Adjustment of the Gas and Electric Rates for the Louisville Gas & Electric and Kentucky Utilities (“Companies”), a request was made to offer experimental time-of-day rate schedules for commercial customers whose maximum monthly demands were greater than 250 KW and less than 2,000 KW during the calendar year 2003 on a revenue-neutral basis. The Commission approved this program in their final Order dated June 30, 2004. The experimental time-of-day rate schedules were to be available under a three year pilot program to 100 accounts currently served under Rate LC by LG&E, and to 100 accounts served under Rate LP by KU.

The Companies filed their Small Time-of-Date Service – Rate Schedule STOD (“STOD”) as required and began offering service in October 2004 under the 3-year pilot program. As part of the Stipulation, the Companies agreed to and are required by the Commission’s Order to evaluate the performance of the experimental time-of-day rate schedules after the three year period for the following purposes:

1. To determine the amount of load shifted from the on-peak period to the off-peak period,
2. To determine the amount of revenue loss from the experimental time-of-day rate schedules,
3. To evaluate customer acceptance of the experimental time-of-day rate schedules,
4. And to evaluate the potential for implementing the experimental time-of-day rate schedules as either a permanent demand-side management program or as a standard rate schedule.

As agreed to in the Stipulation and required by the Commission’s Order, the Companies are required to file a report with the Commission within six months after the first three years of implementation of the experimental time-of-day schedules, and that the experimental time-of-day rate schedules shall remain in effect until the rate schedules are terminated by order of the Commission.

The remainder of this report will cover the topics expressed by the Commission.

1. Determine the amount of load shift between the on-peak and off-peak time periods

Analysis Overview

The rates for STOD were developed to encourage customers on the rate schedule to reduce demand or shift usage from peak periods to off-peak periods. There are currently 27 LG&E and 53 KU customers accepting service under STOD. Prior to switching from their rate schedule to STOD, the energy charge for these customers did not vary by time of day. For STOD, the energy charge is lower in the off-peak period than the on-peak period. The analysis discussed

herein was conducted to examine evidence for a reduction in demand or shift in usage from the peak to off-peak period recognizing (i) the limited availability of load profile data prior to the implementation of the STOD rate and (ii) the difficulty of establishing a fully comparable control group. Notwithstanding these constraints, there appears to be no statistical evidence that STOD resulted in a reduction in demand or shift of usage from the peak periods to off-peak periods.

Approach

The ideal approach to this sort of analysis would be to compare the usage patterns of the customers prior to taking service under STOD with the usage patterns while taking service under STOD. Unfortunately, due to the timing of the implementation of the STOD rate schedules and installation of the necessary metering equipment, the load profile data for the customers prior to taking service under STOD is only available for seven customers, all in the KU service territory, which happened to be part of KU's load research survey. As the next best alternative, the Companies developed a control group for the analysis and compared the usage patterns of the STOD customers to that of the control group. The group of customers who switched to STOD is made up almost entirely of 24-hour supermarkets and discount stores. Since the majority of these types of customers in the Companies service territories switched to STOD, a control group consisting entirely of 24-hour supermarkets and discount stores could not be created. As a result, in addition to discount stores and supermarkets, the control group also contains 24-hour convenience stores and pharmacies. The control group consists of 30 LG&E customers and 33 KU customers.

The Companies installed load recorders at the premises of those customers taking service under STOD and the customers in the control group. In this analysis, the average load profile of the STOD customers was compared to the average load profile of the control group over the 12-month period from January 2007 to December 2007. This one year time period was chosen because it represented the most complete period representing a full summer and winter season to evaluate. The timing of implementation and installation of metering equipment for both the STOD customers and the control group limited the completeness in evaluating the first year of effectiveness. In addition, for the seven KU customers where load profile data was available before the switch to STOD, the average usage pattern before and after the switch was compared.

Analysis

The analysis compared the average daily load profile of the STOD customers to the average daily load profile of the customers in the control group by month, season, and day type (whether it was a weekday or weekend). Comparisons of the average daily load profile during the two peak seasons, summer and winter, are presented here¹. The following three comparisons are evaluated:

1. The average load profile of the STOD customers is compared to the average load profile of the control group (STOD vs. Control).
2. The average load profile of the STOD customers is compared to a subset of the control group consisting only of discount stores and supermarkets (STOD vs. Control Subset).

¹ For this analysis, the summer season includes June – August; the winter season includes December – February.

- For the seven KU customers where load profile data was available before and after the switch to the STOD rate, the average usage pattern before and after the switch was compared (Selected KU Customers).

Based on each of these comparisons, there appears to be no statistical evidence that offering the STOD rate schedule resulted in a shift of either demand or energy from the peak period to the off-peak period. The results of these comparisons are discussed further in the following sections.

STOD vs. Control

Figures 1-4 compare the average daily load profile of the STOD customers to the average daily load profile of the control group. Figures 1 and 3 contain absolute values for the summer and winter months, respectively. Figures 2 and 4 compare each hour's load as a percentage of the total day's load, which puts both groups on the same scale and allows for a comparison of how each uses energy across the day.

Figure 1: Typical Summer Day

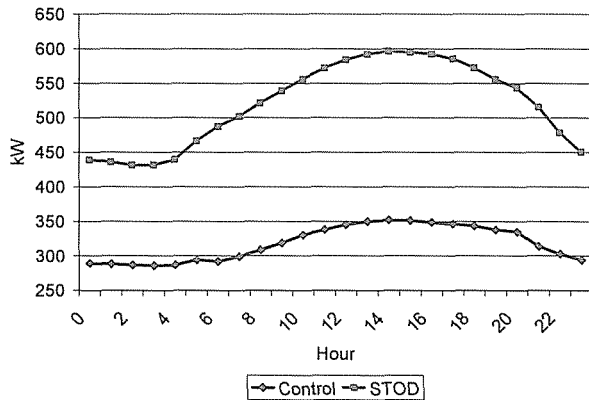


Figure 2: Typical Summer Day Normalized

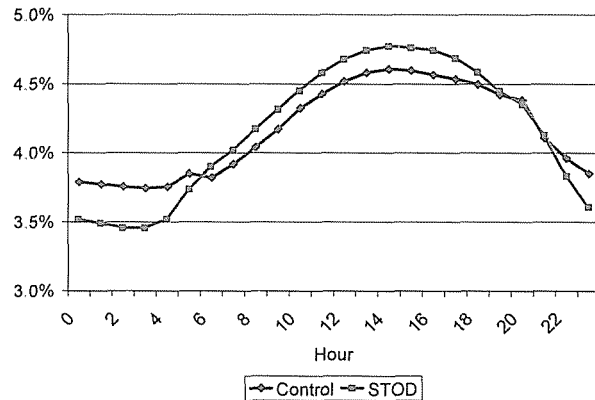


Figure 3: Typical Winter Day

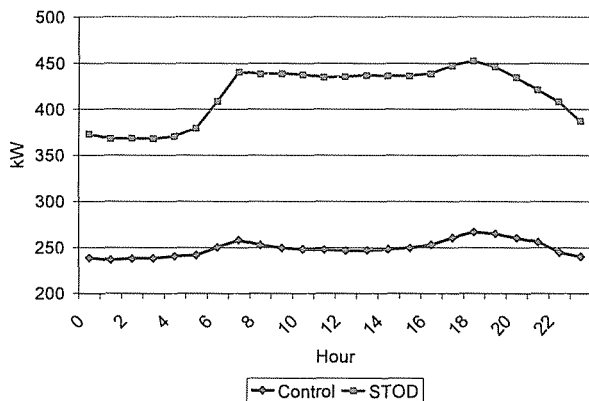
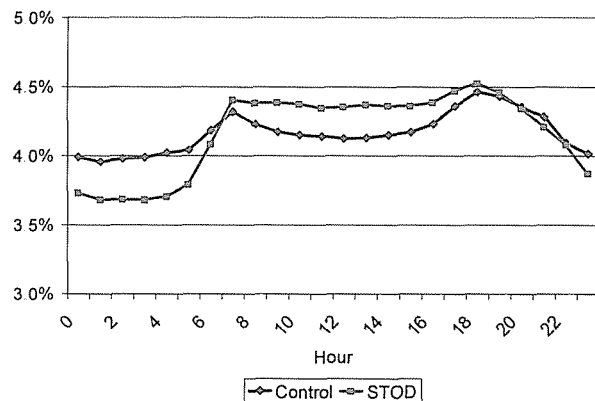


Figure 4: Typical Winter Day Normalized



Overall, the STOD customers use more energy on average than the control customers in both the summer and the winter, as shown in Figures 1 and 3. This difference is expected given the fact that the control group contains several customers (24-hour pharmacies and convenience stores) that are typically smaller than the average discount store and supermarket. In both seasons, the

percentage of daily energy consumed during the peak period is greater for the STOD customers than the control customers (see Figures 2 and 4)².

STOD vs. Control Subset

Figures 5-8 compare the average daily load profile of the STOD customers to the average daily load profile of a subset of the control group consisting of discount stores and supermarkets. The subset includes 11 LG&E and 12 KU customers. The customers in the subset of the control group are more similar to the STOD customers both in terms of the average daily amount of energy consumed and the way the energy is distributed throughout the day (see Figures 5 and 7). Like the previous comparison, the STOD customers consume more energy during the peak periods as a percentage of daily energy consumed (see Figures 6 and 8).

Figure 5: Typical Summer Day (Control Subset)

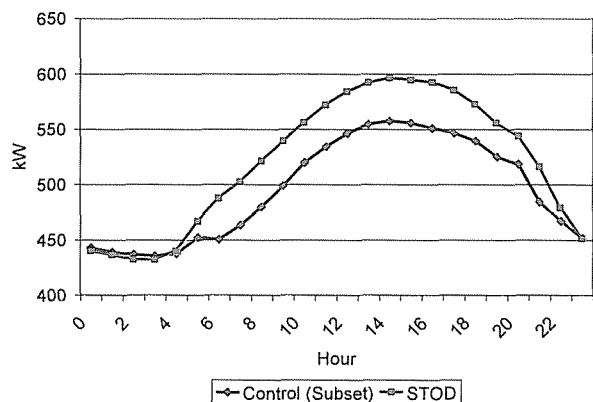


Figure 6: Typical Summer Day Normalized (Control Subset)

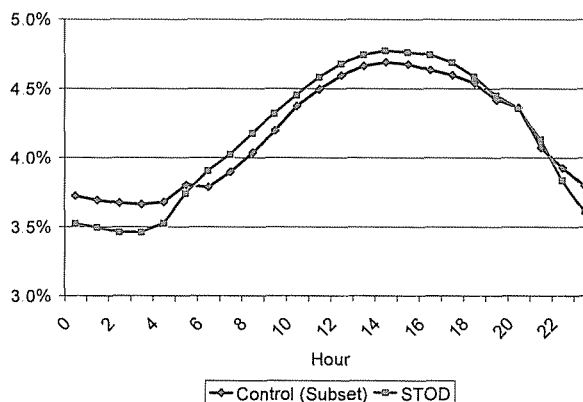


Figure 7: Typical Winter Day (Control Subset)

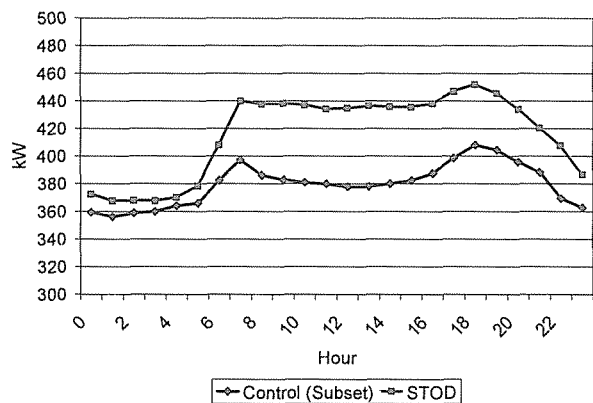
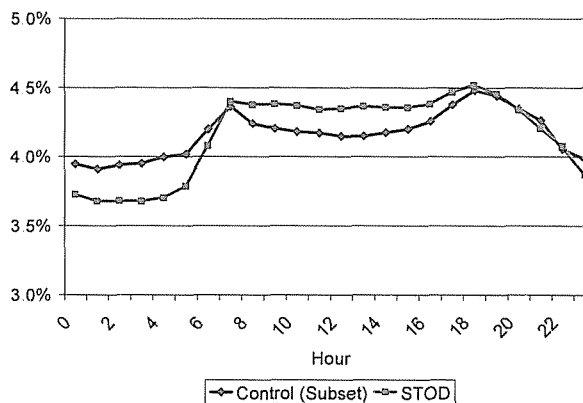


Figure 8: Typical Winter Day Normalized (Control Subset)



Selected KU Customers

For seven KU customers that switched to STOD, load profile data was available before and after the switch. Figures 9-12 compare the average daily load profiles of these customers before and

² During the summer months, the peak period extends from 10 A.M. to 9 P.M. (hours 10 to 21). During the winter months, the peak period extends from 8 A.M. to 10 P.M (hours 8 to 22).

after the switch. Based on Figures 10 and 12, these customers did not noticeably shift their usage from the peak period to the off-peak period after switching to the STOD rate.

Figure 9: Typical Summer Day (Selected KU Customers)

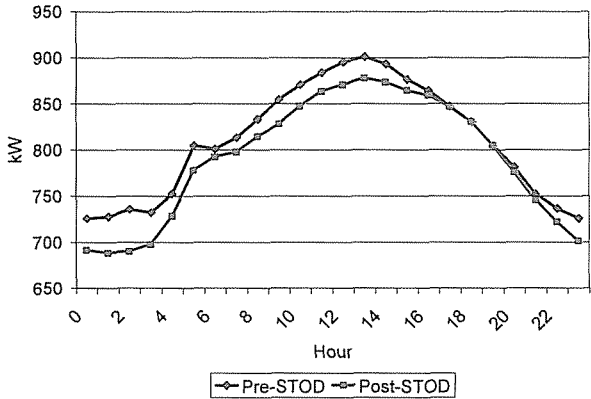


Figure 10: Typical Summer Day Normalized (Selected KU Customers)

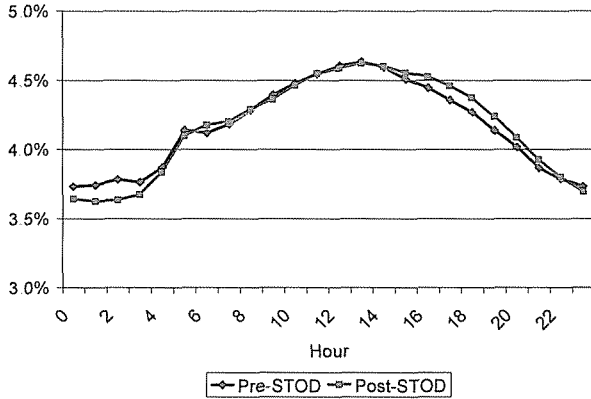


Figure 11: Typical Winter Day (Selected KU Customers)

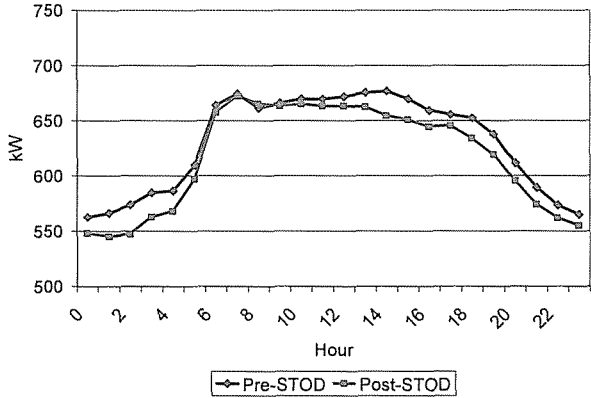
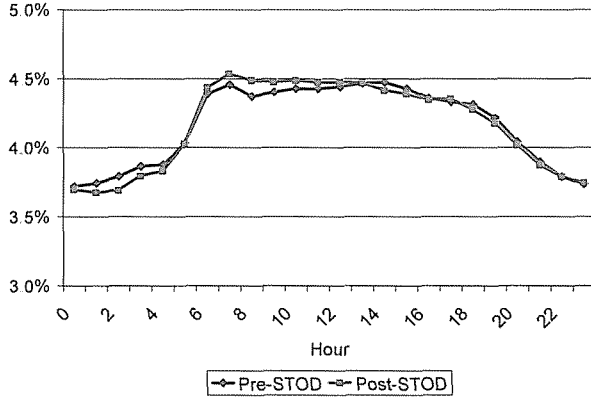


Figure 12: Typical Winter Day Normalized (Selected KU Customers)



2. Determine the amount of revenue loss

The following table outlines the lost revenues that were incorporated into the determination of the Program Cost Recovery Factor (PCRF) after each year of the pilot program. These lost revenues are calculated annually by comparing the revenues collected through the experimental time-of-day rate schedules to revenues that would have been collected through the LG&E Rate LC and the KU Rate LP schedules. The Companies lost revenues are then incorporated annually into the PCRF that is applied to billing amounts of all customers taking service under LG&E Rate LC and KU Rate LP. Exhibit 1 contains a copy of the lost revenues used for the determination of the PCRF during the three year pilot period. Year 1 is the period November 2004 through October 2005, Year 2 is the period November 2005 through October 2006, and Year 3 is the period November 2006 through October 2007. The table below does not include the program costs which were also recovered from non-STOD customers.

	<u>KU</u>	<u>LG&E</u>
Lost Revenues - Year 1	\$ 279,657	\$ 329,355
Lost Revenues - Year 2	334,276	342,304
Lost Revenues - Year 3	341,234	313,332
	<hr/>	<hr/>
	\$ 955,167	\$ 984,991

3. Evaluate customer acceptance

The Companies currently have 91 customers on STOD; of these 65 are Kroger, 17 are Wal-Mart, 3 are Lowe's, and 6 are others. Comments of the customers are shown below.

Denis George, Kroger

"We like the STOD rate. You know we do. We are hoping the pilot will continue and you will offer rebates for our energy improvements to our stores and energy efficiency design of our new locations." "A rate that is structured such that it models loads into your off peak times should have reductions for customers whose peak is different than your system peak."

David Ozmont, Wal-Mart

"Wal-Mart is about controlling costs and we saw reductions in cost with the STOD rate option. We would like to continue with this rate and add new store locations. All of our locations including Neighborhood Markets have high load factors and benefit from most rates that break us out of the standard commercial rate class."

Charlie Martin, Lowes

"We are all for any utility that lowers our costs. We would like to see utility incentives and rebates in Kentucky for greater energy efficiency too. I believe there was something unusual about the STOD rate where it was kWh based rather than a demand reduction rate. I didn't understand that."

4. Evaluate the potential for implementing as a permanent demand-side management program or as a standard rate schedule

Based on the analysis performed, the experimental time-of-day schedules did not result in any statistically significant change in load patterns as there is no determinable shift either of energy consumption or demand from the on-peak to the off-peak periods. Therefore the Companies believe the STOD pilot program has resulted in

- a lack of the desired response in STOD customer consumption patterns although they realized a billing reduction,
- no benefit to the Companies' non-STOD customers since no load reduction or shift was evidenced and those customers were penalized by bearing the costs of the STOD customer's revenue reduction, and
- the Companies experienced a time delay in recovering the annual loss of revenues.

With this said, the Companies believe the STOD Pilot program should be ended and the lost revenue recovery mechanism terminated once all lost revenues are recovered but are willing to continue the experimental time-of-day schedule as it currently exists until the next base rate case when the issue of commercial time-of-day rates will be addressed for the entire customer class. The tariff billing factor including the annual adjustment for lost revenues and a balancing adjustment for previous billing periods would be calculated using the currently established mechanism should the Commission decide to continue STOD through the next rate case.

EXHIBIT 1



Louisville Gas and Electric Company
220 West Main Street (40202)
P.O. Box 32010
Louisville, Kentucky 40232

February 14, 2006

Elizabeth O' Donnell, Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602-0615

Dear Ms. O'Donnell:

Pursuant to the Commission's Order dated June 30, 2004, in Case No. 2003-00433, Louisville Gas and Electric Company ("LG&E") 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 Commercial Service ("LC") for LG&E.

Attached is Exhibit 1 which presents the calculation of the factor to be applied during the period of March 2006 through October 2006. The eight month application period is used to allow for the months remaining in the second program year. As noted in parallel filing for Kentucky Utilities Company's first year factor by my letter dated October 22, 2004, a balancing adjustment is being made for the difference in the programming costs to be recovered in the first year and the actual recovery for the first year. A similar balancing adjustment will be made in the third year factor to reflect any differences for the second year's recovery. This balancing adjustment is being made such that LG&E 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.

LG&E will begin applying the recovery factor of \$0.000220 per KWH effective with the first billing cycle of the March 2006. Please contact me at (502) 627-3324 or Don Harris at (502) 627-2021 if you have any questions about this information.

Sincerely,

Robert Conroy
Manager, Rates

Program Cost Recovery Factor Calculation

	LG&E
(1) Program Cost Recovery (2nd Program Year)	\$29,050
(2) Lost Revenue (1st Program Year) (See Exhibit 2)	\$329,355
<i>Balancing Adjustment:</i>	
Program Cost Recovery (1st Program Year)	\$29,050
Less: Actual Recovery (1st Program Year)	\$26,187
(3) Total Balancing Adjustment	\$2,863
(4) Total Program Cost Recovery (2nd Program Year) [(1)+(2)+(3)]	\$361,268
(5) LPKWH - Projected Mar '06 thru Oct '06	1,639,423,427
PCRF (dollars per KWH) [(4)/(5)]	0.000220

Louisville Gas Electric Company

EXHIBIT 2

	Nov '04	Dec '04	Jan '05	Feb '05	Mar '05	Apr '05	May '05	Jun '05	Jul '05	Aug '05	Sep '05	Oct '05
Fuel Adjustment Clause	(\$0.00004)	(\$0.00031)	\$0.00083	\$0.00046	(\$0.00028)	(\$0.00115)	\$0.00003	\$0.00103	(\$0.00008)	\$0.00235	\$0.00369	\$0.00390
Demand Side Management	\$0.00018	\$0.00018	\$0.00020	\$0.00020	\$0.00020	\$0.00018	\$0.00018	\$0.00018	\$0.00018	\$0.00018	\$0.00018	\$0.00018
Environmental Surcharge	0.710%	0.760%	0.900%	1.010%	0.530%	0.670%	0.870%	0.360%	1.800%	0.360%	1.470%	0.460%
Merger Surcredit	3.262%	3.262%	3.262%	3.262%	3.262%	3.262%	3.262%	3.262%	3.052%	2.936%	2.936%	2.936%
Earning Sharing Mechanism	2.360%	2.360%	2.360%	2.360%	2.360%	0.000%	-2.758%	0.000%	0.000%	0.000%	0.000%	0.000%
Value Delivery Surcredit	0.900%	0.900%	1.040%	0.990%	0.990%	0.990%	0.990%	0.990%	0.990%	0.990%	0.990%	0.990%
Billing Determinants												
Customers	34	35	35	35	35	34	36	35	35	35	35	35
Demand-Secondary	15,700.0	14,889.0	14,580.0	13,816.0	13,589.0	15,166.0	17,356.0	18,569.0	19,150.0	19,819.0	19,267.0	18,162.0
Demand-Primary	960.0	828.0	816.0	804.0	804.0	912.0	984.0	1,092.0	1,176.0	1,152.0	1,080.0	1,092.0
Energy												
On-Peak	3,769,640	4,090,860	4,073,800	3,564,200	3,633,020	3,814,620	3,840,320	4,083,820	4,136,140	4,133,760	3,996,460	3,931,900
Off-Peak	4,611,260	5,270,880	5,002,680	4,467,280	4,810,540	4,612,100	4,656,160	6,001,880	7,400,380	6,957,740	6,785,520	5,681,060
Small Time-of-Day Rate												
Rate												
Customer	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00
Demand - Secondary												
Winter	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14
Summer	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20
- Primary												
Winter	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52
Summer	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32
Energy												
On-Peak	\$0.02936	\$0.02936	\$0.02936	\$0.02936	\$0.02936	\$0.02936	\$0.02936	\$0.02936	\$0.03004	\$0.03004	\$0.03004	\$0.03004
Off-Peak	\$0.01370	\$0.01370	\$0.01370	\$0.01370	\$0.01370	\$0.01370	\$0.01370	\$0.01370	\$0.01438	\$0.01438	\$0.01438	\$0.01438
Billing												
Customer	\$2,720.00	\$2,800.00	\$2,800.00	\$2,800.00	\$2,800.00	\$2,720.00	\$2,880.00	\$2,800.00	\$2,800.00	\$2,800.00	\$2,800.00	\$2,800.00
Demand	\$184,037.20	\$173,746.02	\$170,189.52	\$161,564.32	\$159,035.54	\$177,631.48	\$202,713.52	\$277,133.24	\$286,418.32	\$295,622.44	\$286,897.00	\$212,720.52
Energy	\$173,850.89	\$192,318.71	\$188,143.49	\$165,846.65	\$172,569.87	\$175,183.01	\$176,541.19	\$202,126.72	\$230,667.11	\$224,230.45	\$217,629.44	\$199,807.92
Fuel Clause	(\$335.24)	(\$2,902.14)	\$7,533.48	\$3,694.48	(\$2,364.20)	(\$9,690.73)	\$254.89	\$10,388.27	(\$922.92)	\$26,065.03	\$39,785.51	\$37,490.54
Demand-Side Management	\$1,508.56	\$1,685.11	\$1,815.30	\$1,606.30	\$1,688.71	\$1,516.81	\$1,529.37	\$1,815.43	\$2,076.57	\$1,996.47	\$1,940.76	\$1,730.33
Environmental Surcharge	\$2,568.65	\$2,794.12	\$3,334.34	\$3,388.67	\$1,768.77	\$2,327.32	\$3,340.10	\$7,265.68	\$1,875.74	\$9,912.86	\$13,177.27	\$2,090.93
Merger Surcredit	(\$11,885.10)	(\$12,083.81)	(\$12,193.88)	(\$11,054.93)	(\$10,943.97)	(\$11,406.82)	(\$12,632.39)	(\$16,359.89)	(\$15,959.36)	(\$16,460.02)	(\$16,507.07)	(\$13,406.96)
Earning Sharing	\$8,318.17	\$8,457.25	\$8,534.29	\$7,737.15	\$7,659.49	\$0.00	(\$10,332.20)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Value Delivery	(\$3,247.05)	(\$3,301.34)	(\$3,849.63)	(\$3,322.27)	(\$3,288.92)	(\$3,348.98)	(\$3,606.52)	(\$4,803.18)	(\$5,018.86)	(\$5,387.26)	(\$5,402.66)	(\$4,388.01)
Total Regenerated Billing	\$357,536.08	\$363,513.92	\$366,306.91	\$332,260.37	\$328,925.29	\$334,932.09	\$360,687.96	\$480,366.27	\$501,936.60	\$538,779.97	\$540,320.25	\$438,845.27
Actual Billing	\$362,647	\$369,717	\$366,307	\$332,260	\$328,925	\$334,932	\$360,656	\$479,956	\$501,937	\$538,780	\$540,320	\$438,878
Ratio of Actual to Regenerated	1.01429	1.01706	1.00000	1.00000	1.00000	1.00000	0.99991	0.99915	1.00000	1.00000	1.00000	1.00007
Large Commercial Rate												
Rate												
Customer	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00
Demand - Secondary												
Winter	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14
Summer	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20
- Primary												
Winter	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52
Summer	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32
Energy	\$0.02349	\$0.02349	\$0.02349	\$0.02349	\$0.02349	\$0.02349	\$0.02349	\$0.02349	\$0.02349	\$0.02349	\$0.02349	\$0.02349
Billing												
Customer	\$2,210.00	\$2,275.00	\$2,275.00	\$2,275.00	\$2,275.00	\$2,210.00	\$2,340.00	\$2,275.00	\$2,275.00	\$2,275.00	\$2,275.00	\$2,275.00
Demand	\$184,037.20	\$173,746.02	\$170,189.52	\$161,564.32	\$159,035.54	\$177,631.48	\$202,713.52	\$277,133.24	\$286,418.32	\$295,622.44	\$286,897.00	\$212,720.52
Energy	\$196,867.34	\$219,907.27	\$213,206.52	\$188,659.47	\$198,339.22	\$197,943.65	\$199,582.32	\$236,913.09	\$270,992.85	\$260,539.34	\$253,268.71	\$225,808.43
Fuel Clause	(\$335.24)	(\$2,902.14)	\$7,533.48	\$3,694.48	(\$2,364.20)	(\$9,690.73)	\$254.89	\$10,388.27	(\$922.92)	\$26,065.03	\$39,785.51	\$37,490.54
Demand-Side Management	\$1,508.56	\$1,685.11	\$1,815.30	\$1,606.30	\$1,688.71	\$1,516.81	\$1,529.37	\$1,815.43	\$2,076.57	\$1,996.47	\$1,940.76	\$1,730.33
Environmental Surcharge	\$2,728.44	\$2,999.81	\$3,555.18	\$3,613.78	\$1,902.56	\$2,476.40	\$3,535.85	\$7,769.32	\$2,019.02	\$10,556.97	\$14,020.01	\$2,208.11
Merger Surcredit	(\$12,624.47)	(\$12,973.34)	(\$13,001.52)	(\$11,789.30)	(\$11,771.80)	(\$12,137.50)	(\$13,372.76)	(\$17,493.92)	(\$17,178.45)	(\$17,529.54)	(\$17,562.77)	(\$14,158.36)
Earning Sharing	\$8,835.65	\$9,079.81	\$9,099.53	\$8,251.13	\$8,238.88	\$0.00	(\$10,937.76)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Value Delivery	(\$3,449.05)	(\$3,544.36)	(\$4,104.60)	(\$3,542.96)	(\$3,537.70)	(\$3,563.51)	(\$3,817.89)	(\$5,136.12)	(\$5,402.24)	(\$5,737.30)	(\$5,748.18)	(\$4,633.94)
Total Regenerated Billing	\$379,778.43	\$390,273.18	\$390,568.41	\$354,332.22	\$353,806.21	\$356,386.60	\$381,827.54	\$513,664.31	\$540,278.15	\$573,788.41	\$574,876.04	\$463,440.63
Adjusted for Ratio to Actual	\$385,207.30	\$396,932.89	\$390,568.51	\$354,331.83	\$353,805.90	\$356,386.50	\$381,793.71	\$513,225.60	\$540,278.58	\$573,788.44	\$574,875.77	\$463,475.19
Lost Revenue by Month	(\$22,560.30)	(\$27,215.89)	(\$24,261.51)	(\$22,071.83)	(\$24,880.90)	(\$21,454.50)	(\$21,137.71)	(\$33,269.60)	(\$38,341.58)	(\$35,008.44)	(\$34,555.77)	(\$24,597.19)
Lost Revenue Cumulative	(\$22,560.30)	(\$49,776.19)	(\$74,037.69)	(\$96,109.52)	(\$120,990.42)	(\$142,444.92)	(\$163,582.63)	(\$196,852.23)	(\$235,193.81)	(\$270,202.25)	(\$304,758.02)	(\$329,355.22)

LG&E Energy LLC
220 West Main Street (40202)
P.O. Box 32030
Louisville, Kentucky 40232

February 14, 2006

Elizabeth O' Donnell, Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602-0615

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 March 2006 through October 2006. The eight month application period is used to allow for the months remaining in the second program year. As noted in KU's filing of the first year factor by my letter dated October 22, 2004, a balancing adjustment is being made for the difference in the programming costs to be recovered in the first year and the actual recovery for the first year. A similar balancing adjustment will be made in the third year factor to reflect any differences for the second year's recovery. 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 \$0.00007 per KWH effective with the first billing cycle of the March 2006. Please contact me at (502) 627-3324 or Don Harris at (502) 627-2021 if you have any questions about this information.

Sincerely,



Robert Conroy
Manager, Rates

Program Cost Recovery Factor Calculation

	KU
(1) Program Cost Recovery (2nd Program Year)	\$29,050
(2) Lost Revenue (1st Program Year) (See Exhibit 2)	\$279,657
<i>Balancing Adjustment:</i>	
Program Cost Recovery (1st Program Year)	\$29,050
Less: Actual Recovery (1st Program Year)	\$58,523
(3) Total Balancing Adjustment	(\$29,473)
(4) Total Program Cost Recovery (2nd Program Year) [(1)+(2)+(3)]	\$279,234
(5) LPKWH - Projected Mar '06 thru Oct '06	4,294,511,960
PCRF (dollars per KWH) [(4)/(5)]	0.00007

Kentucky Utilities Company

EXHIBIT 2

	Nov '04	Dec '04	Jan '05	Feb '05	Mar '05	Apr '05	May '05	Jun '05	Jul '05	Aug '05	Sep '05	Oct '05
Fuel Adjustment Clause	\$0.00316	\$0.00307	\$0.00211	\$0.00279	\$0.00320	\$0.00352	\$0.00267	\$0.00512	\$0.00118	\$0.00918	\$0.00671	\$0.00760
Demand Side Management	\$0.00003	\$0.00003	\$0.00003	\$0.00003	\$0.00003	\$0.00004	\$0.00004	\$0.00004	\$0.00004	\$0.00004	\$0.00004	\$0.00004
Environmental Surcharge	2.880%	2.850%	3.050%	6.030%	1.920%	1.900%	2.850%	3.150%	2.010%	3.420%	2.860%	1.140%
Merger Surcredit	2.576%	2.576%	2.576%	2.576%	2.576%	2.576%	2.576%	2.576%	2.503%	2.246%	2.246%	2.246%
Earning Sharing Mechanism	2.330%	2.330%	2.330%	2.330%	2.330%	0.000%	-3.185%	0.000%	0.000%	0.000%	0.000%	0.000%
Value Delivery Surcredit	0.380%	0.380%	0.450%	0.410%	0.410%	0.410%	0.410%	0.410%	0.410%	0.410%	0.410%	0.410%
Billing Determinants												
Customers	48	48	48	48	48	48	48	48	47	49	49	49
Demand-Secondary	25,840.6	23,984.6	23,470.8	22,789.6	22,141.1	24,010.6	25,818.2	28,094.4	28,751.6	30,434.1	31,221.5	29,275.6
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												
On-Peak	5,750,212	6,076,536	6,052,396	5,339,544	5,413,444	5,771,400	5,636,176	6,079,124	5,901,776	5,707,932	6,023,504	5,927,916
Off-Peak	7,282,164	7,791,500	7,628,216	6,891,328	7,060,444	7,323,168	6,941,944	8,881,740	10,629,672	10,262,716	10,889,580	9,327,552
Small Time-of-Day Rate												
Rate												
Customer	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00
Demand - Secondary												
Winter	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65
Summer	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65
- Primary												
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												
On-Peak	\$0.02800	\$0.02800	\$0.02800	\$0.02800	\$0.02800	\$0.02800	\$0.02800	\$0.02800	\$0.03116	\$0.03116	\$0.03116	\$0.03116
Off-Peak	\$0.01500	\$0.01500	\$0.01500	\$0.01500	\$0.01500	\$0.01500	\$0.01500	\$0.01500	\$0.01816	\$0.01816	\$0.01816	\$0.01816
Billing												
Customer	\$4,320.00	\$4,320.00	\$4,320.00	\$4,320.00	\$4,320.00	\$4,320.00	\$4,320.00	\$4,320.00	\$4,230.00	\$4,410.00	\$4,410.00	\$4,410.00
Demand	\$171,839.99	\$159,497.59	\$156,080.82	\$151,550.84	\$147,238.32	\$159,670.49	\$171,691.03	\$186,827.76	\$191,198.14	\$202,386.77	\$207,622.98	\$194,682.74
Energy	\$270,238.40	\$287,015.51	\$283,890.33	\$252,877.15	\$257,483.09	\$271,446.72	\$261,942.09	\$303,441.57	\$376,934.18	\$364,230.08	\$385,447.15	\$354,102.20
Fuel Clause	\$41,182.31	\$42,574.87	\$28,866.09	\$34,124.13	\$39,916.44	\$46,092.88	\$33,583.58	\$76,599.62	\$19,507.11	\$146,610.55	\$113,486.79	\$115,941.56
Demand-Side Management	\$390.97	\$416.04	\$410.42	\$366.93	\$374.22	\$523.78	\$503.12	\$598.43	\$661.26	\$638.83	\$676.52	\$610.22
Environmental Surcharge	\$14,053.58	\$14,073.98	\$14,443.81	\$26,727.31	\$8,627.18	\$9,159.02	\$13,453.13	\$18,011.30	\$11,909.87	\$24,565.05	\$20,353.00	\$7,635.11
Merger Surcredit	(\$12,932.17)	(\$13,083.45)	(\$12,571.18)	(\$12,106.33)	(\$11,797.03)	(\$12,653.64)	(\$12,506.30)	(\$15,193.21)	(\$15,129.15)	(\$16,684.22)	(\$16,440.64)	(\$15,214.00)
Earning Sharing	\$11,395.87	\$11,529.18	\$11,077.76	\$10,668.14	\$10,395.58	\$0.00	(\$15,064.62)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Value Delivery	(\$1,901.86)	(\$1,924.11)	(\$2,189.33)	(\$1,920.97)	(\$1,871.89)	(\$1,962.09)	(\$1,877.48)	(\$2,355.88)	(\$2,416.18)	(\$2,977.24)	(\$2,933.78)	(\$2,714.89)
Total Regenerated Billing	\$498,587.09	\$504,419.61	\$484,328.72	\$466,607.20	\$454,685.91	\$476,597.16	\$456,044.55	\$572,249.59	\$586,895.23	\$723,179.82	\$712,622.02	\$659,452.94
Actual Billing	\$494,566.30	\$504,419.65	484,329	466,612	454,675	476,597	456,045	572,250	535,153	772,950	712,622	659,453
Ratio of Actual to Regenerated	0.99194	1.00000	1.00000	1.00001	0.99998	1.00000	1.00000	1.00000	0.91184	1.06882	1.00000	1.00000
Large Power Rate												
Rate												
Customer	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00
Demand - Secondary												
Winter	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65
Summer	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65	\$6.65
- Primary												
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	\$0.02200	\$0.02200	\$0.02200	\$0.02200	\$0.02200	\$0.02200	\$0.02200	\$0.02200	\$0.02516	\$0.02516	\$0.02516	\$0.02516
Billing												
Customer	\$3,600.00	\$3,600.00	\$3,600.00	\$3,600.00	\$3,600.00	\$3,600.00	\$3,600.00	\$3,600.00	\$3,525.00	\$3,675.00	\$3,675.00	\$3,675.00
Demand	\$171,839.99	\$159,497.59	\$156,080.82	\$151,550.84	\$147,238.32	\$159,670.49	\$171,691.03	\$186,827.76	\$191,198.14	\$202,386.77	\$207,622.98	\$194,682.74
Energy	\$286,712.27	\$305,096.79	\$300,973.46	\$269,079.18	\$274,425.54	\$288,080.50	\$276,718.64	\$329,139.01	\$415,931.23	\$401,821.50	\$425,533.19	\$383,827.57
Fuel Clause	\$41,182.31	\$42,574.87	\$28,866.09	\$34,124.13	\$39,916.44	\$46,092.88	\$33,583.58	\$76,599.62	\$19,507.11	\$146,610.55	\$113,486.79	\$115,941.56
Demand-Side Management	\$390.97	\$416.04	\$410.42	\$366.93	\$374.22	\$523.78	\$503.12	\$598.43	\$661.26	\$638.83	\$676.52	\$610.22
Environmental Surcharge	\$14,507.30	\$14,568.78	\$14,942.89	\$27,660.88	\$8,938.65	\$9,461.39	\$13,853.75	\$18,798.09	\$12,679.54	\$25,825.54	\$21,478.44	\$7,965.60
Merger Surcredit	(\$13,349.68)	(\$13,543.42)	(\$13,005.55)	(\$12,529.20)	(\$12,222.94)	(\$13,071.37)	(\$12,878.72)	(\$15,856.90)	(\$16,106.86)	(\$17,540.32)	(\$17,349.74)	(\$15,872.54)
Earning Sharing	\$11,763.78	\$11,934.51	\$11,460.53	\$11,040.77	\$10,770.90	\$0.00	(\$15,513.22)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Value Delivery	(\$1,963.26)	(\$1,991.75)	(\$2,264.98)	(\$1,988.06)	(\$1,939.47)	(\$2,026.87)	(\$1,933.39)	(\$2,458.79)	(\$2,572.32)	(\$3,130.01)	(\$3,096.01)	(\$2,832.40)
Total Regenerated Billing	\$514,683.88	\$522,153.41	\$501,063.68	\$482,905.47	\$471,101.66	\$492,330.80	\$469,624.79	\$597,247.22	\$624,823.10	\$760,287.86	\$752,027.17	\$687,997.75
Adjusted for Ratio to Actual	\$510,533.08	\$522,153.45	\$501,063.72	\$482,910.46	\$471,090.59	\$492,330.85	\$469,624.83	\$597,247.45	\$624,823.10	\$760,287.86	\$752,027.17	\$687,997.93
Lost Revenue by Month	(\$15,966.78)	(\$17,733.80)	(\$16,734.96)	(\$16,298.44)	(\$16,415.36)	(\$15,733.64)	(\$13,580.24)	(\$24,997.64)	(\$34,584.04)	(\$39,661.86)	(\$39,405.15)	(\$28,544.82)
Cumulative Lost Revenue	(\$15,966.78)	(\$33,700.58)	(\$50,435.54)	(\$66,733.98)	(\$83,149.35)	(\$98,882.99)	(\$112,463.23)	(\$137,460.87)	(\$172,044.91)	(\$211,706.77)	(\$251,111.92)	(\$279,656.74)

C



RECEIVED

NOV 21 2006

**PUBLIC SERVICE
COMMISSION**

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

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

Robert M. Conroy
Manager - Rates
T 502-627-3324
F 502-627-3213
robert.conroy@eon-us.com

November 21, 2006

Dear Ms. O'Donnell:

Pursuant to the Commission's Order dated June 30, 2004, in Case No. 2003-00433, Louisville Gas and Electric Company ("LG&E") 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 Commercial Service ("LC") for LG&E.

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 LG&E 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.

LG&E will begin applying the recovery factor of \$0.000165 per KWH effective with the first billing cycle of the 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' being particularly prominent.

Robert M. Conroy

Program Cost Recovery Factor Calculation

	LG&E
(1) Program Cost Recovery (3rd Program Year)	\$29,050
(2) Lost Revenue (2nd Program Year) (See Exhibit 2)	\$342,304
<i>Balancing Adjustment:</i>	
Program Cost Recovery (2nd Program Year)	\$361,268
Less: Actual Recovery (2nd Program Year)	\$331,384
(3) Total Balancing Adjustment	\$29,884
(4) Total Program Cost Recovery (3rd Program Year) [(1)-(2)-(3)]	\$401,238
(5) LPKWH - Projected Dec 06 thru Nov 07	2,434,535,755
PCRF (dollars per KWH) [(4)/(5)]	0.000165

EXHIBIT 2

Louisville Gas Electric 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	\$0.00120	\$0.00273	\$0.00088	(\$0.00102)	\$0.00124	\$0.00268	\$0.00354	\$0.00274	\$0.00219	\$0.00275	\$0.00240	\$0.00520
Demand Side Management	\$0.00018	\$0.00018	\$0.00018	\$0.00018	\$0.00018	\$0.00028	\$0.00028	\$0.00028	\$0.00028	\$0.00028	\$0.00028	\$0.00028
Environmental Surcharge	0.350%	0.760%	0.660%	0.420%	0.530%	3.360%	3.280%	2.280%	0.840%	1.100%	0.790%	0.810%
Merger Surcredit	2.936%	2.936%	2.936%	2.936%	2.936%	2.936%	2.936%	2.936%	2.936%	2.936%	2.936%	2.149%
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	0.990%	0.990%	1.230%	0.920%	0.920%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
Billing Determinants												
Customers	35	35	35	35	37	35	37	35	31	35	34	34
Demand-Secondary	16,040.0	15,078.0	13,982.0	13,451.0	14,463.0	16,086.0	15,613.0	18,149.0	17,927.0	18,957.0	17,946.0	16,391.0
Demand-Primary	864.0	816.0	780.0	816.0	1,608.0	1,506.0	1,578.0	1,650.0	1,722.0	1,722.0	1,626.0	1,602.0
Energy	3,508,380	3,960,720	4,123,440	3,542,020	3,659,740	3,865,280	3,985,380	3,944,440	3,901,240	3,994,120	3,694,780	3,569,180
On-Peak	4,200,980	5,055,420	5,087,240	4,361,520	4,539,680	4,703,920	4,943,760	5,649,240	6,975,520	6,731,420	6,429,280	5,279,120
Off-Peak												
Small Time-of-Day Rate												
Rate	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00
Customer												
Demand - Secondary	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14
Winter	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20
Summer - Primary	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52
Winter	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32
Summer												
Energy	\$0.03004	\$0.03004	\$0.03004	\$0.03004	\$0.03004	\$0.03004	\$0.03004	\$0.03004	\$0.03004	\$0.03004	\$0.03004	\$0.03004
On-Peak	\$0.01438	\$0.01438	\$0.01438	\$0.01438	\$0.01438	\$0.01438	\$0.01438	\$0.01438	\$0.01438	\$0.01438	\$0.01438	\$0.01438
Off-Peak												
Billing												
Customer	\$2,800.00	\$2,800.00	\$2,800.00	\$2,800.00	\$2,960.00	\$2,800.00	\$2,960.00	\$2,800.00	\$2,480.00	\$2,800.00	\$2,720.00	\$2,720.00
Demand	\$186,910.88	\$175,737.24	\$163,185.08	\$157,612.46	\$176,425.98	\$193,535.16	\$188,951.38	\$278,043.80	\$275,778.44	\$290,404.44	\$274,865.52	\$197,846.78
Energy	\$165,801.83	\$191,676.97	\$197,022.65	\$169,120.84	\$175,219.19	\$183,755.38	\$190,842.13	\$199,727.05	\$217,501.23	\$216,781.18	\$203,444.24	\$183,131.92
Fuel Clause	\$9,251.23	\$24,614.06	\$8,105.40	(\$8,061.61)	\$10,167.28	\$22,965.46	\$31,612.70	\$26,286.68	\$23,820.10	\$29,495.24	\$24,297.74	\$2,477.52
Demand-Side Management	\$1,387.68	\$1,622.91	\$1,657.92	\$1,422.64	\$1,475.90	\$2,399.38	\$2,500.44	\$2,686.23	\$3,045.49	\$3,003.15	\$2,834.74	\$3,500.72
Environmental Surcharge	\$1,281.53	\$3,013.03	\$2,460.29	\$1,356.16	\$1,941.12	\$13,623.30	\$13,673.23	\$11,617.60	\$4,390.05	\$6,967.32	\$4,014.48	\$3,500.72
Merger Surcredit	(\$10,787.84)	(\$11,728.27)	(\$11,016.79)	(\$9,520.00)	(\$10,810.04)	(\$12,304.15)	(\$12,640.65)	(\$15,301.30)	(\$15,815.73)	(\$11,786.22)	(\$11,006.68)	(\$9,362.94)
Earning Sharing	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Value Delivery	(\$3,530.79)	(\$3,638.59)	(\$4,479.84)	(\$2,895.52)	(\$3,287.89)	(\$4,067.75)	(\$4,178.99)	(\$5,058.60)	(\$5,112.00)	(\$5,366.69)	(\$5,011.70)	(\$4,263.25)
Total Regenerated Billing	\$353,114.52	\$383,897.35	\$359,734.71	\$311,835.07	\$354,091.54	\$402,706.78	\$413,720.24	\$500,801.46	\$506,087.58	\$531,298.46	\$496,158.34	\$422,061.91
Actual Billing	\$338,568	\$385,012	\$359,630	\$311,835	\$354,592	\$402,553	\$413,663	\$505,874	\$507,242	\$531,299	\$496,158	\$422,062
Ratio of Actual to Regenerated	0.95880	1.00290	0.99971	1.00000	1.00141	0.99962	0.99986	1.01013	1.00228	1.00000	1.00000	1.00000
Large Commercial Rate												
Rate	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00
Customer												
Demand - Secondary	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14
Winter	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20
Summer - Primary	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52
Winter	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32
Summer	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417
Energy	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417
Billing												
Customer	\$2,275.00	\$2,275.00	\$2,275.00	\$2,275.00	\$2,405.00	\$2,275.00	\$2,405.00	\$2,275.00	\$2,015.00	\$2,275.00	\$2,210.00	\$2,210.00
Demand	\$186,910.88	\$175,737.24	\$163,185.08	\$157,612.46	\$176,425.98	\$193,535.16	\$188,951.38	\$278,043.80	\$275,778.44	\$290,404.44	\$274,865.52	\$197,846.78
Energy	\$165,335.23	\$191,020.10	\$197,022.65	\$169,120.84	\$175,179.98	\$183,755.38	\$190,842.13	\$199,727.05	\$217,501.23	\$216,781.18	\$203,444.24	\$183,863.41
Fuel Clause	\$9,251.23	\$24,614.06	\$8,105.40	(\$8,061.61)	\$10,167.28	\$22,965.46	\$31,612.70	\$26,286.68	\$23,820.10	\$29,495.24	\$24,297.74	\$2,477.52
Demand-Side Management	\$1,387.68	\$1,622.91	\$1,657.92	\$1,422.64	\$1,475.90	\$2,399.38	\$2,500.44	\$2,686.23	\$3,045.49	\$3,003.15	\$2,834.74	\$3,500.72
Environmental Surcharge	\$1,351.56	\$3,208.49	\$2,625.78	\$1,445.96	\$2,059.87	\$14,390.63	\$14,475.00	\$12,338.70	\$4,767.42	\$6,426.56	\$4,336.36	\$3,745.51
Merger Surcredit	(\$11,377.34)	(\$12,489.09)	(\$11,757.84)	(\$10,150.43)	(\$11,471.36)	(\$12,997.18)	(\$13,381.88)	(\$16,251.04)	(\$17,175.26)	(\$12,697.21)	(\$11,889.19)	(\$10,017.66)
Earning Sharing	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Value Delivery	(\$3,723.73)	(\$4,087.60)	(\$4,781.18)	(\$3,087.27)	(\$3,469.03)	(\$4,296.86)	(\$4,424.04)	(\$5,372.59)	(\$5,551.42)	(\$5,781.45)	(\$5,413.54)	(\$4,561.37)
Total Regenerated Billing	\$372,410.51	\$408,801.11	\$383,820.55	\$332,485.31	\$375,753.62	\$425,389.15	\$437,919.22	\$537,273.54	\$549,591.06	\$572,364.03	\$535,940.16	\$451,575.35
Adjusted for Ratio to Actual	\$357,066.98	\$409,988.53	\$383,820.55	\$332,485.31	\$375,753.62	\$425,389.15	\$437,919.22	\$537,273.54	\$550,844.24	\$572,364.08	\$535,940.06	\$451,575.33
Lost Revenue by Month	(\$18,501.09)	(\$24,976.10)	(\$24,190.55)	(\$20,650.24)	(\$21,692.69)	(\$22,673.73)	(\$24,256.47)	(\$31,399.43)	(\$43,602.68)	(\$41,065.57)	(\$39,781.81)	(\$29,513.44)
Lost Revenue Cumulative	(\$18,501.09)	(\$43,477.18)	(\$67,667.73)	(\$88,317.97)	(\$110,010.66)	(\$132,684.39)	(\$156,940.86)	(\$188,340.28)	(\$231,942.96)	(\$273,008.53)	(\$312,790.35)	(\$342,303.78)



C

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

RECEIVED
NOV 21 2006
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
Manager - Rates
T 502-627-3324
F 502-627-3213
robert.conroy@eon-us.com

November 21, 2006

Dear Ms. O'Donnell:

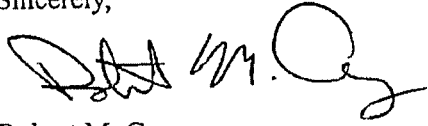
Pursuant to the Commission's Order dated June 30, 2004, in Case No. 2003-00434, Kentucky Utilities Company ("KU") filed an experimental electric tariff P.S.C. No. 62 for the Small Time of Day Service ("STOD"). That electric tariff provides for the calculation of a monthly charge per KWH to recover programming 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 a large, prominent "O" in the last name.

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%	1.326%	3.410%	3.410%
Merger Surcredit	2.246%	2.246%	2.246%	2.246%	2.246%	2.246%	2.246%	2.246%	2.442%	0.000%	1.326%	1.326%
Earning Sharing Mechanism	0.000%	0.000%	0.440%	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%	0.000%	0.110%	0.110%	0.350%	0.350%	0.350%	0.350%	0.350%	0.350%	0.350%
Billing Determinants			53	53	53	53	53	53	53	53	53	53
Customers	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-Secondary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Demand-Primary	5,756,212	5,943,272	7,554,800	6,666,328	6,652,952	6,838,340	7,564,480	7,383,728	12,550,732	13,012,804	12,156,616	6,443,656
Energy	7,165,356	7,547,524	9,600,540	8,819,420	8,648,488	8,887,004	9,366,380	10,602,332	12,550,732	13,012,804	12,156,616	10,498,948
On-Peak									\$90.00	\$90.00	\$90.00	\$90.00
Off-Peak									\$90.00	\$90.00	\$90.00	\$90.00
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												
Summer												
- Primary	\$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	\$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												
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												
Customer	\$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
Demand	\$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
Energy	\$309,486.43	\$322,255.40	\$407,937.38	\$367,893.45	\$364,362.52	\$374,470.66	\$406,165.86	\$422,046.19	\$443,427.59	\$459,700.43	\$429,952.70	\$391,445.22
Fuel Clause	\$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
Demand-Side Management	\$516.86	\$539.63	\$852.77	\$774.29	\$765.07	\$1,100.77	\$1,186.56	\$1,259.02	\$1,362.68	\$1,412.73	\$1,320.90	\$1,185.98
Environmental Surcharge	\$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
Merger Surcredit	(\$13,221.81)	(\$13,136.42)	(\$14,701.03)	(\$13,740.55)	(\$13,647.64)	(\$15,035.71)	(\$17,300.83)	(\$17,817.43)	(\$20,745.24)	(\$12,056.91)	(\$11,702.87)	(\$11,489.39)
Earning Sharing	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Value Delivery	(\$2,369.39)	(\$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)
Total Regenerated Billing	\$573,101.13	\$569,400.14	\$637,026.23	\$587,380.48	\$593,341.01	\$652,161.25	\$750,359.06	\$772,764.65	\$825,872.34	\$894,071.93	\$867,818.34	\$851,987.70
Actual Billing	573,091	569,462	636,056	586,316	592,357	651,160	749,373	771,712	824,841	892,985	866,686	850,957
Ratio of Actual to Regenerated	0.99998	1.00011	0.99948	0.99822	0.99834	0.99846	0.99869	0.99864	0.99875	0.99878	0.99869	0.99880
Large Power Rate												
Rate	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00
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												
Summer												
- Primary	\$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	\$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	\$0.02516	\$0.02516	\$0.02516	\$0.02516	\$0.02516	\$0.02516	\$0.02516	\$0.02516	\$0.02516	\$0.02516	\$0.02516	\$0.02516
Energy												
Billing												
Customer	\$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
Demand	\$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
Energy	\$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	\$474,768.90	\$426,275.92
Fuel Clause	\$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
Demand-Side Management	\$516.86	\$539.63	\$852.77	\$774.29	\$765.07	\$1,100.77	\$1,186.56	\$1,259.02	\$1,362.68	\$1,412.73	\$1,320.90	\$1,185.98
Environmental Surcharge	\$12,536.55	\$16,447.85	\$15,170.98	\$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
Merger Surcredit	(\$13,563.21)	(\$13,515.99)	(\$15,170.98)	(\$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)
Earning Sharing	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Value Delivery	(\$2,420.31)	(\$2,411.89)	(\$2,905.30)	(\$680.88)	(\$675.21)	(\$2,362.31)	(\$2,704.33)	(\$2,817.33)	(\$3,060.22)	(\$3,309.37)	(\$3,205.25)	(\$3,119.98)
Total Regenerated Billing	\$587,899.60	\$585,916.77	\$657,390.40	\$618,304.88	\$613,154.12	\$672,583.58	\$769,962.30	\$802,134.10	\$871,288.19	\$942,226.32	\$912,579.72	\$866,595.76
Adjusted for Ratio to Actual	\$587,889.13	\$585,916.77	\$656,388.66	\$617,203.18	\$612,135.79	\$671,550.65	\$768,950.60	\$801,041.95	\$870,199.90	\$941,081.22	\$911,388.51	\$885,533.67
Loss Revenue by Month	(\$14,798.21)	(\$16,454.43)	(\$20,333.14)	(\$20,887.23)	(\$19,780.24)	(\$20,390.97)	(\$19,577.48)	(\$29,329.48)	(\$45,359.12)	(\$48,095.87)	(\$44,702.95)	(\$34,566.60)
Cumulative Loss Revenue	(\$14,798.21)	(\$31,252.63)	(\$51,585.77)	(\$72,473.00)	(\$92,253.24)	(\$112,644.21)	(\$132,221.69)	(\$161,551.15)	(\$206,910.27)	(\$255,006.14)	(\$299,709.09)	(\$334,275.70)



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

November 21, 2007

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 2007 through November 2008. The balancing adjustment is being made for the difference in the Program Cost to be recovered in the third year and the actual recovery for the third 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 2007. As specified in the Rate Schedule STOD, KU will file a report on STOD by April 30, 2008 (six-months after the end of the third year of the pilot program) and will continue STOD and applied the recovery factor until STOD is terminated by order of the commission.

RECEIVED

NOV 21 2007

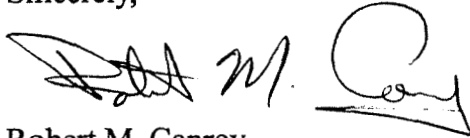
PUBLIC SERVICE
COMMISSION

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

Robert M. Conroy
Manager - Rates
T 502-627-3324
F 502-627-3213
robert.conroy@eon-us.com

Please contact me at (502) 627-3324 or Michael Hornung at (502) 627-4671 if you have any questions about this information.

Sincerely,

A handwritten signature in black ink, appearing to read "R. M. Conroy". The signature is stylized with a large, looped "C" at the end.

Robert M. Conroy

Program Cost Recovery Factor Calculation

	KU
(1) Program Cost Recovery (4th Program Year)	\$0
(2) Lost Revenue (3rd Program Year) (See Exhibit 2)	\$341,234
<i>Balancing Adjustment:</i>	
Program Cost Recovery (3rd Program Year)	\$360,959
Less: Actual Recovery (3rd Program Year)	\$344,537
(3) Total Balancing Adjustment	\$16,422
(4) Total Program Cost Recovery (4th Program Year) [(1)+(2)+(3)]	\$357,656
(5) LPKWH - Projected Dec '07 thru Nov '08	6,002,259,806
PCRF (dollars per KWH) [(4)/(5)]	0.00006

Kentucky Utilities Company

EXHIBIT 2

	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07
Fuel Adjustment Clause	\$0.0000%	\$0.00781%	\$0.00430%	\$0.00374%	\$0.00400%	\$0.00621%	\$0.00630%	\$0.01114%	\$0.00671%	\$0.00496%	\$0.00731%	\$0.01274%
Demand Side Management	\$0.0000%	\$0.0000%	\$0.0000%	\$0.0000%	\$0.0000%	\$0.0000%	\$0.0000%	\$0.0000%	\$0.0000%	\$0.0000%	\$0.0000%	\$0.0000%
Environmental Surcharge	0.0000%	4.189%	4.970%	4.660%	1.800%	1.800%	3.100%	4.400%	4.470%	4.000%	5.270%	5.0000%
Merger Surcredit	0.0000%	1.326%	1.326%	1.320%	1.320%	1.320%	1.320%	1.320%	2.389%	0.000%	1.589%	1.589%
Earning Sharing Mechanism	0.0000%	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	0.0000%	0.350%	0.350%	0.300%	0.300%	0.300%	0.300%	0.300%	0.300%	0.300%	0.300%	0.300%
Billing Determinants												
Customers	53	53	53	53	53	53	53	52	54	53	53	53
Demand-Secondary	30,427.9	29,562.9	28,880.3	27,384.2	27,958.6	31,044.0	31,891.9	33,377.3	34,498.5	35,641.6	36,099.0	34,096.0
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	6,972,788	7,123,196	7,288,692	6,611,236	6,425,872	6,962,864	7,304,204	7,453,500	6,892,772	6,996,356	7,307,856	6,810,204
On-Peak	8,963,372	9,074,020	9,405,584	8,580,400	8,408,864	8,890,440	9,190,224	10,356,168	11,994,760	12,715,304	12,738,744	10,704,072
Off-Peak												
Small Time-of-Day Rate												
Customer												
Demand - Secondary	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00	\$90.00
Winter												
Summer	\$6.65	\$6.65	\$6.65	\$6.65	\$7.20	\$7.20	\$7.20	\$7.20	\$7.20	\$7.20	\$7.20	\$7.20
- Primary												
Winter	\$6.65	\$6.65	\$6.65	\$6.65	\$6.81	\$6.81	\$6.81	\$6.81	\$6.81	\$6.81	\$6.81	\$6.81
Summer	\$6.26	\$6.26	\$6.26	\$6.26	\$6.81	\$6.81	\$6.81	\$6.81	\$6.81	\$6.81	\$6.81	\$6.81
Energy	\$0.03116	\$0.03116	\$0.03116	\$0.03116	\$0.03098	\$0.03098	\$0.03098	\$0.03098	\$0.03098	\$0.03098	\$0.03098	\$0.03098
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												
Customer	\$4,770	\$4,770	\$4,770	\$4,770	\$4,770	\$4,770	\$4,770	\$4,680	\$4,860	\$4,770	\$4,770	\$4,770
Demand	\$202,346	\$196,593	\$192,054	\$182,105	\$201,302	\$223,517	\$229,622	\$240,317	\$248,389	\$256,620	\$259,913	\$245,491
Energy	\$380,047	\$386,743	\$397,921	\$361,826	\$351,694	\$377,071	\$393,087	\$418,874	\$431,243	\$447,530	\$457,606	\$405,259
Fuel Clause	\$80,956	\$126,500	\$73,288	\$56,817	\$59,339	\$98,449	\$103,915	\$198,400	\$164,510	\$151,511	\$146,541	\$223,132
Demand-Side Management	\$1,116	\$1,134	\$1,169	\$1,063	\$1,038	\$1,268	\$1,320	\$1,425	\$1,511	\$1,577	\$1,604	\$1,401
Environmental Surcharge	\$23,567	\$29,918	\$27,237	\$28,267	\$11,683	\$12,691	\$22,714	\$38,003	\$38,018	\$39,282	\$45,872	\$46,731
Merger Surcredit	(\$9,186)	(\$9,887)	(\$9,235)	(\$8,418)	(\$8,352)	(\$9,518)	(\$10,017)	(\$11,957)	(\$21,227)	(\$13,468)	(\$14,560)	(\$14,727)
Earning Sharing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Value Delivery	(\$2,363)	(\$2,575)	(\$2,405)	(\$1,879)	(\$1,864)	(\$2,125)	(\$2,236)	(\$2,669)	(\$2,602)	(\$2,502)	(\$2,705)	(\$2,736)
Total Regenerated Billing	\$681,212	\$733,196	\$684,798	\$624,551	\$619,611	\$706,124	\$743,174	\$887,072	\$664,703	\$831,578	\$899,039	\$909,321
Actual Billing	680,158	732,137	683,745	623,618	618,683	705,166	742,173	886,077	664,224	830,614	898,012	908,351
Ratio of Actual to Regenerated	0.99845	0.99856	0.99846	0.99851	0.99850	0.99864	0.99865	0.99888	0.99945	0.99984	0.99886	0.99893
Large Power Rate												
Customer												
Demand - Secondary	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00
Winter												
Summer	\$6.65	\$6.65	\$6.65	\$6.65	\$7.20	\$7.20	\$7.20	\$7.20	\$7.20	\$7.20	\$7.20	\$7.20
- Primary												
Winter	\$6.65	\$6.65	\$6.65	\$6.65	\$6.81	\$6.81	\$6.81	\$6.81	\$6.81	\$6.81	\$6.81	\$6.81
Summer	\$6.26	\$6.26	\$6.26	\$6.26	\$6.81	\$6.81	\$6.81	\$6.81	\$6.81	\$6.81	\$6.81	\$6.81
Energy	\$0.02516	\$0.02516	\$0.02516	\$0.02516	\$0.02501	\$0.02501	\$0.02501	\$0.02501	\$0.02516	\$0.02516	\$0.02516	\$0.02516
Billing												
Customer	\$3,975	\$3,975	\$3,975	\$3,975	\$3,975	\$3,975	\$3,975	\$3,900	\$4,050	\$3,975	\$3,975	\$3,975
Demand	\$202,346	\$196,593	\$192,054	\$182,105	\$201,302	\$223,517	\$229,622	\$240,317	\$248,389	\$256,620	\$259,913	\$245,491
Energy	\$400,954	\$407,522	\$420,028	\$382,222	\$371,017	\$396,491	\$412,526	\$445,420	\$475,210	\$495,945	\$504,372	\$440,659
Fuel Clause	\$80,956	\$126,500	\$73,288	\$56,817	\$59,339	\$98,449	\$103,915	\$198,400	\$164,510	\$151,511	\$146,541	\$223,132
Demand-Side Management	\$1,116	\$1,134	\$1,169	\$1,063	\$1,038	\$1,268	\$1,320	\$1,425	\$1,511	\$1,577	\$1,604	\$1,401
Environmental Surcharge	\$24,265	\$30,753	\$28,104	\$29,180	\$12,033	\$13,027	\$23,292	\$39,136	\$39,947	\$41,596	\$48,295	\$48,568
Merger Surcredit	(\$9,462)	(\$10,183)	(\$9,529)	(\$8,690)	(\$8,602)	(\$9,769)	(\$10,272)	(\$12,313)	(\$22,304)	(\$14,261)	(\$15,329)	(\$15,306)
Earning Sharing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Value Delivery	(\$2,465)	(\$2,647)	(\$2,482)	(\$1,940)	(\$1,920)	(\$2,181)	(\$2,293)	(\$2,749)	(\$2,734)	(\$2,650)	(\$2,848)	(\$2,844)
Total Regenerated Billing	\$701,684	\$753,667	\$708,607	\$644,732	\$638,182	\$724,777	\$762,084	\$913,535	\$680,580	\$880,572	\$946,522	\$945,077
Adjusted for Ratio to Actual	\$700,598	\$752,579	\$705,520	\$643,769	\$637,227	\$724,777	\$761,057	\$912,511	\$680,077	\$879,551	\$945,441	\$944,069
Lost Revenue by Month	(\$20,440)	(\$20,442)	(\$21,775)	(\$20,151)	(\$18,544)	(\$18,627)	(\$18,885)	(\$26,434)	(\$43,853)	(\$48,937)	(\$47,428)	(\$35,718)
Cumulative Lost Revenue	(\$20,440)	(\$40,882)	(\$62,657)	(\$82,808)	(\$101,351)	(\$118,979)	(\$138,863)	(\$165,297)	(\$209,150)	(\$258,087)	(\$305,516)	(\$341,234)



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

November 21, 2007

Dear Ms. O'Donnell:

Pursuant to the Commission's Order dated June 30, 2004, in Case No. 2003-00433, Louisville Gas and Electric Company ("LG&E") 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 Commercial Service ("LC") for LG&E.

Attached is Exhibit 1 which presents the calculation of the factor to be applied during the period of December 2007 through November 2008. The balancing adjustment is being made for the difference in the Program Cost to be recovered in the third year and the actual recovery for the third year. This balancing adjustment is being made such that LG&E 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.

LG&E will begin applying the recovery factor of \$0.000137 per KWH effective with the first billing cycle of the December 2007. As specified in the Rate Schedule STOD, LG&E will file a report on STOD by April 30, 2008 (six-months after the end of the third year of the pilot program) and will continue STOD and applied the recovery factor until STOD is terminated by order of the commission.

RECEIVED

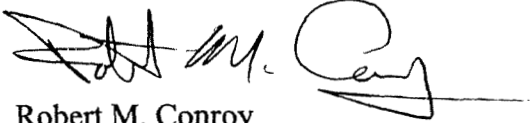
NOV 21 2007

LOUISVILLE GAS AND
ELECTRIC COMPANY
STATE REGULATION AND RATES
220 WEST MAIN STREET
PO BOX 32010
LOUISVILLE, KENTUCKY 40232
WWW.EON-US.COM

Robert M. Conroy
Manager - Rates
T 502-627-3324
F 502-627-3213
robert.conroy@eon-us.com

Please contact me at (502) 627-3324 or Michael Hornung at (502) 627-4671 if you have any questions about this information.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert M. Conroy". The signature is stylized with a large, circular initial "C" and a horizontal line extending to the right.

Robert M. Conroy

Program Cost Recovery Factor Calculation

	LG&E
(1) Program Cost Recovery (4th Program Year)	\$0
(2) Lost Revenue (3rd Program Year) (See Exhibit 2)	\$313,332
<i>Balancing Adjustment:</i>	
Program Cost Recovery (3rd Program Year)	\$401,238
Less: Actual Recovery (3rd Program Year)	\$382,268
(3) Total Balancing Adjustment	\$18,970
(4) Total Program Cost Recovery (4th Program Year) [(1)+(2)+(3)]	\$332,302
(5) LPKWH - Projected Dec '07 thru Nov '08	2,433,180,109
PCRf (dollars per KWH) [(4)/(5)]	0.000137

Louisville Gas & Electric Company

HIBIT 2

	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07
Fuel Adjustment Clause	\$0.00307	\$0.00481	\$0.00153	\$0.00249	\$0.00323	\$0.00320	\$0.00375	\$0.00454	\$0.00416	\$0.00336	\$0.00450	\$0.00590
Demand Side Management	\$0.00023	\$0.00020	\$0.00028	\$0.00028	\$0.00028	\$0.00020	\$0.00020	\$0.00020	\$0.00020	\$0.00020	\$0.00020	\$0.00020
Environmental Surcharge	1.160%	1.420%	0.970%	1.440%	1.510%	0.830%	1.270%	2.240%	2.170%	1.140%	0.710%	0.590%
Merger Surcredit	2.149%	2.149%	2.149%	2.149%	2.149%	2.149%	2.149%	2.149%	2.149%	2.149%	2.149%	2.149%
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	1.000%	1.000%	1.000%	0.940%	0.940%	0.940%	0.940%	0.940%	0.940%	0.940%	0.940%	0.940%
Billing Determinants												
Customers	34	34	33	35	36	35	44	33	35	35	35	35
Demand-Secondary	14,058.0	14,162.0	12,973.0	12,458.0	13,508.0	14,667.0	15,953.0	16,961.0	17,390.0	18,343.0	17,901.0	17,049.0
Demand-Primary	1,350.0	1,230.0	1,986.0	1,740.0	1,986.0	2,178.0	2,178.0	2,346.0	2,436.0	2,706.0	2,646.0	2,466.0
Energy	3,626,980	3,754,200	4,016,300	4,358,860	4,430,540	4,986,120	4,767,480	5,788,080	6,910,480	6,740,840	6,985,380	5,988,460
On-Peak	4,512,220	4,514,640	5,094,840	3,568,860	3,569,960	3,896,980	4,111,660	4,222,620	3,975,120	4,159,920	4,149,920	4,003,620
Off-Peak												
Small Time-of-Day Rate												
Rate												
Customer	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00
Demand - Secondary												
Winter	\$11.14	\$11.14	\$11.14	\$11.14	\$11.70	\$11.70	\$11.70	\$11.70	\$11.70	\$11.70	\$11.70	\$11.70
Summer	\$14.20	\$14.20	\$14.20	\$14.20	\$14.76	\$14.76	\$14.76	\$14.76	\$14.76	\$14.76	\$14.76	\$14.76
- Primary												
Winter	\$9.52	\$9.52	\$9.52	\$9.52	\$10.12	\$10.12	\$10.12	\$10.12	\$10.12	\$10.12	\$10.12	\$10.12
Summer	\$12.32	\$12.32	\$12.32	\$12.32	\$12.92	\$12.92	\$12.92	\$12.92	\$12.92	\$12.92	\$12.92	\$12.92
Energy	\$0.03004	\$0.03004	\$0.03004	\$0.03004	\$0.02935	\$0.02935	\$0.02935	\$0.02935	\$0.03004	\$0.03004	\$0.03004	\$0.03004
On-Peak	\$0.01438	\$0.01438	\$0.01438	\$0.01438	\$0.01369	\$0.01369	\$0.01369	\$0.01369	\$0.01438	\$0.01438	\$0.01438	\$0.01438
Off-Peak												
Billing												
Customer	\$2,720	\$2,720	\$2,640	\$2,800	\$2,880	\$2,800	\$3,520	\$2,640	\$2,800	\$3,000	\$2,800	\$2,800
Demand	\$169,458	\$169,474	\$163,426	\$155,347	\$178,142	\$193,645	\$185,944	\$209,056	\$280,655	\$305,704	\$298,405	\$224,429
Energy	\$173,840	\$177,697	\$193,913	\$169,889	\$185,432	\$182,636	\$209,056	\$203,173	\$218,785	\$225,113	\$228,457	\$200,775
Fuel Clause	\$24,987	\$39,773	\$13,940	\$19,740	\$25,842	\$33,297	\$45,449	\$45,284	\$45,449	\$45,284	\$45,284	\$56,268
Demand-Side Management	\$2,279	\$2,315	\$2,551	\$2,220	\$2,240	\$2,426	\$3,297	\$2,002	\$2,177	\$2,180	\$2,227	\$1,920
Environmental Surcharge	\$4,330	\$5,566	\$3,902	\$5,040	\$5,656	\$1,777	\$5,507	\$11,960	\$12,091	\$6,489	\$4,108	\$2,869
Merger Surcredit	(\$8,115)	(\$8,543)	(\$8,169)	(\$7,630)	(\$8,170)	(\$8,869)	(\$9,436)	(\$11,731)	(\$16,817)	(\$13,995)	(\$14,167)	(\$11,889)
Earning Sharing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Value Delivery	(\$3,695)	(\$3,890)	(\$3,720)	(\$3,266)	(\$3,497)	(\$3,796)	(\$4,039)	(\$5,021)	(\$5,193)	(\$5,345)	(\$5,345)	(\$4,485)
Total Regenerated Billing	\$365,805	\$385,112	\$368,234	\$344,140	\$368,524	\$400,017	\$425,624	\$529,126	\$547,277	\$556,422	\$563,251	\$472,686
Actual Billing	365,805	385,954	368,312	344,140	368,446	400,017	425,392	529,128	539,900	549,069	555,772	466,245
Ratio of Actual to Regenerated	1.00000	1.00219	1.00021	1.00000	0.99979	1.00000	0.99945	1.00000	0.98652	0.98679	0.98672	0.98637
Large Commercial Rate												
Rate												
Customer	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00
Demand - Secondary												
Winter	\$11.14	\$11.14	\$11.14	\$11.14	\$11.70	\$11.70	\$11.70	\$11.70	\$11.70	\$11.70	\$11.70	\$11.70
Summer	\$14.20	\$14.20	\$14.20	\$14.20	\$14.76	\$14.76	\$14.76	\$14.76	\$14.76	\$14.76	\$14.76	\$14.76
- Primary												
Winter	\$9.52	\$9.52	\$9.52	\$9.52	\$10.12	\$10.12	\$10.12	\$10.12	\$10.12	\$10.12	\$10.12	\$10.12
Summer	\$12.32	\$12.32	\$12.32	\$12.32	\$12.92	\$12.92	\$12.92	\$12.92	\$12.92	\$12.92	\$12.92	\$12.92
Energy	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02348	\$0.02348	\$0.02348	\$0.02348	\$0.02348	\$0.02348	\$0.02348	\$0.02348
Billing												
Customer	\$2,210	\$2,210	\$2,145	\$2,275	\$2,340	\$2,275	\$2,860	\$2,145	\$2,275	\$2,275	\$2,275	\$2,275
Demand	\$169,458	\$169,474	\$163,426	\$155,347	\$178,142	\$193,645	\$208,575	\$208,482	\$235,051	\$255,950	\$261,457	\$225,457
Energy	\$196,724	\$199,858	\$220,216	\$191,613	\$187,852	\$199,575	\$208,482	\$208,482	\$235,051	\$255,950	\$261,457	\$225,457
Fuel Clause	\$24,987	\$39,773	\$13,940	\$19,740	\$25,842	\$33,297	\$45,449	\$45,284	\$45,449	\$45,284	\$45,284	\$56,268
Demand-Side Management	\$2,279	\$2,315	\$2,551	\$2,220	\$2,240	\$2,426	\$3,297	\$2,002	\$2,177	\$2,180	\$2,227	\$1,920
Environmental Surcharge	\$4,590	\$5,874	\$3,902	\$5,345	\$5,986	\$1,777	\$5,784	\$12,663	\$12,879	\$6,871	\$4,363	\$3,011
Merger Surcredit	(\$8,601)	(\$9,015)	(\$8,729)	(\$8,092)	(\$8,648)	(\$9,419)	(\$9,912)	(\$12,420)	(\$17,912)	(\$14,820)	(\$15,044)	(\$12,480)
Earning Sharing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Value Delivery	(\$3,916)	(\$4,105)	(\$3,975)	(\$3,463)	(\$3,701)	(\$4,032)	(\$4,243)	(\$5,316)	(\$5,531)	(\$5,591)	(\$5,676)	(\$4,708)
Total Regenerated Billing	\$387,731	\$406,384	\$393,477	\$364,985	\$390,052	\$424,855	\$447,100	\$560,228	\$562,915	\$589,196	\$598,116	\$496,173
Adjusted for Ratio to Actual	\$387,731	\$407,272	\$393,561	\$364,985	\$389,969	\$424,855	\$446,856	\$560,230	\$575,057	\$581,411	\$590,174	\$489,411
Lost Revenue by Month	(\$21,926)	(\$21,318)	(\$25,249)	(\$20,844)	(\$21,524)	(\$24,838)	(\$21,464)	(\$31,102)	(\$35,157)	(\$32,341)	(\$34,402)	(\$23,166)
Lost Revenue Cumulative	(\$21,926)	(\$43,244)	(\$68,493)	(\$89,337)	(\$110,861)	(\$135,699)	(\$157,164)	(\$188,265)	(\$223,423)	(\$255,764)	(\$290,166)	(\$313,332)