

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Balance Adjustment Component (DBA)

Summary - DBA 2005

| | <u>Actual Collection</u> | <u>Expected Collection</u> | <u>(over) Variance</u> | <u>Interest</u> | <u>Net Variance</u> |
|------------------------|------------------------------|--------------------------------|----------------------------|-----------------|-------------------------|
| <u>Electric</u> | | | | | |
| RS | \$3,361,621 | \$2,537,398 | (\$824,223) | (\$4,926) | (\$829,149) |
| GS | \$284,426 | \$171,810 | (\$112,615) | (\$304) | (\$112,920) |
| LC | \$271,298 | \$183,234 | (\$88,064) | (\$226) | (\$88,290) |
| LC TOD | \$56,271 | \$33,185 | (\$23,086) | (\$63) | (\$23,148) |
| | | | | | |
| <u>Gas</u> | | | | | |
| RGS | \$752,179 | \$707,394 | (\$44,785) | (\$1,172) | (\$45,957) |
| CGS | \$81,671 | \$6,850 | (\$74,820) | (\$366) | (\$75,187) |

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Balance Adjustment Component (DBA)

Exhibit DG
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**LG&E DBA
Incentive Adjustment**

| | | Budgeted Expenditures | Budgeted Incentive | Percent | Actual Expenditures | Adjusted Incentive |
|--------|--------------------------|-----------------------|--------------------|---------|---------------------|--------------------|
| 2004 | | | | | | |
| Elec. | Residential Conservation | \$142,902 | \$0 | 0.00000 | \$157,390 | \$0 |
| Gas | Residential Conservation | \$47,634 | \$21,368 | 0.44859 | \$52,463 | \$23,534 |
| Elec. | Residential Load Mgmt. | \$2,918,899 | \$145,945 | 0.05000 | \$2,228,283 | \$111,414 |
| Elec. | Residential Low Income | \$111,988 | \$0 | 0.00000 | \$97,207 | \$0 |
| Gas | Residential Low Income | \$959,896 | \$34,474 | 0.03591 | \$874,866 | \$31,420 |
| GS | Commercial Cons. | \$192,165 | \$0 | 0.00000 | \$137,520 | \$0 |
| LC | Commercial Cons. | \$153,732 | \$0 | 0.00000 | \$110,016 | \$0 |
| LC TOD | Commercial Cons. | \$30,746 | \$0 | 0.00000 | \$22,003 | \$0 |
| Gas | Commercial Cons. | \$7,887 | \$0 | 0.00000 | \$5,501 | \$0 |
| GS | Commercial Load Mgmt. | \$44,904 | \$2,245 | 0.05000 | \$3,183 | \$159 |
| LC | Commercial Load Mgmt. | \$5,613 | \$281 | 0.05000 | \$398 | \$20 |
| LC TOD | Commercial Load Mgmt. | \$5,613 | \$281 | 0.05000 | \$398 | \$20 |

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Balance Adjustment Component (DBA)

Exhibit Dg
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LG&E DBA
Lost Revenue Adjustment

| | | Budgeted | Budgeted | Percent | Actual | Adjusted |
|--------|--------------------------|--------------|--------------|---------|--------------|--------------|
| | | Expenditures | Lost Revenue | | Expenditures | Lost Revenue |
| 2004 | | | | | | |
| Elec. | Residential Conservation | \$142,902 | \$54,627 | 0.38227 | \$157,390 | \$60,165 |
| Gas | Residential Conservation | \$47,834 | \$20,488 | 0.43011 | \$52,483 | \$22,565 |
| Elec. | Residential Load Mgmt. | \$2,918,899 | \$0 | 0.00000 | \$2,228,283 | \$0 |
| Elec. | Residential Low Income | \$111,988 | \$97,640 | 0.87188 | \$97,207 | \$84,753 |
| Gas | Residential Low Income | \$959,896 | \$88,799 | 0.09251 | \$874,866 | \$80,933 |
| GS | Commercial Cons. | \$192,165 | \$90,734 | 0.47217 | \$137,520 | \$64,933 |
| LC | Commercial Cons. | \$153,732 | \$90,481 | 0.58856 | \$110,016 | \$64,751 |
| LC TOD | Commercial Cons. | \$30,748 | \$30,160 | 0.98093 | \$22,003 | \$21,584 |
| Gas | Commercial Cons. | \$7,887 | \$1,655 | 0.21526 | \$5,501 | \$1,184 |
| GS | Commercial Load Mgmt. | \$44,904 | \$0 | 0.00000 | \$3,183 | \$0 |
| LC | Commercial Load Mgmt. | \$5,813 | \$0 | 0.00000 | \$398 | \$0 |
| LC TOD | Commercial Load Mgmt. | \$5,813 | \$0 | 0.00000 | \$398 | \$0 |

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Balance Adjustment Component (DBA)

Exhibit DG
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Expected DSMRC Collections
Residential Gas Customers Rate RGS

| Date | Rate | DCR Total | Rate | DRLS Total | Rate | DSMI Total | DBA Total | Expected Revenue | Actual Revenue | (over) Variance |
|--------------|------|--------------|------|---------------|------|---------------|--------------|---------------------|-------------------|--------------------|
| January-04 | | \$56,319 | | \$8,625 | | \$4,580 | (\$23,680) | \$45,844 | \$169,748 | (\$123,904) |
| February-04 | | \$2,174 | | \$8,625 | | \$4,580 | (\$23,680) | (\$8,301) | \$187,027 | (\$195,329) |
| March-04 | | \$43,885 | | \$8,625 | | \$4,580 | (\$23,680) | \$33,410 | \$114,346 | (\$80,936) |
| April-04 | | \$140,687 | | \$8,625 | | \$4,580 | (\$35,662) | \$118,230 | \$59,345 | \$58,885 |
| May-04 | | \$34,597 | | \$8,625 | | \$4,580 | (\$35,662) | \$12,139 | \$26,888 | (\$14,749) |
| June-04 | | \$143,951 | | \$8,625 | | \$4,580 | (\$35,662) | \$121,493 | \$16,302 | \$105,191 |
| July-04 | | \$81,636 | | \$8,625 | | \$4,580 | (\$35,662) | \$59,179 | \$13,864 | \$45,315 |
| August-04 | | \$66,105 | | \$8,625 | | \$4,580 | (\$35,662) | \$43,647 | \$13,537 | \$30,110 |
| September-04 | | \$97,755 | | \$8,625 | | \$4,580 | (\$35,662) | \$75,298 | \$14,161 | \$61,137 |
| October-04 | | \$87,754 | | \$8,625 | | \$4,580 | (\$35,662) | \$65,296 | \$17,687 | \$47,609 |
| November-04 | | \$90,218 | | \$8,625 | | \$4,580 | (\$35,662) | \$67,761 | \$34,853 | \$32,908 |
| December-04 | | \$95,856 | | \$8,625 | | \$4,580 | (\$35,662) | \$73,399 | \$84,422 | (\$11,023) |
| | | | | | | | | \$707,394 | \$752,179 | (\$44,785) |

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Balance Adjustment Component (DBA)

Exhibit DG
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Expected DSMRC Collections
Commercial Gas Service Customers Rate CGS

| Date | DCR Rate Total | DRLS Rate Total | DSM Rate Total | DBA Total | Expected Revenue | Actual Revenue | (over) Variance |
|--------------|----------------------|-----------------------|----------------------|--------------|---------------------|-------------------|--------------------|
| January-04 | \$704 | \$99 | \$0 | \$18,288 | \$19,090 | \$39,754 | (\$20,664) |
| February-04 | \$576 | \$99 | \$0 | \$18,288 | \$18,962 | \$43,190 | (\$24,228) |
| March-04 | \$802 | \$99 | \$0 | \$18,288 | \$19,188 | \$26,782 | (\$7,594) |
| April-04 | \$627 | \$99 | \$0 | (\$6,085) | (\$5,360) | (\$5,062) | (\$298) |
| May-04 | \$415 | \$99 | \$0 | (\$6,085) | (\$5,571) | (\$2,652) | (\$2,919) |
| June-04 | \$362 | \$99 | \$0 | (\$6,085) | (\$5,624) | (\$1,831) | (\$3,793) |
| July-04 | \$488 | \$99 | \$0 | (\$6,085) | (\$5,499) | (\$1,780) | (\$3,719) |
| August-04 | \$479 | \$99 | \$0 | (\$6,085) | (\$5,508) | (\$1,782) | (\$3,726) |
| September-04 | \$348 | \$99 | \$0 | (\$6,085) | (\$5,638) | (\$1,791) | (\$3,848) |
| October-04 | \$202 | \$99 | \$0 | (\$6,085) | (\$5,784) | (\$2,177) | (\$3,607) |
| November-04 | \$251 | \$99 | \$0 | (\$6,085) | (\$5,736) | (\$3,421) | (\$2,315) |
| December-04 | \$316 | \$99 | \$0 | (\$6,085) | (\$5,671) | (\$7,560) | \$1,889 |
| | | | | | \$6,850 | \$81,671 | (\$74,820) |

LOUISVILLE GAS & ELECTRIC COMPANY**DSM Balance Adjustment (DBA)
For Residential Gas Service RGS
12-Month Period Beginning April 1, 2005**

The Demand-Side Management Cost Recovery Mechanism (DSMRM) includes a provision for the recovery of demand-side management (DSM) program and administrative costs. The DSMRM further provides a balancing mechanism for reconciling differences in the costs recovered through the DSMRM and actual DSM expenditures. Interest at a rate equal to the average of the "3-Month Commercial Paper Rate" for the immediately preceding 12-month period is applied to any over- or under-recovery of revenues as part of the adjustment. The interest is applied monthly to the average balance of the cumulative net (over-) under-recovery revenues.

The outcome of the interest calculations is an over-recovery of revenue with interest in the amount of \$45,957 during the period of January 1, 2004 through December 31, 2004, as shown on Exhibit DG-1 Page 2 of 2. The DBA adjustments are then divided by the estimated billing determinants for the 12-month period from April 1, 2005 through March 31, 2006 in order to compute the per-unit DBA charge or credit. The resulting DBA factor for Residential Gas Service Rate RGS is (0.020) ¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DBA Component For Rate RGS

| Forecast | | |
|------------------|------|--------------------|
| <u>Ccf Sales</u> | | |
| APR | 2005 | 20,906,493 |
| MAY | | 10,743,716 |
| JUN | | 5,761,023 |
| JUL | | 4,656,649 |
| AUG | | 4,210,039 |
| SEP | | 4,806,918 |
| OCT | | 7,068,989 |
| NOV | | 16,559,625 |
| DEC | | 33,079,787 |
| JAN | 2006 | 47,397,575 |
| FEB | | 43,582,433 |
| MAR | | 33,722,641 |
| | | <u>232,495,889</u> |

Total DBA \$ (45,957)

DRLS Factor in ¢ per Ccf -0.020

LOUISVILLE GAS & ELECTRIC COMPANY**DSM Balance Adjustment (DBA)
For Commercial Customers Served Under
Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning April 1, 2005**

The Demand-Side Management Cost Recovery Mechanism (DSMRM) includes a provision for the recovery of demand-side management (DSM) program and administrative costs. The DSMRM further provides a balancing mechanism for reconciling differences in the costs recovered through the DSMRM and actual DSM expenditures. Interest at a rate equal to the average of the "3-Month Commercial Paper Rate" for the immediately preceding 12-month period is applied to any over- or under-recovery of revenues as part of the adjustment. The interest is applied monthly to the average balance of the cumulative net (over-) under-recovery revenues.

The outcome of the interest calculations is an over-recovery of revenue with interest in the amount of \$75,187 during the period of January 1, 2004 through December 31, 2004, as shown on Exhibit DG-2 Page 2 of 2. The DBA adjustments are then divided by the estimated billing determinants for the 12-month period from April 1, 2005 through March 31, 2006 in order to compute the per-unit DBA charge or credit. The resulting DBA factor for Commercial Gas Service Rate CGS is (0.060) ¢ per Ccf .

Exhibit DG-2
 Page 2 of 2

LOUISVILLE GAS & ELECTRIC COMPANY
 Calculation of DBA Component For
 Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT

| | | Forecast |
|-----|------|--------------------|
| | | <u>Ccf Sales</u> |
| APR | 2005 | 10,792,108 |
| MAY | | 6,106,473 |
| JUN | | 4,074,477 |
| JUL | | 3,573,479 |
| AUG | | 3,374,764 |
| SEP | | 3,769,842 |
| OCT | | 4,530,966 |
| NOV | | 9,176,039 |
| DEC | | 17,440,081 |
| JAN | 2006 | 24,454,562 |
| FEB | | 21,505,930 |
| MAR | | <u>17,244,998</u> |
| | | <u>126,043,719</u> |

| | | |
|--------------------------|----|----------|
| Total DBA | \$ | (75,187) |
| DRLS Factor In ¢ per Ccf | | -0.060 |

LOUISVILLE GAS & ELECTRIC COMPANY

**DSM Balance Adjustment (DBA)
For Industrial Customers Served Under
Rate IGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning April 1, 2004**

Not currently applicable.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 16

Responding Witness: Kent W. Blake

Q-16. Please provide a reconciliation of the ratemaking FAC, ECR, and DSM revenues and expenses/costs, including all adjustments reflected on Blake Exhibit 1 Schedules 1.11, 1.13, 1.15, and any other relevant schedules.

A-16. Please see response to Question No. 15.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 17

Responding Witness: Kent W. Blake

- Q-17. Refer to Blake Exhibit 1 Schedule 1.32. Please explain why the MISO Net RSG Margin for 2005 should be included in the Companies' proposed 5 year average of historic off-system sales margins given that there was no MISO Net RSG Margin prior to 2005.
- A-17. MISO Net RSG Margins for 2005 are not being included in the Company's proposed 5 year average of historical off-system sales margins. RSG make-whole payments and the associated production expenses for 2005 are included in the columns labeled "OSS Revenue" and "OSS Expenses" on Reference Schedule 1.32 of Blake Exhibit 1. Therefore, the Company is removing the MISO Net RSG Margin in the determination of the five year average OSS Margin.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 18

Responding Witness: Kent W. Blake

- Q-18. Refer to Blake Exhibit 1 Schedules 1.32 and 1.45. Please explain the difference between the MISO Net RSG Margins included on Schedule 1.32 and the RSG revenues and expenses on Schedule 1.45. In addition to this explanation, please provide a reconciliation between the amounts for 2005 reflected on these two schedules.
- A-18. Reference Schedule 1.32 shows the MISO Net RSG Margin of \$1,142,659 for 2005. This value is the difference between the RSG Make Whole Payment shown on line 1 of Reference Schedule 1.45 and the Production cost for RSG Payments shown on line 6 of Reference Schedule 1.45 for those month of April through June 2005. The table below reconciles the values contained in the two referenced schedules.

| | | |
|----------------------------------|--------------------|----------------------------------|
| RSG Make Whole Payment | \$5,817,280 | Reference Schedule 1.45, Line 1 |
| Production cost for RSG Payments | <u>\$4,674,621</u> | Reference Schedule 1.45, Line 6 |
| MISO Net RSG Margin | \$1,142,659 | Reference Schedule 1.32 for 2005 |

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 19

Responding Witness: Kent W. Blake

Q-19. Refer to Blake Exhibit 1 Schedule 1.32. Provide the off-system sales (OSS) revenue and OSS expenses for each month July 2004 through June 2005 and for each month July 2005 through September 2005.

A-19. Please see the attached.

Louisville Gas and Electric Company
Off-system sale Revenues and Expenses

| | Jul-2004 | Aug-2004 | Sep-2004 | Oct-2004 | Nov-2004 | Dec-2004 | Jan-2005 | Feb-2005 | Mar-2005 | Apr-2005 | May-2005 | Jun-2005 | 12 Months Ending |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------------|
| OSS Revenues | \$12,474,534 | \$10,854,562 | \$14,055,199 | \$18,163,044 | \$17,001,068 | \$21,080,671 | \$28,727,896 | \$27,398,276 | \$25,626,546 | \$14,571,693 | \$20,694,468 | \$20,893,789 | \$231,541,747 |
| OSS Expenses | \$8,962,024 | \$8,424,371 | \$11,167,584 | \$13,154,840 | \$13,101,051 | \$17,414,821 | \$23,053,524 | \$21,706,633 | \$19,066,757 | \$11,563,120 | \$18,833,205 | \$15,887,441 | \$182,335,370 |
| | Jul-2005 | Aug-2005 | Sep-2005 | | | | | | | | | | |
| OSS Revenues | \$9,156,548 | \$14,308,068 | \$27,143,038 | | | | | | | | | | |
| OSS Expenses | \$5,836,338 | \$10,302,021 | \$21,147,327 | | | | | | | | | | |

Note: OSS Revenues and Expenses for April 2005 through September 2005 includes RSG Make Whole Payments and the associated production cost.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 20

Responding Witnesses: Martyn Gallus / Kent W. Blake

- Q-20. Provide the Companies' forward price curves (future market price projections) for off-system sales as of June 30, 2004, September 30, 2004, December 31, 2004, March 31, 2005, June 30, 2005, and September 30, 2005. The forward price curves as of these dates should be provided for all projected periods for which they are developed or otherwise obtained. Provide all assumptions underlying these forward price curves, including, but not limited to, natural gas prices.
- A-20. This request seeks information which is confidential and proprietary. Price curves are estimates prepared by the Company for internal use. These estimates reveal internal data and thought processes which if openly disclosed would grant the Company's competitors an unfair commercial advantage. Thus, pursuant to 807 KAR 5:001 section 7 and KRS 61.878(1)(c), this data is being provided under seal. A motion for confidential treatment of this information is filed simultaneously herewith.

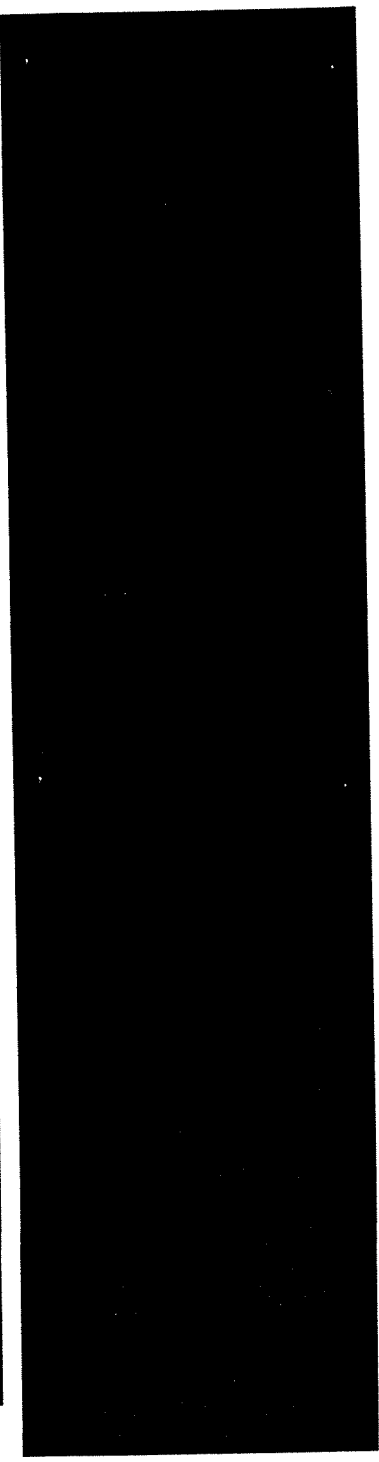
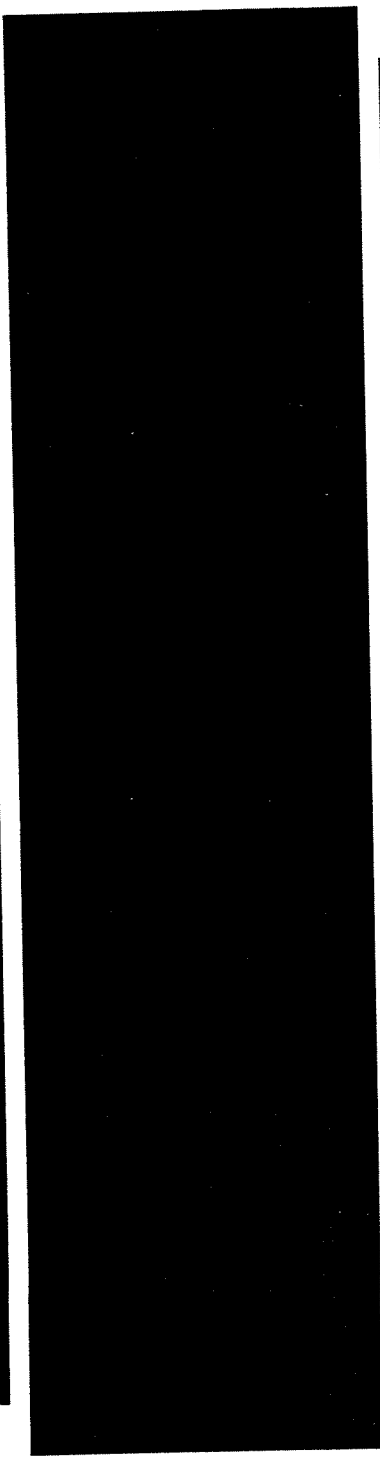
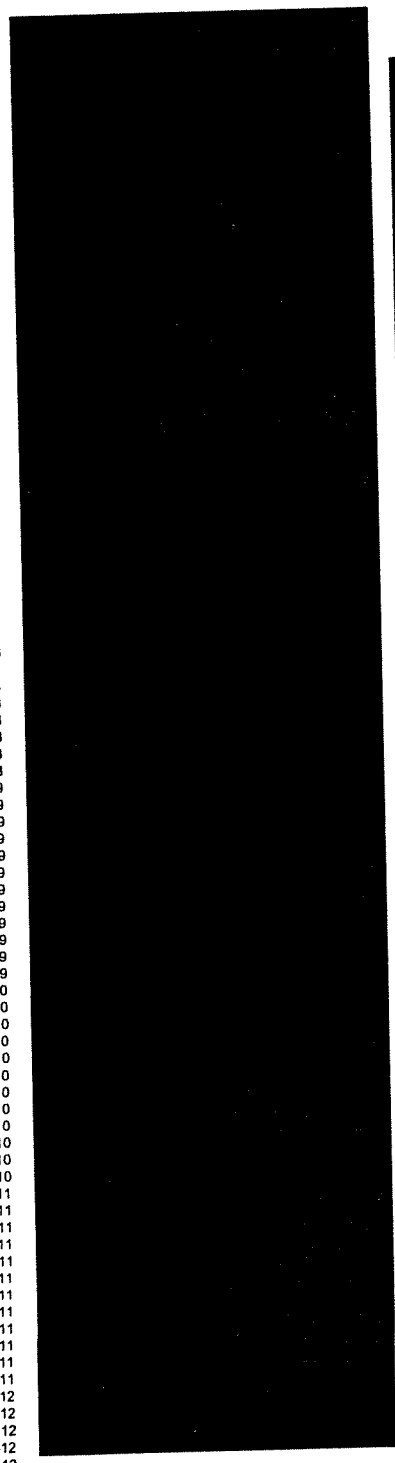
The forward price curve for market prices is the information contained in the Company's Commodity Trading System ("CTS") and is based either on market transactions or on the Company's MIDAS Gold production cost model for those periods which market transactions have not occurred.

The forward curve for Henry Hub natural gas prices, SO₂ allowance prices and NO_x allowance prices are also noted in the attached table. The coal prices used in the MIDAS Gold production cost model for 2004 and 2005 are attached on pages 3 of 4 and 4 of 4, respectively.

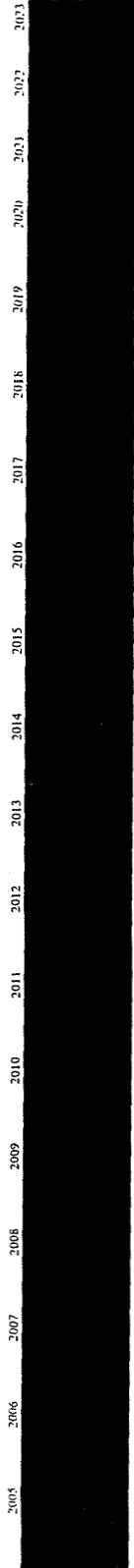
CTS Quote Date

| March 31, 2005 | | | | June 30, 2005 | | | | September 30, 2005 | | | |
|----------------------------|------------------------|----------------|----------------|----------------------------|------------------------|----------------|----------------|----------------------------|------------------------|----------------|----------------|
| Cinergy 5x16 per MWh | Henry Hub per MMBtu | SO2 per Ton | NOx per Ton | Cinergy 5x16 per MWh | Henry Hub per MMBtu | SO2 per Ton | NOx per Ton | Cinergy 5x16 per MWh | Henry Hub per MMBtu | SO2 per Ton | NOx per Ton |

- Jul-04
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- Sep-04
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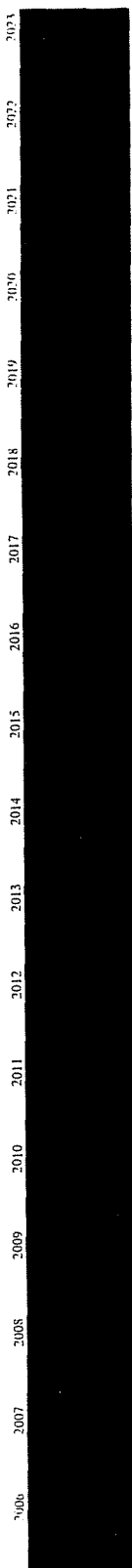
2005 Open Position Price Curve (100% Market for
'05, 75% market and 25% Hill for '06, 50% Market
and 50% Hill for '07, 25% Market and 75% Hill for
'08 and 100% Hill for '09+
PRB 8600 BTU
CAPP Compliance
EKY Low Sulfur
NAPP High Sulfur
IL Basin High Sulfur
IL Basin Mid Sulfur



2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023

2006 Open Position Price Curve (100% Market for '06, 75% market and 25% Hill for '07, 50% Market and 50% Hill for '08, 25% Market and 75% Hill for '09 and 100% Hill for '10+)

- PRB 8800 BTU
- CAPP Compliance
- EKY Low Sulfur
- NAPP High Sulfur
- IL Basin High Sulfur
- IL Basin Mid Sulfur



LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 21

Responding Witness: Counsel

- Q-21. Please provide the Companies' 2005 budgeted OSS revenues and OSS expenses for October through December 2005, including the most recent revisions or expectations. Provide all assumptions underlying the budgeted amounts and/or most recent revisions or expectations, data, computations, and workpapers, including electronic spreadsheets with formulas intact.
- A-21. Consistent with its historical practice, the Company will not disclose highly sensitive and proprietary projections (such as budgets, financial forecasts and the like) which are material in nature, and not available to the public, to other government agencies, or even to other employees of the Company except for a select group who have a business need to know. Such projections are only estimates, there is no guarantee that such projections will be realized, and the estimates are based on a number of assumptions that may change over time, and the release of such information to the requesting party would disclose information which could put the Company at a risk under federal securities law.

The federal securities laws, particularly Rule 10b-5 under the Securities Exchange Act of 1934 (with limited exceptions), prohibit selective disclosure of material non-public information. This means that it is a violation of federal law for the Company to disclose material non-public information to one party or select group of parties without making the information generally available to the investing public. The theory behind this is that everyone should be on an equal footing with respect to making investment decisions. There is no question that a court could consider these types of projections to be material information. Therefore, disclosure of this information to an outsider would necessitate disclosure to the public generally in order to avoid a violation, even if a confidentiality agreement is entered into.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 22

Responding Witness: Valerie L. Scott

- Q-22. Refer to Blake Exhibit 1 Schedule 1.43 adjustment to annualize MISO Schedules 16 and 17. Please confirm that the charges vary by month because they are volume dependent, e.g. MISO Schedule 16 charges are dependent on the number of FTR megawatts and MISO Schedule 17 charges are dependent on the day ahead volumes bid into the market plus or minus the difference in volumes in the real time physical energy. In addition, please confirm that these charges will be greater during the Companies' four highest peak months than in the other eight months.
- A-22. The Company acknowledges that there is some degree of variability in these MISO amounts much like most other revenue and expense items in the Company's income statement. The Company, however, concluded that this adjustment was necessary to reflect the fact that the Company only participated in the MISO Day 2 operations for three months during the twelve months ended

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 23

Responding Witness: Valerie L. Scott

- Q-23. Refer to Blake Exhibit 1 Schedule 1.44 adjustment to annualize MISO revenue neutrality uplift charges. Please confirm that the charges vary by month depending upon the difference in MISO's revenues and costs in each month for which there are no other methods of allocating to the asset owners. In addition, please confirm that these charges will be greater during MISO's and the Companies' four highest peak months than in the other eight months.
- A-23. The Company acknowledges that there is some degree of variability in these MISO amounts much like most other revenue and expense items in the Company's income statement. The Company, however, concluded that this adjustment was necessary to reflect the fact that the Company only participated in the MISO Day 2 operations for three months during the twelve months ended June 30, 2005, and based the adjustment on the best available information. In order to reasonably assess the Company's earned return, such an adjustment



LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 24

Responding Witness: Valerie L. Scott

- Q-24. Refer to Blake Exhibit 1 Schedule 1.45 adjustment to annualize MISO revenue sufficiency guarantee revenues and expenses. Please confirm that the charges vary by month depending upon the activity in each month. In addition, please confirm that in some months the Companies' RSG revenues may be greater than the RSG expenses.
- A-24. The Company acknowledges that there is some degree of variability in these MISO amounts much like most other revenue and expense items in the Company's income statement. The Company, however, concluded that this adjustment was necessary to reflect the fact that the Company only participated in the MISO Day 2 operations for three months during the twelve months ended June 30, 2005, and based the adjustment on the best available information. In order to reasonably assess the Company's earned return, such an adjustment cannot be disregarded.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 25

Responding Witness: Valerie L. Scott

- Q-25. Refer to Blake Exhibit 1 Schedule 1.50 adjustment for the reclassification of the MISO RSG make whole payments revenues between LG&E and KU. Please explain why the Schedule 1.50 adjustment was not annualized to ensure consistency with the annualization of the comparable revenues on Schedule 1.45.
- A-25. The reclassification of MISO RSG Make Whole Payments revenue between LG&E and KU was a one time accounting change in estimate. This reclassification affected only the periods of April 2005 through July 2005.

The annualization adjustment for RSG was accounted for through the adjustment contained in Reference Schedule 1.45. This adjustment annualized the reclassified amounts.

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 26

Responding Witness: Valerie L. Scott

- Q-26. Refer to Blake Exhibit 1 Schedule 1.50 adjustment for the reclassification of the MISO RSG make whole payments revenues between LG&E and KU. Please provide all documentation relied on by the Companies to make the determination that the allocation of these revenues between the Companies on generating unit ownership was more appropriate than on off-system sales. Such documentation includes, but is not limited to, studies, analyses, e-mails, reports, notes, correspondence, notices and/or filings with the Commission and/or FERC, communications with MISO and/or FERC, and all other writings in which this issue was addressed.
- A-26. The determination of the allocation method was not based on any documents from the Commission, FERC or MISO but was based on internal discussion and the actual operations upon the start of MISO Day 2. Please see the attached.

the allocation method for RSG make-whole payments. Programming changes were initiated during July 2005 to implement the new allocation method and in August 2005 it was implemented.

Conroy, Robert

From: Reeves, Stephen

Sent: Monday, June 20, 2005 5:07 PM

To: Wolfram, John; Conroy, Robert; Yocum, Keith; Newton, Gretchen; Smith, Nancy;
Flood, Glenn; Hoffman, Cathy; Spaulding, Jeffrey

Cc: Johnson, Shannon (7th Fl)

Subject: Sample RSG Data - RT BR7

Attachments: Sample Data - RT BR7.xls



Sample Data - RT
BR7.xls (24 K...

All,

I attached a spreadsheet containing a sample of the data LEM Accounting receives on an S7 settlement statement. The information is for only one unit (Brown 7) with the RSG Make Whole Payment information highlighted in green. If you have any questions, please give me a call.

Steve

Conroy, Robert

From: Wolfram, John
Sent: Thursday, September 08, 2005 3:56 PM
To: Conroy, Robert
Subject: FW: RSG Allocation

From: Malloy, John
Sent: Tuesday, July 05, 2005 10:17 AM
To: Gallus, Martyn; Brunner, Bob; Yocum, Keith; Newton, Gretchen; Wolfram, John; Scott, Valerie; Charnas, Shannon
Subject: FW: RSG Allocation

Folks,

We have reached universal agreement on the methodology for RSG allocation to the Utilities. John Wolfram indicates (see below) the balance of team work on other allocations will be re-visited. Thanks for your support.

Thanks

John P. Malloy
Director, Generation Services
502-627-4836 (Office)
502-332-6304 (Pager)
502-445-6776 (Mobile)

This e-mail message is confidential, intended only for the named recipient(s) above and may contain information that is privileged, confidential or otherwise subject to applicable law.

John,
please provide a regulatory opinion or overview of the RSG allocation. It is defensible....
Etc. The sooner the better.

thanks

John P. Malloy
Director, Generation Services
502-627-4836 (Office)
502-332-6304 (Pager)
502-445-6776 (Mobile)

This e-mail message is confidential, intended only for the named recipient(s) above and may contain information that is privileged, attorney work product, or exempt from disclosure under applicable law. If you have received this message in error, please immediately notify the sender and delete this e-mail from your computer.

**LG&E Energy Corp. & Subsidiaries
Information Technology – New Project/Enhancement Evaluation**

See “Helpful Hints for Completing the Form” on page 2.

Project/Enhancement Information

Brief Project Title: RFS 7930 miMISO cost allocation revision

Description of Project: (Detailed requirements for the request. Include/attach any available process flows or documentation for the current or planned processes; system name if an enhancement.)

Scope: For the REG cost allocation, we need to change the allocation method for 100% OSS to split between the utilities based on ownership percentage instead of percent of generation contributed. This method is used to allocate DA and RT RSG Make Whole Payments. The revision should sum these Make Whole Payments by unit, then split the revenue by unit based on unit ownership. Unit ownership can be found in AFB.

Deliverables: See scope

Assumptions:

Technology solution will address the following: (please check the appropriate box)

Addition of a new business process.

Replace an existing manual process with an automated process.

Replace/enhance an existing automated process with an alternative automated process.

Expected # of users impacted by the 5

project:

Business locations LGE07

impacted:

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

Response to the First Set of Data Requests of KIUC Dated October 21, 2005

Question No. 27

Responding Witness: Kent W. Blake

- Q-27. Please provide the Equivalent Forced Outage Rate (EFOR) for the combined LG&E and KU system for the following periods:
- a. Calendar year 2002
 - b. Calendar year 2003
 - c. Calendar year 2004
 - d. Twelve months ended June 2005
 - e. Twelve months ended September 2005.
- A-27.
- a. Please see the Company's response to Question 6, part b of Commission Staff's Initial Data Request Dated October 21, 2005.
 - b. Please see the Company's response to Question 6, part b of Commission Staff's Initial Data Request Dated October 21, 2005.