



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

February 21, 2006

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PUBLIC SERVICE
COMMISSION

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

**RE: The Plan of Louisville Gas and Electric Company for the Value Delivery Surcredit Mechanisms
Case No. 2005-00352 [Updates to Supplemental Data Request Question No. 5]**

Dear Ms. O'Donnell:

Pursuant to the directive in the Commission Staff's Supplemental Data Request dated November 14, 2005 and originally filed November 23, 2005, LG&E hereby files an original and five (5) copies of updates to Question No. 5, the (1) administrative expenses related to the Midwest Independent System Operator's ("MISO") "Day 2" operations; (2) revenue neutrality uplift charges associated with MISO's "Day 2" operations; and (3) revenue sufficiency guarantee make-whole payments and the related charges associated with MISO's "Day 2" operations.

Should you have any questions concerning the enclosed, please do not hesitate to contact me at (502) 627-3324.

Sincerely,

Robert M. Conroy
Manager, Rates

cc: Elizabeth E. Blackford
Michael L. Kurtz
David F. Boehm

LOUISVILLE GAS AND ELECTRIC COMPANY

CASE NO. 2005-00352

**Updated Monthly Response to Commission Staff's Supplemental Data Request
Dated November 14, 2005**

Updated Response Filed February 21, 2005

Question No. 5

Responding Witness: Valerie L. Scott

Q-5. Refer to the responses to Items 8, 9, and 10 of Staff's initial request in which LG&E provided amounts for September 2005 to update the information through August 2005, contained in its application, for (1) administrative expenses related to the Midwest Independent System Operator's ("MISO") "Day 2" operations; (2) revenue neutrality uplift charges associated with MISO's "Day 2" operations; and (3) revenue sufficiency guarantee make-whole payments and the related charges associated with MISO's "Day 2" operations.

- a. Provide the amounts for each of the three items listed above for the month of October 2005.
- b. Consider this a continuing request. Provide on a monthly basis as they become available, the amounts for each of the three items listed above, for the remainder of this proceeding until directed otherwise.

A-5. a. The requested information for the month of October 2005 is shown below.

| | |
|---|----------------|
| Schedule 16 – expense | \$32,300.41 |
| Schedule 17 – expense | \$113,266.39 |
| Revenue Neutrality Uplift – expense | \$843,263.86 |
| RSG Make Whole Payment – revenue | \$1,664,076.81 |
| RSG Distribution Amount – expense | \$1,021,944.00 |
| Production cost for RSG payment – expense | \$1,150,248.89 |

As the Company indicated in its response to Item 9 of the Staff's initial data request, MISO changed its methodology for determining over-collected losses which impacted the revenue neutrality uplift charge. This change was retroactive to the inception of Day 2 and its impact on the revenue neutrality uplift charge and corresponding offset to other line items continues to flow through the MISO settlement statements. These corresponding changes to other line items on the MISO settlement statement continue to impact the Company's cost of providing service.

- b. The Company will provide monthly updates as requested.

The requested information for the month of November 2005 is shown below.

| | |
|---|----------------|
| Schedule 16 – expense | \$27,409.41 |
| Schedule 17 – expense | \$191,257.80 |
| Revenue Neutrality Uplift – expense | \$553,758.84 |
| RSG Make Whole Payment – revenue | \$1,655,830.88 |
| RSG Distribution Amount – expense | \$887,368.32 |
| Production cost for RSG payment – expense | \$1,286,392.15 |

The requested information for the month of December 2005 is shown below.

| | |
|---|----------------|
| Schedule 16 – expense | \$30,612.19 |
| Schedule 17 – expense | \$159,443.94 |
| Revenue Neutrality Uplift – expense | \$(62,609.91) |
| RSG Make Whole Payment – revenue | \$1,790,570.83 |
| RSG Distribution Amount – expense | \$1,848,977.91 |
| Production cost for RSG payment – expense | \$1,361,431.98 |

As the Company indicated in its response to Item 9 of the Staff's initial data request, the Revenue Neutrality Uplift charge is typically an expense item for the Company. For the month of December it was an expense to the Company; however, prior period adjustments from MISO that the Company booked in December resulted in a credit (as shown in the above table) being recorded in accounts #557204 and #557205 for the Revenue Neutrality Uplift charge. The prior period adjustments from MISO were due to a correction in MISO's calculation of the Revenue Neutrality Uplift charge. A modeling error by MISO resulted in a larger Revenue Inadequacy Uplift component of Revenue Neutrality Uplift. The correction was implemented on December 2, 2005 for operating periods beginning September 1, 2005 and forward.

The requested information for the month of January 2006 is shown below.

| | |
|---|----------------|
| Schedule 16 – expense | \$18,562.70 |
| Schedule 17 – expense | \$160,166.46 |
| Revenue Neutrality Uplift – expense | \$(221,178.07) |
| RSG Make Whole Payment – revenue | \$531,087.76 |
| RSG Distribution Amount – expense | \$740,858.82 |
| Production cost for RSG payment – expense | \$435,227.19 |

As the Company indicated in its response to Item 9 of the Staff's initial data request, the Revenue Neutrality Uplift charge is typically an expense item for the Company. For the month of January it was an expense to the Company; however, prior period adjustments from MISO that the Company booked in

January resulted in a credit (as shown in the above table) being recorded in accounts #557204 and #557205 for the Revenue Neutrality Uplift charge. The prior period adjustments from MISO were due to a correction in MISO's calculation of the Revenue Neutrality Uplift charge. A modeling error by MISO resulted in a larger Revenue Inadequacy Uplift component of Revenue Neutrality Uplift. The correction was implemented on December 2, 2005 for operating periods beginning September 1, 2005 and forward.