

March 3, 2006

Kentucky Utilities Company
220 West Main Street
P. O. Box 32010
Louisville, Kentucky 40232
www.eon-us.com

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

Case 2006-00102

RECEIVED

MAR 03 2006

PUBLIC SERVICE
COMMISSION

**RE: Adjustments to Demand Side Management Balance Adjustment
Component (DBA) of the Demand-Side Management Cost
Recovery Mechanism for Kentucky Utilities Company**

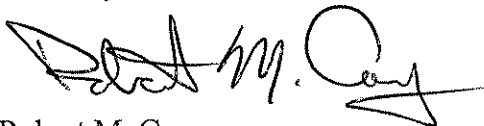
Dear Ms. O'Donnell:

Kentucky Utilities Company ("KU") files herewith an original and four copies of the following revised sheets of KU Tariff PSC No. 13:

Ninth Revision of Original Sheet No. 1
Fifth Revision of Original Sheet No. 71.4
Fourth Revision of Original Sheet No. 71.5

These revisions reflect adjustments to the DSM Balance Adjustment Component (DBA) of KU's Demand Side Management Cost Recovery Mechanism to reflect over- and under-recoveries experienced in the 12-month period of January 1, 2005 through December 31, 2005. An original and four copies of the supporting data for the adjustments are also filed herewith.

Sincerely,



Robert M. Conroy
Manager, Rates

Enclosures

GENERAL INDEX

Standard Electric Rate Schedules – Terms and Conditions

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**Date of Issue: March 3, 2006
Canceling Eighth Revision of
Original Sheet No. 1
Issued December 27, 2005**

Issued By
John R. McCall
By [Signature]

Date Effective: April 3, 2006

**John R. McCall, Executive Vice President,
General Counsel, and Corporate Secretary
Louisville, Kentucky**

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DSMRM

Demand-Side Management Cost Recovery Mechanism

APPLICABLE TO:

Residential Service Rate RS, Volunteer Fire Department Service Rate VFD, General Service Rate GS, Small Time-of Day Rate STOD, Large Power Rate LP, and Large Commercial and Industrial Time-of-Day Rate LCI-TOD.

DSM Cost Recovery Component (DSMRC):

Residential Service Rate RS and
Volunteer Fire Department Service VFD

Energy Charge

| | |
|--------------------------------------|--------------|
| DSM Cost Recovery Component (DCR): | 0.067 ¢/Kwh |
| DSM Revenues from Lost Sales (DRLS): | 0.002 ¢/Kwh |
| DSM Incentive (DSM): | 0.003 ¢/Kwh |
| DSM Balance Adjustment (DBA): | (0.015)¢/Kwh |
| DSMRC Rate RS: | 0.057 ¢/Kwh |

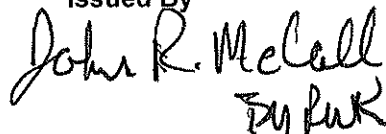
General Service Rate GS

Energy Charge

| | |
|--------------------------------------|--------------|
| DSM Cost Recovery Component (DCR): | 0.021 ¢/Kwh |
| DSM Revenues from Lost Sales (DRLS): | 0.006 ¢/Kwh |
| DSM Incentive (DSM): | 0.000 ¢/Kwh |
| DSM Balance Adjustment (DBA): | (0.014)¢/Kwh |
| DSMRC Rate GS: | 0.013 ¢/Kwh |

Date of Issue: March 3, 2006
Canceling Fourth Revision of
Original Sheet No. 71.4
Issued December 27, 2005

Issued By



Date Effective: April 3, 2006

John R. McCall, Executive Vice President,
General Counsel, and Corporate Secretary
Louisville, Kentucky

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R
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DSMRM

Demand-Side Management Cost Recovery Mechanism

DSM Cost Recovery Component (DSMRC):
(Continued)

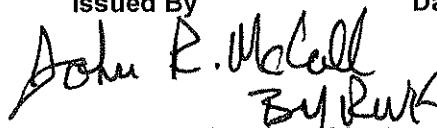
| <u>Large Power Rate LP and Small Time-of-Day Service Rate STOD</u> | <u>Energy Charge</u> |
|--|----------------------|
| DSM Cost Recovery Component (DCR): | 0.004 ¢/Kwh |
| DSM Revenues from Lost Sales (DRLS): | 0.001 ¢/Kwh |
| DSM Incentive (DSM): | 0.000 ¢/Kwh |
| DSM Balance Adjustment (DBA): | 0.002 ¢/Kwh |
| DSMRC Rate LP: | 0.007 ¢/Kwh |

| <u>Large Commercial/Industrial Rate LCI-TOD</u> | <u>Energy Charge</u> |
|---|----------------------|
| DSM Cost Recovery Component (DCR): | 0.000 ¢/Kwh |
| DSM Revenues from Lost Sales (DRLS): | 0.000 ¢/Kwh |
| DSM Incentive (DSM): | 0.000 ¢/Kwh |
| DSM Balance Adjustment (DBA): | 0.000 ¢/Kwh |
| DSMRC Rate TOD: | 0.000 ¢/Kwh |

Date of Issue: March 3, 2006
Canceling Third Revision of
Original Sheet No. 71.5
Issued December 27, 2005

Issued By

Date Effective: April 3, 2006



John R. McCall, Executive Vice President,
General Counsel, and Corporate Secretary
Louisville, Kentucky

KENTUCKY UTILITIES COMPANY

**Supporting Calculations for the
DSM Cost Recovery Mechanism
DSM Balance Adjustment Component (DBA)**

ELECTRIC SERVICE

**Twelve-Month Period Beginning April 1, 2006
and Ending March 31, 2007**

Kentucky Utilities
Summary of Total DSM Cost Recovery Component (DSMRC)
12-Month Period Beginning April 1, 2006

| Rate Schedule | DSM Cost Recovery Component (DCR) Exhibit AE | DSM Revenues From Lost Sales Component (DRLS) Exhibit BE | DSM Incentive Component (DSMI) Exhibit CE | DSM Balance Adjustment Component (DBA) Exhibit DE | DSM Recovery Component (DSMRC) Total |
|-------------------------------|--|--|---|---|--|
| Residential Service RS | 0.067 | 0.002 | 0.003 | (0.015) | 0.057 ¢/kWh |
| General Service GS | 0.021 | 0.006 | 0.000 | (0.014) | 0.013 ¢/kWh |
| Rate LP (excludes industrial) | 0.004 | 0.001 | 0.000 | 0.002 | 0.007 ¢/kWh |

Kentucky Utilities
Summary of DSM Balance Adjustment Component (DBA)
12-Month Period Beginning April 1, 2006

| Rate Schedule | Exhibit Reference | DSM Balance Adjustment Component (DBA) |
|-------------------------------|-------------------|--|
| Residential Service RS | DE-1 | (0.015) ¢/kWh |
| General Service GS | DE-2 | (0.014) ¢/kWh |
| Rate LP (excludes industrial) | DE-3 | 0.002 ¢/kWh |

KENTUCKY UTILITIES COMPANY

DSM Balance Adjustment (DBA)
12-Month Period Beginning April 1, 2006

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.

KENTUCKY UTILITIES 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 | \$3,207,258 | \$2,261,110 | (\$946,148) | (\$9,990) | (\$956,137) |
| GS | \$338,845 | \$138,934 | (\$199,911) | (\$1,414) | (\$201,325) |
| LP | \$82,094 | \$158,736 | \$76,642 | \$756 | \$77,398 |
| | | | (\$1,069,417) | (\$10,648) | (\$1,080,065) |

KENTUCKY UTILITIES COMPANY
 Summary of DSM Balance Adjustment Component (DBA)

**KU DBA
 Incentive Adjustment**

| | | Budgeted Expenditures | Budgeted Incentive | Percent | Actual Expenditures | Adjusted Incentive |
|------------|--------------------------|--------------------------|-----------------------|---------|------------------------|-----------------------|
| 2005 | | | | | | |
| Elec. - RS | Residential Conservation | \$192,778 | \$0 | 0.00000 | \$161,258 | \$0 |
| Elec. - RS | Residential Load Mgmt. | \$3,258,856 | \$162,943 | 0.05000 | \$2,234,484 | \$111,724 |
| Elec. - RS | Residential Low Income | \$544,186 | \$0 | 0.00000 | \$347,721 | \$0 |
| GS | Commercial Cons. | \$249,786 | \$0 | 0.00000 | \$171,057 | \$0 |
| GS | Commercial Load Mgmt. | \$55,251 | \$2,763 | 0.05000 | \$58,710 | \$2,935 |
| LP | Commercial Cons. | \$166,524 | \$0 | 0.00000 | \$114,038 | \$0 |
| LP | Commercial Load Mgmt. | \$6,139 | \$307 | 0.05000 | \$6,523 | \$326 |

KENTUCKY UTILITIES COMPANY
 Summary of DSM Balance Adjustment Component (DBA)

**KU DBA
 Lost Revenue Adjustment**

| | | Budgeted Expenditures | Budgeted Lost Revenue | Percent | Actual Expenditures | Adjusted Lost Revenue |
|------------|--------------------------|--------------------------|--------------------------|---------|------------------------|--------------------------|
| 2005 | | | | | | |
| Elec. - RS | Residential Conservation | \$192,778 | \$70,988 | 0.36823 | \$161,258 | \$59,381 |
| Elec. - RS | Residential Load Mgmt. | \$3,258,856 | \$0 | 0.00000 | \$2,234,484 | \$0 |
| Elec. - RS | Residential Low Income | \$544,186 | \$42,885 | 0.07881 | \$347,721 | \$27,402 |
| GS | Commercial Cons. | \$249,786 | \$73,010 | 0.29229 | \$171,057 | \$49,999 |
| GS | Commercial Load Mgmt. | \$55,251 | \$0 | 0.00000 | \$58,710 | \$0 |
| LP | Commercial Cons. | \$166,524 | \$39,814 | 0.23909 | \$114,038 | \$27,265 |
| LP | Commercial Load Mgmt. | \$6,139 | \$0 | 0.00000 | \$6,523 | \$0 |

KENTUCKY UTILITIES COMPANY
 Summary of DSM Balance Adjustment Component (DBA)

Expected DSMRC Collections
Residential Electric Customers Rate RS

| Date | DCR | | DRLS | | DSMI | | DBA Total | Expected Revenue | Actual Revenue | (over) Variance |
|--------------|------|-----------|------|---------|------|---------|--------------|---------------------|-------------------|--------------------|
| | Rate | Total | Rate | Total | Rate | Total | | | | |
| January-05 | | \$490,551 | | \$7,232 | | \$9,555 | (\$65,109) | \$442,229 | \$376,683 | \$65,546 |
| February-05 | | \$95,592 | | \$7,232 | | \$9,555 | (\$65,109) | \$47,270 | \$347,879 | (\$300,609) |
| March-05 | | \$152,329 | | \$7,232 | | \$9,555 | (\$65,109) | \$104,006 | \$322,156 | (\$218,149) |
| April-05 | | \$257,005 | | \$7,232 | | \$9,555 | (\$68,685) | \$205,107 | \$214,303 | (\$9,196) |
| May-05 | | \$133,144 | | \$7,232 | | \$9,555 | (\$68,685) | \$81,246 | \$179,773 | (\$98,527) |
| June-05 | | \$183,385 | | \$7,232 | | \$9,555 | (\$68,685) | \$131,487 | \$211,779 | (\$80,292) |
| July-05 | | \$314,010 | | \$7,232 | | \$9,555 | (\$68,685) | \$262,112 | \$291,873 | (\$29,761) |
| August-05 | | \$312,964 | | \$7,232 | | \$9,555 | (\$68,685) | \$261,085 | \$291,084 | (\$30,019) |
| September-05 | | \$372,587 | | \$7,232 | | \$9,555 | (\$68,685) | \$320,688 | \$275,415 | \$45,273 |
| October-05 | | \$256,833 | | \$7,232 | | \$9,555 | (\$68,685) | \$204,935 | \$203,567 | \$1,367 |
| November-05 | | \$199,196 | | \$7,232 | | \$9,555 | (\$68,685) | \$147,298 | \$189,728 | (\$42,430) |
| December-05 | | \$105,566 | | \$7,232 | | \$9,555 | (\$68,685) | \$53,667 | \$303,018 | (\$249,351) |
| | | | | | | | | \$2,261,110 | \$3,207,258 | (\$946,148) |

* includes \$86,609 for billing system modifications to enable HEA billing

**KU DBA Calculation of (Over) Under Interest
 Residential Electric Customers Rate RS**

| Date | Net (over) Variance | Cumulative Variance | Avg monthly Balance | Current Month Rate | Annual Amount | Days in Month | Current Month Interest |
|--------|------------------------|------------------------|------------------------|-----------------------|------------------|------------------|------------------------------|
| Jan-05 | \$65,546 | \$65,546 | \$32,773 | 0.88% | \$288 | 31 | \$24 |
| Feb-05 | (\$300,609) | (\$235,063) | (\$84,758) | 0.99% | (\$839) | 29 | (\$67) |
| Mar-05 | (\$218,149) | (\$453,212) | (\$344,137) | 1.11% | (\$3,820) | 31 | (\$324) |
| Apr-05 | (\$9,196) | (\$462,408) | (\$457,810) | 1.03% | (\$4,715) | 30 | (\$388) |
| May-05 | (\$98,527) | (\$560,935) | (\$511,671) | 1.18% | (\$6,038) | 31 | (\$513) |
| Jun-05 | (\$80,292) | (\$641,227) | (\$601,081) | 1.34% | (\$8,054) | 30 | (\$662) |
| Jul-05 | (\$29,761) | (\$670,989) | (\$656,108) | 1.51% | (\$9,907) | 31 | (\$841) |
| Aug-05 | (\$30,019) | (\$701,007) | (\$685,998) | 1.67% | (\$11,456) | 31 | (\$973) |
| Sep-05 | \$45,273 | (\$655,734) | (\$678,371) | 1.83% | (\$12,414) | 30 | (\$1,020) |
| Oct-05 | \$1,367 | (\$654,367) | (\$655,050) | 2.00% | (\$13,101) | 31 | (\$1,113) |
| Nov-05 | (\$42,430) | (\$696,797) | (\$675,582) | 2.17% | (\$14,660) | 30 | (\$1,205) |
| Dec-05 | (\$249,351) | (\$946,148) | (\$821,472) | 2.34% | (\$19,222) | 31 | (\$1,633) |

(\$8,714)

**Expected DSMRC Collections
 Commercial Electric Customers Rate GS**

| Date | DCR | | DRLS | | DSMI | | DBA Total | Expected Revenue | Actual Revenue | (over) Variance |
|--------------|------|----------|------|---------|------|-------|--------------|---------------------|-------------------|--------------------|
| | Rate | Total | Rate | Total | Rate | Total | | | | |
| January-05 | | \$16,826 | | \$4,167 | | \$245 | (\$7,986) | \$13,252 | \$30,680 | (\$17,428) |
| February-05 | | \$19,342 | | \$4,167 | | \$245 | (\$7,986) | \$15,767 | \$28,971 | (\$13,203) |
| March-05 | | \$23,195 | | \$4,167 | | \$245 | (\$7,986) | \$19,620 | \$28,434 | (\$8,814) |
| April-05 | | \$59,363 | | \$4,167 | | \$245 | (\$13,713) | \$50,061 | \$25,850 | \$24,211 |
| May-05 | | \$9,513 | | \$4,167 | | \$245 | (\$13,713) | \$211 | \$22,887 | (\$22,675) |
| June-05 | | \$21,627 | | \$4,167 | | \$245 | (\$13,713) | \$12,325 | \$26,902 | (\$14,577) |
| July-05 | | \$7,526 | | \$4,167 | | \$245 | (\$13,713) | (\$1,775) | \$32,320 | (\$34,096) |
| August-05 | | \$29,875 | | \$4,167 | | \$245 | (\$13,713) | \$20,573 | \$31,273 | (\$10,701) |
| September-05 | | \$17,808 | | \$4,167 | | \$245 | (\$13,713) | \$8,506 | \$32,315 | (\$23,808) |
| October-05 | | \$12,715 | | \$4,167 | | \$245 | (\$13,713) | \$3,413 | \$27,215 | (\$23,802) |
| November-05 | | \$8,978 | | \$4,167 | | \$245 | (\$13,713) | (\$324) | \$23,701 | (\$24,025) |
| December-05 | | \$6,606 | | \$4,167 | | \$245 | (\$13,713) | (\$2,696) | \$28,298 | (\$30,993) |
| | | | | | | | | \$138,934 | \$338,845 | (\$199,911) |

**KU DBA Calculation of (Over) Under Interest
 Commercial Electric Customers Rate GS**

| Date | Net (over) Variance | Cumulative Variance | Avg monthly Balance | Current Month Rate | Annual Amount | Days in Month | Current Month Interest |
|--------|------------------------|------------------------|------------------------|-----------------------|------------------|------------------|------------------------------|
| Jan-05 | (\$17,428) | (\$17,428) | (\$8,714) | 0.88% | (\$77) | 31 | (\$7) |
| Feb-05 | (\$13,203) | (\$30,631) | (\$24,030) | 0.99% | (\$238) | 29 | (\$19) |
| Mar-05 | (\$8,814) | (\$39,445) | (\$35,038) | 1.11% | (\$389) | 31 | (\$33) |
| Apr-05 | \$24,211 | (\$15,234) | (\$27,339) | 1.03% | (\$282) | 30 | (\$23) |
| May-05 | (\$22,675) | (\$37,909) | (\$26,571) | 1.18% | (\$314) | 31 | (\$27) |
| Jun-05 | (\$14,577) | (\$52,486) | (\$45,197) | 1.34% | (\$606) | 30 | (\$50) |
| Jul-05 | (\$34,096) | (\$86,581) | (\$69,533) | 1.51% | (\$1,050) | 31 | (\$89) |
| Aug-05 | (\$10,701) | (\$97,282) | (\$91,932) | 1.67% | (\$1,535) | 31 | (\$130) |
| Sep-05 | (\$23,808) | (\$121,090) | (\$109,186) | 1.83% | (\$1,998) | 30 | (\$164) |
| Oct-05 | (\$23,802) | (\$144,893) | (\$132,992) | 2.00% | (\$2,660) | 31 | (\$226) |
| Nov-05 | (\$24,025) | (\$168,917) | (\$156,905) | 2.17% | (\$3,405) | 30 | (\$280) |
| Dec-05 | (\$30,993) | (\$199,911) | (\$184,414) | 2.34% | (\$4,315) | 31 | (\$367) |

(\$1,414)

KENTUCKY UTILITIES COMPANY
 Summary of DSM Balance Adjustment Component (DBA)

Exhibit DE
 Page 9 of 10

**Expected DSMRC Collections
 Combined Light and Power Customers Rate LP**

| Date | DCR | | DRLS | | DSMI | | DBA Total | Expected Revenue | Actual Revenue | (over) Variance |
|--------------|------|----------|------|---------|------|-------|--------------|---------------------|-------------------|--------------------|
| | Rate | Total | Rate | Total | Rate | Total | | | | |
| January-05 | | \$10,994 | | \$2,272 | | \$27 | (\$2,184) | \$11,109 | \$7,382 | \$3,727 |
| February-05 | | \$12,667 | | \$2,272 | | \$27 | (\$2,184) | \$12,782 | \$7,071 | \$5,711 |
| March-05 | | \$15,223 | | \$2,272 | | \$27 | (\$2,184) | \$15,338 | \$6,989 | \$8,350 |
| April-05 | | \$19,455 | | \$2,272 | | \$27 | \$1,693 | \$23,447 | \$6,405 | \$17,043 |
| May-05 | | \$6,014 | | \$2,272 | | \$27 | \$1,693 | \$10,006 | \$5,992 | \$4,014 |
| June-05 | | \$10,234 | | \$2,272 | | \$27 | \$1,693 | \$14,227 | \$6,471 | \$7,755 |
| July-05 | | \$3,118 | | \$2,272 | | \$27 | \$1,693 | \$7,111 | \$7,314 | (\$203) |
| August-05 | | \$17,541 | | \$2,272 | | \$27 | \$1,693 | \$21,534 | \$7,102 | \$14,431 |
| September-05 | | \$8,976 | | \$2,272 | | \$27 | \$1,693 | \$12,969 | \$7,663 | \$5,306 |
| October-05 | | \$8,274 | | \$2,272 | | \$27 | \$1,693 | \$12,266 | \$6,714 | \$5,553 |
| November-05 | | \$5,749 | | \$2,272 | | \$27 | \$1,693 | \$9,742 | \$6,099 | \$3,643 |
| December-05 | | \$4,210 | | \$2,272 | | \$27 | \$1,693 | \$8,203 | \$6,892 | \$1,311 |
| | | | | | | | | \$158,736 | \$82,094 | \$76,642 |

**KU DBA Calculation of (Over) Under Interest
 Combined Light and Power Customers Rate LP**

| Date | Net (over) Variance | Cumulative Variance | Avg monthly Balance | Current Month Rate | Annual Amount | Days in Month | Current Month Interest |
|--------|------------------------|------------------------|------------------------|-----------------------|------------------|------------------|------------------------------|
| Jan-05 | \$3,727 | \$3,727 | \$1,864 | 0.88% | \$16 | 31 | \$1 |
| Feb-05 | \$5,711 | \$9,439 | \$6,583 | 0.99% | \$65 | 29 | \$5 |
| Mar-05 | \$8,350 | \$17,788 | \$13,613 | 1.11% | \$151 | 31 | \$13 |
| Apr-05 | \$17,043 | \$34,831 | \$26,309 | 1.03% | \$271 | 30 | \$22 |
| May-05 | \$4,014 | \$38,845 | \$36,838 | 1.18% | \$435 | 31 | \$37 |
| Jun-05 | \$7,755 | \$46,600 | \$42,723 | 1.34% | \$572 | 30 | \$47 |
| Jul-05 | (\$203) | \$46,397 | \$46,499 | 1.51% | \$702 | 31 | \$60 |
| Aug-05 | \$14,431 | \$60,829 | \$53,613 | 1.67% | \$895 | 31 | \$76 |
| Sep-05 | \$5,306 | \$66,135 | \$63,482 | 1.83% | \$1,162 | 30 | \$95 |
| Oct-05 | \$5,553 | \$71,687 | \$68,911 | 2.00% | \$1,378 | 31 | \$117 |
| Nov-05 | \$3,643 | \$75,331 | \$73,509 | 2.17% | \$1,595 | 30 | \$131 |
| Dec-05 | \$1,311 | \$76,642 | \$75,986 | 2.34% | \$1,778 | 31 | \$151 |

\$756

KENTUCKY UTILITIES COMPANY

DSM Balance Adjustment (DBA)
For Residential Rate RS
12-Month Period Beginning April 1, 2006

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 \$956,137 during the period of January 1, 2005 through December 31, 2005, as shown on Exhibit DE Page 2 of 10. The DBA adjustments are then divided by the estimated billing determinants for the 12-month period from April 1, 2006 through March 31, 2007 in order to compute the per-unit DBA charge or credit. The resulting DBA factor for Residential Rate RS is (0.015) ¢ per kWh.

Kentucky Utilities
Calculation of DBA Component For Rate RS

| | | Forecast kWh Sales |
|-----|------|-----------------------|
| APR | 2006 | 421,106,990 |
| MAY | | 359,808,000 |
| JUN | | 467,386,000 |
| JUL | | 566,193,990 |
| AUG | | 565,315,000 |
| SEP | | 515,382,000 |
| OCT | | 360,027,000 |
| NOV | | 398,487,000 |
| DEC | | 581,305,990 |
| JAN | 2007 | 754,543,000 |
| FEB | | 650,917,990 |
| MAR | | 551,569,000 |
| | | 6,192,041,960 |

Total DBA \$ (954,862)

DBA Factor in ¢ per kWh -0.015

KENTUCKY UTILITIES COMPANY

DSM Balance Adjustment (DBA)
For General Service Rate GS
12-Month Period Beginning April 1, 2006

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 \$201,325 during the period of January 1, 2005 through December 31, 2005, as shown on Exhibit DE Page 2 of 10. The DBA adjustments are then divided by the estimated billing determinants for the 12-month period from April 1, 2006 through March 31, 2007 in order to compute the per-unit DBA charge or credit. The resulting DBA factor for General Service Rate GS is (0.014) ¢ per kWh

Kentucky Utilities
Calculation of DBA Component For Rate GS

| | | Forecast |
|-----|------|------------------|
| | | <u>kWh Sales</u> |
| APR | 2006 | 114,532,140 |
| MAY | | 109,200,160 |
| JUN | | 117,257,100 |
| JUL | | 131,241,170 |
| AUG | | 132,060,200 |
| SEP | | 131,710,130 |
| OCT | | 111,747,080 |
| NOV | | 112,233,080 |
| DEC | | 125,683,130 |
| JAN | 2007 | 142,626,180 |
| FEB | | 133,894,180 |
| MAR | | 124,198,120 |
| | | 1,486,382,670 |

Total DBA \$ (201,325)

DBA Factor in ¢ per kWh -0.014

KENTUCKY UTILITIES COMPANY

DSM Balance Adjustment (DBA)
For Rate LP
12-Month Period Beginning April 1, 2006

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 under-recovery of revenue with interest in the amount of \$77,398 during the period of January 1, 2005 through December 31, 2005, as shown on Exhibit DE Page 3 of 10. The DBA adjustments are then divided by the estimated billing determinants for the 12-month period from April 1, 2006 through March 31, 2007 in order to compute the per-unit DBA charge or credit. The resulting DBA factor for Rate LP is 0.002 ¢ per kWh

Kentucky Utilities
Calculation of DBA Component For Rate LP (excluding industrial)

| | | Forecast |
|-----|------|------------------|
| | | <u>kWh Sales</u> |
| APR | 2006 | 373,691,176 |
| MAY | | 371,399,160 |
| JUN | | 410,580,306 |
| JUL | | 429,585,438 |
| AUG | | 432,014,367 |
| SEP | | 437,785,775 |
| OCT | | 378,546,334 |
| NOV | | 367,690,398 |
| DEC | | 390,351,355 |
| JAN | 2007 | 394,206,386 |
| FEB | | 390,383,156 |
| MAR | | 381,383,931 |
| | | 4,757,617,782 |

Total DBA \$ 77,398

DBA Factor in ¢ per kWh 0.002