

717-431-1247  
Louisville Gas and  
Electric Company  
220 West Main Street  
P. O. Box 32010  
Louisville, Kentucky 40232  
www.eon-us.com

March 3, 2006

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

Case 2006-00103

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PUBLIC SERVICE  
COMMISSION

**RE: Adjustments to Demand Side Management Balance Adjustment  
Component (DBA) of the Demand-Side Management Cost  
Recovery Mechanism for Louisville Gas and Electric Company**

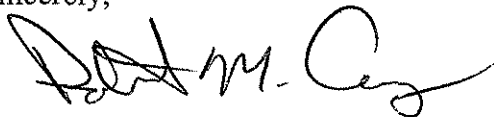
Dear Ms. O'Donnell:

Louisville Gas and Electric Company ("LG&E") files herewith an original and four copies of the following revised sheets of LG&E Tariff PSC of Ky. Gas No. 6:

Twelfth Revision of Original Sheet No. 1  
Fourth Revision of Original Sheet No. 71.3

These revisions reflect adjustments to the DSM Balance Adjustment Component (DBA) of LG&E'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

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**Date of Issue: March 3, 2006  
Canceling Eleventh Revision of  
Original Sheet No. 1  
Issued January 27, 2006**

**Issued By**

**Date Effective: April 3, 2006**

*John R. McCall*  
*By RWK*

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

# Louisville Gas and Electric Company

Fourth Revision of Original Sheet No. 71.3  
P.S.C. of Ky. Gas No. 6

## STANDARD RATE SCHEDULE

## DSMRM

### Demand-Side Management Cost Recovery Mechanism

**Applicable to:** Residential Gas Service Rate RGS, Firm Commercial Gas Service Rate CGS, Firm Industrial Gas Service Rate IGS, As Available Gas Service Rate AAGS, Rate TS, and Rate FT.

As used herein, the term "commercial" applies to any activity engaged primarily in the sale of goods or services including institutions and local, state and federal governmental agencies for uses other than those involving manufacturing.

As used herein, the term "industrial" applies to any activity engaged primarily in a process or processes which create or change raw or unfinished materials into another form or product.

#### DSM Cost Recovery Component (DSMRC):

<u>Residential Customers Served Under Residential Rate RGS</u>	<u>Energy Charge</u>
DSM Cost Recovery Component (DCR):	0.457 ¢/Ccf
DSM Revenues from Lost Sales (DRLS):	0.058 ¢/Ccf
DSM Incentive (DSMI):	0.024 ¢/Ccf
DSM Balance Adjustment (DBA):	0.324 ¢/Ccf
DSMRC Rate RGS:	0.863 ¢/Ccf
<u>Commercial Customers Served Under Firm Commercial Gas Service Rate CGS, As Available Gas Service Rate AAGS, Rate TS, and Rate FT</u>	
DSM Cost Recovery Component (DCR):	0.007 ¢/Ccf
DSM Revenues from Lost Sales (DRLS):	0.002 ¢/Ccf
DSM Incentive (DSMI):	0.000 ¢/Ccf
DSM Balance Adjustment (DBA):	(0.005) ¢/Ccf
DSMRC Rate CGS:	0.004 ¢/Ccf

Date of Issue: March 3, 2006  
Canceling Third Revision of  
Original Sheet No. 71.3  
Issued December 27, 2005

Issued By

*John R. McCall*  
*By RUK*

Date Effective: April 3, 2006

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

**LOUISVILLE GAS & ELECTRIC COMPANY**

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

**GAS SERVICE**

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

LOUISVILLE GAS & ELECTRIC COMPANY  
Summary of Total DSM Cost Recovery Component (DSMRC)  
12-Month Period Beginning April 1, 2006

Rate Schedule	DSM Cost Recovery Component (DCR) Exhibit AG	DSM Revenues From Lost Sales Component (DRLS) Exhibit BG	DSM Incentive Component (DSMI) Exhibit CG	DSM Balance Adjustment Component (DBA) Exhibit DG	DSM Recovery Component (DSMRC) Total
Residential Rate RGS	0.457	0.058	0.024	0.324	0.863 ¢/Ccf
Commercial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	0.007	0.002	0.000	(0.005)	0.004 ¢/Ccf

LOUISVILLE GAS & ELECTRIC COMPANY  
Summary of DSM Balance Adjustment Component (DBA)  
12-Month Period Beginning April 1, 2006

Rate Schedule	Exhibit Reference	DSM Balance Adjustment Component (DBA)
Residential Rate RGS	DG-1	0.324 ¢/Ccf
Commercial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	DG-2	(0.005) ¢/Ccf
Industrial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	DG-3	0.000 ¢/Ccf

LOUISVILLE GAS & ELECTRIC 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.

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

Summary - DBA 2005

<u>Gas</u>	<u>Actual Collection</u>	<u>Expected Collection</u>	<u>(over) Variance</u>	<u>Interest</u>	<u>Net Variance</u>
RGS	\$784,838	\$1,528,169	\$743,330	\$4,102	\$747,433
CGS	(\$56,796)	(\$63,202)	(\$6,406)	\$2	(\$6,403)



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

Exhibit DG  
 3 of 8

**LG&E DBA  
 Incentive Adjustment**

		Budgeted Expenditures	Budgeted Incentive	Percent	Actual Expenditures	Adjusted Incentive
2005						
Elec.	Residential Conservation	\$144,584	\$0	0.00000	\$219,206	\$0
Gas	Residential Conservation	\$48,195	\$21,368	0.44337	\$73,069	\$32,396
Elec.	Residential Load Mgmt.	\$3,258,856	\$162,943	0.05000	\$2,302,709	\$115,135
Elec.	Residential Low Income	\$115,433	\$0	0.00000	\$146,951	\$0
Gas	Residential Low Income	\$989,429	\$34,474	0.03484	\$1,322,555	\$46,081
GS	Commercial Cons.	\$208,155	\$0	0.00000	\$221,040	\$0
LC	Commercial Cons.	\$166,524	\$0	0.00000	\$176,832	\$0
LC TOD	Commercial Cons.	\$33,305	\$0	0.00000	\$35,366	\$0
Gas	Commercial Cons.	\$8,326	\$0	0.00000	\$8,842	\$0
GS	Commercial Load Mgmt.	\$49,112	\$2,466	0.05000	\$39,887	\$1,994
LC	Commercial Load Mgmt.	\$6,139	\$307	0.05000	\$4,986	\$249
LC TOD	Commercial Load Mgmt.	\$6,139	\$307	0.05000	\$4,986	\$249

**LG&E DBA  
 Lost Revenue Adjustment**

		Budgeted Expenditures	Budgeted Lost Revenue	Percent	Actual Expenditures	Adjusted Lost Revenue
2005						
Elec.	Residential Conservation	\$144,584	\$70,095	0.48481	\$219,206	\$106,273
Gas	Residential Conservation	\$48,195	\$26,767	0.55539	\$73,069	\$40,581
Elec.	Residential Load Mgmt.	\$3,258,856	\$0	0.00000	\$2,302,709	\$0
Elec.	Residential Low Income	\$115,433	\$112,776	0.97698	\$146,951	\$143,567
Gas	Residential Low Income	\$989,429	\$104,210	0.10532	\$1,322,555	\$139,296
GS	Commercial Cons.	\$208,155	\$113,401	0.54479	\$221,040	\$120,420
LC	Commercial Cons.	\$166,524	\$134,129	0.80547	\$176,832	\$142,432
LC TOD	Commercial Cons.	\$33,305	\$44,710	1.34245	\$35,366	\$47,477
Gas	Commercial Cons.	\$8,326	\$2,103	0.25261	\$8,842	\$2,233
GS	Commercial Load Mgmt.	\$49,112	\$0	0.00000	\$39,887	\$0
LC	Commercial Load Mgmt.	\$6,139	\$0	0.00000	\$4,986	\$0
LC TOD	Commercial Load Mgmt.	\$6,139	\$0	0.00000	\$4,986	\$0

**Expected DSMRC Collections  
 Residential Gas Customers Rate RGS**

Date	DCR		DRLS		DSMI		DBA	Expected Revenue	Actual Revenue	(over) Variance
	Rate	Total	Rate	Total	Rate	Total	Total			
January-05		\$58,321		\$14,990		\$6,540	(\$35,662)	\$44,189	\$122,717	(\$78,529)
February-05		\$5,022		\$14,990		\$6,540	(\$35,662)	(\$9,111)	\$113,929	(\$123,039)
March-05		\$142,983		\$14,990		\$6,540	(\$35,662)	\$128,851	\$101,219	\$27,632
April-05		\$137,505		\$14,990		\$6,540	(\$3,732)	\$155,303	\$85,979	\$69,324
May-05		\$25,329		\$14,990		\$6,540	(\$3,732)	\$43,127	\$48,969	(\$5,842)
June-05		\$123,691		\$14,990		\$6,540	(\$3,732)	\$141,488	\$25,109	\$116,379
July-05		\$133,939		\$14,990		\$6,540	(\$3,732)	\$151,736	\$19,975	\$131,761
August-05		\$152,094		\$14,990		\$6,540	(\$3,732)	\$169,891	\$17,689	\$152,202
September-05		\$299,351		\$14,990		\$6,540	(\$3,732)	\$317,149	\$18,581	\$298,568
October-05		\$5,888		\$14,990		\$6,540	(\$3,732)	\$23,686	\$21,216	\$2,469
November-05		\$177,652		\$14,990		\$6,540	(\$3,732)	\$195,449	\$55,085	\$140,364
December-05		\$148,615		\$14,990		\$6,540	(\$3,732)	\$166,412	\$154,370	\$12,042
								\$1,528,169	\$784,838	\$743,330



**Expected DSMRC Collections**  
**Commercial Gas Service Customers Rate CGS**

Date	DCR		DRLS		DSM		DBA Total	Expected Revenue	Actual Revenue	(over) Variance
	Rate	Total	Rate	Total	Rate	Total				
January-05		\$664		\$186		\$0	(\$6,085)	(\$5,235)	(\$10,313)	\$5,078
February-05		\$568		\$186		\$0	(\$6,085)	(\$5,331)	(\$9,577)	\$4,246
March-05		\$546		\$186		\$0	(\$6,085)	(\$5,353)	(\$8,595)	\$3,243
April-05		\$575		\$186		\$0	(\$6,235)	(\$5,474)	(\$4,849)	(\$624)
May-05		\$423		\$186		\$0	(\$6,235)	(\$5,625)	(\$3,047)	(\$2,578)
June-05		\$1,364		\$186		\$0	(\$6,235)	(\$4,685)	(\$1,670)	(\$3,015)
July-05		\$455		\$186		\$0	(\$6,235)	(\$5,594)	(\$1,631)	(\$3,963)
August-05		\$683		\$186		\$0	(\$6,235)	(\$5,365)	(\$1,652)	(\$3,714)
September-05		\$414		\$186		\$0	(\$6,235)	(\$5,635)	(\$1,483)	(\$4,152)
October-05		\$799		\$186		\$0	(\$6,235)	(\$5,249)	(\$1,866)	(\$3,384)
November-05		\$879		\$186		\$0	(\$6,235)	(\$5,170)	(\$3,431)	(\$1,739)
December-05		\$1,563		\$186		\$0	(\$6,235)	(\$4,486)	(\$8,682)	\$4,196
								(\$63,202)	(\$56,796)	(\$6,406)



LOUISVILLE GAS & ELECTRIC COMPANY

DSM Balance Adjustment (DBA)  
For Residential Gas Service RGS  
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 \$747,433 during the period of January 1, 2005 through December 31, 2005, 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, 2006 through March 31, 2007 in order to compute the per-unit DBA charge or credit. The resulting DBA factor for Residential Gas Service Rate RGS is 0.324 ¢ per Ccf.

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

		Forecast
		<u>Ccf Sales</u>
APR	2006	21,359,716
MAY		10,464,410
JUN		6,254,356
JUL		4,366,389
AUG		4,256,501
SEP		5,155,691
OCT		6,723,990
NOV		15,871,885
DEC		33,487,155
JAN	2007	48,616,694
FEB		42,180,598
MAR		<u>32,105,645</u>
		<u><u>230,843,028</u></u>

Total DBA                   \$ 747,433

**DRLS Factor in ¢ per Ccf                   0.324**



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, 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 \$6,403 during the period of January 1, 2005 through December 31, 2005, 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, 2006 through March 31, 2007 in order to compute the per-unit DBA charge or credit. The resulting DBA factor for Commercial Gas Service Rate CGS is (0.005) ¢ per Ccf.

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	2006	11,143,146
MAY		5,711,088
JUN		3,883,573
JUL		3,765,109
AUG		3,628,689
SEP		3,671,999
OCT		4,658,351
NOV		8,701,228
DEC		17,065,423
JAN	2007	23,670,431
FEB		21,257,402
MAR		16,832,639
		<u>123,989,078</u>

Total DBA	\$	(6,403)
DRLS Factor in ¢ per Ccf		-0.005

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, 2006

Not currently applicable.