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John J. Finnigan, Jr.
Associate General Counsel

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OCT 06 2006

PUBLIC SERVICE
COMMISSION

VIA OVERNIGHT MAIL

October 5, 2006

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: In the Matter of the Adjustment of Electric Rates of The Union Light, Heat and Power Company
d/b/a Duke Energy Kentucky
Case No. 2006-00172

Dear Ms. O'Donnell:

Enclosed are an original and twelve copies of the Variance Report for May, June and July of 2006 in the above-referenced case.

Please date stamp and return the two extra copies in the enclosed postage paid envelope.

If you have any questions, please do not hesitate to contact me at (513) 287-3601.

Sincerely,

John J. Finnigan, Jr.
Associate General Counsel

JJF/sew

cc: All parties of record (w/encl.)

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OCT 06 2006

PUBLIC SERVICE
COMMISSION

Account	Description	May 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	
Fuel & Emission Allowances (EA)						
501000	Fuel	5,658,233	5,450,900	207,333	4%	Generation up over plan. East Bend was used more than expected due to Miami Fort 6 outage in early May.
509000	Allowances	394,176	528,900	(134,724)	(25)%	East Bend, a scrubbed unit, replaced Miami Fort 6, an unscrubbed unit, resulting in a lower use of emission allowances.
	Total Fuel & EA	6,052,409	5,979,800	72,609		
Purchased Power						
555000	Purchased Power	836		836	NA	This expense was budgeted in Account 555200, and a small amount was charged to this account.
555200	Purch Pwr - Native Load - gross	(449,850)	1,224,100	(1,673,950)	(137)%	The MISO real-time asset energy charge for prior delivery period decreased from MISO statement booked previously. Metering errors were corrected on the revised statement.
555010	Purch Pwr - I/C - gross	14,881		14,881	NA	Inter-company costs are not budgeted at operating company level because these costs are eliminated when financial results are consolidated at holding company level.
	Total Purchased Power	(434,133)	1,224,100	(1,658,233)		
Production O&M						
500000	Supervision And Engineering	177,605	166,438	11,168	7%	Incurred more cost than expected.

Account	Description	May 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	
502000	Steam Expenses	391,164	242,942	148,222	61%	Miami Fort 6 - labor due to the May 2006 outage was budgeted in April, and budgeted mainly to Account 506000, but the costs were charged to this account in May. Rail occupancy charges greater than plan. East Bend - heavy equipment lease budgeted incorrectly to Account 501008 is offset by vacancies and other misc. savings.
502010	Ammonia Expense	0	72,494	(72,494)	(100)%	East Bend - timing on ammonia invoicing.
502040	Cost of Lime	478,097	619,871	(141,774)	(23)%	East Bend - limestone costs were under budget because the coal's SO2 content was lower than expected, resulting in less lime usage.
505000	Electric Expenses	73,587	29,606	43,981	149%	Miami Fort 6 - labor due to the May 2006 outage budgeted in April.
506000	Miscellaneous Steam Power Exp	125,858	245,034	(119,175)	(49)%	Miami Fort 6 - labor due to budgeting to this account and charging Account 502000. East Bend - labor and non-labor costs under monthly budget.
507000	Rent Expense - Steam Power	38,730	0	38,730	NA	Inter-company common facility lease expense not budgeted at operating company level.
510000	Maint - Supervision/Engineer	110,229	88,892	21,337	24%	Miami Fort 6 - labor due to the May 2006 outage budgeted in April, and offsetting East Bend labor savings.
511000	Maintenance of Structures	116,021	86,724	29,296	34%	Higher than expected costs for improvements to structures, yards and grounds at East Bend and Miami Fort 6.

Account	Description	May 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	
512000	Maintenance of Boiler Plant	2,294,693	961,161	1,333,532	139%	East Bend - invoices from April outage coming in later than budgeted and less synfuel-related maintenance expense than anticipated. Miami Fort 6 outage planned for April done in May with invoices flowing through late as well.

Account	Description	May 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	
512100	Removal - Boiler Plant	8,805	193,625	(184,820)	(95)%	Removal costs should have been budgeted and charged to Account 108000 (capital removal).
512251	Maint of Boiler Plant-TM Over	1,728	2,676	(947)	(35)%	Incurred less cost than expected.

Account	Description	May 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	
513000	Maintenance of Electric Plant	376,860	77,031	299,829	389%	East Bend - invoices from April outage coming in later than budgeted and less synfuel-related maintenance expense than anticipated. Miami Fort 6 outage planned for April done in May with invoices flowing through late as well.
513100	Removal - Electric Plant	0	4,837	(4,837)	(100)%	Removal costs should have been budgeted and charged to Account 108000 (capital removal).
514000	Maint Misc Steam Plant	77,193	45,109	32,084	71%	East Bend - invoices from April outage coming in later than budgeted and less synfuel-related maintenance expense than anticipated. Miami Fort 6 outage planned for April done in May with invoices flowing through late as well.
514100	Removal - Misc Steam Plant	0	0	0	NA	Removal costs should have been budgeted and charged to Account 108000 (capital removal).
546000	Other Power - Supv/Engr Labor	14,038	33,197	(19,159)	(58)%	Incurred less cost than expected.
548000	Other Power-Ops Generation Exp	31,908	40,060	(8,152)	(20)%	Incurred less cost than expected.
549000	Misc Other Power Gen Exp	23,157	87,517	(64,360)	(74)%	Woodsdale backfeed power was budgeted, but not invoiced to date. This matter is still under investigation.
551000	Other Pwr - Maint Supv/Engr	598	2,952	(2,354)	(80)%	Incurred less cost than expected.
552000	Other Pwr - Maint of Structure	8,766	4,000	4,766	119%	Incurred more cost than expected.
553000	Other Pwr-Maint Genrating/Elec	42,703	199,883	(157,181)	(79)%	Variance is due to CT outage that was postponed until fall. Included in this outage is the stack inspection repair, CT overhaul and combustor inspection.
554000	Other Pwr - Maint Misc Equip	2,198	2,436	(238)	(10)%	Incurred less cost than expected.
Total Production O&M		4,393,938	3,206,485	1,187,452		
Transmission Operation						
556000	System Control And Load Dispatching	2,773	3,182	(409)	(13)%	Incurred less cost than expected.
557000	Other Expenses	23	0	23	NA	Incurred more cost than expected.

Account	Description	May 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	
557450	Commissions/Brokerage Expense	2,830	0	2,830	NA	Incurred more cost than expected.
560000	Operation Supervision And Engineering	34,868	4,730	30,138	637%	Line patrol costs higher than expected.
561000	Load Dispatching	107,206	159,757	(52,552)	(33)%	MISO cost adder under budget.
561400	Billing-Scheduling & Syscon & Dispatch	19,836	0	19,836	NA	Budgeted in Account 561000.
561800	Billing for Reliability Planning & Stds	1,426	0	1,426	NA	Budgeted in Account 561000.
562000	Station Expenses	2,650	331	2,319	701%	Incurred more cost than expected.
563000	Overhead Line Expenses	643	1,000	(357)	(36)%	Incurred less cost than expected.
564000	Underground Line Expenses	0	0	0	NA	
565855	Transmission Of Electricity By Others	884,730	0	884,730	NA	Inter-company accounts not budgeted at operating company level.
566000	Miscellaneous Transmission Expenses	951	2,369	(1,418)	(60)%	Incurred less cost than expected.
567010	Rents	161,225	0	161,225	NA	Inter-company accounts not budgeted at operating company level.
	Total Transmission Operation	1,219,160	171,369	1,047,791		

Transmission Maintenance						
568000	Maintenance Supervision And Engineering	1,852	6,450	(4,598)	(71)%	Incurred less cost than expected.
569000	Maintenance Of Structures	911	4,510	(3,600)	(80)%	Incurred less cost than expected.
570000	Maintenance Of Station Equipment	6,058	683	5,375	787%	Incurred more cost than expected.
571000	Maintenance Of Overhead Lines	7,169	65,735	(58,566)	(89)%	Incurred less cost than expected.
572000	Maintenance Of Underground Lines	0	0	0		
573000	Maintenance Of Miscellaneous Transmission Plant	0	0	0		
575700	Billing-Mkt Admin & Monitoring & Compli	75,857	0	75,857	NA	This MISO Day 2 expense not budgeted.
	Total Transmission Maintenance	91,847	77,379	14,468		

Distribution Operation						
580000	Operation Supervision And Engineering	24,778	34,288	(9,510)	(28)%	Incurred less cost than expected.
581000	Load Dispatching	20,521	0	20,521	NA	Incurred more cost than expected.
582000	Station Expenses	3,306	4,392	(1,086)	(25)%	Incurred less cost than expected.
583000	Overhead Line Expenses	58,146	41,038	17,108	42%	Incurred more cost than expected.
584000	Underground Line Expenses	7,635	12,643	(5,009)	(40)%	Incurred less cost than expected.
585000	Street Lighting And Signal System Expenses	0	0	0		
586000	Meter Expenses	(10,962)	17,590	(28,552)	(162)%	Meter credits higher than expected.
587000	Customer Installations Expenses	34,138	17,419	16,719	96%	Incurred more cost than expected.

Account	Description	May 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	
588000	Miscellaneous Distribution Expenses	16,186	686	15,500	2259%	Incurred more cost than expected.
589010	Rents	41,244	0	41,244	NA	Inter-company accounts not budgeted at operating company level.
	Total Distribution Operation	194,991	128,056	66,935		

Account	Description	May 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	

Distribution Maintenance						
590000	Maintenance Supervision And Engineering	19,295	25,164	(5,869)	(23)%	Incurred less cost than expected.
591000	Maintenance Of Structures	1,729	0	1,729	NA	Incurred more cost than expected.
592000	Maintenance Of Station Equipment	19,045	4,191	14,854	354%	Incurred more cost than expected.
593000	Maintenance Of Overhead Lines	350,782	316,709	34,073	11%	Corrective maintenance higher than expected.
594000	Maintenance Of Underground Lines	9,437	14,876	(5,439)	(37)%	Incurred less cost than expected.
595000	Maintenance Of Line Transformers	8,251	6,082	2,169	36%	Incurred more cost than expected.
596000	Maintenance Of Street Lighting And Signal Systems	11,358	0	11,358	NA	Incurred more cost than expected.
597000	Maintenance Of Meters	13,961	13,068	893	7%	Incurred more cost than expected.
598000	Maintenance Of Miscellaneous Distribution Plant	563	2,013	(1,449)	(72)%	Incurred less cost than expected.
	Total Distribution Maintenance	434,421	382,102	52,319		

Customer Accounts						
901000	Supervision	2,035	4,202	(2,167)	(52)%	Incurred less cost than expected.
902000	Meter Reading Expenses	93,379	86,142	7,237	8%	Incurred more cost than expected.
903000	Customer Records And Collection Expenses	289,309	288,406	903	0%	Incurred more cost than expected.
904000	Customer Accounting-Uncollected Accounts Expense	22,480	0	22,480	NA	Miscellaneous AR uncollectible writeoffs.
904002	Customer Accounting-Loss on Sale-A/R	114,806	105,646	9,160	9%	Incurred more cost than expected.
905000	Miscellaneous Customer Accounts Expenses	587	0	587	NA	Incurred more cost than expected.
	Total Customer	522,596	484,395	38,200		

Other						
920000	Administrative And General Salaries	487,357	647,050	(159,693)	(25)%	Incentive pay expense less than expected.
921000	Office Supplies And Expenses	472,704	137,355	335,349	244%	Incurred more cost than expected.
931000	Rents	177,967	122,432	55,535	45%	Inter-company rents not budgeted at operating company level.
	Total Other	1,138,028	906,837	231,191		

Total all accounts	13,613,257	12,560,525	1,052,732	8%
Less:				
Transmission of electricity by others Acct 565855	(884,730)	0	(884,730)	NA
Inter-company rents excluded from budget Acct 931000	(69,752)	0	(69,752)	NA

Account	Description	May 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	
	Total May	12,658,775	12,560,525	98,250	1%	
	Total January	5,474,124	6,287,204	(813,080)	(13)%	
	Total February	5,564,157	5,535,419	28,738	1%	
	Total March	4,983,543	5,520,134	(536,591)	(10)%	
	Total April	10,285,279	11,455,083	(1,169,804)	(10)%	
	YTD May	38,965,878	41,358,365	(2,392,487)	(6)%	

Account	Description	Jun 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	

Fuel & Emission Allowances (EA)						
501000	Fuel	7,306,983	6,574,300	732,683	11%	Generation up over Plan due to weather
509000	Allowances	1,205,295	393,600	811,695	206%	Emission usage up over Plan as a result of generation being over Plan
Total Fuel & EA		8,512,278	6,967,900	1,544,378		

Purchased Power						
555000	Purchased Power	1,093	0	1,093	NA	Budget included in 555200
555200	Purch Pwr - Native Load - gross	2,435,976	2,788,200	(352,224)	(13)%	Generation volume was greater than budget
555010	Purch Pwr - I/C - gross	747,769	0	747,769	NA	MISO charges for a portion of ULHP load were charged to CG&E for January through May 2006 delivery periods. An intercompany entry was made in June to move this amount from CG&E to ULHP.
Total Purchased Power		3,184,838	2,788,200	396,638		

Production O&M						
500000	Supervision And Engineering	218,888	161,060	57,829	36%	\$50,000 for one-time review of operating procedures at Miami Fort 6 not budgeted.
502000	Steam Expenses	370,789	238,042	132,747	56%	Rail occupancy costs greater than plan. Miami Fort 6 - charging this account based on work performed and budgeted mainly to Account 506000. East Bend - heavy equipment lease budgeted incorrectly to Account 501008; SO3 mitigation savings; vacancies and other misc. savings.
502010	Ammonia Expense	177,126	72,494	104,632	144%	East Bend - timing on ammonia invoicing.
502040	Cost of Lime	576,553	580,309	(3,756)	(1)%	Incurred less cost than expected.
505000	Electric Expenses	63,916	28,446	35,471	125%	Incurred more costs than expected.

Account	Description	Jun 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	
506000	Miscellaneous Steam Power Exp	149,434	252,532	(103,097)	(41)%	Miami Fort 6 - labor due to budgeting to this account and charging Account 502000. East Bend - labor and non-labor costs under monthly budget.

Account	Description	Jun 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	
507000	Rent Expense - Steam Power	38,730	0	38,730	NA	Inter-company common facility lease expense not budgeted at operating company level.
510000	Maint - Supervision/Engineer	80,360	88,529	(8,169)	(9)%	Incurred less cost than expected.
511000	Maintenance of Structures	147,604	91,509	56,096	61%	Higher than expected costs for improvements to structures, yards and grounds at East Bend and Miami Fort 6.
512000	Maintenance of Boiler Plant	1,088,061	879,533	208,529	24%	East Bend - invoices from April outage coming in later than budgeted and less synfuel-related maintenance expense than anticipated. Miami Fort 6 - outage planned for April done in May with invoices flowing through late as well.
512100	Removal - Boiler Plant	1,784	8,388	(6,604)	(79)%	Removal costs should have been budgeted and charged to Account 108000 (capital removal).
512251	Maint of Boiler Plant-TM Over	729	0	729	NA	Incurred more cost than expected.
513000	Maintenance of Electric Plant	183,234	76,317	106,918	140%	East Bend - invoices from April outage coming in later than budgeted and less synfuel-related maintenance expense than anticipated. Miami Fort 6 - outage planned for April done in May with invoices flowing through late as well.
513100	Removal - Electric Plant	0	4,837	(4,837)	(100)%	Removal costs should have been budgeted and charged to Account 108000 (capital removal).
514000	Maint Misc Steam Plant	80,989	44,210	36,779	83%	East Bend - invoices from April outage coming in later than budgeted and less synfuel-related maintenance expense than anticipated. Miami Fort 6 - outage planned for April done in May with invoices flowing through late as well.
514100	Removal - Misc Steam Plant	0	0	0	NA	
546000	Other Power - Supv/Engr Labor	18,089	33,669	(15,580)	(46)%	Incurred less cost than expected.
548000	Other Power-Ops Generation Exp	45,266	40,327	4,939	12%	Incurred more cost than expected.

Account	Description	Jun 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	
549000	Misc Other Power Gen Exp	34,581	91,100	(56,519)	(62)%	Woodsdale backfeed power was budgeted, but not invoiced to date. This matter is still under investigation.
551000	Other Pwr - Maint Supv/Engr	734	2,953	(2,219)	(75)%	Incurred less cost than expected.

Account	Description	Jun 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	
552000	Other Pwr - Maint of Structure	8,092	3,000	5,092	170%	Incurred more cost than expected.
553000	Other Pwr-Maint Genrating/Elec	45,987	39,601	6,386	16%	Incurred more cost than expected.
554000	Other Pwr - Maint Misc Equip	1,909	2,436	(527)	(22)%	Incurred less cost than expected.
	Total Production O&M	3,332,859	2,739,289	593,569		

Transmission Operation						
556000	System Control And Load Dispatching	2,219	3,182	(963)	(30)%	Incurred less cost than expected.
557000	Other Expenses	23	0	23	NA	Incurred more cost than expected.
557450	Commissions/Brokerage Expense	4,233	0	4,233	NA	Incurred more cost than expected.
560000	Operation Supervision And Engineering	23,566	4,729	18,836	398%	Incurred more cost than expected.
561000	Load Dispatching	(114,477)	163,151	(277,628)	(170)%	Per FERC Order 668, new sub-accounts were created to track actual MISO Schedule 10 expenses after budget was established. System demand greater than expected.
561400	Billing-Scheduling & Syscon & Dispatch	190,826	0	190,826	NA	Budgeted in Account 561000.
561800	Billing for Reliability Planning & Stds	13,721	0	13,721	NA	Budgeted in Account 561000.
562000	Station Expenses	5,022	324	4,698	1452%	Incurred more cost than expected.
563000	Overhead Line Expenses	556	1,000	(444)	(44)%	Incurred less cost than expected.
564000	Underground Line Expenses	0	0	0	NA	

Account	Description	Jun 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	
565855	Transmission Of Electricity By Others	1,500,858	0	1,500,858	NA	Inter-company accounts not budgeted at operating company level.
566000	Miscellaneous Transmission Expenses	693	2,236	(1,543)	(69)%	Incurred less cost than expected.
567010	Rents	161,225	0	161,225	NA	Inter-company rents not budgeted at operating company level.
Total Transmission Operation		1,788,465	174,622	1,613,843		

Transmission Maintenance						
568000	Maintenance Supervision And Engineering	1,884	6,431	(4,547)	(71)%	Incurred less cost than expected.
569000	Maintenance Of Structures	737	4,715	(3,978)	(84)%	Incurred less cost than expected.
570000	Maintenance Of Station Equipment	2,907	683	2,223	325%	Incurred more cost than expected.
571000	Maintenance Of Overhead Lines	6,059	66,011	(59,952)	(91)%	Incurred less cost than expected.
572000	Maintenance Of Underground Lines	0	0	0	NA	
573000	Maintenance Of Miscellaneous Transmission Plant	0	0	0	NA	
575700	Billing-Mkt Admin & Monitoring & Compli	70,153	0	70,153	NA	This MISO Day 2 expense not budgeted.
Total Transmission Maintenance		81,740	77,840	3,900		

Distribution Operation						
580000	Operation Supervision And Engineering	18,778	34,555	(15,777)	(46)%	Incurred less cost than expected.
581000	Load Dispatching	1,407	0	1,407	NA	Incurred more cost than expected.
582000	Station Expenses	19,579	4,382	15,197	347%	Incurred more cost than expected.
583000	Overhead Line Expenses	56,564	41,866	14,698	35%	Incurred more cost than expected.
584000	Underground Line Expenses	10,575	12,734	(2,158)	(17)%	Incurred less cost than expected.
585000	Street Lighting And Signal System Expenses	291	0	291	NA	Incurred more cost than expected.
586000	Meter Expenses	(20,779)	20,412	(41,191)	(202)%	Meter credits higher than expected.
587000	Customer Installations Expenses	33,755	18,164	15,591	86%	Incurred more cost than expected.
588000	Miscellaneous Distribution Expenses	15,004	900	14,104	1568%	Incurred more cost than expected.
589010	Rents	41,244	0	41,244	NA	Inter-company rents not budgeted at operating company level.
Total Distribution Operation		176,420	133,013	43,407		

Distribution Maintenance						
590000	Maintenance Supervision And Engineering	20,981	25,420	(4,439)	(17)%	Incurred less cost than expected.
591000	Maintenance Of Structures	2,165	0	2,165	NA	Incurred more cost than expected.
592000	Maintenance Of Station Equipment	17,897	4,173	13,724	329%	Incurred more cost than expected.

Account	Description	Jun 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	
593000	Maintenance Of Overhead Lines	322,967	320,298	2,669	1%	Incurred more cost than expected.
594000	Maintenance Of Underground Lines	24,131	15,429	8,702	56%	Incurred more cost than expected.
595000	Maintenance Of Line Transformers	8,236	6,359	1,878	30%	Incurred more cost than expected.
596000	Maintenance Of Street Lighting And Signal Systems	(80,458)	0	(80,458)	NA	Removed charge for reconductor work, which should have been charged to CG&E.
597000	Maintenance Of Meters	16,014	13,376	2,638	20%	Incurred more cost than expected.
598000	Maintenance Of Miscellaneous Distribution Plant	877	2,013	(1,136)	(56)%	Incurred less cost than expected.
	Total Distribution Maintenance	332,810	387,066	(54,256)		

Account	Description	Jun 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	

Customer Accounts						
901000	Supervision	2,871	4,201	(1,330)	(32)%	Incurred less cost than expected.
902000	Meter Reading Expenses	95,556	84,468	11,088	13%	Incurred more cost than expected.
903000	Customer Records And Collection Expenses	344,419	295,977	48,442	16%	This expense was under-budgeted.
904000	Customer Accounting-Uncollected Accounts Expense	27,842	0	27,842	NA	Miscellaneous AR uncollectible writeoffs.
904002	Customer Accounting-Loss on Sale-A/R	139,125	160,509	(21,384)	(13)%	Bad debt, turnover rate, late payment and interest rate spread differences from budget.
905000	Miscellaneous Customer Accounts Expenses	601	0	601	NA	Incurred more cost than expected.
	Total Customer	610,414	545,155	65,259		

Other						
						Removed charge for merger cost to achieve of over \$400k which was improperly charged to ULH&P. Incentive pay expense less than expected.
920000	Administrative And General Salaries	91,943	651,960	(560,017)	(86)%	
921000	Office Supplies and Expenses	224,690	157,590	67,100	43%	Incurred more cost than expected.
931000	Rents	246,391	123,508	122,883	99%	Inter-company rents not budgeted at operating company level.
	Total Other	563,024	933,058	(370,034)		

Total all accounts	18,582,847	14,746,144	3,836,704	26%
Less:				
Transmission of electricity by others Acct 565855	(1,500,858)	0	(1,500,858)	NA
Inter-company rents excluded from budget Acct 931000	(69,752)	0	(69,752)	NA
Total June	17,012,238	14,746,144	2,266,094	15%
Total January	5,474,124	6,287,204	(813,080)	(13)%
Total February	5,564,157	5,535,419	28,738	1%
Total March	4,983,543	5,520,134	(536,591)	(10)%
Total April	10,285,279	11,455,083	(1,169,804)	(10)%
Total May	12,658,775	12,560,525	98,250	1%
YTD June	55,908,364	56,104,509	(196,145)	(0)%

Account	Description	Jul 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	

Fuel & Emission Allowances (EA)						
501000	Fuel	7,673,449	8,398,700	(725,251)	(9)%	Overall generation was up compared to plan but the generation fuel mix drove a decrease in the fuel expense. The coal-fired units were up 12% over plan but the peakers were down 46% compared to plan.
509000	Allowances	1,421,995	391,500	1,030,495	263%	Greater steam generation than expected resulted in more emission allowance usage, and actual SO2 pricing greater than plan.
Total Fuel & EA		9,095,444	8,790,200	305,244		

Purchased Power						
555000	Purchased Power	1,254	0	1,254	NA	Budgeted in Account 555200.
555200	Purch Pwr - Native Load - gross	4,114,245	3,016,600	1,097,645	36%	Load volume significantly higher than budget. 90 plus degrees from July 17 - 20 and July 31. Level 1 Alert during this period.
555010	Purch Pwr - I/C - gross	(23,297)	0	(23,297)	NA	Inter-company costs not budgeted at operating company level.
Total Purchased Power		4,092,202	3,016,600	1,075,602		

Production O&M						
500000	Supervision And Engineering	149,274	147,373	1,901	1%	Incurred more cost than expected.
502000	Steam Expenses	221,670	225,998	(4,328)	(2)%	Incurred less cost than expected.
502010	Ammonia Expense	56,098	72,494	(16,396)	(23)%	Incurred less cost than expected.
502040	Cost of Lime	611,930	669,342	(57,412)	(9)%	East Bend - burning lower sulfur coal than expected, resulting less lime usage for scrubbing.
505000	Electric Expenses	36,415	25,738	10,677	41%	Incurred more cost than expected.
506000	Miscellaneous Steam Power Exp	71,122	244,436	(173,314)	(71)%	Miami Fort 6 - mainly labor due to budgeting to this account and charging Account 502000. East Bend - labor and non-labor costs under monthly budget.

Account	Description	Jul 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	
507000	Rent Expense - Steam Power	38,730	0	38,730	NA	Inter-company common facility lease expense not budgeted at operating company level.
510000	Maint - Supervision/Engineer	46,145	87,529	(41,385)	(47)%	East Bend - mainly due to labor resources re-allocated due to outage.
511000	Maintenance of Structures	83,754	88,805	(5,051)	(6)%	Incurred less cost than expected.
512000	Maintenance of Boiler Plant	887,429	308,874	578,555	187%	Miami Fort 6 - contract labor invoices from outage done in May coming in late. \$355K charge was incorrectly removed from labor expense and will be reversed in August results.
512100	Removal - Boiler Plant	1,070	6,097	(5,027)	(82)%	Removal costs should have been budgeted and charged to Account 108000 (capital removal).
512251	Maint of Boiler Plant-TM Over	1,178	0	1,178	NA	Incurred more cost than expected.

Account	Description	Jul 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	
513000	Maintenance of Electric Plant	137,907	64,125	73,782	115%	Miami Fort 6 - contract labor invoices from outage done in May coming in late.
513100	Removal - Electric Plant	0	0	0	NA	
514000	Maint Misc Steam Plant	44,599	43,772	827	2%	Incurred more cost than expected.
514100	Removal - Misc Steam Plant	0	0	0	NA	
546000	Other Power - Supv/Engr Labor	7,681	34,190	(26,509)	(78)%	Lower costs than expected due to outages re-scheduled, a vacant position and staff reductions.
548000	Other Power-Ops Generation Exp	17,904	40,746	(22,842)	(56)%	Lower costs than expected due to outages re-scheduled, a vacant position and staff reductions.
549000	Misc Other Power Gen Exp	28,075	91,715	(63,640)	(69)%	Woodsdale backfeed power was budgeted, but not invoiced to date. This matter is still under investigation.
551000	Other Pwr - Maint Supv/Engr	7,077	2,953	4,125	140%	Incurred more cost than expected.
552000	Other Pwr - Maint of Structure	6,438	4,000	2,438	61%	Incurred more cost than expected.
553000	Other Pwr-Maint Genrating/Elec	11,845	28,628	(16,783)	(59)%	Incurred less cost than expected.
554000	Other Pwr - Maint Misc Equip	130	4,436	(4,306)	(97)%	Incurred less cost than expected.
Total Production O&M		2,466,471	2,191,250	275,221		

Transmission Operation						
556000	System Control And Load Dispatching	3,471	3,182	290	9%	Incurred more cost than expected.
557000	Other Expenses	48	0	48	NA	Incurred more cost than expected.
557450	Commissions/Brokerage Expense	10,251	0	10,251	NA	Incurred more cost than expected.
560000	Operation Supervision And Engineering	11,386	4,730	6,656	141%	Incurred more cost than expected.
561000	Load Dispatching	275,472	159,750	115,722	72%	Per FERC Order 668, new sub-accounts were created to track actual MISO Schedule 10 expenses after budget was established. System demands greater than expected.
561400	Billing-Scheduling & Syscon & Dispatch	31,468	0	31,468	NA	Budgeted in Account 561000.
561800	Billing for Reliability Planning & Stds	2,263	0	2,263	NA	Budgeted in Account 561000.
562000	Station Expenses	3,908	301	3,607	1199%	Incurred more cost than expected.
563000	Overhead Line Expenses	448	1,000	(552)	(55)%	Incurred less cost than expected.
564000	Underground Line Expenses	0	0	0	NA	

Account	Description	Jul 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	
565855	Transmission Of Electricity By Others -ED-Interco	1,398,133	0	1,398,133	NA	Inter-company costs not budgeted at operating company level.
566000	Miscellaneous Transmission Expenses	474	3,752	(3,278)	(87)%	Incurred less cost than expected.
567010	Rents	161,225	0	161,225	NA	Inter-company accounts not budgeted at operating company level.
	Total Transmission Operation	1,898,547	172,713	1,725,833		

Transmission Maintenance						
568000	Maintenance Supervision And Engineering	1,084	6,412	(5,327)	(83)%	Incurred less cost than expected.
569000	Maintenance Of Structures	537	4,940	(4,403)	(89)%	Incurred less cost than expected.
570000	Maintenance Of Station Equipment	4,451	683	3,768	551%	Incurred more cost than expected.
571000	Maintenance Of Overhead Lines	4,488	66,314	(61,826)	(93)%	Incurred less cost than expected.
572000	Maintenance Of Underground Lines	0	0	0	NA	
573000	Maintenance Of Miscellaneous Transmission Plant	0	0	0	NA	
575700	Billing-Mkt Admin & Monitoring & Compli	75,979	0	75,979	NA	This MISO Day 2 expense not budgeted.
	Total Transmission Maintenance	86,540	78,349	8,191		

Account	Description	Jul 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	

Distribution Operation						
580000	Operation Supervision And Engineering	11,140	34,857	(23,716)	(68)%	Labor costs were over-budgeted.
581000	Load Dispatching	2,568	0	2,568	NA	Incurred more cost than expected.
582000	Station Expenses	9,367	4,372	4,995	114%	Incurred more cost than expected.
583000	Overhead Line Expenses	13,546	41,759	(28,213)	(68)%	Vehicle cost were over-budgeted.
584000	Underground Line Expenses	771	11,800	(11,029)	(93)%	Incurred less cost than expected.
585000	Street Lighting And Signal System Expenses	31	0	31	NA	Incurred more cost than expected.
586000	Meter Expenses	3,428	13,235	(9,807)	(74)%	Incurred less cost than expected.
587000	Customer Installations Expenses	21,665	18,846	2,819	15%	Incurred more cost than expected.
588000	Miscellaneous Distribution Expenses	10,249	1,405	8,844	630%	Incurred more cost than expected.
589010	Rents	41,244	0	41,244	NA	Inter-company accounts not budgeted at operating company level.
Total Distribution Operation		114,009	126,274	(12,265)		

Distribution Maintenance						
590000	Maintenance Supervision And Engineering	16,128	25,711	(9,583)	(37)%	Incurred less cost than expected.
591000	Maintenance Of Structures	1,110	0	1,110	NA	Incurred more cost than expected.
592000	Maintenance Of Station Equipment	7,516	4,155	3,361	81%	Incurred more cost than expected.
593000	Maintenance Of Overhead Lines	160,850	324,240	(163,390)	(50)%	Contract labor invoices not posted in July.
594000	Maintenance Of Underground Lines	11,259	16,035	(4,776)	(30)%	Incurred less cost than expected.
595000	Maintenance Of Line Transformers	6,079	6,662	(583)	(9)%	Incurred less cost than expected.
596000	Maintenance Of Street Lighting And Signal Systems	9,164	0	9,164	NA	Incurred more cost than expected.
597000	Maintenance Of Meters	8,318	13,657	(5,339)	(39)%	Incurred less cost than expected.
598000	Maintenance Of Miscellaneous Distribution Plant	674	2,013	(1,339)	(67)%	Incurred less cost than expected.
Total Distribution Maintenance		221,097	392,473	(171,376)		

Customer Accounts						
901000	Supervision	2,146	4,073	(1,927)	(47)%	Incurred less cost than expected.
902000	Meter Reading Expenses	53,212	79,828	(26,616)	(33)%	Labor cost were over-budgeted.
903000	Customer Records And Collection Expenses	194,540	296,882	(102,342)	(34)%	This expense was under-budgeted.
904000	Customer Accounting-Uncollected Accounts Expense	29,701	0	29,701	NA	Miscellaneous AR uncollectible writeoffs.
904002	Customer Accounting-Loss on Sale-A/R	168,458	206,365	(37,908)	(18)%	Bad debt, turnover rate, late payment and interest rate spread differences from budget.
905000	Miscellaneous Customer Accounts Expenses	603	0	603	NA	Incurred more cost than expected.
Total Customer		448,660	587,148	(138,488)		

Account	Description	Jul 2006				Variance Explanations
		Dollars			PCT	
		Actual	Budget	Variance	Variance	

Other						
920000	Administrative And General Salaries	535,704	673,955	(138,251)	(21)%	Incentive pay expense less than expected.
921000	Office Supplies And Expenses	294,762	132,038	162,724	123%	Incurred more cost than expected.
931000	Rents	161,632	124,962	36,670	29%	Inter-company rents not budgeted at operating company level.
	Total Other	992,098	930,955	61,143		

Total all accounts	19,415,068	16,285,962	3,129,105	19%
Less:				
Transmission of electricity by others Acct 565855	(1,398,133)	0	(1,398,133)	NA
Inter-company rents excluded from budget Acct 931000	(69,752)	0	(69,752)	NA
Total July	17,947,182	16,285,962	1,661,220	10%
Total January	5,474,124	6,287,204	(813,080)	(13)%
Total February	5,564,157	5,535,419	28,738	1%
Total March	4,983,543	5,520,134	(536,591)	(10)%
Total April	10,285,279	11,455,083	(1,169,804)	(10)%
Total May	12,911,032	12,646,477	264,554	2%
Total June	17,012,238	14,746,144	2,266,094	15%
YTD July	74,177,555	72,476,423	1,701,132	2%