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Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

**RECEIVED**  
OCT 24 2007  
PUBLIC SERVICE  
COMMISSION

**Kentucky Utilities Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.eon-us.com

October 24, 2007

Robert M. Conroy  
Manager - Rates  
T 502-627-3324  
F 502-627-3213  
robert.conroy@eon-us.com

**RE: *AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF KENTUCKY UTILITIES COMPANY FOR THE SIX-MONTH BILLING PERIOD ENDING OCTOBER 31, 2006 AND FOR THE TWO-YEAR BILLING PERIOD ENDING APRIL 30, 2007 CASE NO. 2007-00379***

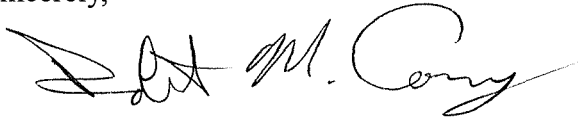
Dear Ms. O'Donnell:

Enclosed please find an original and ten (10) copies of the Revised Response to question No. 11 of Kentucky Utilities Company to Information Requested in Appendix A of the Commission's Order dated September 19, 2007, in the above-referenced proceeding.

In reviewing the responses to the data requests filed on October 17, 2007 in preparation for the Informal Conference in this proceeding, KU realized that the stated response did not cover all rate schedules which only contain an energy charge and could be misleading to the Commission. KU is filing this revision to clarify that the roll-in would be applied to the energy charge only, as previously approved by this Commission, for all rate schedules not containing a separate demand charge component in effect at the time the Commission issues an order in this proceeding.

Should you have any questions concerning the enclosed, please contact me at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert M. Conroy". The signature is fluid and cursive, with a large initial "R" and "C".

Robert M. Conroy  
Enclosures

cc: Parties of Record

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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OCT 24 2007

PUBLIC SERVICE  
COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE  
COMMISSION OF THE ENVIRONMENTAL  
SURCHARGE MECHANISM OF KENTUCKY  
UTILITIES COMPANY FOR THE SIX-MONTH  
BILLING PERIOD ENDING OCTOBER 31, 2006  
AND FOR THE TWO-YEAR BILLING PERIOD  
ENDING APRIL 30, 2007

)  
)  
) CASE NO.  
) 2007-00379  
)  
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)

REVISED - RESPONSE OF  
KENTUCKY UTILITIES COMPANY  
TO  
INFORMATION REQUESTED IN  
APPENDIX B OF COMMISSION'S ORDER  
DATED SEPTEMBER 19, 2007

FILED: October 24, 2007



**KENTUCKY UTILITIES COMPANY**

**October 24, 2007 Revised  
Response to Information Requested in Appendix B of  
Commission's Order Dated September 19, 2007**

**Case No. 2007-00379**

**Question No. 11**

**Witness: Robert M. Conroy**

Billing Period from May 1, 2005 through April 30, 2007

- Q-11. KRS 278.183(3) provides that during the 2-year review, the Commission shall, to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility.
- a. Provide the surcharge amount that KU believes should be incorporated into its existing base rates. Include all supporting calculations, workpapers, and assumptions.
  - b. The surcharge factor reflects a percentage of revenue approach, rather than a per kWh approach. Taking this into consideration, explain how the surcharge amount should be incorporated into KU's base rates. Include any analysis that KU believes supports its position.
  - c. Provide the Base Period Jurisdictional Environmental Surcharge Factor ("BESF") that reflects all environmental surcharge amounts previously incorporated into existing base rates and the amount determined in part (a). Include all supporting calculations, workpapers, and assumptions.
  - d. Does KU believe that there will need to be modifications to either the surcharge mechanism or the monthly surcharge reports, other than a revision to BESF, as a result of incorporating additional environmental surcharge amounts into KU's existing base rates? If yes, provide a detailed explanation of the modifications and provide updated monthly surcharge reports.
- A-11. a. KU is proposing to roll-in \$23,680,507 of environmental surcharge revenues into base rates. Please see the attached schedule for the determination of the roll-in amount.
- b. The Commission previously approved KU's proposed roll-in methodology in Case No. 2006-00129 which allocated the amount of the roll-in to the energy

component of rate schedules with no separate demand charges (currently those Rate Schedules are RS, VFD, GS, AES), and to the demand component for all rates that include a separately metered and billed demand component. Lighting rates continue to be billed on a per-light basis. KU recommends that this method continue to be used to roll-in the current proposed amount of \$23,680,507.

- c. Attached is an illustrative calculation of the Base Period Jurisdictional Environmental Surcharge Factor (“BESF”) using the 12-month period ending February 2007. As discussed in the testimony of Mr. Robert Conroy, KU will recalculate this rate following the Commission’s order in this proceeding based upon the most recent 12-month period for which information is available.
- d. No. KU believes there is no need for any modifications to either the surcharge mechanism or the monthly surcharge reports, other than a revision to BESF, as a result of incorporating additional environmental surcharge amounts into KU’s existing base rates.