



Steven L. Beshear  
Governor

Robert D. Vance, Secretary  
Environmental and Public  
Protection Cabinet

Timothy J. LeDonne  
Commissioner  
Department of Public Protection

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

Mark David Goss  
Chairman

John W. Clay  
Vice Chairman

Caroline Pitt Clark  
Commissioner

February 8, 2008

TO: PARTIES OF RECORD  
RE: Case Nos. 2007-00562 and 2007-00563  
Louisville Gas and Electric Company and Kentucky Utilities Company

Enclosed is a memorandum that has been filed in the records of the above-referenced cases. Any comments regarding the content of this memorandum should be submitted to the Commission within five days of receipt of this letter. Questions regarding this memorandum should be directed to Chris Whelan at (502) 564-3940, Extension 233.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell  
Executive Director

Enclosure

**INTRA-AGENCY MEMORANDUM**  
**KENTUCKY PUBLIC SERVICE COMMISSION**

**TO:** Case File Nos. 2007-00562 and 2007-00563  
**FROM:** Chris Whelan, Team Leader *μw*  
**DATE:** February 8, 2008  
**RE:** Informal Conference

On February 6, 2008, Commission Staff held an informal conference ("IC") with representatives of Louisville Gas and Electric Company ("LG&E"), Kentucky Utilities Company ("KU"), the Attorney General, and Kentucky Industrial Utility Customers, Inc. ("KIUC"). The purpose of the conference was to discuss LG&E's and KU's applications to withdraw their merger surcredit rider tariffs effective June 30, 2008. LG&E and KU requested the conference and Staff issued notice of the IC on January 29, 2008.

LG&E and KU began the conference by stating that, due to an increase in capital expenditures and operating expenses since their last general rate cases, the companies' shareholders are not earning their share of the merger savings. LG&E and KU then discussed a need to file general rate cases in the near future and stated a desire to resolve the pending cases expeditiously. KIUC presented a handout relative to the merger surcredit (attached for the Main Case File only) and discussions were held regarding the handout and the issues raised by LG&E and KU.

Following the discussion, the parties agreed to schedule another meeting within approximately one week to resume the discussion.

cc: Parties of Record

Attachments: Sign-In Sheet  
KIUC Handout (Main Case File only)

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

THE PLAN OF LOUISVILLE GAS )  
AND ELECTRIC COMPANY FOR )  
THE FUTURE DISPOSITION OF THE )  
MERGER SURCREDIT MECHANISM )

CASE NO. 2007-00562

THE PLAN OF KENTUCKY UTILITIES )  
COMPANY FOR THE FUTURE )  
DISPOSITION OF THE MERGER )  
SURCREDIT MECHANISM )

CASE NO. 2007-00563

=====  
**February 6, 2008 Informal Conference**  
=====

Please sign in:

**NAME**

**REPRESENTING**

RICHARD RAFF

PSC - LEGAL

ISAAC S. SCOTT

PSC - FINANCIAL

MIKE KURTZ

KIUC

JEFF JOHNSON

PSC

Larry Cook

OAG

Paul Adams

OAG

Lonnie Bellare

E.ON U.S.

Robert Conway

E.ON U.S.

KENT BLAKE

LG: E/KU

Julius R. Papp

SFD / LG/EO/HO

Chris Whelan

PSC - Financial analysis

Quang D Nguyen

PSC - Legal

## MERGER SURCREDIT WORKSHEET

\$191,711,132	Total Ratepayer Merger Savings
-6,910,728	LG&E lump sum
-5,202,222	KU lump sum
<u>-147,237</u>	KU lump sum
\$179,450,945	Ratepayer Merger Surcredit Total

\$90,226,275	LG&E Ratepayer Five Year Total
\$18,045,255	LG&E Annual Surcredit
<u>1,382,146</u>	Add Back Lump Sum
\$19,427,401	New Annual Surcredit for all LG&E Ratepayers until effective date of new base rates. (This is exactly the amount of hypothetical expense currently built into base rates for shareholders.)

\$89,494,665	KU Ratepayer Five Year Total
\$17,898,933	KU Annual Surcredit
<u>1,069,892</u>	Add Back Lump Sum
\$18,968,825	New Annual Surcredit for all KU ratepayers until effective date of new base rates. (This is exactly the amount of hypothetical expense currently built into base rates for shareholders.)