



LG&E Energy LLC
220 West Main Street (40202)
P.O. Box 32030
Louisville, Kentucky 40232

December 1, 2004

RECEIVED
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PUBLIC SERVICE
COMMISSION

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

Case 2004-00489

**RE: Adjustments to Demand Side Management Cost Recovery Mechanism
for Kentucky Utilities Company – Case No. ~~2000-00459~~**

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:

Second Revision of Original Sheet No. 71.4
First Revision of Original Sheet No. 71.5

This filing reflects revised Demand Side Management Cost Recovery Components as approved by the Commission in its Order of May 11, 2001, in the above-cited case. Four copies of the supporting data for the twelve month period ending December 31, 2004 are also filed herewith.

Sincerely,

Robert M. Conroy
Manager, Rates

Enclosures



| 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. | |
| <u>DSM Cost Recovery Component (DSMRC):</u> | |
| <u>Residential Service Rate RS and Volunteer Fire Department Service VFD</u> | <u>Energy Charge</u> |
| DSM Cost Recovery Component (DCR): | 0.069 ¢/Kwh |
| DSM Revenues from Lost Sales (DRLS): | 0.002 ¢/Kwh |
| DSM Incentive (DSM): | 0.003 ¢/Kwh |
| DSM Balance Adjustment (DBA): | (0.017) ¢/Kwh |
| HEA Implementation Recovery | 0.001 ¢/Kwh |
| DSMRC Rate RS: | 0.058 ¢/Kwh |
| | |
| <u>General Service Rate GS</u> | <u>Energy Charge</u> |
| DSM Cost Recovery Component (DCR): | 0.024 ¢/Kwh |
| DSM Revenues from Lost Sales (DRLS): | 0.006 ¢/Kwh |
| DSM Incentive (DSM): | 0.000 ¢/Kwh |
| DSM Balance Adjustment (DBA): | (0.008) ¢/Kwh |
| DSMRC Rate GS: | 0.022 ¢/Kwh |

R

R

Date of Issue: December 1, 2004
Canceling First Revision Sheet No. 71.4
Issued November 30, 2004

Issued By

Date Effective: January 1, 2005



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

DSMRM

Demand-Side Management Cost Recovery Mechanism

DSM Cost Recovery Component (DSMRC):
(Continued)

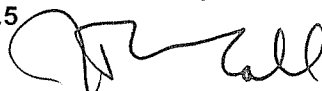
| <u>Large Power Rate LP and Small Time-of-Day Service Rate STOD</u> | <u>Energy Charge</u> |
|------------------------------------------------------------------------|----------------------|
| DSM Cost Recovery Component (DCR): | 0.003 ¢/Kwh |
| DSM Revenues from Lost Sales (DRLS): | 0.001 ¢/Kwh |
| DSM Incentive (DSM): | 0.000 ¢/Kwh |
| DSM Balance Adjustment (DBA): | (0.001)¢/Kwh |
| DSMRC Rate LP: | 0.003 ¢/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: December 1, 2004
Canceling First Revision Sheet No. 71.5
Issued November 30, 2004

Issued By

Date Effective: January 1, 2005



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

KENTUCKY UTILITIES COMPANY

**Supporting Calculations for the
DSM Cost Recovery Mechanism**

ELECTRIC SERVICE

**Twelve-Month Period Beginning January 1, 2005
and Ending December 31, 2005**

Kentucky Utilities
 Summary of Total DSM Cost Recovery Component (DSMRC)
 12-Month Period Beginning January 1, 2005

| 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 | HEA Implementation Recovery | DSM Recovery Component (DSMRC) Total |
|-------------------------------|----------------------------------------------------------|----------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------------|-----------------------------------|--------------------------------------------------|
| Residential Service RS | 0.069 | 0.002 | 0.003 | (0.017) | 0.001 | 0.058 ¢/kWh |
| General Service GS | 0.024 | 0.006 | 0.000 | (0.008) | | 0.022 ¢/kWh |
| Rate LP (excludes industrial) | 0.003 | 0.001 | 0.000 | (0.001) | | 0.003 ¢/kWh |

Kentucky Utilities
Summary of DSM Revenues from DSM Cost Recovery Component (DCR)
12-month Period Beginning January 1, 2005

| Rate Schedule | Exhibit Reference | DSM Cost Recovery Total Amount | Estimated Billing Determinants | DSM Cost Recovery Component (DCR) |
|-------------------------------|-------------------|--------------------------------|--------------------------------|-----------------------------------|
| Residential Service RS | AE-1 | \$ 4,033,990 | 5,817,222,596 kWh | 0.069 ¢/kWh |
| General Service GS | AE-2 | \$ 308,258 | 1,259,482,840 kWh | 0.024 ¢/kWh |
| Rate LP (excludes industrial) | AE-3 | \$ 174,399 | 5,078,353,738 kWh | 0.003 ¢/kWh |

KENTUCKY UTILITIES COMPANY
DSM Cost Recovery Component (DCR)
12-Month Period Beginning January 1, 2005

Program costs, which are categorized by residential, commercial, and industrial must be allocated to the individual rate schedules. The first step, allocation between gas and electric, and between LG&E and KU, is shown on page 3.

On page 4, the DSM Program costs are further assigned to the rate schedules, which is the second and final step of the cost allocation process.

The auxiliary Exhibits identified as AE-1 through AE-6 provide the specific analyses of program costs, revenue recovery, and billing determinants which are necessary to compute the DCR factors for each of the electric rate schedules.

DSM Budget Allocation by Rate Class for 2005

Exhibit AE

Page 3 of 4

| Program | Allocation | 2005 |
|-----------------------------------|------------|-----------|
| Total of All Programs | | |
| LGE: R | | 3,551,644 |
| LGE: RGS | | 1,049,405 |
| LGE: GS | | 259,931 |
| LGE: LC | | 174,461 |
| LGE: LC-TOD | | 39,853 |
| LGE: LP | | - |
| LGE: LP-TOD | | - |
| LGE: CGS | | 8,413 |
| KU: RS | | 4,033,990 |
| KU: FERS | | - |
| KU: GS | | 308,258 |
| KU: LP | | 174,399 |
| KU: LCI-TOD | | - |
| KU: HLF | | - |
| Total | | 9,600,355 |
| Residential Conservation | | |
| LGE: R | 37.5% | 144,584 |
| LGE: RGS | 12.5% | 48,195 |
| KU: RS | 50.0% | 192,778 |
| KU: FERS | 0.0% | - |
| Total | | 385,556 |
| Residential Load Mgmt. | | |
| LGE: R | 50.0% | 3,258,856 |
| KU: RS | 50.0% | 3,258,856 |
| KU: FERS | 0.0% | - |
| Total | | 6,517,711 |
| Residential Low-Income | | |
| LGE: R | 7.0% | 115,433 |
| LGE: RGS | 60.0% | 989,429 |
| KU: RS | 33.0% | 544,186 |
| KU: FERS | 0.0% | - |
| Total | | 1,649,049 |
| Commercial Conservation | | |
| LGE: GS | 25.0% | 208,155 |
| LGE: LC | 20.0% | 166,524 |
| LGE: LC-TOD | 4.0% | 33,305 |
| LGE: CGS | 1.0% | 8,326 |
| KU: GS | 30.0% | 249,786 |
| KU: LP | 20.0% | 166,524 |
| KU: LCI-TOD | 0.0% | - |
| Total | | 832,619 |
| Commercial Load Mgmt. | | |
| LGE: GS | 40.0% | 49,112 |
| LGE: LC | 5.0% | 6,139 |
| LGE: LC-TOD | 5.0% | 6,139 |
| KU: GS | 45.0% | 55,251 |
| KU: LP | 5.0% | 6,139 |
| KU: LCI-TOD | 0.0% | - |
| Total | | 122,780 |
| Industrial Lighting | | |
| LGE: LP | 0.0% | - |
| LGE: LP-TOD | 0.0% | - |
| KU: LP | 0.0% | - |
| KU: HLF | 0.0% | - |
| Total | | 34,790 |
| Program Develop and Admin. | | |
| LGE: R | 35.4% | 32,772 |
| LGE: RGS | 12.7% | 11,781 |
| LGE: GS | 2.9% | 2,664 |
| LGE: LC | 1.9% | 1,798 |
| LGE: LC-TOD | 0.4% | 409 |
| LGE: LP | 0.0% | - |
| LGE: LP-TOD | 0.0% | - |
| LGE: CGS | 0.1% | 87 |
| KU: RS | 41.2% | 38,170 |
| KU: FERS | 0.0% | - |
| KU: GS | 3.5% | 3,221 |
| KU: LP | 1.9% | 1,737 |
| KU: LCI-TOD | 0.0% | - |
| KU: HLF | 0.0% | - |
| Total | 100.0% | 92,647 |

Kentucky Utilities
Allocation of DSM Program Costs to Rates

| <u>ELECTRIC</u> | |
|-------------------------------|--------------|
| Residential Rate RS | \$ 4,033,990 |
| General Service Rate GS | \$ 308,258 |
| Rate LP (excludes industrial) | \$ 174,399 |

KENTUCKY UTILITIES COMPANY

DSM Cost Recovery (DCR)
For Residential Rate RS
12-Month Period Beginning January 1, 2005

The total 2005 DSM Program Cost for Residential Rate RS is \$4,033,990 as determined on page 4 of Exhibit AE. This filing proposes to determine a DSM Cost Recovery (DCR) factor to be applicable for the period of January 1, 2005 through December 31, 2005. The DCR factor is calculated by dividing the total 2005 program cost for Rate RS by the January - December, 2005 forecasted Kwh sales as shown on page 2. The resulting DCR factor for Residential Rate RS is 0.069¢ per kWh .

Kentucky Utilities
Calculation of DCR Component For Rate RS

Forecast
kWh Sales

| | | |
|-----|------|----------------------|
| JAN | 2005 | 694,834,184 |
| FEB | | 567,328,936 |
| MAR | | 498,942,332 |
| APR | | 443,994,692 |
| MAY | | 347,073,309 |
| JUN | | 417,637,137 |
| JUL | | 524,744,482 |
| AUG | | 545,025,576 |
| SEP | | 505,641,843 |
| OCT | | 357,357,131 |
| NOV | | 378,533,184 |
| DEC | | 536,109,791 |
| | | <u>5,817,222,596</u> |

Total Program Costs \$ 4,033,990

Revised DCR Factor in ¢ per kWh **0.069**

KENTUCKY UTILITIES COMPANY

DSM Cost Recovery (DCR)
For General Service Rate GS
12-Month Period Beginning January 1, 2005

The total 2005 DSM Program Cost for General Service Rate GS is \$308,258 as determined on page 4 of Exhibit AE. This filing proposes to determine a DSM Cost Recovery (DCR) factor to be applicable for the period of January 1, 2005 through December 31, 2005. The DCR factor is calculated by dividing the total 2005 program cost for Rate GS by the January - December, 2005 forecasted Kwh sales as shown on page 2. The resulting DCR factor for Rate GS is 0.024 ¢ per kWh.

Kentucky Utilities
Calculation of DCR Component For Rate GS

Forecast
kWh Sales

| | |
|----------|----------------------|
| JAN 2005 | 110,308,686 |
| FEB | 102,149,710 |
| MAR | 95,535,624 |
| APR | 92,417,873 |
| MAY | 96,081,219 |
| JUN | 108,143,598 |
| JUL | 120,345,314 |
| AUG | 119,830,495 |
| SEP | 117,808,165 |
| OCT | 100,668,009 |
| NOV | 93,048,028 |
| DEC | 103,146,118 |
| | <u>1,259,482,840</u> |

Total Program Costs \$ 308,258

Revised DCR Factor in ¢ per kWh 0.024

KENTUCKY UTILITIES COMPANY

DSM Cost Recovery (DCR)
For Light & Power Rate LP
12-Month Period Beginning January 1, 2005

The total 2005 DSM Program Cost for Light & Power Rate LP is \$174,399 as determined on page 4 of Exhibit AE. This filing proposes to determine a DSM Cost Recovery (DCR) factor to be applicable for the period of January 1, 2005 through December 31, 2005. The DCR factor is calculated by dividing the total 2005 program cost for Rate LP by the January - December, 2005 forecasted Kwh sales as shown on page 2. The resulting DCR factor for Rate LP is 0.003 ¢ per kWh.

Kentucky Utilities
Calculation of DCR Component For Rate LP

Forecast
kWh Sales (excludes industrial)

| | |
|----------|----------------------|
| JAN 2005 | 437,479,847 |
| FEB | 413,169,078 |
| MAR | 387,472,937 |
| APR | 376,780,736 |
| MAY | 385,584,096 |
| JUN | 436,322,659 |
| JUL | 481,185,231 |
| AUG | 481,857,389 |
| SEP | 471,910,770 |
| OCT | 407,547,889 |
| NOV | 376,722,510 |
| DEC | 422,320,596 |
| | <u>5,078,353,738</u> |

Total Program Costs \$ 174,399

Revised DCR Factor in ¢ per kWh 0.003

KENTUCKY UTILITIES COMPANY

DSM Cost Recovery (DCR)
For Large Commercial and Industrial Rate LCI-TOD
12-Month Period Beginning January 1, 2005

Not applicable at this time.

Kentucky Utilities
Summary of DSM Revenues from Lost Sales Component (DRLS)
12-Month Period Beginning January 1, 2005

| Rate Schedule | DRLS |
|-------------------------------|-------------|
| Residential Rate RS | 0.002 ¢/kWh |
| General Service GS | 0.006 ¢/kWh |
| Rate LP (excludes industrial) | 0.001 ¢/kWh |

Kentucky Utilities
Summary of DSM Revenues from Lost Sales Component: DRLS
12-Month Period Beginning January 1, 2005

| Rate Schedule | Exhibit Reference | Lost Net Revenues Total Amount | Estimated Billing Determinants (kWh) | DSM Revenues from Lost Sales Component (DRLS) |
|-------------------------------|-------------------|--------------------------------|--------------------------------------|-----------------------------------------------|
| Residential Rate RS | BE-1 | \$ 113,872 | 5,817,222,596 | 0.002 ¢/kWh |
| General Service GS | BE-2 | \$ 73,010 | 1,259,482,840 | 0.006 ¢/kWh |
| Rate LP (excludes industrial) | BE-3 | \$ 39,814 | 5,078,353,738 | 0.001 ¢/kWh |

KENTUCKY UTILITIES COMPANY

DSM Revenues from Lost Sales (DRLS)
For Residential Rate RS
12-Month Period Beginning January 1, 2005

This filing computes Revenues from Lost Sales with a Lost Net Revenue methodology based on engineering estimates of DSM program energy reduction. Lost Net Revenue is calculated by multiplying the non-variable revenue requirement per kWh by the estimated annual reduction in customer usage as shown on page 2. The non-variable revenue requirement is the weighted average price per kWh of expected billings in 2005 under the energy charges contained in the Rate Schedule RS, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by dividing the total applicable lost net revenue amount for Rate RS by the January - December, 2005 forecasted Kwh sales as shown on page 3. The resulting DRLS factor for Rate RS is 0.002 ¢ per kWh.

Kentucky Utilities
Calculation of Lost Net Revenue for Rate RS

| <u>Program Descriptions</u> | <u>Total Energy Savings (kWh)</u> | <u>Non-variable Revenue per kWh</u> | <u>Lost Net Revenue</u> |
|-----------------------------|-----------------------------------|-------------------------------------|-------------------------|
| Residential Conservation | 2,136,293 | \$ 0.033 | \$70,988 |
| Residential Low-Income | 1,290,577 | \$ 0.033 | \$42,885 |
| Load Management | <u>-</u> | \$ 0.033 | <u>\$0</u> |
| TOTAL PROGRAMS | 3,426,869 | | \$113,872 |

Kentucky Utilities
Calculation of DRLS Component For Rate RS

Forecast
kWh Sales

| | | |
|-----|------|----------------------|
| JAN | 2005 | 694,834,184 |
| FEB | | 567,328,936 |
| MAR | | 498,942,332 |
| APR | | 443,994,692 |
| MAY | | 347,073,309 |
| JUN | | 417,637,137 |
| JUL | | 524,744,482 |
| AUG | | 545,025,576 |
| SEP | | 505,641,843 |
| OCT | | 357,357,131 |
| NOV | | 378,533,184 |
| DEC | | 536,109,791 |
| | | <u>5,817,222,596</u> |

Total Lost Net Revenue \$ 113,872

Revised DRLS Factor in ¢ per kWh 0.002

KENTUCKY UTILITIES COMPANY

DSM Revenues from Lost Sales (DRLS)
For General Service Rate GS
12-Month Period Beginning January 1, 2005

This filing computes Revenues from Lost Sales with a Lost Net Revenue methodology based on engineering estimates of DSM program energy reduction. Lost Net Revenue is calculated by multiplying the non-variable revenue requirement per kWh by the estimated annual reduction in customer usage as shown on page 2. The non-variable revenue requirement is the weighted average price per kWh of expected billings in 2005 under the energy charges contained in the Rate Schedule GS, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by dividing the total applicable lost net revenue amount for Rate GS by the January - December, 2005 forecasted Kwh sales as shown on page 3. The resulting DRLS factor for Rate GS is 0.006 ¢ per kWh.

Kentucky Utilities
Calculation of Lost Net Revenue for Rate GS

| <u>Program Descriptions</u> | <u>Total Energy Savings (kWh)</u> | <u>Non-variable Revenue per kWh</u> | <u>Lost Net Revenue</u> |
|-----------------------------|-----------------------------------|-------------------------------------|-------------------------|
| Commercial Conservation | 2,365,790 | \$ 0.031 | \$73,010 |
| Load Management | - | \$ 0.031 | \$0 |
| TOTAL PROGRAMS | 2,365,790 | | \$73,010 |

Kentucky Utilities
Calculation of Lost Net Revenue for Rate GS

Forecast
kWh Sales

| | |
|----------|----------------------|
| JAN 2005 | 110,308,686 |
| FEB | 102,149,710 |
| MAR | 95,535,624 |
| APR | 92,417,873 |
| MAY | 96,081,219 |
| JUN | 108,143,598 |
| JUL | 120,345,314 |
| AUG | 119,830,495 |
| SEP | 117,808,165 |
| OCT | 100,668,009 |
| NOV | 93,048,028 |
| DEC | 103,146,118 |
| | <u>1,259,482,840</u> |

Total Lost Net Revenue \$ 73,010

Revised DRLS Factor in ¢ per kWh 0.006

KENTUCKY UTILITIES COMPANY

DSM Revenues from Lost Sales (DRLS)
For Light & Power Rate LP
12-Month Period Beginning January 1, 2005

This filing computes Revenues from Lost Sales with a Lost Net Revenue methodology based on engineering estimates of DSM program energy reduction. Lost Net Revenue is calculated by multiplying the non-variable revenue requirement per kWh by the estimated annual reduction in customer usage as shown on page 2. The non-variable revenue requirement is the weighted average price per kWh of expected billings in 2005 under the energy charges contained in the Rate Schedule LP, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by dividing the total applicable lost net revenue amount for Rate LP by the January - December, 2005 forecasted Kwh sales as shown on page 3. The resulting DRLS factor for Rate LP is 0.001 ¢ per kWh.

Kentucky Utilities
Calculation of Lost Net Revenue For Rate LP

| <u>Program Descriptions</u> | <u>Total Energy Savings (kWh)</u> | <u>Non-variable Revenue per kWh</u> | <u>Lost Net Revenue</u> |
|-----------------------------|-----------------------------------|-------------------------------------|-------------------------|
| Commercial Conservation | 1,577,194 | \$ 0.02524 | \$39,814 |
| Load Management | - | \$ 0.02524 | \$0 |
| TOTAL PROGRAMS | 1,577,194 | | \$39,814 |

Kentucky Utilities
Calculation of Lost Net Revenue For Rate LP

Forecast
kWh Sales

| | | |
|-----|------|----------------------|
| JAN | 2005 | 437,479,847 |
| FEB | | 413,169,078 |
| MAR | | 387,472,937 |
| APR | | 376,780,736 |
| MAY | | 385,584,096 |
| JUN | | 436,322,659 |
| JUL | | 481,185,231 |
| AUG | | 481,857,389 |
| SEP | | 471,910,770 |
| OCT | | 407,547,889 |
| NOV | | 376,722,510 |
| DEC | | 422,320,596 |
| | | <u>5,078,353,738</u> |
| | | 5,078,353,738 |

Total Lost Net Revenue \$ 39,814

Revised DRLS Factor in ¢ per kWh 0.001

KENTUCKY UTILITIES COMPANY

DSM Revenues from Lost Sales (DRLS)
For Large Commercial & Industrial Power Time-of-Day Rate LCI-TOD
12-Month Period Beginning January 1, 2005

Not currently applicable.

Kentucky Utilities
Summary of DSM Incentive Component (DSMI)
12-Month Period Beginning January 1, 2005

| Rate Schedule | Exhibit Reference | DSM Incentive Total Amount | Estimated Billing Determinants | DSM Incentive Component (DSMI) |
|-------------------------------|-------------------|----------------------------|--------------------------------|--------------------------------|
| Residential Rate RS | CE-1 | \$ 162,943 | 5,817,222,596 kWh | 0.003 ¢/kWh |
| General Service GS | CE-2 | \$ 2,763 | 1,259,482,840 kWh | 0.000 ¢/kWh |
| Rate LP (excludes industrial) | CE-3 | \$ 307 | 5,078,353,738 kWh | 0.000 ¢/kWh |

KENTUCKY UTILITIES COMPANY
DSM Incentive Component (DSMI)
For Residential Rate RS
12-Month Period Beginning January 1, 2005

This filing proposes to compute a DSMI factor based on all three of the residential programs. The proposed factor consists of two incentive components: Education and Load Control Programs, and Energy Impact Programs. The two programs excluding Load Control are "Energy Impact Programs," and the incentive amounts are computed as 15% of the net present value benefits (i.e., the difference between the 20 year avoided cost savings and the 2005 program costs). For the Load Control Program the incentive is computed as 5% of program costs, as shown on page 2. Programs which indicate a negative difference are considered to have a zero benefit for purposes of computing the incentive.

The DSMI factor is calculated by dividing the total 2001 incentive amount for Rate RS by the January - December, 2005 forecasted Kwh sales as shown on page 3. The resulting DSMI factor for Residential Rate RS is 0.003 ¢ per Kwh .

Kentucky Utilities
Calculation of Rate RS Incentives

| | <u>Net Present Value</u> | | | <u>15% of</u> | <u>Incentive</u> |
|-------------------------------|--------------------------|----------------------|-----------------|---------------|------------------|
| | <u>Avoided Costs</u> | <u>Program Costs</u> | <u>Benefits</u> | | |
| <u>Energy Impact Programs</u> | | | | | |
| Residential Low-Income | \$ 179,025 | \$ 357,651 | \$0 | \$ - | \$ - |
| Residential Conservation | \$ 161,234 | \$ 347,735 | \$0 | \$ - | \$ - |
| Load Management ¹ | | \$ 3,258,856 | | \$ 162,943 | \$ 162,943 |

¹ Unlike other energy impact programs, the incentive for Load Management is 5%.

Total Energy Impact Programs Incentive \$ 162,943

Total Programs Incentive \$ 162,943

Kentucky Utilities
Calculation of DSMI Component For Rate RS

Forecast
kWh Sales

| | | |
|-----|------|---------------|
| JAN | 2005 | 694,834,184 |
| FEB | | 567,328,936 |
| MAR | | 498,942,332 |
| APR | | 443,994,692 |
| MAY | | 347,073,309 |
| JUN | | 417,637,137 |
| JUL | | 524,744,482 |
| AUG | | 545,025,576 |
| SEP | | 505,641,843 |
| OCT | | 357,357,131 |
| NOV | | 378,533,184 |
| DEC | | 536,109,791 |
| | | 5,817,222,596 |

Total Incentive \$ 162,943

Revised DSMI Factor in ¢ per kWh 0.003

KENTUCKY UTILITIES COMPANY

DSM Incentive Component (DSMI)
For General Service Rate GS
12-Month Period Beginning January 1, 2005

The proposed DSM Incentive Component (DSMI) factor for General Service Rate GS is 0.000 ¢ per Kwh. Although \$2,526 was allocated to the electric function, dividing this amount by the Kwh sales resulted in a value of zero, when rounded to three decimal places.

This filing proposes to compute a DSMI factor based on both of the commercial programs. The proposed factor consists of two incentive components: Education and Load Control Programs, and Energy Impact Programs. The program excluding Load Control is an "Energy Impact Programs," and the incentive amounts are computed as 15% of the net present value benefits (i.e., the difference between the 20 year avoided cost savings and the 2005 program costs). For the Load Control Program the incentive is computed as 5% of program costs, as shown on page 2. Programs which indicate a negative difference are considered to have a zero benefit for purposes of computing the incentive.

The DSMI factor is calculated by dividing the total 2005 incentive amount for Rate GS by the January - December, 2005 forecasted Kwh sales as shown on page 3. The resulting DSMI factor for General Service Rate GS is 0.000 ¢ per Kwh.

Kentucky Utilities
Calculation of Rate GS Incentives

| | <u>Net Present Value</u> | | | <u>15% of</u> <u>Benefits</u> | <u>Incentive</u> |
|-------------------------------|--------------------------|----------------------|-----------------|----------------------------------|------------------|
| | <u>Avoided Costs</u> | <u>Program Costs</u> | <u>Benefits</u> | | |
| <u>Energy Impact Programs</u> | | | | | |
| Commercial Conservation | \$ 294,156 | \$ 376,640 | \$0 | \$ - | \$ - |
| Load Management ¹ | | \$ 55,251 | | \$ 2,763 | \$ 2,763 |
| Total Programs Incentive | | | | | \$ 2,763 |

¹ Unlike other energy impact programs, the incentive for Load Management is 5%.

Kentucky Utilities
Calculation of DSMI Component For Rate GS

Forecast
kWh Sales

| | | |
|-----|------|---------------|
| JAN | 2005 | 110,308,686 |
| FEB | | 102,149,710 |
| MAR | | 95,535,624 |
| APR | | 92,417,873 |
| MAY | | 96,081,219 |
| JUN | | 108,143,598 |
| JUL | | 120,345,314 |
| AUG | | 119,830,495 |
| SEP | | 117,808,165 |
| OCT | | 100,668,009 |
| NOV | | 93,048,028 |
| DEC | | 103,146,118 |
| | | 1,259,482,840 |

Total Incentive \$ 2,763

Revised DSMI Factor in ¢ per kWh 0.000

KENTUCKY UTILITIES COMPANY

DSM Incentive Component (DSMI)
For Light & Power Rate LP
12-Month Period Beginning January 1, 2005

The proposed DSM Incentive Component (DSMI) factor for Rate LP is 0.000 ¢ per Kwh. Although \$ 281 was allocated to the electric function, dividing this amount by the Kwh sales resulted in a value of zero, when rounded to three decimal places.

This filing proposes to compute a DSMI factor based on both of the commercial programs. The proposed factor consists of two incentive components: Education and Load Control Programs, and Energy Impact Programs. The program excluding Load Control is an "Energy Impact Programs," and the incentive amounts are computed as 15% of the net present value benefits (i.e., the difference between the 20 year avoided cost savings and the 2005 program costs). For the Load Control Program the incentive is computed as 5% of program costs, as shown on page 2. Programs which indicate a negative difference are considered to have a zero benefit for purposes of computing the incentive.

The DSMI factor is calculated by dividing the total 2005 incentive amount for Rate LP by the January - December, 2005 forecasted Kwh sales as shown on page 3. The resulting DSMI factor for Rate LP is 0.000 ¢ per Kwh.

Kentucky Utilities
Calculation of Rate LP Incentives

| | Net Present Value | | | | 15% of | Incentive |
|-------------------------------|--------------------------|----------------------|-----------------|--------|--------|-----------|
| | <u>Avoided Costs</u> | <u>Program Costs</u> | <u>Benefits</u> | | | |
| <u>Energy Impact Programs</u> | | | | | | |
| Commercial Conservation | \$ - | \$ - | \$0 | \$ - | \$ - | |
| Load Management ¹ | | \$ 6,139 | | \$ 307 | \$ 307 | |
| | Total Programs Incentive | | | | \$ | 307 |

¹ Unlike other energy impact programs, the incentive for Load Management is 5%.

Kentucky Utilities
Calculation of DSMI Component For Rate LP

Forecast
kWh Sales

| | | |
|-----|------|--------------------|
| JAN | 2005 | 437,479,847 |
| FEB | | 413,169,078 |
| MAR | | 387,472,937 |
| APR | | 376,780,736 |
| MAY | | 385,584,096 |
| JUN | | 436,322,659 |
| JUL | | 481,185,231 |
| AUG | | 481,857,389 |
| SEP | | 471,910,770 |
| OCT | | 407,547,889 |
| NOV | | 376,722,510 |
| DEC | | <u>422,320,596</u> |
| | | 5,078,353,738 |

Total Incentive \$ 307

Revised DSMI Factor in ¢ per kWh 0.000

KENTUCKY UTILITIES COMPANY
DSM Incentive Component (DSMI)
For Large Commercial & Industrial Rate LCI-TOD
12-Month Period Beginning January 1, 2005

Not applicable at this time.