



Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

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PUBLIC SERVICE  
COMMISSION

E.ON U.S. LLC  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.eon-us.com

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

February 1, 2007

RE: An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Kentucky Utilities Company for the Six-Month Billing Periods Ending July 31, 2003, January 31, 2004, January 31, 2005, July 31, 2005, and January 31, 2006, and for the Two-Year Billing Period Ending July 31, 2004  
Case No. 2006-00129 ✓

An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Louisville Gas and Electric Company for the Six-Month Billing Periods Ending October 31, 2003, April 30, 2004, October 31, 2004, October 31, 2005, and April 30, 2006, and for the Two-Year Billing Period Ending April 30, 2005 -  
Case No. 2006-00130

Dear Ms. O'Donnell:

I am writing to advise the Commission on how Louisville Gas and Electric Company and Kentucky Utilities Company (collectively the "Companies") will comply with its orders of January 31, 2007.

The Companies will recalculate their respective Base Environmental Surcharge Factor ("BESF") using the base revenues for the twelve-month period ending December 31, 2006 pursuant to the Commission's January 31, 2007 orders.

The Companies will file revised tariff sheets with revisions to base rates to reflect the incorporation of the amounts found just and reasonable for the two-year billing period and the supporting calculations and work papers for the determination of BESF with the Commission on or before February 20, 2007. The Companies will propose the new base rates effective for bills rendered on

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and after March 5, 2007, which is the start of the second full billing cycle after the Commission's Orders were issued.

Finally, the Companies will file with the Commission their regular monthly surcharge reports and billing factor for March 2007 on or before February 23, 2007 reflecting the findings in these proceedings.

Should you have any questions or need any additional information, please contact me at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "R. M. Conroy", with a horizontal line extending to the right from the end of the signature.

Robert M. Conroy

cc: Kendrick R. Riggs, Esq.  
Elizabeth E. Blackford, Esq.  
Michael L. Kurtz, Esq. and David F. Boehm