

LG&E and KU Energy Efficiency 2008-2014 Program Plan

13.0 Program Evaluation

LG&E and KU 2008-2014 ENERGY EFFICIENCY PROGRAM PLAN

Program Evaluation

13.1 Evaluation of Direct Energy Efficiency Programs

Ongoing evaluation of program effectiveness regarding customer participation, energy impacts, process evaluation, program delivery mechanism, customer satisfaction, and market potential will be conducted for all programs. Detailed information about each program will be collected by the implementation contractor and the Companies for evaluating the program. The Companies plan to engage an independent evaluation contractor not only to evaluate program results, but also on the front end of the process to assist with development of program data specifications and RFP's for the implementation contractor selection process. Program evaluation costs range from 2% to 10% of total program costs depending upon size and complexity of each program. The major program evaluation objectives vary slightly depending upon program characteristics but generally include the following:

- Determine level of customer participation, including documenting number of participants and energy savings actions participants have implemented as a result of

13.2 Evaluation of Supplemental Energy Efficiency Programs

- Energy and demand savings resulting from Customer Education and Public Information will be imbedded in the savings of the direct delivery programs; however, this program will be evaluated for its impact on changing customers' awareness and attitudes regarding energy efficiency.
- Energy and demand savings resulting from Dealer Referral Network will be imbedded in the savings of the energy audit, rebate and HVAC diagnostic/tune-up programs; however, this program will be evaluated for its impact on customer implementation rates and customer perception of its value.

**LG&E and KU Energy Efficiency
2008-2014 Program Plan**

14.0 Tariff Sheets and Documentation

Louisville Gas and Electric Company

First Revision of Original Sheet No. 71
P.S.C. of Ky. Electric No. 6

DSMRM

Demand-Side Management Cost Recovery Mechanism

APPLICABLE TO: Residential Rate RS, Residential Responsive Pricing RRP, Volunteer Fire Department Rate VFD, Residential Prepaid Metering Rate RPM, General Service Rate GS, General Responsive Pricing GRP, Small Time-of-Day Service Rate STOD, Large Commercial Rate LC, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD. Customers served under Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD, who elect not to participate in a demand-side management program hereunder shall not be assessed a charge pursuant to this mechanism.

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The monthly amount computed under each of the rate schedules to which this Demand-Side Management Cost Recovery Mechanism is applicable shall be increased or decreased by the DSM Cost Recovery Component (DSMRC) at a rate per kilowatt hour of monthly consumption in accordance with the following formula:

$$DSMRC = DCR + DRLS + DSMI + DBA$$

Where: **DCR = DSM COST RECOVERY.** The DCR shall include all expected costs which have been approved by the Commission for each twelve-month period for demand-side management programs which have been developed through a collaborative advisory process ("approved programs"). Such program costs shall include the cost of planning,

Louisville Gas and Electric Company

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DSMRM

Demand-Side Management Cost Recovery Mechanism

Rate RS, RRP, VFD, RPM, GS and GRP rate schedules in the upcoming twelve-month period after deducting the variable costs included in such energy charges. The non-variable revenue requirement for each of the customer classes that are billed under demand and energy rates (Rates STOD, LC, LC-TOD, LP, and LP-TOD) is defined as the weighted average price per KWH represented by the composite of the expected billings under the respective demand and energy charges in the upcoming twelve-month period, after deducting the variable costs included in the energy charges.

The lost revenues for each customer class shall then be divided by the estimated class sales (in KWH) for the upcoming twelve-month period to determine the applicable DRLS surcharge. Recovery of revenue from lost sales calculated for a twelve-month period shall be included in the DRLS for 36 months or until implementation of new rates pursuant to a general rate case, whichever comes first. Revenues from lost sales will be assigned for recovery purposes to the rate classes whose programs resulted in the lost sales.

Revenues collected hereunder are based on engineering estimates of energy savings, expected program participation and estimated sales for the upcoming twelve-month period. At the end of each such period, any difference between the lost revenues actually collected

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DSMRM

Demand-Side Management Cost Recovery Mechanism

The DSM incentive amount related to programs for Residential Rate RS, Residential Responsive Pricing RRP, Volunteer Fire Department Rate VFD, Residential Prepaid Metering Rate RPM, General Service Rate GS, General Responsive Pricing GRP, Large Commercial Rate LC, Small Time-of-Day Rate STOD, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DSMI for such rate class. DSM incentive amounts will be assigned for recovery purposes to the rate classes whose programs created the incentive.

DBA = DSM BALANCE ADJUSTMENT. The DBA shall be calculated on a calendar year basis and is used to reconcile the difference between the amount of revenues actually billed through the DCR, DRLS, DSMI and previous application of the DBA and the revenues which should have been billed, as follows:

- (1) For the DCR, the balance adjustment amount will be the difference between the amount billed in a twelve-month period from the application of the DCR unit charge and the actual cost of the approved programs during the same twelve-month period.
- (2) For the DRLS the balance adjustment amount will be the difference between

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DSMRM

Demand-Side Management Cost Recovery Mechanism

Modifications to other components of the DSMRC shall be made at least thirty days prior to the effective period for billing. Each filing shall include the following information as applicable:

- (1) A detailed description of each DSM program developed by the collaborative process, the total cost of each program over the twelve-month period, an analysis of expected resource savings, information concerning the specific DSM or efficiency measures to be installed, and any applicable studies which have been performed, as available.
- (2) A statement setting forth the detailed calculation of the DCR, DRLS, DSMI, DBA and DSMRC.

Each change in the DSMRC shall be placed into effect with bills rendered on and after the effective date of such change.

Louisville Gas and Electric Company

Seventh Revision of Original Sheet No. 71.4
P.S.C. of Ky. Electric No. 6

DSMRM

Demand-Side Management Cost Recovery Mechanism

APPLICABLE TO:

Residential Rate RS, Residential Responsive Pricing RRP, Volunteer Fire Department Rate VFD, Residential Prepaid Metering Rate RPM, General Service Rate GS, General Responsive Pricing GRP, Small Time-of-Day Rate STOD, Large Commercial Rate LC, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD.

DSM Cost Recovery Component (DSMRC):

<u>and Residential Prepaid Metering Rate RPM</u>	<u>Energy Charge</u>
Residential Rate RS, Residential Responsive Pricing RRP, Volunteer Fire Dept. Rate VFD,	
DSM Cost Recovery Component (DCR)	0.218 ¢/KWH
DSM Revenues from Lost Sales (DRLS)	0.045 ¢/KWH
DSM Incentive (DSMI)	0.011 ¢/KWH
DSM Balance Adjustment (DBA)	(0.010)¢/KWH

Louisville Gas and Electric Company

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DSMRM

Demand-Side Management Cost Recovery Mechanism

DSM Cost Recovery Component (DSMRC):

(Continued)

Large Commercial Rate LC

Energy Charge

DSM Cost Recovery Component (DCR)

0.039 ¢/KWH

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DSM Revenues from Lost Sales (DRLS)

0.017 ¢/KWH

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DSM Incentive (DSMI)

0.002 ¢/KWH

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DSM Balance Adjustment (DBA)

(0.005)¢/KWH

DSMRC Rates LC

0.053 ¢/KWH

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DSMRM

Demand-Side Management Cost Recovery Mechanism

DSM Cost Recovery Component (DSMRC):

(Continued)

<u>Industrial Power Rate LP</u>	<u>Energy Charge</u>
DSM Cost Recovery Component (DCR)	0.000 ¢/KWH
DSM Revenues from Lost Sales (DRLS)	0.000 ¢/KWH
DSM Incentive (DSMI)	0.000 ¢/KWH
DSM Balance Adjustment (DBA)	0.000 ¢/KWH
DSMRC Rate LP	0.000 ¢/KWH

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DSMRM

Demand-Side Management Cost Recovery Mechanism

APPLICABLE TO: Residential Rate RS, Residential Responsive Pricing RRP, Volunteer Fire Department Rate VFD, Residential Prepaid Metering Rate RPM, General Service Rate GS, General Responsive Pricing GRP, Small Time-of-Day Service Rate STOD, Large Commercial Rate LC, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD. Customers served under Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD, who elect not to participate in a demand-side management program hereunder shall not be assessed a charge pursuant to this mechanism.

The monthly amount computed under each of the rate schedules to which this Demand-Side Management Cost Recovery Mechanism is applicable shall be increased or decreased by the DSM Cost Recovery Component (DSMRC) at a rate per kilowatt hour of monthly consumption in accordance with the following formula:

$$\text{DSMRC} = \text{DCR} + \text{DRLS} + \text{DSMI} + \text{DBA}$$

Where: **DCR = DSM COST RECOVERY.** The DCR shall include all expected costs which have been approved by the Commission for each twelve-month period for demand-side management programs which have been developed through a collaborative advisory process ("approved programs"). Such program costs shall include the cost of planning, developing, implementing, monitoring, and evaluating DSM programs. Program costs will be assigned for recovery purposes to the rate classes whose customers are directly participating in the program. In addition, all costs incurred by or on behalf of the collaborative process, including but not limited to costs for consultants, employees and administrative expenses, will be recovered through the DCR. Administrative costs that are allocable to more than one rate class will be recovered from those classes and allocated by rate class on the basis of the estimated budget from each program. The

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DSMRM

Demand-Side Management Cost Recovery Mechanism

Rate RS, ~~RRP, VFD, RPM, GS and GRP~~ rate schedules in the upcoming twelve-month period after deducting the variable costs included in such energy charges. The non-variable revenue requirement for each of the customer classes that are billed under demand and energy rates (Rates STOD, LC, LC-TOD, LP, and LP-TOD) is defined as the weighted average price per KWH represented by the composite of the expected billings under the respective demand and energy charges in the upcoming twelve-month period, after deducting the variable costs included in the energy charges.

The lost revenues for each customer class shall then be divided by the estimated class sales (in KWH) for the upcoming twelve-month period to determine the applicable DRLS surcharge. Recovery of revenue from lost sales calculated for a twelve-month period shall be included in the DRLS for 36 months or until implementation of new rates pursuant to a general rate case, whichever comes first. Revenues from lost sales will be assigned for recovery purposes to the rate classes whose programs resulted in the lost sales.

Revenues collected hereunder are based on engineering estimates of energy savings, expected program participation and estimated sales for the upcoming twelve-month period. At the end of each such period, any difference between the lost revenues actually collected hereunder and the lost revenues determined after any revisions of the engineering estimates and actual program participation are accounted for shall be reconciled in future billings under the DSM Balance Adjustment (DBA) component.

A program evaluation vendor will be selected to provide evaluation criteria against which energy savings will be estimated for that program. Each program will be evaluated after implementation and any revision of the original engineering estimates will be reflected in ~~the~~ billings provided for under the DSM Balance Adjustment and (b) the

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Deleted: shall be computed by multiplying the net resource savings expected from the approved programs which are to be installed during the upcoming twelve-month period times fifteen (15) percent, not to exceed five (5) percent of program expenditures. Net resource savings are defined as program benefits less utility program costs and participant costs where program benefits will be calculated on the basis of the present value of LG&E's avoided costs over the expected life of the program, and

Louisville Gas and Electric Company

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DSMRM

Demand-Side Management Cost Recovery Mechanism

The DSM incentive amount related to programs for Residential Rate RS, Residential Responsive Pricing RRP, Volunteer Fire Department Rate VFD, Residential Prepaid Metering Rate RPM, General Service Rate GS, General Responsive Pricing GRP, Large Commercial Rate LC, Small Time-of-Day Rate STOD, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DSMI for such rate class. DSM incentive amounts will be assigned for recovery purposes to the rate classes whose programs created the incentive.

DBA = DSM BALANCE ADJUSTMENT. The DBA shall be calculated on a calendar year basis and is used to reconcile the difference between the amount of revenues actually billed through the DCR, DRLS, DSMI and previous application of the DBA and the revenues which should have been billed, as follows:

- (1) For the DCR, the balance adjustment amount will be the difference between the amount billed in a twelve-month period from the application of the DCR unit charge and the actual cost of the approved programs during the same twelve-month period.
- (2) For the DRLS the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DRLS unit charge and the amount of lost revenues determined for the actual DSM measures implemented during the twelve-month period.
- (3) For the DSMI, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DSMI unit charge and the incentive amount determined for the actual DSM measures implemented during the twelve-month period.

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DSMRM

Demand-Side Management Cost Recovery Mechanism

Modifications to other components of the DSMRC shall be made at least thirty days prior to the effective period for billing. Each filing shall include the following information as applicable:

- (1) A detailed description of each DSM program developed by the collaborative process, the total cost of each program over the twelve-month period, an analysis of expected resource savings, information concerning the specific DSM or efficiency measures to be installed, and any applicable studies which have been performed, as available.
- (2) A statement setting forth the detailed calculation of the DCR, DRLS, DSMI, DBA and DSMRC.

Each change in the DSMRC shall be placed into effect with bills rendered on and after the effective date of such change.

Louisville Gas and Electric Company

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P.S.C. of Ky. Electric No. 6

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DSMRM

Demand-Side Management Cost Recovery Mechanism

APPLICABLE TO:

Residential Rate RS, Residential Responsive Pricing RRP, Volunteer Fire Department Rate VFD, Residential Prepaid Metering Rate RPM, General Service Rate GS, General Responsive Pricing GRP, Small Time-of-Day Rate STOD, Large Commercial Rate LC, Large Commercial Time-of-Day Rate LC-TOD, Industrial Power Rate LP, and Industrial Power Time-of-Day Rate LP-TOD.

DSM Cost Recovery Component (DSMRC):

Residential Rate RS, Residential Responsive Pricing RRP, Volunteer Fire Dept. Rate VFD,

and Residential Prepaid Metering Rate RPM

Energy Charge

DSM Cost Recovery Component (DCR)

0.218 ¢/KWH

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DSM Revenues from Lost Sales (DRLS)

0.045 ¢/KWH

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DSM Incentive (DSMI)

0.011 ¢/KWH

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DSM Balance Adjustment (DBA)

(0.010) ¢/KWH

DSMRC Rates RS, VFD and RPM

0.264 ¢/KWH

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General Service Rate GS, General Responsive Pricing GRP, and

Louisville Gas and Electric Company

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P.S.C. of Ky. Electric No. 6

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DSMRM

Demand-Side Management Cost Recovery Mechanism

DSM Cost Recovery Component (DSMRC):

(Continued)

Large Commercial Rate LC

Energy Charge

DSM Cost Recovery Component (DCR)

0.039¢/KWH

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DSM Revenues from Lost Sales (DRLS)

0.017¢/KWH

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DSM Incentive (DSMI)

0.002¢/KWH

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DSM Balance Adjustment (DBA)

(0.005)¢/KWH

DSMRC Rates LC

0.053¢/KWH

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Large Commercial Time-of-Day Rate LC-TOD

Energy Charge

DSM Cost Recovery Component (DCR)

0.030¢/KWH

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Louisville Gas and Electric Company

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P.S.C. of Ky. Electric No. 6

DSMRM

Demand-Side Management Cost Recovery Mechanism

DSM Cost Recovery Component (DSMRC):

(Continued)

<u>Industrial Power Rate LP</u>	<u>Energy Charge</u>
DSM Cost Recovery Component (DCR)	0.000 ¢/KWH
DSM Revenues from Lost Sales (DRLS)	0.000 ¢/KWH
DSM Incentive (DSMI)	0.000 ¢/KWH
DSM Balance Adjustment (DBA)	0.000 ¢/KWH
DSMRC Rate LP	0.000 ¢/KWH

<u>Industrial Power Time of Day Rate LP-TOD</u>	<u>Energy Charge</u>
DSM Cost Recovery Component (DCR)	0.000 ¢/KWH
DSM Revenues from Lost Sales (DRLS)	0.000 ¢/KWH

LOUISVILLE GAS & ELECTRIC COMPANY

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

ELECTRIC SERVICE

**Twelve-Month Period Beginning January 1, 2008
and Ending December 31, 2008**

Summary

LOUISVILLE GAS & ELECTRIC COMPANY
 Summary of Total DSM Cost Recovery Component (DSMRC)
 12-Month Period Beginning January 1, 2008

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	DSM Recovery Component (DSMRC) Total
Residential Rate RS	0.218	0.045	0.011	(0.010)	0.264 ¢/kWh
General Service Rate GS	0.073	0.080	0.004	(0.006)	0.151 ¢/kWh
Large Commercial Rate LC	0.039	0.017	0.002	(0.005)	0.053 ¢/kWh
Large Commercial Rate LC-TOD	0.030	0.008	0.002	(0.001)	0.039 ¢/kWh

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Revenues from DSM Cost Recovery Component (DCR)
12-Month Period Beginning January 1, 2008

Rate Schedule	Exhibit Reference	DSM Cost Recovery Total Amount	Estimated Billing Determinants	DSM Cost Recovery Component (DCR)
Residential Rate RS and RRP	AE-1	\$ 9,292,469	4,253,266,804 kWh	0.218 ¢/kWh
General Service Rate GS and GRP	AE-2	\$ 1,054,727	1,440,050,510 kWh	0.073 ¢/kWh
Large Commercial Rate LC	AE-3	\$ 911,445	2,316,705,671 kWh	0.039 ¢/kWh
Large Commercial Rate LC-TOD	AE-4	\$ 202,509	669,156,656 kWh	0.030 ¢/kWh
Total DCR Amount		\$ 11,461,150		

LOUISVILLE GAS & ELECTRIC COMPANY
DSM Cost Recovery Component (DCR)
12-Month Period Beginning January 1, 2008

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. This allocation consists of splitting the commercial electric costs to the General Service Rate GS, the General Service Responsive Pricing Rate GRP, the Large Commercial Rate LC, and the Large Commercial Time-of-Day Rate LC-TOD. The program costs for the Residential Rate RS, the Residential Responsive Pricing Rate RRP, the Residential Gas Service RGS, and the Commercial Customers served under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT were directly assigned to the rate schedules by means of the allocation to gas and to electric on page 3.

The auxiliary Exhibits identified as AE-1 through AE-5 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

Exhibit AE

Page 3 of 4

Program	Allocation	2008
Total of All Programs		
LGE: RS and RRP		9,292,469
LGE: RGS		1,983,400
LGE: GS and GRP		1,054,727
LGE: LC		911,445
LGE: LC-TOD		202,509
LGE: CGS		119,903
KU: RS		10,047,691
KU: GS		1,009,361
KU: LP		1,235,051
Total		25,856,557
Residential Conservation		
LGE: RS	22.0%	141,335
LGE: RGS	28.0%	179,881
KU: RS	50.0%	321,218
Total		642,432
Residential Load Mgmt.		
LGE: RS	5.0%	499,556
LGE: RGS	45.0%	4,498,006
KU: RS	50.0%	4,995,563
Total		9,991,125
Commercial Load Mgmt.		
LGE: GS	34.0%	148,277
LGE: LC	10.0%	43,611
LGE: LC-TOD	1.0%	4,361
LGE: CGS	5.0%	21,806
KU: GS	41.0%	178,805
KU: LP	9.0%	39,250
Total		436,110
Residential Low-Income		
LGE: RS	22.0%	380,308
LGE: RGS	28.0%	484,028
KU: RS	50.0%	854,333
Total		1,728,665
Commercial Conservation		
LGE: GS	17.0%	540,148
LGE: LC	26.0%	826,105
LGE: LC-TOD	6.0%	190,840
LGE: CGS	1.0%	31,773
KU: GS	15.0%	478,589
KU: LP	35.0%	1,112,065
Total		3,177,328
Residential Real Time Metering		
LGE: R	95.0%	1,039,509
LGE: RGS	5.0%	54,711
KU: R	0.0%	-
Total		1,094,220
Commercial Real Time Metering		
LGE: GS	95.0%	169,223
LGE: LC	0.0%	-
LGE: LC-TOD	0.0%	-
Total		169,223

LOUISVILLE GAS & ELECTRIC COMPANY
Allocation of DSM Program Costs to Rates

<u>ELECTRIC</u>	
Residential Rate RS and RRP	\$ 9,292,469
General Service Rate GS and GRP	\$ 1,054,727
Large Commercial Rate LC	\$ 911,445
Large Commercial Rate LC-TOD	\$ 202,509
	-
TOTAL ELECTRIC	\$ 11,461,150

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)
For Residential Rates RS and RRP
12-Month Period Beginning January 1, 2008

The total 2008 DSM Program Cost for Residential Rate RS and Residential Responsive Pricing Rate RRP is \$9,292,469 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, 2008 through December 31, 2008. The DCR factor is calculated by dividing the total 2008 program cost for Rate RS by the January - December, 2008 forecasted Kwh sales as shown on page 2. The resulting DCR factor for Residential Rate RS and RRP is 0.218 ¢ per kWh .

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DCR Component For Rate RS and RRP

Forecast
kWh Sales

JAN 2008	374,551,271
FEB	331,804,204
MAR	311,517,851
APR	266,762,074
MAY	274,725,861
JUN	369,808,866
JUL	490,079,460
AUG	494,899,942
SEP	449,060,730
OCT	293,941,858
NOV	262,104,476
DEC	334,010,211
	<u>4,253,266,804</u>

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)
For General Service Rates GS and GRP
12-Month Period Beginning January 1, 2008

The total 2008 DSM Program Cost for General Service Rate GS and General Service Responsive Pricing Rate GRP is \$1,054,727 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, 2008 through December 31, 2008. The DCR factor is calculated by dividing total 2008 program cost for Rate GS by the January - December, 2008 forecasted Kwh sales as shown on page 2. The resulting DCR factor for Rate GS and GRP is 0.073 ¢ per kWh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DCR Component For Rate GS and GRP

Forecast
kWh Sales

JAN 2008	118,886,671
FEB	113,768,552
MAR	108,636,283
APR	104,031,632
MAY	111,066,553
JUN	128,393,179
JUL	144,391,545
AUG	145,157,135
SEP	137,853,122
OCT	112,398,749
NOV	103,048,663
DEC	112,418,426
	<u>1,440,050,510</u>

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)
For Large Commercial Rate LC
12-Month Period Beginning January 1, 2008

The total 2008 DSM Program Cost for Large Commercial Rate LC is \$911,445 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, 2008 through December 31, 2008. The DCR factor is calculated by dividing the total 2008 program cost for Rate LC by the January - December, 2008 forecasted Kwh sales as shown on page 2. The resulting DCR factor for Rate LC is 0.039 ¢ per kWh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DCR Component For Rate LC

Forecast
kWh Sales

JAN 2008	192,047,222
FEB	180,100,076
MAR	175,029,884
APR	169,741,490
MAY	182,482,830
JUN	204,887,696
JUL	227,751,710
AUG	226,898,299
SEP	219,822,574
OCT	185,653,173
NOV	172,747,910
DEC	179,542,808
	<u>2,316,705,671</u>

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)
For Large Commercial Time-of-Day Rate LC-TOD
12-Month Period Beginning January 1, 2008

The total 2008 DSM Program Cost for Large Commercial Time-of-Day Rate LC-TOD is \$202,509 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, 2008 through December 31, 2008. The DCR factor is calculated by dividing the total 2008 program cost for Rate LC-TOD by the January - December, 2008 forecasted Kwh sales as shown on page 2. The resulting DCR factor for Rate LC-TOD is 0.030 ¢ per kWh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DCR Component For Rate LC-TOD

Forecast
kWh Sales

JAN 2008	54,350,838
FEB	50,565,611
MAR	50,654,753
APR	51,764,122
MAY	51,761,253
JUN	58,729,875
JUL	62,985,950
AUG	63,635,394
SEP	64,635,041
OCT	54,882,849
NOV	51,117,263
DEC	54,073,706
	<u>669,156,656</u>

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)
For Industrial Power Rate LP
12-Month Period Beginning January 1, 2008

Not applicable at this time.

LOUISVILLE GAS & ELECTRIC COMPANY
DSM Cost Recovery (DCR)
For Industrial Power Time-of-Day Rate LP-TOD
12-Month Period Beginning January 1, 2008

Not applicable at this time.

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Revenues from Lost Sales Component (DRLS)
12-Month Period Beginning January 1, 2008

Rate Schedule	DRLS
Residential Rate RS and RRP	0.045 ¢/kWh
General Service Rate GS and GRP	0.080 ¢/kWh
Large Commercial Rate LC	0.017 ¢/kWh
Large Commercial Rate LC-TOD	0.008 ¢/kWh

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Revenues from Lost Sales Component: DRLS
12-Month Period Beginning January 1, 2008

Rate Schedule	Exhibit Reference	Lost Net Revenues Total Amount	Estimated Billing Determinants (kWh)	DSM Revenues from Lost Sales Component (DRLS)
Residential Rate RS and RRP	BE-1	\$ 1,932,380	4,253,266,804	0.045 ¢/kWh
General Service Rate GS and GRP	BE-2	\$ 1,154,945	1,440,050,510	0.080 ¢/kWh
Large Commercial Rate LC	BE-3	\$ 393,011	2,316,705,671	0.017 ¢/kWh
Large Commercial Rate LC-TOD	BE-4	\$ 52,526	669,156,656	0.008 ¢/kWh

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)
For Residential Rate RS and RRP
12-Month Period Beginning January 1, 2008

This filing proposes to compute 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 2008 under the energy charges contained in the Rate Schedules RS and Residential Responsive Pricing Rate RRP, 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 Rates RS and RRP by the January - December, 2008 forecasted Kwh sales as shown on page 3. The resulting DRLS factor for Rates RS and RRP is 0.045 ¢ per kWh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Lost Net Revenue for Rate RS and RRP

<u>Program Descriptions</u>	Total Energy Savings (kWh)	Non-variable Revenue per kWh	Lost Net Revenue
Rate RS and RRP	36,869,990	\$0.052	\$1,932,380
TOTAL PROGRAMS	36,869,990		\$1,932,380

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DRLS Component For Rate RS and RRP

Forecast
kWh Sales

JAN 2008	374,551,271
FEB	331,804,204
MAR	311,517,851
APR	266,762,074
MAY	274,725,861
JUN	369,808,866
JUL	490,079,460
AUG	494,899,942
SEP	449,060,730
OCT	293,941,858
NOV	262,104,476
DEC	334,010,211
	<u>4,253,266,804</u>

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)
For General Service Rates GS and GRP
12-Month Period Beginning January 1, 2008

This filing proposes to implement 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 2008 under the energy charges contained in the General Service Rate Schedule GS and General Service Responsive Pricing Rate GRP, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by dividing the total applicable lost net revenue for Rates GS and GRP by the January - December, 2008 forecasted Kwh sales as shown on page 3. The resulting DRLS factor for Rates GS and GRP is 0.080 ¢ per kWh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Lost Net Revenue for Rate GS and GRP

<u>Program Descriptions</u>	<u>Total Energy Savings (kWh)</u>	<u>Non-variable Revenue per kWh</u>	<u>Lost Net Revenue</u>
Rate GS and GRP	19,288,360	\$0.060	\$1,154,945
TOTAL PROGRAMS	19,288,360		\$1,154,945

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DRLS Component For Rate GS and GRP

Forecast
kWh Sales

JAN 2008	118,886,671
FEB	113,768,552
MAR	108,636,283
APR	104,031,632
MAY	111,066,553
JUN	128,393,179
JUL	144,391,545
AUG	145,157,135
SEP	137,853,122
OCT	112,398,749
NOV	103,048,663
DEC	112,418,426
	<u>1,440,050,510</u>

Total Lost Net Revenue

\$ 1,154,945

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)
For Large Commercial Rate LC
12-Month Period Beginning January 1, 2008

This filing proposes to implement 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 (represented by the composite of the expected billings under the respective demand and energy charges) of expected billings in 2008 under the energy charges contained in the Commercial Rate Schedule, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by the total applicable lost net revenue for Rate LC by the January - December, 2008 forecasted Kwh sales as shown on page 3. The resulting DRLS factor for Rate LC is 0.017 ¢ per Kwh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Lost Net Revenue for Rate LC

<u>Program Descriptions</u>	Total Energy Savings (kWh)	Non-variable Revenue per kWh	Lost Net Revenue
Rate LC	9,816,650	\$0.040	\$393,011
TOTAL PROGRAMS	9,816,650		\$393,011

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DRLS Component For Rate LC

Forecast
kWh Sales

JAN 2008	192,047,222
FEB	180,100,076
MAR	175,029,884
APR	169,741,490
MAY	182,482,830
JUN	204,887,696
JUL	227,751,710
AUG	226,898,299
SEP	219,822,574
OCT	185,653,173
NOV	172,747,910
DEC	179,542,808
	<u>2,316,705,671</u>

Total Lost Net Revenue

\$ 393,011

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)
For Large Commercial Time-of-Day Rate LC-TOD
12-Month Period Beginning January 1, 2008

This filing proposes to implement 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 (represented by the composite of the expected billings under the respective demand and energy charges) of expected billings in 2008 under the energy charges contained in the Commercial Time-of-Day Rate Schedule, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by dividing total applicable lost net revenue for Rate LC-TOD by the January - December, 2008 forecasted Kwh sales as shown on page 3. The resulting DRLS factor for Rate LC-TOD is 0.008 ¢ per kWh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Lost Net Revenue For Rate LC-TOD

<u>Program Descriptions</u>	Total Energy Savings (kWh)	Non-variable Revenue per kWh	Lost Net Revenue
Rate LC-TOD	1,312,000	\$0.040	\$52,526
	<hr/>		<hr/>
TOTAL PROGRAMS	1,312,000		\$52,526

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DRLS Component For Rate LC-TOD

Forecast
kWh Sales

JAN	2008	54,350,838
FEB		50,565,611
MAR		50,654,753
APR		51,764,122
MAY		51,761,253
JUN		58,729,875
JUL		62,985,950
AUG		63,635,394
SEP		64,635,041
OCT		54,882,849
NOV		51,117,263
DEC		54,073,706
		<u>669,156,656</u>

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)
For Industrial Power Rate LP
12-Month Period Beginning January 1, 2008

Not currently applicable.

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)
For Industrial Power Time-of-Day Rate LP-TOD
12-Month Period Beginning January 1, 2008

Not currently applicable.

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Incentive Component (DSMI)
12-Month Period Beginning January 1, 2008

Rate Schedule	Exhibit Reference	DSM Incentive Total Amount	Estimated Billing Determinants	DSM Incentive Component (DSMI)
Residential Rate RS and RRP	CE-1	\$ 464,623	4,253,266,804 kWh	0.011 ¢/kWh
General Service Rate GS and GRP	CE-2	\$ 52,736	1,440,050,510 kWh	0.004 ¢/kWh
Large Commercial Rate LC	CE-3	\$ 45,572	2,316,705,671 kWh	0.002 ¢/kWh
Large Commercial Rate LC-TOD	CE-4	\$ 10,125	669,156,656 kWh	0.002 ¢/kWh

DSM Budget Allocation by Rate Class for 2008

Exhibit CE
Page 2 of 3

	2008	5% Incentive	Total Incentive
Total of All Programs			
LGE: RS	\$9,292,469		\$464,623
LGE: RGS	\$1,983,400		\$99,170
LGE: GS	\$1,054,727		\$52,736
LGE: LC	\$911,445		\$45,572
LGE: LC-TOD	\$202,509		\$10,125
LGE: CGS	\$119,903		\$5,995
KU: RS	\$10,047,691		\$502,385
KU: GS	\$1,009,361		\$50,468
KU: LP	\$1,235,051		\$61,753
Total	\$25,856,557		\$1,292,828

LOUISVILLE GAS & ELECTRIC COMPANY
Allocation of DSM Incentive to Rates

<u>ELECTRIC</u>	
Residential Rate RS and RRP	\$ 464,623
General Service Rate GS and GRP	\$ 52,736
Large Commercial Rate LC	\$ 45,572
Large Commercial Rate LC-TOD	\$ 10,125
TOTAL ELECTRIC	\$ 573,057

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)
For Residential Rate RS and RRP
12-Month Period Beginning January 1, 2008

DSMI = DSM INCENTIVE. For all Programs the DSM incentive amount shall be computed by multiplying the annual program cost of the approved programs which are to be installed during the upcoming twelve-month period times five (5) percent.

The DSMI factor is calculated by dividing the total 2008 incentive amount for Rates RS and RRP by the January - December, 2008 forecasted Kwh sales as shown on page 3. The resulting DSMI factor for Residential Rates RS and RRP is 0.011 ¢ per Kwh .

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DSMI Component For Rate RS and RRP

Forecast
kWh Sales

JAN	2008	374,551,271
FEB		331,804,204
MAR		311,517,851
APR		266,762,074
MAY		274,725,861
JUN		369,808,866
JUL		490,079,460
AUG		494,899,942
SEP		449,060,730
OCT		293,941,858
NOV		262,104,476
DEC		334,010,211
		4,253,266,804

Total Incentive \$ 464,623

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)
For General Service Rates GS and GRP
12-Month Period Beginning January 1, 2008

DSMI = DSM INCENTIVE. For all Programs the DSM incentive amount shall be computed by multiplying the annual program cost of the approved programs which are to be installed during the upcoming twelve-month period times five (5) percent.

The DSMI factor is calculated by dividing the total 2008 incentive amount for Rates GS and GRP by the January - December, 2008 forecasted Kwh sales as shown on page 3. The resulting DSMI factor for General Service Rates GS and GRP is 0.004 ¢ per Kwh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DSMI Component For Rate GS and GRP

Forecast
kWh Sales

JAN	2008	118,886,671
FEB		113,768,552
MAR		108,636,283
APR		104,031,632
MAY		111,066,553
JUN		128,393,179
JUL		144,391,545
AUG		145,157,135
SEP		137,853,122
OCT		112,398,749
NOV		103,048,663
DEC		112,418,426
		1,440,050,510

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)
For Large Commercial Rate LC
12-Month Period Beginning January 1, 2008

DSMI = DSM INCENTIVE. For all Programs the DSM incentive amount shall be computed by multiplying the annual program cost of the approved programs which are to be installed during the upcoming twelve-month period times five (5) percent.

The DSMI factor is calculated by dividing the total 2008 incentive amount for Rate LC by the January - December, 2008 forecasted Kwh sales as shown on page 3. The resulting DSMI factor for Large Commercial Rate LC is 0.002 ¢ per Kwh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DSMI Component For Rate LC

Forecast
kWh Sales

JAN	2008	192,047,222
FEB		180,100,076
MAR		175,029,884
APR		169,741,490
MAY		182,482,830
JUN		204,887,696
JUL		227,751,710
AUG		226,898,299
SEP		219,822,574
OCT		185,653,173
NOV		172,747,910
DEC		179,542,808
		2,316,705,671

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)
For Large Commercial Time-of-Day Rate LC-TOD
12-Month Period Beginning January 1, 2008

DSMI = DSM INCENTIVE. For all Programs the DSM incentive amount shall be computed by multiplying the annual program cost of the approved programs which are to be installed during the upcoming twelve-month period times five (5) percent.

The DSMI factor is calculated by dividing 2008 incentive amount for Rate LC-TOD by the January - December, 2008 forecasted Kwh sales as shown on page 3. The resulting DSMI factor for Large Commercial Time-of-Day Rate LC-TOD is 0.002 ¢ per Kwh.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DSMI Component For Rate LC-TOD

Forecast
kWh Sales

JAN	2008	54,350,838
FEB		50,565,611
MAR		50,654,753
APR		51,764,122
MAY		51,761,253
JUN		58,729,875
JUL		62,985,950
AUG		63,635,394
SEP		64,635,041
OCT		54,882,849
NOV		51,117,263
DEC		54,073,706
		669,156,656

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)
For Industrial Power Rate LP
12-Month Period Beginning January 1, 2008

Not applicable at this time.

LOUISVILLE GAS & ELECTRIC COMPANY
DSM Incentive Component (DSMI)
For Industrial Power Time-of-Day Rate LP-TOD
12-Month Period Beginning January 1, 2008

Not applicable at this time.



Louisville Gas and Electric Company

First Revision of Original Sheet No. 71
P.S.C. of Ky. Gas No. 6

STANDARD RATE SCHEDULE

DSMRM

Demand-Side Management Cost Recovery Mechanism

APPLICABLE TO:

Residential Gas Service Rate RGS, Firm Commercial Gas Service Rate CGS, Firm Industrial Gas Service Rate IGS, As Available Gas Service Rate AAGS, Standby Gas Transportation Rate TS, and Firm Gas Transportation Rate FT. Any industrial customers who also receive electric service under Industrial Power Rate LP and Industrial Power Time-of-Day Rate LP-TOD and have elected not to participate in a demand-side management program hereunder shall not be assessed a charge pursuant to this mechanism.

The monthly amount computed under each of the rate schedules to which this Demand-Side Management Cost Recovery Mechanism is applicable shall be increased or decreased by the DSM Cost Recovery Component (DSMRC) at a rate per 100 cubic feet (Ccf) of monthly gas consumption in accordance with the following formula:

$$\text{DSMRC} = \text{DCR} + \text{DRLS} + \text{DSMI} + \text{DBA}$$

Where: **DCR = DSM COST RECOVERY.** The DCR shall include all expected costs which have been approved by the Commission for each twelve-month period for demand-side management programs which have been developed through a collaborative advisory process ("approved programs"). Such program costs shall include the cost of planning, developing, implementing, monitoring, and evaluating DSM programs. Program costs will be assigned for recovery purposes to the rate classes whose customers are directly participating in the

Louisville Gas and Electric Company

First Revision of Original Sheet No. 71.1
P.S.C. of Ky. Gas No. 6

STANDARD RATE SCHEDULE

DSMRM

Demand-Side Management Cost Recovery Mechanism

Recovery of revenues from lost sales calculated for a twelve-month period shall be included in the DRLS for 36 months or until implementation of new rates pursuant to a general rate case. For recovery purposes, the lost sales revenues will be assigned to the rate classes whose programs resulted in the lost sales.

Revenues collected hereunder are based on engineering estimates of energy savings, expected program participation and estimated sales for the upcoming twelve-month period. At the end of each such period, any difference between the lost revenues actually collected hereunder and the lost revenues determined after any revisions of the engineering estimates and actual program participation are accounted for shall be reconciled in future billings under the DSM Balance Adjustment (DBA) component.

A program evaluation vendor will be selected to provide evaluation criteria against which energy savings will be estimated for that program. Each program will be evaluated after implementation and any revision of the original engineering estimates will be reflected in both (a) the retroactive true-up provided for under the DSM Balance Adjustment and (b) the prospective future lost revenues collected hereunder.

Louisville Gas and Electric Company

First Revision of Original Sheet No. 71.2
P.S.C. of Ky. Gas No. 6

STANDARD RATE SCHEDULE

DSMRM

Demand-Side Management Cost Recovery Mechanism

- (2) For the DRLS the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DRLS unit charge and the amount of lost revenues determined for the actual DSM measures implemented during the twelve-month period.
- (3) For the DSMI, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DSMI unit charge and the incentive amount determined for the actual DSM measures implemented during the twelve-month period.
- (4) The DBA, the balance adjustment amount will be determined by calculating the difference between the amount billed during the twelve-month period from application of the DBA unit charges and the balance adjustment amount established for the same twelve-month period.

The balance adjustment amounts determined on the basis of the above paragraphs (1)-(4) shall include interest to be calculated at a rate equal to the average of the "3-month Commercial Paper Rate" for the immediately preceding 12-month period. The balance adjustment amounts, plus interest, shall be divided by the expected Ccf sales for the upcoming twelve-month period to determine the DBA for each rate class. DSM balance adjustment amounts will be assigned for recovery purposes to the rate classes to which over- or under-recoveries of DSM amounts were realized.

Louisville Gas and Electric Company

Seventh Revision of Original Sheet No. 71.3
P.S.C. of Ky. Gas No. 6

STANDARD RATE SCHEDULE

DSMRM

Demand-Side Management Cost Recovery Mechanism

Applicable to: Residential Gas Service Rate RGS, Firm Commercial Gas Service Rate CGS, Firm Industrial Gas Service Rate IGS, As Available Gas Service Rate AAGS, Rate TS, and Rate FT.

As used herein, the term "commercial" applies to any activity engaged primarily in the sale of goods or services including institutions and local, state and federal governmental agencies for uses other than those involving manufacturing.

As used herein, the term "industrial" applies to any activity engaged primarily in a process or processes which create or change raw or unfinished materials into another form or product.

DSM Cost Recovery Component (DSMRC):

Customers Served Under Residential Rate RGS
And Volunteer Fire Department Service Rate VFD

	<u>Energy Charge</u>
DSM Cost Recovery Component (DCR):	00.966 ¢/Ccf
DSM Revenues from Lost Sales (DRLS):	00.076 ¢/Ccf
DSM Incentive (DSMI):	00.226 ¢/Ccf
DSM Balance Adjustment (DBA):	00.156 ¢/Ccf

Louisville Gas and Electric Company

First Revision of Original Sheet No. 71.4
P.S.C. of Ky. Gas No. 6

STANDARD RATE SCHEDULE

DSMRM

Demand-Side Management Cost Recovery Mechanism

DSM Cost Recovery Component (DSMRC):

(Continued)

Industrial Customers Served Under Firm
Industrial Commercial Gas Service Rate IGS, As Available
Gas Service Rate AAGS, Rate TS, and Rate FT

DSM Cost Recovery Component (DCR):	00.000 ¢/Ccf
DSM Revenues from Lost Sales (DRLS):	00.000 ¢/Ccf
DSM Incentive (DSMI):	00.000 ¢/Ccf
DSM Balance Adjustment (DBA):	00.000 ¢/Ccf
DSMRC Rate IGS:	00.000 ¢/Ccf

Louisville Gas and Electric Company

First Revision of Original Sheet No. 71
P.S.C. of Ky. Gas No. 6

STANDARD RATE SCHEDULE

DSMRM

Demand-Side Management Cost Recovery Mechanism

APPLICABLE TO:

Residential Gas Service Rate RGS, Firm Commercial Gas Service Rate CGS, Firm Industrial Gas Service Rate IGS, As Available Gas Service Rate AAGS, Standby Gas Transportation Rate TS, and Firm Gas Transportation Rate FT. Any industrial customers who also receive electric service under Industrial Power Rate LP and Industrial Power Time-of-Day Rate LP-TOD and have elected not to participate in a demand-side management program hereunder shall not be assessed a charge pursuant to this mechanism.

The monthly amount computed under each of the rate schedules to which this Demand-Side Management Cost Recovery Mechanism is applicable shall be increased or decreased by the DSM Cost Recovery Component (DSMRC) at a rate per 100 cubic feet (Ccf) of monthly gas consumption in accordance with the following formula:

$$\text{DSMRC} = \text{DCR} + \text{DRLS} + \text{DSMI} + \text{DBA}$$

Where: **DCR = DSM COST RECOVERY.** The DCR shall include all expected costs which have been approved by the Commission for each twelve-month period for demand-side management programs which have been developed through a collaborative advisory process ("approved programs"). Such program costs shall include the cost of planning, developing, implementing, monitoring, and evaluating DSM programs. Program costs will be assigned for recovery purposes to the rate classes whose customers are directly participating in the program. In addition, all costs incurred by or on behalf of the collaborative process, including but not limited to costs for consultants, employees and administrative expenses, will be recovered through the DCR. Administrative costs that are allocable to more than one rate class will be recovered from those classes and allocated by rate class on the basis of the estimated budget from each program.

The cost of approved programs shall be divided by the expected Ccf sales for the upcoming twelve-month period to determine the DCR for such rate class.

Louisville Gas and Electric Company

First Revision of Original Sheet No. 71.1
P.S.C. of Ky. Gas No. 6

STANDARD RATE SCHEDULE

DSMRM

Demand-Side Management Cost Recovery Mechanism

Recovery of revenues from lost sales calculated for a twelve-month period shall be included in the DRLS for 36 months or until implementation of new rates pursuant to a general rate case. For recovery purposes, the lost sales revenues will be assigned to the rate classes whose programs resulted in the lost sales.

Revenues collected hereunder are based on engineering estimates of energy savings, expected program participation and estimated sales for the upcoming twelve-month period. At the end of each such period, any difference between the lost revenues actually collected hereunder and the lost revenues determined after any revisions of the engineering estimates and actual program participation are accounted for shall be reconciled in future billings under the DSM Balance Adjustment (DBA) component.

A program evaluation vendor will be selected to provide evaluation criteria against which energy savings will be estimated for that program. Each program will be evaluated after implementation and any revision of the original engineering estimates will be reflected in both (a) the retroactive true-up provided for under the DSM Balance Adjustment and (b) the prospective future lost revenues collected hereunder.

DSMI = DSM INCENTIVE. For all Programs the DSM incentive amount shall be computed by multiplying the annual program cost of the approved programs which are to be installed during the upcoming twelve-month period times five (5) percent.

The DSM incentive amount shall be divided by the expected Ccf sales for the upcoming twelve-month period to determine the DSMI. DSM incentive amounts will be assigned for recovery purposes to the rate classes whose programs created the incentive.

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Deleted: shall be computed by multiplying the net resource savings expected from the approved programs which are to be installed during the upcoming twelve-month period times fifteen (15) percent, not to exceed five (5) percent of program expenditures. Net resource savings are defined as program benefits less utility program costs and participant costs where program benefits will be calculated on the basis of the present value of LG&E's avoided costs over the expected life of the program, and will include both capacity and energy

Louisville Gas and Electric Company

First Revision of Original Sheet No. 71.2
P.S.C. of Ky. Gas No. 6

STANDARD RATE SCHEDULE

DSMRM

Demand-Side Management Cost Recovery Mechanism

- (2) For the DRLS the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DRLS unit charge and the amount of lost revenues determined for the actual DSM measures implemented during the twelve-month period.
- (3) For the DSMI, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DSMI unit charge and the incentive amount determined for the actual DSM measures implemented during the twelve-month period.
- (4) The DBA, the balance adjustment amount will be determined by calculating the difference between the amount billed during the twelve-month period from application of the DBA unit charges and the balance adjustment amount established for the same twelve-month period.

The balance adjustment amounts determined on the basis of the above paragraphs (1)-(4) shall include interest to be calculated at a rate equal to the average of the "3-month Commercial Paper Rate" for the immediately preceding 12-month period. The balance adjustment amounts, plus interest, shall be divided by the expected Ccf sales for the upcoming twelve-month period to determine the DBA for each rate class. DSM balance adjustment amounts will be assigned for recovery purposes to the rate classes to which over- or under-recoveries of DSM amounts were realized.

The filing of modifications to the DSMRC which require changes in the DCR component shall be made at least two months prior to the beginning of the effective period for billing. Modifications to other components of the DSMRC shall be made at least thirty days prior to the effective period for billing. Each filing shall include the following information as applicable:

- (1) A detailed description of each DSM program developed by the collaborative process, the total cost of each program over the twelve-month period, an

Louisville Gas and Electric Company

Seventh Revision of Original Sheet No. 71.3
P.S.C. of Ky. Gas No. 6

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STANDARD RATE SCHEDULE DSMRM

Demand-Side Management Cost Recovery Mechanism

Applicable to: Residential Gas Service Rate RGS, Firm Commercial Gas Service Rate CGS, Firm Industrial Gas Service Rate IGS, As Available Gas Service Rate AAGS, Rate TS, and Rate FT.

As used herein, the term "commercial" applies to any activity engaged primarily in the sale of goods or services including institutions and local, state and federal governmental agencies for uses other than those involving manufacturing.

As used herein, the term "industrial" applies to any activity engaged primarily in a process or processes which create or change raw or unfinished materials into another form or product.

DSM Cost Recovery Component (DSMRC):

Customers Served Under Residential Rate RGS
And Volunteer Fire Department Service Rate VFD

	<u>Energy Charge</u>
DSM Cost Recovery Component (DCR):	00.966 ¢/Ccf
DSM Revenues from Lost Sales (DRLS):	00.076 ¢/Ccf
DSM Incentive (DSMI):	00.226 ¢/Ccf
DSM Balance Adjustment (DBA):	00.156 ¢/Ccf
 DSMRC Rate RGS:	 01.424 ¢/Ccf

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Commercial Customers Served Under Firm
Commercial Gas Service Rate CGS, As Available
Gas Service Rate AAGS, Rate TS, and Rate FT

Louisville Gas and Electric Company

First Revision of Original Sheet No. 71.4
P.S.C. of Ky. Gas No. 6

STANDARD RATE SCHEDULE

DSMRM

Demand-Side Management Cost Recovery Mechanism

DSM Cost Recovery Component (DSMRC):

(Continued)

Industrial Customers Served Under Firm
Industrial Commercial Gas Service Rate IGS, As Available
Gas Service Rate AAGS, Rate TS, and Rate FT

DSM Cost Recovery Component (DCR):	00.000 ¢/Ccf
DSM Revenues from Lost Sales (DRLS):	00.000 ¢/Ccf
DSM Incentive (DSMI):	00.000 ¢/Ccf
DSM Balance Adjustment (DBA):	00.000 ¢/Ccf
DSMRC Rate IGS:	00.000 ¢/Ccf

LOUISVILLE GAS & ELECTRIC COMPANY

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

GAS SERVICE

**Twelve-Month Period Beginning January 1, 2008
and Ending December 31, 2008**

Summary

LOUISVILLE GAS & ELECTRIC COMPANY
 Summary of Total DSM Cost Recovery Component (DSMRC)
 12-Month Period Beginning January 1, 2007

Rate Schedule	DSM Cost Recovery Component (DCR) Exhibit AG	DSM Revenues From Lost Sales Component (DRLS) Exhibit BG	DSM Incentive Component (DSMI) Exhibit CG	DSM Balance Adjustment Component (DBA) Exhibit DG	DSM Recovery Component (DSMRC) Total
Residential Rate RGS	0.966	0.076	0.048	0.156	1.246 ¢/Ccf
Commercial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	0.128	0.001	0.006	(0.020)	0.115 ¢/Ccf

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Revenues from DSM Cost Recovery Component (DCR)
12-Month Period Beginning January 1, 2008

Rate Schedule	Exhibit Reference	DSM Cost Recovery Total Amount	Estimated Billing Determinants	DSM Cost Recovery Component (DCR)
Residential Gas Service RGS	AG-1	\$ 1,983,400	205,291,983 Ccf	0.966 ¢/Ccf
Commercial Customers Served Under Rate CGS, Rate G6 Rate G7, Rate TS, and Rate FT	AG-2	\$ 119,903	93,455,733 Ccf	0.128 ¢/Ccf
Total DCR Amount		\$ 2,103,303		

LOUISVILLE GAS & ELECTRIC COMPANY
DSM Cost Recovery Component (DCR)
12-Month Period Beginning January 1, 2008

Program costs, which are categorized by residential and commercial, must be allocated first to gas and to electric, and then to the individual rate schedules. The first step, allocation between gas and electric, 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 program costs for the Residential Rate R, the Residential Gas Service RGS, and the Commercial Customers served under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT were directly assigned to the rate schedules by means of the allocation to gas and to electric on page 3.

The auxiliary Exhibits identified as AG-1 through AG-3 provide the specific analyses of program costs, revenue recovery, and billing determinants which are necessary to compute the DCR factors for each of the gas rate schedules.

DSM Budget Allocation

Exhibit AG

Page 3 of 4

Program	Allocation	2008
Total of All Programs		
LGE: RS		9,292,489
LGE: RGS		1,983,400
LGE: GS		1,054,727
LGE: LC		911,445
LGE: LC-TOD		202,509
LGE: CGS		119,903
KU: RS		10,047,691
KU: GS		1,009,361
KU: LP		1,235,051
Total		25,956,557
Residential Conservation		
LGE: RS	22.0%	141,335
LGE: RGS	28.0%	179,881
KU: RS	50.0%	321,216
Total		642,432
Residential Load Mgmt.		
LGE: RS	5.0%	499,556
LGE: RGS	45.0%	4,498,006
KU: RS	50.0%	4,995,563
Total		9,991,125
Commercial Load Mgmt.		
LGE: GS	34.0%	148,277
LGE: LC	10.0%	43,811
LGE: LC-TOD	1.0%	4,361
LGE: CGS	5.0%	21,806
KU: GS	41.0%	178,805
KU: LP	9.0%	39,250
Total		436,110
Residential Low-Income		
LGE: RS	22.0%	360,306
LGE: RGS	28.0%	464,026
KU: RS	50.0%	864,333
Total		1,728,665
Commercial Conservation		
LGE: GS	17.0%	540,148
LGE: LC	26.0%	826,105
LGE: LC-TOD	6.0%	180,840
LGE: CGS	1.0%	31,773
KU: GS	15.0%	478,509
KU: LP	35.0%	1,112,065
Total		3,177,328
Residential Real Time Metering		
LGE: R	95.0%	1,039,509
LGE: RGS	5.0%	54,711
KU: R	0.0%	-
Total		1,094,220
Commercial Real Time Metering		
LGE: GS	95.0%	169,223

LOUISVILLE GAS & ELECTRIC COMPANY
Allocation of DSM Program Costs to Rates

GAS	
Residential Gas Service RGS	\$ 1,983,400
Commercial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	\$ 119,903
TOTAL GAS	\$ 2,103,303

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)
For Residential Gas Service RGS
12-Month Period Beginning January 1, 2008

The total 2008 DSM Program Cost for Residential Gas Service RGS is \$1,983,400 as determined on page 4 of Exhibit AG. This filing proposes to determine a DSM Cost Recovery (DCR) factor to be applicable for the period of January 1, 2008 through December 31, 2008. The DCR factor is calculated by dividing the total 2008 program cost for Rate RGS by the January - December, 2008 forecasted Ccf sales as shown on page 2. The resulting DCR factor for Residential Gas Service is 0.966 ¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DCR Component For Rate RGS

Forecast
Ccf Sales

JAN 2008	42,670,212
FEB	38,794,900
MAR	28,273,670
APR	18,670,382
MAY	9,541,481
JUN	5,026,662
JUL	4,116,090
AUG	3,807,658
SEP	4,060,234
OCT	5,748,158
NOV	13,855,097
DEC	30,727,439
	<u>205,291,983</u>

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)
For Commercial Customers Served Under
Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning January 1, 2008

The total 2008 DSM Program Cost for Commercial Gas Customers is \$119,903 as determined on page 4 of Exhibit AG. This filing proposes to determine a DSM Cost Recovery (DCR) factor to be applicable for the period of January 1, 2008 through December 31, 2008. The DCR factor is calculated by dividing the total 2008 program cost for Commercial Gas Customers by the January - December, 2008 forecasted Ccf sales as shown on page 2. The resulting DCR factor for Commercial Gas Service is 0.128 ¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DCR Component For Rates CGS, G-6, G-7, TS, and FT

Forecast
Ccf Sales

JAN 2008	17,659,537
FEB	16,221,301
MAR	12,060,395
APR	8,230,482
MAY	4,911,475
JUN	3,350,749
JUL	3,004,936
AUG	2,817,689
SEP	2,864,542
OCT	3,737,831
NOV	5,919,526
DEC	12,677,269
	<u>93,455,733</u>

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Cost Recovery (DCR)
For Industrial Customers Served Under
Rate IGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning January 1, 2008

Not currently applicable.

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Revenues from Lost Sales Component (DRLS)
12-Month Period Beginning January 1, 2008

Rate Schedule	DRLS
Residential Rate RGS	0.076 ¢/Ccf
Commercial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	0.001 ¢/Ccf

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Revenues from Lost Sales Component: DRLS
12-Month Period Beginning January 1, 2008

Rate Schedule	Exhibit Reference	Lost Net Revenues Total Amount	Estimated Billing Determinants (Ccf)	DSM Revenues from Lost Sales Component (DRLS)
Residential Rate RGS	BG-1	\$ 156,794	205,291,983	0.076 ¢/Ccf
Commercial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	BG-2	\$ 1,118	93,455,733	0.001 ¢/Ccf
Total DRLS Amount		\$ 157,912		

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)
For Residential Rate RGS
12-Month Period Beginning January 1, 2008

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 Ccf by the estimated annual reduction in customer usage as shown on page 2. The non-variable revenue requirement is the weighted average price per Ccf of expected billings in 2008 under the energy charges contained in the Rate Schedule RGS, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by dividing the total applicable lost net revenue for Rate RGS by the January - December, 2008 forecasted Ccf sales as shown on page 3. The resulting DRLS factor for Residential Rate RGS is .076 ¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Lost Net Revenues for Rate RGS
12-Month Period Beginning January 1, 2008

<u>Program Descriptions</u>	<u>Total Energy Savings (Ccf)</u>	<u>Non-variable Revenue per Ccf</u>	<u>Lost Net Revenue</u>
Rate RGS	1,013,537	\$ 0.15470	\$156,794
	<hr/>		<hr/>
TOTAL PROGRAMS	1,013,537		\$156,794

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DRLS Component For Rate RGS
12-Month Period Beginning January 1, 2008

Forecast
Ccf Sales

JAN 2008	42,670,212
FEB	38,794,900
MAR	28,273,670
APR	18,670,382
MAY	9,541,481
JUN	5,026,662
JUL	4,116,090
AUG	3,807,658
SEP	4,060,234
OCT	5,748,158
NOV	13,855,097
DEC	30,727,439
	<u>205,291,983</u>

Total Lost Net Revenue

\$ 156,794

Revised DRLS Factor in ¢ per Ccf

0.076

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)
For Commercial Customers Served Under
Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning January 1, 2008

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 Ccf by the estimated annual reduction in customer usage as shown on page 2. The non-variable revenue requirement is the weighted average price per Ccf of expected billings in 2008 under the energy charges contained in the Commercial Rate Schedules, after deducting the variable costs included in such energy charges.

The DRLS factor is calculated by dividing the total applicable lost net revenue for Commercial gas customers by the January - December, 2008 forecasted Ccf sales as shown on page 3. The resulting DRLS factor for Commercial customers served under rate CGS, G-6, G-7, Rate TS, and Rate FT is 0.001¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of Lost Net Revenue for Commercial Customers Served Under
Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning January 1, 2008

<u>Program Descriptions</u>	<u>Total Energy Savings (Ccf)</u>	<u>Non-variable Revenue per Ccf</u>	<u>Lost Net Revenue</u>
Rate CGS	7,467	\$ 0.14968	\$1,118
TOTAL PROGRAMS	7,467		\$1,118

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DRLS Component for Commercial Customers Served Under
Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning January 1, 2008

Forecast
Ccf Sales

JAN 2008	17,659,537
FEB	16,221,301
MAR	12,060,395
APR	8,230,482
MAY	4,911,475
JUN	3,350,749
JUL	3,004,936
AUG	2,817,689
SEP	2,864,542
OCT	3,737,831
NOV	5,919,526
DEC	12,677,269
	<u>93,455,733</u>

Total Lost Net Revenue

\$ 1,118

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Revenues from Lost Sales (DRLS)
For Industrial Customers Served Under
Rate IGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning January 1, 2008

Not currently applicable.

LOUISVILLE GAS & ELECTRIC COMPANY
Summary of DSM Incentive Component (DSMI)
12-Month Period Beginning January 1, 2008

Rate Schedule	Exhibit Reference	DSM Incentive Total Amount	Estimated Billing Determinants	DSM Incentive Component (DSMI)
Residential Rate RGS	CG-1	\$ 99,170	205,291,983 Ccf	0.048 ¢/Ccf
Commercial Customers Served Under Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT	CG-2	\$ 5,995	93,455,733 Ccf	0.006 ¢/Ccf
Total DSMI Amount		\$ 105,165		

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)
For Residential Rate RGS
12-Month Period Beginning January 1, 2008

DSMI = DSM INCENTIVE. For all Programs the DSM incentive amount shall be computed by multiplying the annual program cost of the approved programs which are to be installed during the upcoming twelve-month period times five (5) percent.

The DSMI factor is calculated by dividing the total 2008 incentive amount for Rate RGS by the January - December, 2008 forecasted Ccf sales as shown on page 3. The resulting DSMI factor for Residential Rate RGS is 0.226 ¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DSMI Component For Rate RGS

Forecast
Ccf Sales

JAN 2008	42,670,212
FEB	38,794,900
MAR	28,273,670
APR	18,670,382
MAY	9,541,481
JUN	5,026,662
JUL	4,116,090
AUG	3,807,658
SEP	4,060,234
OCT	5,748,158
NOV	13,855,097
DEC	<u>30,727,439</u>
	<u><u>205,291,983</u></u>

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)
For Commercial Customers Served Under
Rate CGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning January 1, 2008

DSMI = DSM INCENTIVE. For all Programs the DSM incentive amount shall be computed by multiplying the annual program cost of the approved programs which are to be installed during the upcoming twelve-month period times five (5) percent.

The DSMI factor is calculated by dividing the total 2008 incentive amount for Rates CGS, G-6, G-7, TS and FT by the January - December, 2008 forecasted Ccf sales as shown on page 3. The resulting DSMI factor is 0.011 ¢ per Ccf.

LOUISVILLE GAS & ELECTRIC COMPANY
Calculation of DSMI Component For Rate CGS

Forecast
Ccf Sales

JAN 2008	17,659,537
FEB	16,221,301
MAR	12,060,395
APR	8,230,482
MAY	4,911,475
JUN	3,350,749
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NOV	5,919,526
DEC	12,677,269
	<u>93,455,733</u>

LOUISVILLE GAS & ELECTRIC COMPANY

DSM Incentive Component (DSMI)
For Industrial Customers Served Under
Rate IGS, Rate G-6, Rate G-7, Rate TS, and Rate FT
12-Month Period Beginning January 1, 2008

Not currently applicable.



DSMRM

Demand-Side Management Cost Recovery Mechanism

APPLICABLE TO: Residential Service Rate RS, Volunteer Fire Department Rate VFD, General Service Rate GS, Small Time-of-Day Service Rate STOD, Large Power Rate LP, and Large Commercial/Industrial Time-of-Day Rate LCI-TOD. Industrial customers served under Large Power Rate LP, and Large Commercial and Industrial Time-of-Day Rate LCI-TOD, who elect not to participate in a demand-side management program hereunder shall not be assessed a charge pursuant to this mechanism.

The monthly amount computed under each of the rate schedules to which this Demand-Side Management Cost Recovery Mechanism is applicable shall be increased or decreased by the DSM Cost Recovery Component (DSMRC) at a rate per kilowatt hour of monthly consumption in accordance with the following formula:

$$\text{DSMRC} = \text{DCR} + \text{DRLS} + \text{DSMI} + \text{DBA}$$

Where: **DCR = DSM COST RECOVERY.** The DCR shall include all expected costs which have been approved by the Commission for each twelve-month period for demand-side management programs which have been developed through a collaborative advisory process ("approved programs"). Such program costs shall include the cost of planning, developing, implementing, monitoring, and evaluating DSM programs. Program costs will be assigned for recovery purposes to the rate classes

DSMRM

Demand-Side Management Cost Recovery Mechanism

included in such energy charges. The non-variable revenue requirement for each of the customer classes that are billed under demand and energy rates (Rate LP, Rate LCI-TOD, and Rate STOD) is defined as the weighted average price per Kwh represented by the composite of the expected billings under the respective demand and energy charges in the upcoming twelve-month period, after deducting the variable costs included in the energy charges.

The lost revenues for each customer class shall then be divided by the estimated class sales (in Kwh) for the upcoming twelve-month period to determine the applicable DRLS surcharge. Recovery of revenue from lost sales calculated for a twelve-month period shall be included in the DRLS for 36 months or until implementation of new rates pursuant to a general rate case, whichever comes first. Revenues from lost sales will be assigned for recovery purposes to the rate classes whose programs resulted in the lost sales.

Revenues collected hereunder are based on engineering estimates of energy savings, expected program participation and estimated sales for the upcoming twelve-month period. At the end of each such period, any difference between the lost revenues actually collected hereunder and the lost revenues determined after any revisions of the engineering estimates and actual program participation are accounted for shall be reconciled in future billings under the DSM Balance Adjustment (DBA) component.

A program evaluation vendor will be selected to provide evaluation criteria against which

DSMRM

Demand-Side Management Cost Recovery Mechanism

DBA = DSM BALANCE ADJUSTMENT. The DBA shall be calculated on a calendar year basis and is used to reconcile the difference between the amount of revenues actually billed through the DCR, DRLS, DSMI and previous application of the DBA and the revenues which should have been billed, as follows:

- (1) For the DCR, the balance adjustment amount will be the difference between the amount billed in a twelve-month period from the application of the DCR unit charge and the actual cost of the approved programs during the same twelve-month period.
- (2) For the DRLS the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DRLS unit charge and the amount of lost revenues determined for the actual DSM measures implemented during the twelve-month period.
- (3) For the DSMI, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DSMI unit charge and the incentive amount determined for the actual DSM measures implemented during the twelve-month period.
- (4) For the DBA, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DBA and the balance adjustment amount established for the same twelve-

DSMRM

Demand-Side Management Cost Recovery Mechanism

- (2) A statement setting forth the detailed calculation of the DCR, DRLS, DSMI, DBA and DSMRC.

Each change in the DSMRC shall be placed into effect with bills rendered on and after the effective date of such change.

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.

DSM Cost Recovery Component (DSMRC):

<u>Residential Service Rate RS and Volunteer Fire Department Service VFD</u>	<u>Energy Charge</u>
DSM Cost Recovery Component (DCR):	0.160 ¢/Kwh
DSM Revenues from Lost Sales (DRLS):	0.021 ¢/Kwh
DSM Incentive (DSM):	0.008 ¢/Kwh
DSM Balance Adjustment (DBA):	(0.009) ¢/Kwh

Kentucky Utilities Company

Sixth Revision of Original Sheet No. 71.5
P.S.C. No. 13

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):	0.028 ¢/Kwh
DSM Revenues from Lost Sales (DRLS):	0.008 ¢/Kwh
DSM Incentive (DSM):	0.001 ¢/Kwh
DSM Balance Adjustment (DBA):	0.003 ¢/Kwh
DSMRC Rate LP:	0.040 ¢/Kwh

DSMRM

Demand-Side Management Cost Recovery Mechanism

APPLICABLE TO: Residential Service Rate RS, Volunteer Fire Department Rate VFD, General Service Rate GS, Small Time-of-Day Service Rate STOD, Large Power Rate LP, and Large Commercial/Industrial Time-of-Day Rate LCI-TOD. Industrial customers served under Large Power Rate LP, and Large Commercial and Industrial Time-of-Day Rate LCI-TOD, who elect not to participate in a demand-side management program hereunder shall not be assessed a charge pursuant to this mechanism.

The monthly amount computed under each of the rate schedules to which this Demand-Side Management Cost Recovery Mechanism is applicable shall be increased or decreased by the DSM Cost Recovery Component (DSMRC) at a rate per kilowatt hour of monthly consumption in accordance with the following formula:

$$\text{DSMRC} = \text{DCR} + \text{DRLS} + \text{DSMI} + \text{DBA}$$

Where: **DCR = DSM COST RECOVERY.** The DCR shall include all expected costs which have been approved by the Commission for each twelve-month period for demand-side management programs which have been developed through a collaborative advisory process ("approved programs"). Such program costs shall include the cost of planning, developing, implementing, monitoring, and evaluating DSM programs. Program costs will be assigned for recovery purposes to the rate classes whose customers are directly participating in the program. In addition, all costs incurred by or on behalf of the collaborative process, including but not limited to costs for consultants, employees and administrative expenses, will be recovered through the DCR. Administrative costs that are allocable to more than one rate class will be recovered from those classes and allocated by rate class on the basis of the estimated budget from each program. The cost of approved programs shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DCR for such

DSMRM

Demand-Side Management Cost Recovery Mechanism

included in such energy charges. The non-variable revenue requirement for each of the customer classes that are billed under demand and energy rates (Rate LP, Rate LCI-TOD, and Rate STOD) is defined as the weighted average price per Kwh represented by the composite of the expected billings under the respective demand and energy charges in the upcoming twelve-month period, after deducting the variable costs included in the energy charges.

The lost revenues for each customer class shall then be divided by the estimated class sales (in Kwh) for the upcoming twelve-month period to determine the applicable DRLS surcharge. Recovery of revenue from lost sales calculated for a twelve-month period shall be included in the DRLS for 36 months or until implementation of new rates pursuant to a general rate case, whichever comes first. Revenues from lost sales will be assigned for recovery purposes to the rate classes whose programs resulted in the lost sales.

Revenues collected hereunder are based on engineering estimates of energy savings, expected program participation and estimated sales for the upcoming twelve-month period. At the end of each such period, any difference between the lost revenues actually collected hereunder and the lost revenues determined after any revisions of the engineering estimates and actual program participation are accounted for shall be reconciled in future billings under the DSM Balance Adjustment (DBA) component.

A program evaluation vendor will be selected to provide evaluation criteria against which energy savings will be estimated for that program. Each program will be evaluated after implementation and any revision of the original engineering estimates will be reflected in both (a) the retroactive true-up provided for under the DSM Balance Adjustment and (b) the prospective future lost revenues collected hereunder.

DSMI = DSM INCENTIVE. For all Programs the DSM incentive amount shall be computed by multiplying the annual program cost of the approved programs

Deleted: Energy Impact

Deleted: except Direct Load Control,

Deleted: shall be computed by multiplying the net resource savings expected from the approved programs which are to be installed during the upcoming twelve-month period times fifteen (15) percent, not to exceed five (5) percent of program expenditures. Net resource savings are defined as program benefits less utility program costs and participant costs where program benefits will be calculated on the basis of the present value of KU's avoided costs over the expected life of the program, and will include both capacity and energy

DSMRM

Demand-Side Management Cost Recovery Mechanism

DBA = DSM BALANCE ADJUSTMENT. The DBA shall be calculated on a calendar year basis and is used to reconcile the difference between the amount of revenues actually billed through the DCR, DRLS, DSMI and previous application of the DBA and the revenues which should have been billed, as follows:

- (1) For the DCR, the balance adjustment amount will be the difference between the amount billed in a twelve-month period from the application of the DCR unit charge and the actual cost of the approved programs during the same twelve-month period.
- (2) For the DRLS the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DRLS unit charge and the amount of lost revenues determined for the actual DSM measures implemented during the twelve-month period.
- (3) For the DSMI, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DSMI unit charge and the incentive amount determined for the actual DSM measures implemented during the twelve-month period.
- (4) For the DBA, the balance adjustment amount will be the difference between the amount billed during the twelve-month period from application of the DBA and the balance adjustment amount established for the same twelve-month period.

The balance adjustment amounts determined on the basis of the above paragraphs (1)-(4) shall include interest applied to the monthly amounts, such interest to be calculated at a rate equal to the average of the "3-month Commercial Paper Rate" for the immediately preceding 12-month period. The total of the balance adjustment amounts shall be divided by the expected kilowatt-hour sales for the upcoming twelve-month period to determine the DBA for such rate class.

DSMRM

Demand-Side Management Cost Recovery Mechanism

- (2) A statement setting forth the detailed calculation of the DCR, DRLS, DSMI, DBA and DSMRC.

Each change in the DSMRC shall be placed into effect with bills rendered on and after the effective date of such change.

Kentucky Utilities Company

Eighth Revision of Original Sheet No. 71.4
P.S.C. No. 13

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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.

DSM Cost Recovery Component (DSMRC):

Residential Service Rate RS and
Volunteer Fire Department Service VFD

Energy Charge

DSM Cost Recovery Component (DCR):

0.160 ¢/Kwh

Deleted: 065

DSM Revenues from Lost Sales (DRLS):

0.021 ¢/Kwh

Deleted: 002

DSM Incentive (DSM):

0.008 ¢/Kwh

Deleted: 3

DSM Balance Adjustment (DBA):

(0.009) ¢/Kwh

DSMRC Rate RS:

0.180 ¢/Kwh

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Deleted: 0

Deleted: 0

Kentucky Utilities Company

Sixth Revision of Original Sheet No. 71.5
P.S.C. No. 13

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DSMRM

Demand-Side Management Cost Recovery Mechanism

DSM Cost Recovery Component (DSMRC):
(Continued)

Large Power Rate LP and
Small Time-of-Day Service Rate STOD

Energy Charge

DSM Cost Recovery Component (DCR):

0.028 ¢/Kwh

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DSM Revenues from Lost Sales (DRLS):

0.008 ¢/Kwh

Deleted: 1

DSM Incentive (DSM):

0.001 ¢/Kwh

Deleted: 0

DSM Balance Adjustment (DBA):

0.003 ¢/Kwh

DSMRC Rate LP:

0.040 ¢/Kwh

Deleted: 8

Large Commercial/Industrial Rate LCI-TOD

Energy Charge

DSM Cost Recovery Component (DCR):

0.000 ¢/Kwh

DSM Revenues from Lost Sales (DRLS):

0.000 ¢/Kwh

Deleted: 20

KENTUCKY UTILITIES COMPANY

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

ELECTRIC SERVICE

**Twelve-Month Period Beginning January 1, 2008
and Ending December 31, 2008**

Summary

Kentucky Utilities
 Summary of Total DSM Cost Recovery Component (DSMRC)
 12-Month Period Beginning January 1, 2008

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	DSM Recovery Component (DSMRC) Total
Residential Service RS	0.160	0.021	0.008	(0.009)	0.180 ¢/kWh
General Service GS	0.06	0.045	0.003	(0.016)	0.092 ¢/kWh
Rate LP (excludes industrial)	0.028	0.008	0.001	0.003	0.040 ¢/kWh

Kentucky Utilities
Summary of DSM Revenues from DSM Cost Recovery Component (DCR)
12-month Period Beginning January 1, 2008

Rate Schedule	Exhibit Reference	DSM Cost Recovery Total Amount	Estimated Billing Determinants	DSM Cost Recovery Component (DCR)
Residential Service RS	AE-1	\$ 10,047,691	6,282,690,171 kWh	0.160 ¢/kWh
General Service GS	AE-2	\$ 1,009,361	1,688,723,986 kWh	0.060 ¢/kWh
Rate LP (excludes industrial)	AE-3	\$ 1,235,051	4,394,317,406 kWh	0.028 ¢/kWh

KENTUCKY UTILITIES COMPANY
DSM Cost Recovery Component (DCR)
12-Month Period Beginning January 1, 2008

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

Exhibit AE

Page 3 of 4

Program	Allocation	2008
Total of All Programs		
LGE: RS		9,292,469
LGE: RGS		1,593,400
LGE: GS		1,054,727
LGE: LC		911,446
LGE: LC-TOD		202,509
LGE: CGS		119,903
KU: RS		10,047,691
KU: GS		1,009,361
KU: LP		1,235,051
Total		25,856,557
Residential Conservation		
LGE: RS	22.0%	141,335
LGE: RGS	28.0%	179,861
KU: RS	50.0%	321,216
Total		642,432
Residential Load Mgmt.		
LGE: RS	5.0%	499,556
LGE: RGS	45.0%	4,496,005
KU: RS	50.0%	4,995,563
Total		9,991,129
Commercial Load Mgmt.		
LGE: GS	34.0%	148,277
LGE: LC	10.0%	43,611
LGE: LC-TOD	1.0%	4,361
LGE: CGS	5.0%	21,806
KU: GS	41.0%	178,805
KU: LP	9.0%	39,250
Total		436,110
Residential Low-Income		
LGE: RS	22.0%	380,306
LGE: RGS	28.0%	484,026
KU: RS	50.0%	864,333
Total		1,728,665
Commercial Conservation		
LGE: GS	17.0%	540,146
LGE: LC	26.0%	826,105
LGE: LC-TOD	6.0%	190,640
LGE: CGS	1.0%	31,773
KU: GS	15.0%	476,599
KU: LP	35.0%	1,112,065
Total		3,177,328
Residential Real Time Metering		
LGE: R	95.0%	1,039,509
LGE: RGS	5.0%	64,711
KU: R	0.0%	-
Total		1,094,220
Commercial Real Time Metering		
LGE: GS	95.0%	169,223
LGE: LC	0.0%	-
LGE: LC-TOD	0.0%	-
LGE: CGS	5.0%	6,905

Kentucky Utilities
Allocation of DSM Program Costs to Rates

<u>ELECTRIC</u>	
Residential Rate RS	\$ 10,047,691
General Service Rate GS	\$ 1,009,361
Rate LP (excludes industrial)	\$ 1,235,051

KENTUCKY UTILITIES COMPANY

DSM Cost Recovery (DCR)
For Residential Rate RS
12-Month Period Beginning January 1, 2008

The total 2008 DSM Program Cost for Residential Rate RS is \$10,047,691 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, 2008 through December 31, 2008. The DCR factor is calculated by dividing the total 2008 program cost for Rate RS by the January - December, 2008 forecasted Kwh sales as shown on page 2. The resulting DCR factor for Residential Rate RS is 0.160¢ per kWh .

Kentucky Utilities
Calculation of DCR Component For Rate RS

Forecast
kWh Sales

JAN 2008	734,834,569
FEB	638,464,517
MAR	554,339,375
APR	452,847,146
MAY	377,763,868
JUN	456,873,850
JUL	568,365,730
AUG	573,843,316
SEP	520,662,601
OCT	381,115,960
NOV	412,738,847
DEC	610,840,392
	<u>6,282,690,171</u>

Total Program Costs \$ 10,047,691

Revised DCR Factor in ¢ per kWh 0.160

KENTUCKY UTILITIES COMPANY

DSM Cost Recovery (DCR)
For General Service Rate GS
12-Month Period Beginning January 1, 2008

The total 2008 DSM Program Cost for General Service Rate GS is \$1,009,361 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, 2008 through December 31, 2008. The DCR factor is calculated by dividing the total 2008 program cost for Rate GS by the January - December, 2008 forecasted Kwh sales as shown on page 2. The resulting DCR factor for Rate GS is 0.060 ¢ per kWh.

Kentucky Utilities
Calculation of DCR Component For Rate GS

Forecast
kWh Sales

JAN 2008	155,717,728
FEB	142,437,208
MAR	134,081,689
APR	125,289,543
MAY	121,608,024
JUN	137,772,992
JUL	155,203,336
AUG	157,797,641
SEP	152,115,796
OCT	128,980,817
NOV	128,351,147
DEC	149,368,064
	<u>1,688,723,986</u>

KENTUCKY UTILITIES COMPANY

DSM Cost Recovery (DCR)
For Light & Power Rate LP
12-Month Period Beginning January 1, 2008

The total 2008 DSM Program Cost for Light & Power Rate LP is \$1,235,051 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, 2008 through December 31, 2008. The DCR factor is calculated by dividing the total 2008 program cost for Rate LP by the January - December, 2008 forecasted Kwh sales as shown on page 2. The resulting DCR factor for Rate LP is 0.028 ¢ per kWh.

Kentucky Utilities
Calculation of DCR Component For Rate LP

Forecast
kWh Sales (excludes industrial)

JAN 2008	371,066,573
FEB	349,409,595
MAR	337,207,742
APR	340,220,326
MAY	353,480,808
JUN	387,991,861
JUL	413,607,552
AUG	404,614,941
SEP	405,578,011
OCT	355,437,460
NOV	321,586,983
DEC	354,115,553
	<u>4,394,317,406</u>

Total Program Costs \$ 1,235,051

Revised DCR Factor in ¢ per kWh 0.028

Kentucky Utilities
Summary of DSM Revenues from Lost Sales Component (DRLS)
12-Month Period Beginning January 1, 2008

<u>Rate Schedule</u>	<u>DRLS</u>
Residential Rate RS	0.021 ¢/kWh
General Service GS	0.045 ¢/kWh
Rate LP (excludes industrial)	0.008 ¢/kWh

Kentucky Utilities
Summary of DSM Revenues from Lost Sales Component: DRLS
12-Month Period Beginning January 1, 2008

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	\$ 1,346,480	6,282,690,171	0.021 ¢/kWh
General Service GS	BE-2	\$ 759,421	1,688,723,986	0.045 ¢/kWh
Rate LP (excludes industrial)	BE-3	\$ 337,503	4,394,317,406	0.008 ¢/kWh

KENTUCKY UTILITIES COMPANY

DSM Revenues from Lost Sales (DRLS)
For Residential Rate RS
12-Month Period Beginning January 1, 2008

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 2008 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, 2008 forecasted Kwh sales as shown on page 3. The resulting DRLS factor for Rate RS is 0.021 ¢ 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>
Rate RS	37,844,010	\$ 0.036	\$1,346,480
TOTAL PROGRAMS	37,844,010		\$1,346,480

Kentucky Utilities
Calculation of DRLS Component For Rate RS

Forecast
kWh Sales

JAN 2008	734,834,569
FEB	638,464,517
MAR	554,339,375
APR	452,847,146
MAY	377,763,868
JUN	456,873,850
JUL	568,365,730
AUG	573,843,316
SEP	520,662,601
OCT	381,115,960
NOV	412,738,847
DEC	610,840,392
	<u>6,282,690,171</u>

Total Lost Net Revenue \$ 1,346,480

Revised DRLS Factor in ¢ per kWh 0.021

KENTUCKY UTILITIES COMPANY

DSM Revenues from Lost Sales (DRLS)
For General Service Rate GS
12-Month Period Beginning January 1, 2008

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 2008 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, 2008 forecasted Kwh sales as shown on page 3. The resulting DRLS factor for Rate GS is 0.045 ¢ per kWh.

Kentucky Utilities
Calculation of Lost Net Revenue for Rate GS

<u>Program Descriptions</u>	Total Energy Savings (kWh)	Non-variable Revenue per kWh	Lost Net Revenue
Rate GS	22,506,610	\$ 0.034	\$759,421
TOTAL PROGRAMS	<hr/> 22,506,610		<hr/> \$759,421

Kentucky Utilities
Calculation of Lost Net Revenue for Rate GS

Forecast
kWh Sales

JAN 2008	155,717,728
FEB	142,437,208
MAR	134,081,689
APR	125,289,543
MAY	121,608,024
JUN	137,772,992
JUL	155,203,336
AUG	157,797,641
SEP	152,115,796
OCT	128,980,817
NOV	128,351,147
DEC	149,368,064
	<u>1,688,723,986</u>

Total Lost Net Revenue \$ 759,421

Revised DRLS Factor in ¢ per kWh 0.045

KENTUCKY UTILITIES COMPANY
DSM Revenues from Lost Sales (DRLS)
For Light & Power Rate LP
12-Month Period Beginning January 1, 2008

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 2008 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, 2008 forecasted Kwh sales as shown on page 3. The resulting DRLS factor for Rate LP is 0.008 ¢ 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>
Rate LP	10,002,440	\$ 0.03374	\$337,503
TOTAL PROGRAMS	10,002,440		\$337,503

Kentucky Utilities
Calculation of Lost Net Revenue For Rate LP

Forecast
kWh Sales

JAN	2008	371,066,573
FEB		349,409,595
MAR		337,207,742
APR		340,220,326
MAY		353,480,808
JUN		387,991,861
JUL		413,607,552
AUG		404,614,941
SEP		405,578,011
OCT		355,437,460
NOV		321,586,983
DEC		354,115,553
		<u>4,394,317,406</u>

4,394,317,406

Total Lost Net Revenue \$ 337,503

Revised DRLS Factor in ¢ per kWh 0.008

Kentucky Utilities
Summary of DSM Incentive Component (DSMI)
12-Month Period Beginning January 1, 2008

Rate Schedule	Exhibit Reference	DSM Incentive Total Amount	Estimated Billing Determinants	DSM Incentive Component (DSMI)
Residential Rate RS	CE-1	\$ 502,385	6,282,690,171 kWh	0.008 ¢/kWh
General Service GS	CE-2	\$ 50,468	1,688,723,986 kWh	0.003 ¢/kWh
Rate LP (excludes industrial)	CE-3	\$ 61,753	4,394,317,406 kWh	0.001 ¢/kWh

DSM Budget Allocation by Rate Class for 2008

Exhibit CE
Page 2 of 3

	2008	5% Incentive	Total Incentive
Total of All Programs			
LGE: RS	\$9,292,469		\$464,623
LGE: RGS	\$1,983,400		\$99,170
LGE: GS	\$1,054,727		\$52,736
LGE: LC	\$911,445		\$45,572
LGE: LC-TOD	\$202,509		\$10,125
LGE: CGS	\$119,903		\$5,995
KU: RS	\$10,047,691		\$502,385
KU: GS	\$1,009,361		\$50,468
KU: LP	\$1,235,051		\$61,753
Total	<u>\$25,856,557</u>		<u>\$1,292,828</u>

Kentucky Utilities
Calculation of Rate RS Incentives

<u>ELECTRIC</u>	
Residential Rate RS	\$ 502,385
General Service Rate GS	\$ 50,468
Rate LP	\$ 61,753
TOTAL ELECTRIC	\$ 614,605

KENTUCKY UTILITIES COMPANY

DSM Incentive Component (DSMI)
For Residential Rate RS
12-Month Period Beginning January 1, 2008

DSMI = DSM INCENTIVE. For all Programs the DSM incentive amount shall be computed by multiplying the annual program cost of the approved programs which are to be installed during the upcoming twelve-month period times five (5) percent.

The DSMI factor is calculated by dividing the total 2008 incentive amount for Rate RS by the January - December, 2008 forecasted Kwh sales as shown on page 3. The resulting DSMI factor for Residential Rate RS is 0.008 ¢ per Kwh .

Kentucky Utilities
Calculation of DSMI Component For Rate RS

Forecast
kWh Sales

JAN	2008	734,834,569
FEB		638,464,517
MAR		554,339,375
APR		452,847,146
MAY		377,763,868
JUN		456,873,850
JUL		568,365,730
AUG		573,843,316
SEP		520,662,601
OCT		381,115,960
NOV		412,738,847
DEC		610,840,392
		6,282,690,171

Total Incentive \$ 502,385

Revised DSMI Factor in ¢ per kWh 0.008

KENTUCKY UTILITIES COMPANY

DSM Incentive Component (DSMI)
For General Service Rate GS
12-Month Period Beginning January 1, 2008

DSMI = DSM INCENTIVE. For all Programs the DSM incentive amount shall be computed by multiplying the annual program cost of the approved programs which are to be installed during the upcoming twelve-month period times five (5) percent.

The DSMI factor is calculated by dividing the total 2008 incentive amount for Rate GS by the January - December, 2008 forecasted Kwh sales as shown on page 3. The resulting DSMI factor for General Service Rate GS is 0.003 ¢ per Kwh.

Kentucky Utilities
Calculation of DSMI Component For Rate GS

Forecast
kWh Sales

JAN	2008	155,717,728
FEB		142,437,208
MAR		134,081,689
APR		125,289,543
MAY		121,608,024
JUN		137,772,992
JUL		155,203,336
AUG		157,797,641
SEP		152,115,796
OCT		128,980,817
NOV		128,351,147
DEC		149,368,064
		1,688,723,986

Total Incentive \$ 50,468

Revised DSMI Factor in ¢ per kWh 0.003

KENTUCKY UTILITIES COMPANY

DSM Incentive Component (DSMI)
For Light & Power Rate LP
12-Month Period Beginning January 1, 2008

DSMI = DSM INCENTIVE. For all Programs the DSM incentive amount shall be computed by multiplying the annual program cost of the approved programs which are to be installed during the upcoming twelve-month period times five (5) percent.

The DSMI factor is calculated by dividing the total 2008 incentive amount for Rate LP by the January - December, 2008 forecasted Kwh sales as shown on page 3. The resulting DSMI factor for Rate LP is 0.001 ¢ per Kwh.

Kentucky Utilities
Calculation of DSMI Component For Rate LP

Forecast
kWh Sales

JAN	2008	371,066,573
FEB		349,409,595
MAR		337,207,742
APR		340,220,326
MAY		353,480,808
JUN		387,991,861
JUL		413,607,552
AUG		404,614,941
SEP		405,578,011
OCT		355,437,460
NOV		321,586,983
DEC		<u>354,115,553</u>
		4,394,317,406

Total Incentive \$ 61,753

Revised DSMI Factor in ¢ per kWh 0.001