



a PPL company

Jeff DeRouen, Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

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PUBLIC SERVICE
COMMISSION

**Louisville Gas and
Electric Company**
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
www.lge-ku.com

Robert M. Conroy
Director - Rates
T 502-627-3324
F 502-627-3213
robert.conroy@lge-ku.com

December 21, 2011

RE: *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for Review, Modification, and Continuation of Existing, and Addition of New, Demand-Side Management and Energy-Efficiency Programs - Case No. 2011-00134*

Dear Mr. DeRouen:

On November 9, 2011, the Kentucky Public Service Commission (“Commission”) issued an Order approving Louisville Gas and Electric Company’s (“LG&E”) and Kentucky Utilities Company’s (“KU”) proposed Demand-Side Management (“DSM”) and Energy Efficiency Program Plan, Demand-Side Management Capital Cost Recovery Component mechanism, and their proposed DSM rates. In this Order, the Commission required the Companies to file, within twenty days of the Order, their revised DSM tariffs with the Commission showing the date of issue, the effective date, and that they were issued by authority of the Commission’s Order. Because the Companies make their annual DSM tariff filings with the Commission at the end of November each year, LG&E and KU incorporated the changes approved in the Commission’s Order of November 9, 2011 into the annual DSM tariff filings made on November 29, 2011 (TSS-2011-00796), instead of making multiple tariff filings.

In order to avoid confusion in the record, Commission Staff has requested the Companies to make separate tariff filings. Therefore, LG&E is re-filing the tariffs containing the changes approved by the Commission on November 9,

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2011 in the above-referenced docket, including the rates for LG&E's gas customers contained in Appendix B.

LG&E files herewith an original and four copies of the following revised sheets of LG&E Tariff P.S.C. Gas No. 8:

Ninth Revision of Original Sheet No. 1 canceling Eighth Revision of Original Sheet No. 1

First Revision of Original Sheet No. 86 canceling Original Sheet No. 86

First Revision of Original Sheet No. 86.1 canceling Original Sheet No. 86.1

First Revision of Original Sheet No. 86.2 canceling Original Sheet No. 86.2

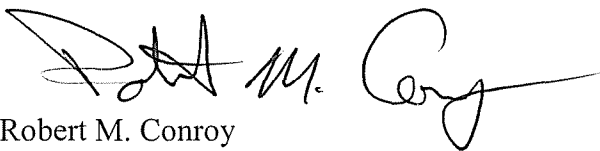
Fourth Revision of Original Sheet No. 86.3 canceling Third Revision of Original Sheet No. 86.3

Original Sheet No. 86.4

Under separate cover, LG&E has filed its revised DSM rates to reflect those rates contained in the annual DSM tariff filing made on November 29, 2011.

Please contact me if you have any questions regarding this filing.

Sincerely,

A handwritten signature in black ink, appearing to read "R. M. Conroy". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Robert M. Conroy

Enclosures

Louisville Gas and Electric Company

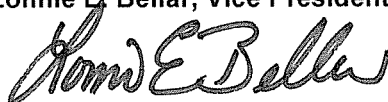
P.S.C. Gas No. 8, Ninth Revision of Original Sheet No. 1
 Canceling P.S.C. Gas No. 8, Eighth Revision of Original Sheet No. 1

GENERAL INDEX			
Standard Gas Rate Schedules – Terms and Conditions			
<u>Title</u>	<u>Sheet Number</u>	<u>Effective Date</u>	
General Index	1	12-30-11	T
SECTION 1 – Standard Rate Schedules			
RGS Residential Gas Service	5	11-01-11	
VFD Volunteer Fire Department Service	7	11-01-11	
CGS Firm Commercial Gas Service	10	11-01-11	
IGS Firm Industrial Gas Service	15	11-01-11	
AAGS As-Available Gas Service	20	11-01-11	
FT Firm Transportation Service (Non-Standby)	30	11-01-11	
DGGS Distributed Generation Gas Service	35	11-01-11	
Special Charges	45	08-01-10	
Returned Payment Charge			
Meter Test Charge			
Disconnect/Reconnect Service Charge			
Inspection Charge			
Charge for Temporary and Short Term Service			
SECTION 2 – Riders to Standard Rate Schedules			
TS Gas Transportation Service/Standby	50	11-01-11	
GMPS Gas Meter Pulse Service	52	08-01-10	
PS-TS Pooling Service - Rate TS	60	08-01-10	
PS-FT Pooling Service - Rate FT	61	08-01-10	
EF Excess Facilities	62	08-01-10	
SECTION 3 – Adjustment Clauses			
GSC Gas Supply Clause	85	11-01-11	
DSM Demand-Side Management Cost Recovery Mechanism	86	12-30-11	T
PBR Performance-Based Ratemaking Mechanism	87	11-01-10	
WNA Weather Normalization Adjustment - WNA	88	09-27-00	
FF Franchise Fee and Local Tax	90	02-06-09	
ST School Tax	91	08-01-10	
HEA Home Energy Assistance Program	92	02-06-09	

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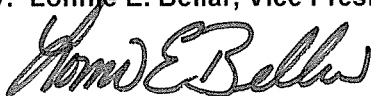
Issued by Authority of an Order of the KPSC in Case No. 2011-00134 dated November 9, 2011

Louisville Gas and Electric Company

P.S.C. Gas No. 8, First Revision of Original Sheet No. 86
Canceling P.S.C. Gas No. 8, Original Sheet No. 86

Adjustment Clause	DSM
Demand-Side Management Cost Recovery Mechanism	
APPLICABLE	
In all territory served.	
AVAILABILITY OF SERVICE	
This schedule is mandatory to Residential Gas Service Rate RGS, Volunteer Fire Department Rate VFD, Firm Commercial Gas Service Rate CGS, Firm Industrial Gas Service Rate IGS, As-Available Gas Service Rate AAGS, Firm Gas Transportation Rate FT, and Gas Transportation Service/Standby Rider TS. Any industrial customers who also receive electric service under Power Service Rate PS, Industrial Time-of-Day Secondary Service ITODS, Industrial Time-of-Day Primary Service ITODP, Retail Transmission Service Rate RTS, or Fluctuating Load Service Rate FLS and have elected not to participate in a demand-side management program hereunder shall not be assessed a charge pursuant to this mechanism.	
RATE	
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:	
DSMRC = DCR + DRLS + DSMI + DBA + DCCR	
Where:	
DCR = DSM COST RECOVERY	
The DCR shall include all expected costs that have been approved by the Commission for each twelve-month period for demand-side management programs that 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.	
DRLS = DSM REVENUE FROM LOST SALES	
Revenues from lost sales due to DSM programs implemented on and after the effective date of this tariff will be recovered as follows:	
1. For each upcoming twelve-month period, the estimated reduction in customer usage (in Ccf) as determined for the approved programs shall be multiplied by the non-variable revenue requirement per Ccf for purposes of determining the lost revenue to be recovered hereunder for each customer class. The non-variable revenue requirement is defined as the weighted average price per Ccf of expected Distribution Cost Component billings for the customer classes.	

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Louisville Gas and Electric Company

P.S.C. Gas No. 8, First Revision of Original Sheet No. 86.1
Canceling P.S.C. Gas No. 8, Original Sheet No. 86.1

Adjustment Clause	DSM
Demand-Side Management Cost Recovery Mechanism	
<p>2. The lost revenues for each customer class shall then be divided by the estimated class sales (in Ccf) for the upcoming twelve-month period to determine the applicable DRLS surcharge. Recovery of revenues from lost sales calculated for a twelve-month period shall be included in the DRLS for thirty-six (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.</p>	
<p>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.</p>	
<p>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.</p>	
<p>DSMI = DSM INCENTIVE.</p>	
<p>For all Energy Impact Programs except Direct Load Control, the DSM incentive amount shall be computed by multiplying the net resource savings expected from the approved programs that 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 Company's avoided costs over the expected life of the program, and will include both capacity and energy savings. For the Energy Education Program, the DSM incentive amount shall be computed by multiplying the annual cost of the approved program times five (5) percent.</p>	
<p>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.</p>	
<p>DBA = DSM BALANCE ADJUSTMENT.</p>	
<p>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, DCCR, and previous application of the DBA and the revenues that should have been billed, as follows:</p>	

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P.S.C. Gas No. 8, First Revision of Original Sheet No. 86.2
 Canceling P.S.C. Gas No. 8, Original Sheet No. 86.2

Adjustment Clause	DSM
Demand-Side Management Cost Recovery Mechanism	
<p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(4) For 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.</p> <p>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 "Three-Month Commercial Paper Rate" for the immediately preceding twelve-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 for which over- or under-recoveries of DSM amounts were realized.</p> <p>DCCR = DSM CAPITAL COST RECOVERY The DCCR component is the means by which the Company recovers its capital investments made for DSM programs, as well as an approved rate of return on such capital investments. The Company calculates the DCCR component as follows:</p> $DCCR = [(RB) (ROR + (ROR - DR) (TR / (1 - TR)))] + OE$ <p>a) RB is the total rate base for DCCR projects. b) ROR is the overall rate of return on DSM Rate Base (RB). c) DR is the composite debt rate (i.e., the cost of short- and long-term debt) embedded in ROR. d) TR is the composite federal and state income tax rate that applies to the equity return component of ROR. e) OE is the sum of the capital-related operating expenses (i.e., depreciation and amortization expense, property taxes, and insurance expense) of the DSM projects to which DCCR applies.</p> <p>The Company then allocates the DCCR component to the rate class(es) benefitting from the Company's various DSM-related capital investment(s).</p>	

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Louisville Gas and Electric Company

P.S.C. Gas No. 8, Fourth Revision of Original Sheet No. 86.3
Canceling P.S.C. Gas No. 8, Third Revision of Original Sheet No. 86.3

Adjustment Clause

DSM

Demand-Side Management Cost Recovery Mechanism

CHANGES TO DSMRC

The filing of modifications to the DSMRC that require changes in the DCR component shall be made at least two (2) months prior to the beginning of the effective period for billing. Modifications to other components of the DSMRC shall be made at least thirty (30) days prior to the effective period for billing. Each filing shall include the following information as applicable:

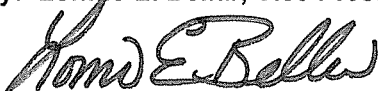
- (1) A detailed description of each DSM program developed by the collaborative process, the total cost of each program over the twelve-month period, an analysis of expected resource savings, information concerning the specific DSM or efficiency measures to be installed, and any applicable studies that 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.

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