



Jeff Derouen, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

March 20, 2009

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PUBLIC SERVICE  
COMMISSION

**Kentucky Utilities Company**  
State Regulation and Rates  
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Director - Rates  
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**RE: Merger Surcredit Status Report and Balancing Adjustment**

Dear Mr. Derouen:

In its Order dated June 26, 2008, in Case No. 2007-00563, the Commission approved a Settlement Agreement which stipulated that Kentucky Utilities Company's (KU's) Merger Surcredit Rider (MSR) would continue until new electric base rates became effective. On July 29, 2008, KU filed an Application with the Commission for an Adjustment of Electric Base Rates, and on February 5, 2009, the Commission issued an Order, in Case No. 2008-00251, prescribing revised electric base rates for KU to become effective February 6, 2009. Therefore, the Merger Surcredit Rider is discontinued effective February 6, 2009, subject to the final balancing adjustment.

For the final balancing adjustment, a Merger Surcredit Factor of 0.167% (charge) will be applied to bills rendered for electric service during the April 2009 cyclical billings only. This will conclude the Merger Surcredit initiative.

Sincerely,

Robert M. Conroy

Enclosure

# KENTUCKY UTILITIES COMPANY

## Kentucky Retail Jurisdiction

Status Report	Net Savings to be Distributed	Actual Merger Surcredit Distributed	Over/(Under) Payment of Merger Surcredit
Year 1	\$6,008,699	\$5,988,714	
Year 2	\$8,764,133	\$7,433,010	
Year 3	\$11,824,831	\$10,779,881	
Year 4	\$12,978,580	\$14,755,694	
Year 5	\$14,287,560	\$15,920,983	
Year 6 (Jul-Dec)	\$8,372,268	\$8,239,338 (1)	
Year 6 (Jan-Jun)	\$9,526,665	\$8,591,610 (1)	
Year 7	\$17,898,933	\$19,638,153 (1)	
Year 8	\$17,898,933	\$20,268,050 (1)	
Year 9	\$17,898,933	\$13,908,129 (1)	
Year 10	\$17,898,933	\$17,848,571 (1)	
Year 11 (Jul-Feb 5)	\$6,324,200	\$6,485,016	
	<u>\$149,682,668</u>	<u>\$149,857,150</u>	\$174,482

Final Balancing Adjustment		Merger Surcredit Factor
Line 1	Over/(Under) Payment Through Year 11	\$174,482
Line 2	Est. Revenues for April 2009	\$104,290,331
Line 3	Final Billing Factor	0.167%

Notes: (1) Excludes merger credit paid to KIUC and LFUCG accounts that received one-time payments pursuant to the Commission Order in Case No. 2002-00429.