



a PPL company

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

December 21, 2011

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PUBLIC SERVICE
COMMISSION

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-2011-00795), 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, KU is re-filing the tariffs containing the changes approved by the Commission on November 9,

Kentucky Utilities 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

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2011 in the above-referenced docket, including the rates for KU's customers contained in Appendix C.

KU files herewith an original and four copies of the following revised sheets of KU Tariff P.S.C. No. 15:

Seventh Revision of Original Sheet No. 1.1 canceling Sixth Revision of Original Sheet No. 1.1
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, KU 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,


Robert M. Conroy

Enclosures

Kentucky Utilities Company

P.S.C. No. 15, Seventh Revision of Original Sheet No. 1.1
 Canceling P.S.C. No. 15, Sixth Revision of Original Sheet No. 1.1

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Date of Issue: November 29, 2011

Date Effective: With Bills Rendered On and After December 30, 2011

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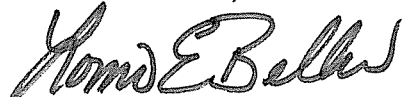
Issued by Authority of an Order of the KPSC in Case No. 2011-00134 dated November 9, 2011

Adjustment Clause	DSM
Demand-Side Management Cost Recovery Mechanism	
APPLICABLE	
In all territory served.	
AVAILABILITY OF SERVICE	
This schedule is mandatory to Residential Rate RS, Volunteer Fire Department Service Rate VFD, General Service Rate GS, All Electric School Rate AES, Power Service Rate PS, Time-of-Day Secondary Service Rate TODS, Time-of-Day Primary Service Rate TODP, and Low Emission Vehicle Service Rider LEV. Industrial customers who elect not to participate in a demand-side management program hereunder shall not be assessed a charge pursuant to this mechanism. For purposes of rate application hereunder, non-residential customers will be considered "industrial" if they are primarily engaged in a process or processes that create or change raw or unfinished materials into another form or product, and/or in accordance with the North American Industry Classification System, Sections 21, 22, 31, 32, and 33. All other non-residential customers will be defined as "commercial."	T T
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 kilowatt hour of monthly consumption in accordance with the following formula:	
DSMRC = DCR + DRLS + DSMI + DBA + DCCR	T
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 kilowatt-hour sales for the upcoming twelve-month period to determine the DCR for each such rate class.	T T T
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:	T
1) For each upcoming twelve-month period, the estimated reduction in customer usage (in kWh) as determined for the approved programs shall be multiplied by the non-variable revenue requirement per kWh for purposes of determining the lost revenue to be recovered hereunder from each customer class. The non-variable revenue requirement for the Residential, Volunteer Fire Department, General Service, All Electric School, and Low Emission Vehicle customer classes is defined as the weighted average price per kWh of expected billings under the energy charges contained in the	

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Adjustment Clause

DSM

Demand-Side Management Cost Recovery Mechanism

RATE (continued)

RS, VFD, GS, AES, and LEV 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 (rate schedules PS, TODS, and TODP) 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.

- 2) 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 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.

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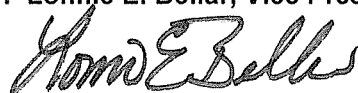
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The DSM incentive amount related to programs for Residential Rate RS, Volunteer Fire Department Rate VFD, General Service Rate GS, All Electric School Rate AES, Power Rate PS, Time-of-day Secondary Service Rate TODS, Time-of-Day Primary Rate TODP, and Low Emission Vehicle Service Rider LEV 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.

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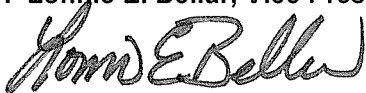
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Adjustment Clause	DSM
Demand-Side Management Cost Recovery Mechanism	
DBA = DSM BALANCE ADJUSTMENT	
<p>The DBA shall be calculated on a calendar-year basis and is used to reconcile the difference between the amount of revenues actually billed through the DCR, DRLS, DSMI, DCCR, and previous application of the DBA and the revenues that should have been billed, as follows:</p> <ol style="list-style-type: none"> 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. <p>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 "Three-Month Commercial Paper Rate" for the immediately preceding twelve-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. 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>	
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DCCR = DSM CAPITAL COST RECOVERY	
<p>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> $DCCR = [(RB) (ROR + (ROR - DR) (TR / (1 - TR)))] + OE$ <ol style="list-style-type: none"> 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. 	
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Kentucky Utilities Company

P.S.C. No. 15, Fourth Revision of Original Sheet No. 86.3
Canceling P.S.C. No. 15, Third Revision of Original Sheet No. 86.3

Adjustment Clause	DSM
Demand-Side Management Cost Recovery Mechanism	
<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>	
CHANGES TO DSMRC	
<p>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:</p>	
<ol style="list-style-type: none">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, DCCR, and DSMRC.	
<p>Each change in the DSMRC shall be placed into effect with bills rendered on and after the effective date of such change.</p>	

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Adjustment Clause	DSM	
Demand-Side Management Cost Recovery Mechanism		
Monthly Adjustment Factors		
<u>Residential Service Rate RS, Volunteer Fire Department Service Rate VFD, and Low Emission Vehicle Service Rate LEV</u>		
	<u>Energy Charge</u>	
DSM Cost Recovery Component (DCR)	\$ 0.00144 per kWh	R
DSM Revenues from Lost Sales (DRLS)	\$ 0.00088 per kWh	I
DSM Incentive (DSMI)	\$ 0.00006 per kWh	R
DSM Capital Cost Recovery Component (DCCR)	\$ 0.00048 per kWh	T/N
DSM Balance Adjustment (DBA)	\$(0.00045) per kWh	I
Total DSMRC for Rates RS, VFD and LEV	\$ 0.00241 per kWh	I
 <u>General Service Rate GS</u>		
	<u>Energy Charge</u>	
DSM Cost Recovery Component (DCR)	\$ 0.00077 per kWh	R
DSM Revenues from Lost Sales (DRLS)	\$ 0.00083 per kWh	R
DSM Incentive (DSMI)	\$ 0.00004 per kWh	
DSM Capital Cost Recovery Component (DCCR)	\$ 0.00007 per kWh	T/N
DSM Balance Adjustment (DBA)	\$ 0.00006 per kWh	I
Total DSMRC for Rates GS	\$ 0.00177 per kWh	I
 <u>All Electric School Rate AES</u>		
	<u>Energy Charge</u>	
DSM Cost Recovery Component (DCR)	\$ 0.00024 per kWh	
DSM Revenues from Lost Sales (DRLS)	\$ 0.00014 per kWh	
DSM Incentive (DSMI)	\$ 0.00001 per kWh	
DSM Capital Cost Recovery Component (DCCR)	\$ 0.00000 per kWh	T/N
DSM Balance Adjustment (DBA)	\$(0.00014) per kWh	
Total DSMRC for Rate AES	\$ 0.00025 per kWh	
 <u>Commercial Customers Served Under Power Service Rate PS, Time of Day Secondary Service Rate TODS, and Time-of-Day Primary Service Rate TODP</u>		
	<u>Energy Charge</u>	
DSM Cost Recovery Component (DCR)	\$ 0.00021 per kWh	R
DSM Revenues from Lost Sales (DRLS)	\$ 0.00023 per kWh	R
DSM Incentive (DSMI)	\$ 0.00001 per kWh	
DSM Capital Cost Recovery Component (DCCR)	\$ 0.00000 per kWh	T/N
DSM Balance Adjustment (DBA)	\$(0.00029) per kWh	I
Total DSMRC for Rates PS, TODS and TODP	\$ 0.00016 per kWh	R
 <u>Industrial Customers Served Under Time-of-Day Secondary Service Rate TODS, Time-of-Day Primary Service Rate TODP, and Retail Transmission Rate RTS</u>		
	<u>Energy Charge</u>	
DSM Cost Recovery Component (DCR)	\$ 0.00000 per kWh	
DSM Revenues from Lost Sales (DRLS)	\$ 0.00000 per kWh	
DSM Incentive (DSMI)	\$ 0.00000 per kWh	
DSM Capital Cost Recovery Component (DCCR)	\$ 0.00000 per kWh	T/N
DSM Balance Adjustment (DBA)	\$ 0.00000 per kWh	
Total DSMRC for Rates TODS, TODP, and RTS	\$ 0.00000 per kWh	

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