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PUBLIC SERVICE
COMMISSION

Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Louisville Gas and
Electric Company
State Regulation and Rates
220 West Main Street
PO Box 32010
Louisville, Kentucky 40232
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Robert M. Conroy
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November 21, 2006

Dear Ms. O'Donnell:

Pursuant to the Commission's Order dated June 30, 2004, in Case No. 2003-00433, Louisville Gas and Electric Company ("LG&E") filed an experimental electric tariff P.S.C. No. 62 for the Small Time of Day Service ("STOD"). That electric tariff provides for the calculation of a monthly charge per KWH to recover programming costs associated with modifying the customer billing system, not to exceed \$29,050 per year, plus any lost revenues associated with STOD. This monthly charge is to be applied to customers taking service under the Large Commercial Service ("LC") for LG&E.

Attached is Exhibit 1 which presents the calculation of the factor to be applied during the period of December 2006 through November 2007. The balancing adjustment is being made for the difference in the Program Cost to be recovered in the second year and the actual recovery for the second year. This balancing adjustment is being made such that LG&E neither overcharges nor under collects the STOD program costs.

Attached as Exhibit 2 is a calculation of the loss revenue in support of Exhibit 1.

LG&E will begin applying the recovery factor of \$0.000165 per KWH effective with the first billing cycle of the December 2006. Please contact me at (502) 627-3324 or Don Harris at (502) 627-2021 if you have any questions about this information.

Sincerely,

A handwritten signature in black ink, appearing to read 'R M Conroy'. The signature is fluid and cursive, with the first name 'R' being particularly stylized and overlapping the 'M'. The last name 'Conroy' is written in a more standard cursive style.

Robert M. Conroy

Program Cost Recovery Factor Calculation

	LG&E
(1) Program Cost Recovery (3rd Program Year)	\$29,050
(2) Lost Revenue (2nd Program Year) (See Exhibit 2)	\$342,304
<i>Balancing Adjustment:</i>	
Program Cost Recovery (2nd Program Year)	\$361,268
Less: Actual Recovery (2nd Program Year)	\$331,384
(3) Total Balancing Adjustment	\$29,884
(4) Total Program Cost Recovery (3rd Program Year) [(1) +(2) +(3)]	\$401,238
(5) LPKWH - Projected Dec '06 thru Nov '07	2,434,535,755
PCRF (dollars per KWH) [(4)/(5)]	0.000165

EXHIBIT 2

Louisville Gas Electric Company

	Nov '05	Dec '05	Jan '06	Feb '06	Mar '06	Apr '06	May '06	Jun '06	Jul '06	Aug '06	Sep '06	Oct '06
Fuel Adjustment Clause	\$0.00120	\$0.00273	\$0.00088	(\$0.00102)	\$0.00124	\$0.00268	\$0.00354	\$0.00274	\$0.00219	\$0.00275	\$0.00240	\$0.00520
Demand Side Management	\$0.00018	\$0.00018	\$0.00018	\$0.00018	\$0.00018	\$0.00028	\$0.00028	\$0.00028	\$0.00028	\$0.00028	\$0.00028	\$0.00028
Environmental Surcharge	0.350%	0.760%	0.660%	0.420%	0.530%	3.280%	3.280%	2.280%	0.840%	1.100%	0.790%	0.810%
Merger Surcredit	2.936%	2.936%	2.936%	2.936%	2.936%	2.936%	2.936%	2.936%	3.001%	2.149%	2.149%	2.149%
Earning Sharing Mechanism	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Value Delivery Surcredit	0.990%	0.990%	1.230%	0.920%	0.920%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
Billing Determinants												
Customers	35	35	35	35	37	35	37	35	31	35	34	34
Demand-Secondary	16,040.0	15,078.0	13,982.0	13,451.0	14,463.0	16,086.0	15,613.0	18,149.0	17,927.0	18,957.0	17,946.0	16,391.0
Demand-Primary	864.0	816.0	780.0	816.0	1,608.0	1,506.0	1,578.0	1,650.0	1,722.0	1,722.0	1,626.0	1,602.0
Energy	3,508,380	3,960,720	4,123,440	3,542,020	3,659,740	3,865,280	3,986,380	3,944,440	3,901,240	3,994,120	3,694,780	3,569,180
On-Peak	4,200,980	5,055,420	5,087,240	4,361,520	4,539,680	4,703,920	4,943,760	5,649,240	6,975,520	6,731,420	6,429,280	5,279,120
Off-Peak												
Small Time-of-Day Rate												
Rate	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00
Customer	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14
Demand - Secondary	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20
Summer	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52
- Primary	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32
Winter												
Summer	\$0.03004	\$0.03004	\$0.03004	\$0.03004	\$0.03004	\$0.03004	\$0.03004	\$0.03004	\$0.03004	\$0.03004	\$0.03004	\$0.03004
On-Peak	\$0.01438	\$0.01438	\$0.01438	\$0.01438	\$0.01438	\$0.01438	\$0.01438	\$0.01438	\$0.01438	\$0.01438	\$0.01438	\$0.01438
Off-Peak												
Billing												
Customer	\$2,800.00	\$2,800.00	\$2,800.00	\$2,800.00	\$2,960.00	\$2,800.00	\$2,960.00	\$2,800.00	\$2,480.00	\$2,800.00	\$2,720.00	\$2,720.00
Demand	\$186,910.88	\$175,737.24	\$163,185.08	\$157,612.46	\$176,425.98	\$193,535.16	\$188,951.38	\$278,043.80	\$275,778.44	\$290,404.44	\$274,865.52	\$197,846.78
Energy	\$165,801.83	\$191,676.97	\$197,022.65	\$169,120.94	\$175,219.19	\$183,755.38	\$190,842.13	\$199,727.05	\$217,501.23	\$216,781.18	\$203,444.24	\$183,131.92
Fuel Clause	\$9,251.23	\$24,614.06	\$8,105.40	(\$8,061.61)	\$10,167.28	\$22,965.46	\$31,612.70	\$26,286.68	\$23,820.10	\$29,495.24	\$24,297.74	\$46,011.16
Demand-Side Management	\$1,387.68	\$1,622.91	\$1,657.92	\$1,422.64	\$1,475.90	\$2,399.38	\$2,500.44	\$2,686.23	\$3,003.15	\$3,003.15	\$2,834.74	\$2,477.52
Environmental Surcharge	\$10,787.84	(\$11,728.27)	(\$11,016.79)	(\$1,356.16)	\$1,941.12	\$13,623.30	\$13,673.23	\$11,617.60	\$4,390.05	\$5,967.32	\$4,014.48	\$3,600.72
Merger Surcredit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$9,520.00)	(\$12,640.65)	(\$15,301.30)	(\$15,815.73)	(\$11,786.22)	(\$11,006.68)	(\$9,362.94)
Earning Sharing	(\$3,530.79)	(\$3,838.59)	(\$4,479.84)	(\$2,895.52)	(\$3,287.89)	(\$4,067.75)	(\$4,178.99)	(\$5,058.60)	(\$5,112.00)	(\$5,366.65)	(\$5,011.70)	(\$4,263.25)
Value Delivery	\$353,114.52	\$383,897.35	\$359,734.71	\$311,835.07	\$354,091.54	\$402,706.78	\$413,720.24	\$500,801.46	\$506,087.58	\$531,298.46	\$496,158.34	\$422,061.91
Total Regenerated Billing												
Actual Billing	\$338,568	\$385,012	\$359,630	\$311,835	\$354,592	\$402,553	\$413,663	\$505,874	\$507,242	\$531,299	\$496,158	\$422,062
Ratio of Actual to Regenerated	0.95880	1.00290	0.99971	1.00000	1.00141	0.99962	0.99986	1.01013	1.00228	1.00000	1.00000	1.00000
Large Commercial Rate												
Rate	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00
Customer	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14	\$11.14
Demand - Secondary	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20	\$14.20
Summer	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52	\$9.52
- Primary	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32	\$12.32
Winter	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417	\$0.02417
Summer												
Energy	\$2,275.00	\$2,275.00	\$2,275.00	\$2,275.00	\$2,405.00	\$2,275.00	\$2,405.00	\$2,275.00	\$2,015.00	\$2,275.00	\$2,210.00	\$2,210.00
Customer	\$186,910.88	\$175,737.24	\$163,185.08	\$157,612.46	\$176,425.98	\$193,535.16	\$188,951.38	\$278,043.80	\$275,778.44	\$290,404.44	\$274,865.52	\$197,846.78
Demand	\$186,335.23	\$217,920.10	\$222,622.14	\$191,028.56	\$198,179.98	\$207,117.56	\$215,841.58	\$231,879.25	\$262,891.29	\$259,236.30	\$244,698.53	\$213,863.41
Energy	\$9,251.23	\$24,614.06	\$8,105.40	(\$8,061.61)	\$10,167.28	\$22,965.46	\$31,612.70	\$26,286.68	\$23,820.10	\$29,495.24	\$24,297.74	\$46,011.16
Fuel Clause	\$1,387.68	\$1,622.91	\$1,657.92	\$1,422.64	\$1,475.90	\$2,399.38	\$2,500.44	\$2,686.23	\$3,003.15	\$3,003.15	\$2,834.74	\$2,477.52
Demand-Side Management	\$1,351.56	\$3,208.49	\$2,625.78	\$1,445.96	\$2,059.87	\$14,390.83	\$14,475.00	\$14,475.00	\$4,767.42	\$6,428.56	\$4,336.36	\$3,745.51
Environmental Surcharge	(\$11,377.34)	(\$12,489.09)	(\$11,757.84)	(\$10,150.43)	(\$11,471.36)	(\$12,997.18)	(\$13,381.88)	(\$16,251.04)	(\$17,175.26)	(\$12,697.21)	(\$11,989.19)	(\$10,017.66)
Merger Surcredit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Earning Sharing	(\$3,723.73)	(\$4,087.60)	(\$4,781.18)	(\$3,087.27)	(\$3,489.03)	(\$4,296.86)	(\$4,424.04)	(\$5,372.59)	(\$5,551.42)	(\$5,781.45)	(\$5,413.54)	(\$4,561.37)
Value Delivery	\$372,410.51	\$408,801.11	\$383,932.30	\$332,485.31	\$375,753.62	\$425,389.15	\$437,980.08	\$531,886.03	\$549,591.06	\$572,364.03	\$535,940.16	\$451,575.35
Total Regenerated Billing												
Adjusted for Ratio to Actual	\$357,068.98	\$409,988.53	\$383,820.55	\$332,485.31	\$376,284.58	\$425,227.05	\$437,919.22	\$537,273.54	\$550,844.24	\$572,364.03	\$535,940.16	\$451,575.35
Lost Revenue by Month												
Lost Revenue Cumulative	(\$18,501.09)	(\$24,976.10)	(\$24,190.55)	(\$20,650.24)	(\$21,692.69)	(\$132,673.73)	(\$22,256.47)	(\$31,399.43)	(\$43,602.68)	(\$41,065.57)	(\$39,781.81)	(\$29,513.44)
		(\$43,477.18)	(\$67,667.73)	(\$88,317.97)	(\$110,010.66)	(\$132,684.39)	(\$156,940.86)	(\$188,340.28)	(\$231,942.96)	(\$273,008.53)	(\$312,790.35)	(\$342,303.78)