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PUBLIC SERVICE  
COMMISSION

Stephanie L. Stumbo  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

**Kentucky Utilities Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.eon-us.com

April 28, 2008

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

**RE: APPLICATION OF KENTUCKY UTILITIES COMPANY TO FILE  
DEPRECIATION STUDY  
CASE NO. 2007-00565**

Dear Ms. Stumbo:

Please find enclosed and accept for filing the original and six (6) copies of the Response of Kentucky Utilities Company to the Attorney General's Supplemental Requests for Information dated April 14, 2008, in the above-referenced matter.

Should you have any questions concerning the enclosed, please contact me at your convenience.

Sincerely,

Robert M. Conroy

Enclosures

cc: Parties of Record

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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APR 28 2008

PUBLIC SERVICE  
COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES ) CASE NO.  
COMPANY TO FILE DEPRECIATION ) 2007-00565  
STUDY )

RESPONSE OF  
KENTUCKY UTILITIES COMPANY  
TO THE  
ATTORNEY GENERAL'S  
SUPPLEMENTAL REQUESTS FOR INFORMATION  
DATED APRIL 14, 2008

FILED: APRIL 28, 2008

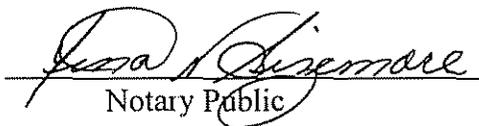
VERIFICATION

STATE OF KENTUCKY    )  
  ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Shannon L. Charnas**, being duly sworn, deposes and says that she is the Director, Utility Accounting and Reporting for E.ON U.S. Services Inc., that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

  
\_\_\_\_\_  
**SHANNON L. CHARNAS**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 25<sup>th</sup> day of April, 2008.

 (SEAL)  
\_\_\_\_\_  
Notary Public

My Commission Expires:

July 1, 2008

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA )  
 ) SS:  
COUNTY OF CUMBERLAND )

The undersigned, **John J. Spanos**, being duly sworn, deposes and says that he is the Vice President, Valuation and Rate Division for Gannett Fleming, Inc., that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

*John J. Spanos*  
\_\_\_\_\_  
JOHN J. SPANOS

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 21st day of April, 2008.

*Cheryl Ann Ruster* (SEAL)  
\_\_\_\_\_  
Notary Public

My Commission Expires:

February 20, 2011

COMMONWEALTH OF PENNSYLVANIA  
Notarial Seal  
Cheryl Ann Ruster, Notary Public  
East Pennsboro Twp., Cumberland County  
My Commission Expires Feb 20, 2011  
Member, Pennsylvania Association of Notaries



**KENTUCKY UTILITIES COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00565**

**Question No. 1**

**Witness: John J. Spanos**

- Q-1. Please refer to the Excel files provided in response to AG 1-29.
- a. Provide the formulae underlying the capital recovery, cost of removal and gross salvage rates, which are in most cases hardcoded in the file.
  - b. For the capital recovery, cost of removal and gross salvage amounts that are not calculated as a formula (i.e., the ones that are hardcoded) please provide the source and/or formulae underlying those amounts.
- A-1.
- a. The capital recovery, cost of removal and gross salvage rates are determined based on the Gannett Fleming proprietary in-house programs and then factored based on the relationship between the theoretical reserve and book reserve. Therefore, there is no set formula for each rate. The results from the calculations are then input into the spreadsheet either by hard coding or establishing a formula for ease of input.
  - b. The capital recovery, cost of removal and gross salvage amounts are calculated by multiplying the determined rate for each component by the original cost. The overall accrual amounts were based on the Depreciation Study.



**KENTUCKY UTILITIES COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00565**

**Question No. 2**

**Witness: Shannon L. Charnas**

Q-2. Please refer to the capital budget provided in response to AG 1-44. Reconcile this budget to that provided John Spanos on May 2, 2007, as included in the response to AG 1-7. Also, explain the differences between the two budgets – what is each one used for?

A-2. The capital budget provided in response AG 1-44 is the most current projection available (approved in November 2007). The budget provided to Mr. Spanos is a long term planning document used to project future capital needs and cash flows (finalized in February 2007). In the 10 months between the two plans, the most recent 3 planning years were updated from 2007 – 2009 to 2008 – 2010 to reflect the most current project estimates for the current 3 year period.



**KENTUCKY UTILITIES COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00565**

**Question No. 3**

**Witness: John J. Spanos**

- Q-3. Please refer to the response to AG 1-57. Provide the actuarial data underlying the new analyses attached to the response, or provide a list of the retirements that should have been excluded from the original analysis.
- A-3. The attached listing sets forth the retirements excluded from the new life analysis which should have been excluded from the steam data.

KENTUCKY UTILITIES COMPANY

SUMMARY OF DATA FROM COMPANY RECORDS  
COMPILED FOR SERVICE LIFE STUDIES

ACCT	GR	CO	TR CD	TRAN YEAR	ADJ YEAR	INST YEAR	TRANSACTION AMOUNT	CLASSI- FICATION
311.00	43	00	7	2002		1951	757,632.00CR	
311.00	43	00	7	2002		1964	227.00CR	
311.00	43	00	7	2002		1967	2,256.00CR	
311.00	43	00	7	2002		1968	1,796.00CR	
311.00	43	00	7	2002		1969	411.00CR	
311.00	43	00	7	2002		1970	42,203.00CR	
311.00	43	00	7	2002		1973	1,458.00CR	
311.00	43	00	7	2002		1975	34.00CR	
311.00	43	00	7	2002		1977	186,593.00CR	
311.00	43	00	7	2002		1979	14,603.00CR	
311.00	43	00	7	2002		1980	13,115.00CR	
311.00	43	00	7	2002		1984	364.00CR	
311.00	43	00	7	2002		1985	7,113.00CR	
311.00	43	00	7	2002		1991	6,442.00CR	
311.00	43	00	7	2002		1996	102,379.00CR	
311.00	43	00	7	2002		1997	122,280.00CR	
311.00	43	00	7	2002		1998	26,682.00CR	
311.00	43	00	7	2002		2001	4,883.00CR	
311.00	43	00	7	2002		2002	3,194.00CR	
TOTAL							1,293,665.00CR	

## KENTUCKY UTILITIES COMPANY

SUMMARY OF DATA FROM COMPANY RECORDS  
COMPILED FOR SERVICE LIFE STUDIES

ACCT	GR	CO	TR CD	TRAN YEAR	ADJ YEAR	INST YEAR	TRANSACTION AMOUNT	CLASSI- FICATION
312.00	43	00	7	2002		1948	1,288.00CR	
312.00	43	00	7	2002		1951	1,822,096.00CR	
312.00	43	00	7	2002		1963	63,439.00CR	
312.00	43	00	7	2002		1965	530.00CR	
312.00	43	00	7	2002		1966	590.00CR	
312.00	43	00	7	2002		1975	863,527.00CR	
312.00	43	00	7	2002		1976	6,505.00CR	
312.00	43	00	7	2002		1977	251,643.00CR	
312.00	43	00	7	2002		1978	84,379.00CR	
312.00	43	00	7	2002		1979	5,787.00CR	
312.00	43	00	7	2002		1980	3,068.00CR	
312.00	43	00	7	2002		1981	53,109.00CR	
312.00	43	00	7	2002		1982	50,479.00CR	
312.00	43	00	7	2002		1984	6,044.00CR	
312.00	43	00	7	2002		1988	1,821.00CR	
312.00	43	00	7	2002		1995	742,556.00CR	
312.00	43	00	7	2002		1997	9,632.00CR	
312.00	43	00	7	2002		1999	470,547.00CR	
312.00	43	00	7	2002		2000	357,526.00CR	
312.00	43	00	7	2002		2002	17,125.00CR	
TOTAL							4,811,691.00CR	

KENTUCKY UTILITIES COMPANY

SUMMARY OF DATA FROM COMPANY RECORDS  
COMPILED FOR SERVICE LIFE STUDIES

ACCT	GR	CO	TR CD	TRAN YEAR	ADJ YEAR	INST YEAR	TRANSACTION AMOUNT	CLASSI- FICATION
314.00	43	00	7	2002		1951	1,511,752.00CR	
314.00	43	00	7	2002		1980	3,068.00CR	
314.00	43	00	7	2002		1982	110,153.00CR	
314.00	43	00	7	2002		1984	1,963.00CR	
314.00	43	00	7	2002		1997	1,428.00CR	
314.00	43	00	7	2002		1998	10,462.00CR	
314.00	43	00	7	2002		1999	25,183.00CR	
314.00	43	00	7	2002		2000	18,581.00CR	
314.00	43	00	7	2002		2001	4,752.00CR	
TOTAL							1,687,342.00CR	

KENTUCKY UTILITIES COMPANY

SUMMARY OF DATA FROM COMPANY RECORDS  
COMPILED FOR SERVICE LIFE STUDIES

ACCT	GR	CO	TR CD	TRAN YEAR	ADJ YEAR	INST YEAR	TRANSACTION AMOUNT	CLASSI- FICATION
315.00	43	00	7	2002		1951	309,561.00CR	
315.00	43	00	7	2002		1955	3,445.00CR	
315.00	43	00	7	2002		1957	1,145.00CR	
315.00	43	00	7	2002		1960	574.00CR	
315.00	43	00	7	2002		1971	1,377.00CR	
315.00	43	00	7	2002		1977	3,885.00CR	
315.00	43	00	7	2002		1991	2,850.00CR	
315.00	43	00	7	2002		1998	25,574.00CR	
TOTAL							348,411.00CR	

KENTUCKY UTILITIES COMPANY

SUMMARY OF DATA FROM COMPANY RECORDS  
COMPILED FOR SERVICE LIFE STUDIES

ACCT	GR	CO	TR	TRAN	ADJ	INST	TRANSACTION	CLASSI-
			CD	YEAR	YEAR	YEAR	AMOUNT	FICATION
316.00	43	00	7	2002		1951	7,628.00CR	
316.00	43	00	7	2002		1977	12,287.00CR	
316.00	43	00	7	2002		1979	4,951.00CR	
316.00	43	00	7	2002		1982	2,665.00CR	
316.00	43	00	7	2002		1984	8,205.00CR	
316.00	43	00	7	2002		1985	6,106.00CR	
316.00	43	00	7	2002		1986	6,718.00CR	
316.00	43	00	7	2002		1988	2,191.00CR	
316.00	43	00	7	2002		1989	3,754.00CR	
316.00	43	00	7	2002		1990	3,149.00CR	
316.00	43	00	7	2002		1991	1,481.00CR	
316.00	43	00	7	2002		1992	5,896.00CR	
316.00	43	00	7	2002		1994	7,742.00CR	
316.00	43	00	7	2002		1996	856.00CR	
316.00	43	00	7	2002		1997	28,575.00CR	
316.00	43	00	7	2002		1998	3,475.00CR	
316.00	43	00	7	2002		1999	1,444.00CR	
316.00	43	00	7	2002		2000	5,974.00CR	
316.00	43	00	7	2002		2001	12,330.00CR	
						TOTAL	125,427.00CR	

□



**KENTUCKY UTILITIES COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00565**

**Question No. 4**

**Witness: Shannon L. Charnas**

Q-4. Refer to the response to AG 1-58. Please provide the attachments in Excel format with all formulae intact.

A-4. Please see the following Excel files on the accompanying CD:

KU-AG-2-4 (ARO-GAAP FAS 143-2006).xls

KU-AG-2-4 (ARO-GAAP FIN 47-2006).xls



**KENTUCKY UTILITIES COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00565**

**Question No. 5**

**Witness: John J. Spanos / Shannon L. Charnas**

- Q-5. Refer to the response to AG 1-94.
- a. Please verify that the reserves used in Mr. Spanos' depreciation study include the cost of removal reserves. If this is not the case explain why not.
  - b. Please provide the cost of removal depreciation rates for each account as used to calculate the amounts, and explain how those rates were calculated.
  - c. Please provide the calculation of the initial cost of removal reserve upon implementation of SFAS No. 143 (i.e., the \$256,744,263 amount shown in response to AG 1-96). Include all formulas/assumptions.
- A-5.
- a. Yes, the reserves used in Mr. Spanos' depreciation study do include the cost of removal reserves.
  - b. Please see the file provided in response to AG-99 entitled "KU-AG-1-99 Attachment ELG vs ASL-SALVAGE-COR.xls" for the cost of removal (Column G) and salvage (Column K) depreciation rates for each account.

These rates were provided on a combined net cost of removal basis to the Company by Management Resources International as part of the depreciation study performed for the year ending December 31, 1999—the last approved depreciation study. The combined net cost of removal rate was segregated into the cost of removal and gross salvage by Gannett Fleming.

- c. Please see the file entitled "KU-AG-2-5 (TABLES KU-Depr Reserve & Rte Seg).xls" on the CD provided for the calculation of the initial cost of removal reserve (\$248,551,991.67) upon implementation of SFAS No. 143. The \$256,744,263 amount shown in response to AG 1-99 also includes the 2003 annual depreciation of the cost of removal as well as the initial implementation amount.



**KENTUCKY UTILITIES COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00565**

**Question No. 6**

**Witness: Shannon L. Charnas**

- Q-6. Please refer to the responses to AG 1-93, 1-94 and 1-96. Please provide similar responses showing Kentucky jurisdictional plant only. Also, please provide a response to the immediately preceding question to match the Kentucky jurisdictional amounts.
- A-6. KU has available the December 31, 2006 and 2007 amounts. Please see the attached.

KU  
Regulatory Liability  
as of December 31, 2006

Plant Account	Description	Kentucky Regulatory Liability	Tennessee Regulatory Liability	Virginia Regulatory Liability	Total Regulatory Liability
131100	Structures and Improvements	(10,285,324 41)	-	-	(10,285,324 41)
131200	Boiler Plant Equipment	(38,511,549 94)	-	-	(38,511,549 94)
131400	Turbogenerator Units	(9,957,700 39)	-	-	(9,957,700 39)
131500	Accessory Electric Equipment	(2,237,302 22)	-	-	(2,237,302 22)
131600	Miscellaneous Power Plant Equipment	(1,175,934 93)	-	-	(1,175,934 93)
131700	Asset Retirement Costs for Steam Production Plant	(95,523 08)	-	-	(95,523 08)
133010	Land Rights	(15,116 30)	-	-	(15,116 30)
133020	Land	-	-	-	-
133100	Structures and Improvements	(32,175 96)	-	-	(32,175 96)
133200	Reservoirs, Dams, and Waterways	(646,479 41)	-	-	(646,479 41)
133300	Water Wheels, Turbines, and Generators	(37,003 54)	-	-	(37,003 54)
133400	Accessory Electric Equipment	(7,559 81)	-	-	(7,559 81)
133500	Miscellaneous Power Plant Equipment	(6,080 19)	-	-	(6,080 19)
133600	Roads, Railroads, and Bridges	(4,373 61)	-	-	(4,373 61)
134200	Fuel Holders, Producers, and Accessories	714 85	-	-	714 85
134300	Prime Movers	(1,290,528 74)	-	-	(1,290,528 74)
134400	Generators	(30,000 00)	-	-	(30,000 00)
135010	Land Rights	(0 49)	-	(0 03)	(0 52)
135210	Struct & Improve - Non System Control/Communication	(1,142,709 60)	-	(190,052 75)	(1,332,762 35)
135220	Struct & Improve - System Control/Communication	(161,769 63)	-	-	(161,769 63)
135310	Station Equipment - Non Sys Control/Comm	(6,065,452 03)	-	(613,492 40)	(6,678,944 43)
135320	Station Equipment - Sys Control/Comm	(1,415,672 34)	-	-	(1,415,672 34)
135400	Towers and Fixtures	(27,446,304 37)	-	(2,513,162 67)	(29,959,467 04)
135500	Poles and Fixtures	(28,931,523 20)	(7,132 33)	(1,925,839 96)	(30,864,495 49)
135600	Overhead Conductors and Devices	(36,683,399 35)	(3,262 25)	(3,200,188 85)	(39,886,850 45)
135700	Underground Conduit	(11,770 55)	-	-	(11,770 55)
135800	Underground Conductors and Devices	(35,109 42)	-	-	(35,109 42)
136010	Land Rights	(0 31)	-	(0 02)	(0 33)
136100	Structures and Improvements	(231,219 72)	(27 36)	(22,556 78)	(253,803 86)
136200	Station and Equipment	(5,534,078 67)	(669 72)	(358,962 55)	(5,893,710 94)
136400	Storage Battery Equipment	(34,163,919 58)	(1,776 50)	(2,623,058 37)	(36,788,754 45)
136500	Overhead Conductors and Devices	(44,902,309 97)	(2,598 11)	(3,554,799 20)	(48,459,707 28)
136600	Underground Conduit	(80,607 21)	-	-	(80,607 21)
136700	Underground Conductors and Devices	(1,623,963 82)	-	(17,953 88)	(1,641,917 70)
136800	Line Transformers	(11,294,720 47)	92 10	(851,183 04)	(12,145,811 41)
136900	Services	(17,096,510 26)	(73 08)	(1,114,256 24)	(18,210,839 58)
137000	Meters	(3,588,922 67)	(220 56)	(240,112 09)	(3,829,255 32)
137100	Installations on Customer's Premises	(160 52)	-	(0 03)	(160 55)
137300	Leased Prop on Customer's Premises	(4,098,867 16)	-	(123,563 46)	(4,222,430 62)
139010	Structures and Improvements to Owned Property	67,285 83	-	(0 01)	67,285 82
139110	Office Equipment	494 80	-	-	494 80
139300	Stores Equipment	9,786 79	-	116 26	9,903 05
139400	Tools, Shop, and Garage Equipment	41,911 95	-	2,617 85	44,529 80
139500	Laboratory Equipment	18,372 18	-	214 11	18,586 29
139600	Power Operated Equipment	23,432 09	-	-	23,432 09
139710	Carrier Communication Equipment	760 28	-	0 03	760 31
139720	Remote Control Communication Equip	0 78	-	0 03	0 81
139730	Mobile Communication Equipment	0 91	-	0 05	0 96
139800	Miscellaneous Equipment	(0 43)	-	-	(0 43)
FERC 108	Retirement Work In Progress	8,727,650 14	-	-	8,727,650 14
<b>Total Regulatory Liability</b>		<b>\$ (279,951,233.70)</b>	<b>\$ (15,667.81)</b>	<b>\$ (17,346,234.00)</b>	<b>\$ (297,313,135.51)</b>

KU  
Regulatory Liability  
as of December 31, 2007

Plant Account	Description	Kentucky Regulatory Liability	Tennessee Regulatory Liability	Virginia Regulatory Liability	Total Regulatory Liability
131100	Structures and Improvements	(10,177,927 43)	-	-	(10,177,927 43)
131200	Boiler Plant Equipment	(40,572,575 79)	-	-	(40,572,575 79)
131400	Turbogenerator Units	(10,611,814 06)	-	-	(10,611,814 06)
131500	Accessory Electric Equipment	(2,479,662 34)	-	-	(2,479,662 34)
131600	Miscellaneous Power Plant Equipment	(1,257,840 72)	-	-	(1,257,840 72)
133010	Land Rights	(18,633 50)	-	-	(18,633 50)
133100	Structures and Improvements	(32,175 96)	-	-	(32,175 96)
133200	Reservoirs, Dams, and Waterways	(680,511 55)	-	-	(680,511 55)
133300	Water Wheels, Turbines, and Generators	9,215 72	-	-	9,215 72
133400	Accessory Electric Equipment	(7,901 33)	-	-	(7,901 33)
133500	Miscellaneous Power Plant Equipment	(6,486 27)	-	-	(6,486 27)
133600	Roads, Railroads, and Bridges	(4,561 53)	-	-	(4,561 53)
134200	Fuel Holders, Producers, and Accessories	9,627 72	-	-	9,627 72
134300	Prime Movers	(1,061,509 90)	-	-	(1,061,509 90)
134400	Generators	(30,000 00)	-	-	(30,000 00)
134500	Accessory Electric Equipment	513 00	-	-	513 00
135010	Land Rights	(0 49)	-	(0 03)	(0 52)
135210	Struct & Improve - Non System Control/Communication	(1,206,729 92)	-	(202,654 67)	(1,409,384 59)
135220	Struct & Improve - System Control/Communication	(146,113 10)	-	-	(146,113 10)
135310	Station Equipment - Non Sys Control/Comm	(6,441,872 59)	-	(636,041 21)	(7,077,913 80)
135320	Station Equipment - Sys Control/Comm	(1,589,713 86)	-	-	(1,589,713 86)
135400	Towers and Fixtures	(28,276,492 60)	-	(2,585,971 22)	(30,862,463 82)
135500	Poles and Fixtures	(30,492,749 97)	(9,977 89)	(2,066,181 54)	(32,568,909 40)
135600	Overhead Conductors and Devices	(38,458,672 41)	(4,432 85)	(3,361,022 55)	(41,824,127 81)
135700	Underground Conduit	(12,712 91)	-	-	(12,712 91)
135800	Underground Conductors and Devices	(38,119 26)	-	-	(38,119 26)
136010	Land Rights	(0 31)	-	(0 02)	(0 33)
136100	Structures and Improvements	(221,977 00)	(34 20)	(8,490 64)	(230,501 84)
136200	Station and Equipment	(5,574,551 16)	(837 48)	(343,161 87)	(5,918,550 51)
136400	Storage Battery Equipment	(36,810,694 72)	(2,220 86)	(2,840,721 39)	(39,653,636 97)
136500	Overhead Conductors and Devices	(46,850,900 17)	(3,247 55)	(3,711,637 47)	(50,565,785 19)
136600	Underground Conduit	(85,514 08)	-	-	(85,514 08)
136700	Underground Conductors and Devices	(1,849,221 18)	-	(20,362 28)	(1,869,583 46)
136800	Line Transformers	(13,134,110 32)	(95 87)	(917,137 21)	(14,051,343 40)
136900	Services	(18,344,644 62)	(88 32)	(1,195,712 36)	(19,540,445 30)
137000	Meters	(3,820,716 34)	(276 96)	(255,303 13)	(4,076,296 43)
137100	Installations on Customer's Premises	(17,558 03)	-	117 78	(17,440 25)
137300	Leased Prop on Customer's Premises	(4,360,579 10)	-	(130,309 50)	(4,490,888 60)
139010	Structures and Improvements to Owned Property	114,206 61	-	(0 01)	114,206 60
139110	Office Equipment	494 80	-	-	494 80
139300	Stores Equipment	12,410 80	-	145 42	12,556 22
139400	Tools, Shop, and Garage Equipment	50,637 67	-	3,267 78	53,905 45
139500	Laboratory Equipment	22,783 11	-	263 65	23,046 76
139600	Power Operated Equipment	29,311 50	-	-	29,311 50
139710	Carrier Communication Equipment	10,702 15	-	0 03	10,702 18
139720	Remote Control Communication Equip	0 78	-	0 03	0 81
139730	Mobile Communication Equipment	0 91	-	0 05	0 96
139800	Miscellaneous Equipment	(0 43)	-	-	(0 43)
FERC 108	Retirement Work In Progress	12,780,387 50	-	-	12,780,387 50
<b>Total Regulatory Liability</b>		<b>\$ (291,634,952.68)</b>	<b>\$ (21,211.98)</b>	<b>\$ (18,270,912.36)</b>	<b>\$ (309,927,077.02)</b>



**KENTUCKY UTILITIES COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00565**

***Question No. 7***

**Witness: Shannon L. Charnas**

- Q-7. Please refer to the response to AG 1-96. Please explain the "Reclass of COR to Regulatory Liability from Life Reserves" entry.
- A-7. The "Reclass of COR to Regulatory Liability from Life Reserves" refers to a journal entry that was required to reclass net cost of removal expenditures which were applied to the life reserves instead of the cost of removal reserves. This misclassification occurred due to Oracle software system constraints which occurred after the adoption of SFAS No. 143.



**KENTUCKY UTILITIES COMPANY**

**Response to the Attorney General's  
Supplemental Requests for Information Dated April 14, 2008**

**Case No. 2007-00565**

**Question No. 8**

**Witness: John J. Spanos**

- Q-8. Please refer to the response to AG 1-99. Provide the formulae underlying the cost of removal and gross salvage rates and accruals shown in the attachment.
- A-8. The current rates were developed from the 1999 depreciation study and the underlying formulae are not available. The cost of removal and gross salvage rates were determined based on the pre-established current rate from the 1999 depreciation study. The segregation of the net salvage accrual rate to the cost of removal and gross salvage rates were based on the theoretical allocation of historical cost of removal and gross salvage amounts. The proposed amounts are determined based on the same calculations as those described in response to AG-2-1.