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COMMISSION

Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
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August 27, 2008

RE: APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN
ADJUSTMENT OF BASE RATES - Case No. 2008-00251
(Updates to Question Nos. 43, 44, and 57)

APPLICATION OF KENTUCKY UTILITIES COMPANY TO FILE
DEPRECIATION STUDY - Case No. 2007-00565

Dear Ms. Stumbo:

On August 12, 2008, in the above-referenced proceeding, Kentucky Utilities Company ("KU") filed initial responses to Question Nos. 43, 44, and 57 of the First Data Request of Commission Staff dated July 16, 2008. The directives in each of these data requests required on-going updates to the information as it becomes available.

Pursuant to the directive of Question No. 43, KU hereby provides an original and ten (10) copies of its updated Rives Exhibit 2 and Analysis of Embedded Cost of Capital to reflect changes through July 31, 2008.

Pursuant to the directive of Question No. 44, KU hereby provides an original and ten (10) copies of its detailed monthly income statements for July 2008.

With regard to Question No. 57, there are no additional items to note since KU's original responses filed on August 12, 2008.

Please confirm your receipt of these documents by placing the File Stamp of your Office on the enclosed additional copy.

Ms. Stephanie L. Stumbo
August 27, 2008

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

Sincerely,

A handwritten signature in black ink, appearing to read "R. M. Conroy". The signature is written in a cursive style with a large, prominent "C" at the end.

Robert M. Conroy

Enclosures

cc: Parties of Record

Counsel of Record

Allyson K. Sturgeon, Senior Corporate Attorney – E.ON U.S. LLC
Robert M. Watt – Stoll Keenon Ogden PLLC (Kentucky Utilities)
Kendrick R. Riggs – Stoll Keenon Ogden PLLC (Kentucky Utilities)
W. Duncan Crosby – Stoll Keenon Ogden PLLC (Kentucky Utilities)
Dennis Howard II – Office of the Attorney General (AG)
Lawrence W. Cook – Office of the Attorney General (AG)
Paul D. Adams – Office of the Attorney General (AG)
Michael L. Kurtz – Boehm, Kurtz & Lowry (KIUC)
David C. Brown – Stites and Harbison (Kroger)
Willis L. Wilson – LFUCG Department of Law (LFUCG)
Joe F. Childers – Getty & Childers PLLC (CAK and CAC)

Consultants to the Parties

Steve Seelye – The Prime Group (E.ON U.S. LLC)
William A. Avera – FINCAP, Inc (E.ON U.S. LLC)
John Spanos – Gannett Fleming, Inc. (E.ON U.S. LLC)
Robert Henkes (AG)
Michael Majoros – Snavely King Majoros O'Connor & Lee (AG)
Glenn Watkins – Technical Associates (AG)
Dr. J. Randall Woolridge – Smeal College of Business (AG)
Lane Kollen – Kennedy and Associates (KIUC)
Kevin C. Higgins – Energy Strategies, LLC (Kroger)

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

**UPDATED Response to First Data Request of Commission Staff
Dated July 16, 2008**

Updated Response filed August 27, 2008

Question No. 43

Responding Witness: S. Bradford Rives

- Q-43. Provide any information, when known, that would have a material effect on net operating income, rate base, or cost of capital that has occurred after the test year but was not incorporated in the filed testimony and exhibits.
- A-43. 1. See attached Updated Rives Exhibit 2, reflecting changes to embedded cost of capital through July 31, 2008.
2. See attached Analysis of the Embedded Cost of Capital, reflecting changes through July 31, 2008.

KENTUCKY UTILITIES

Capitalization at April 30, 2008
With Annual Cost Rate as of July 31, 2008

	Per Books 04-30-08 (1)	Capital Structure (2)	Reacquired Bonds (not retired) (3)	Undistributed Subsidiary Earnings (4)	Investment in EEI (Col 2 x Col 5 Line 4) (5)	Investments in OVEC and Other (Col 2 x Col 6 Line 4) (6)	Adjustments to Total Company Capitalization (Sum of Col 3 - Col 6) (7)	Adjusted Total Company Capitalization (Col 1 + Col 7) (8)
1. Short Term Debt	\$ 93,302,454	3.27%	\$ (16,693,620)	\$ -	\$ (813,592)	\$ (21,619)	\$ (17,528,831)	\$ 75,773,623
2. Long Term Debt	1,247,059,520	43.70%	16,693,620	-	(10,872,769)	(288,918)	5,531,933	1,252,591,453
3. Common Equity	1,513,015,410	53.03%	-	(23,584,679)	(13,194,117)	(350,603)	(37,129,399)	1,475,886,011
4. Total Capitalization	<u>\$2,853,377,384</u>	<u>100.00%</u>	<u>\$ -</u>	<u>\$ (23,584,679)</u>	<u>\$ (24,880,478)</u>	<u>\$ (661,140)</u>	<u>\$ (49,126,297)</u>	<u>\$2,804,251,087</u>

	Adjusted Total Company Capitalization (8)	Jurisdictional Rate Base Percentage (Exhibit 3 Line 23) (9)	Adjusted Kentucky Jurisdictional Capitalization (Col 8 x Col 9) (10)	Adjusted Jurisdictional Capital Structure (11)	Annual Cost Rate July 31, 2008 (12)	Cost of Capital (Col 11 x Col 12) (13)
1. Short Term Debt	\$ 75,773,623	73.94%	\$ 56,027,017	2.70%	2.45%	0.07%
2. Long Term Debt	1,252,591,453	73.94%	926,166,120	44.67%	4.98%	2.22%
3. Common Equity	1,475,886,011	73.94%	1,091,270,117	52.63%	11.25%	5.92%
4. Total Capitalization	<u>\$2,804,251,087</u>		<u>\$2,073,463,254</u>	<u>100.00%</u>		<u>8.21%</u>

NOTES:

Column 12 used July 31, 2008 actual embedded cost rates.

KENTUCKY UTILITIES COMPANY
ANALYSIS OF THE EMBEDDED COST OF CAPITAL AT
July 31, 2008

	Due	Rate	Principal	Annualized Cost				Total	Embedded Cost
				Interest(Income)	Amortized Debt		Amortized Loss- Required Debt		
					Issuance Expense	Premium			
LONG-TERM DEBT									
Pollution Control Bonds -									
Series 11 - Series A	05/01/23	2.25000% *	12,900,000	290,250	-	-	34,558	324,808	2.52
Series 12	02/01/32	1.75000% *	20,930,000	366,275	4,104	-	36,300	406,679	1.94
Series 13	02/01/32	1.75000% *	2,400,000	42,000	2,856	-	4,164	49,020	2.04
Series 14	02/01/32	1.75000% *	7,400,000	129,500	3,180	-	15,660	148,340	2.00
Series 15	02/01/32	1.75000% *	2,400,000	42,000	1,140	-	12,744	55,884	2.33
Series 16	10/01/32	3.56300% *	96,000,000	3,420,480	72,812	-	186,036	3,679,328	3.83
Series 17	10/01/34	4.35000% *	50,000,000	2,175,000	40,174	-	53,940	2,269,114	4.54
Series 18	06/01/35	3.53300% *	13,266,950	468,721	17,790	-	-	486,511	3.67
Series 19	06/01/35	3.53300% *	13,266,950	468,721	18,079	-	-	486,800	3.67
Series 20	06/01/36	6.15800% *	16,693,620	1,027,993	20,784	-	-	1,048,777	6.28
Series 21	06/01/36	2.35000% *	16,693,620	392,300	-	-	20,817	413,117	2.47
Series 22	10/01/34	6.15500% *	54,000,000	3,323,700	37,441	-	-	3,361,141	6.22
CC 2007A \$17 8M	02/01/26	5.75000% *	17,875,000	1,027,813	31,173	-	-	1,058,986	5.92
TC 2007A \$8 9M	03/01/37	6.00000% *	8,927,000	535,620	14,268	-	-	549,888	5.16
Called Bonds			-	-	-	-	110,904	110,905	-
Total External Debt			332,753,140	13,710,373	263,802	-	475,123	14,449,299	1.04%
Notes Payable to Fidelity Corp									
Notes Payable to Fidelity Corp	04/30/13	4.550%	100,000,000	4,550,000	-	-	-	4,550,000	4.55
Notes Payable to Fidelity Corp	08/15/13	5.310%	75,000,000	3,982,500	-	-	-	3,982,500	5.31
Notes Payable to Fidelity Corp	11/24/10	4.240%	33,000,000	1,399,200	-	-	-	1,399,200	4.24
Notes Payable to Fidelity Corp	01/16/12	4.390%	50,000,000	2,195,000	-	-	-	2,195,000	4.39
Notes Payable to Fidelity Corp	07/08/15	4.735%	50,000,000	2,367,500	-	-	-	2,367,500	4.74
Notes Payable to Fidelity Corp	12/21/15	5.360%	75,000,000	4,020,000	-	-	-	4,020,000	5.36
Notes Payable to Fidelity Corp	06/23/36	6.330%	50,000,000	3,165,000	-	-	-	3,165,000	6.33
Notes Payable to Fidelity Corp	10/25/16	5.675%	50,000,000	2,837,500	-	-	-	2,837,500	5.68
Notes Payable to Fidelity Corp	02/07/22	5.690%	53,000,000	3,015,700	-	-	-	3,015,700	5.69
Notes Payable to Fidelity Corp	03/30/37	5.860%	75,000,000	4,395,000	-	-	-	4,395,000	5.86
Notes Payable to Fidelity Corp	06/20/17	5.980%	50,000,000	2,990,000	-	-	-	2,990,000	5.98
Notes Payable to Fidelity Corp	09/14/28	5.960%	100,000,000	5,960,000	-	-	-	5,960,000	5.96
Notes Payable to Fidelity Corp	10/25/19	5.710%	70,000,000	3,997,000	-	-	-	3,997,000	5.71
Notes Payable to Fidelity Corp	12/19/14	5.450%	100,000,000	5,450,000	-	-	-	5,450,000	5.45
Notes Payable to Fidelity Corp	05/22/23	5.850%	75,000,000	4,387,500	-	-	-	4,387,500	5.85
Notes Payable to Fidelity Corp	07/25/18	6.160%	50,000,000	3,080,000	-	-	-	3,080,000	6.16
Total Internal Debt			1,056,000,000	57,791,900	-	-	-	54,711,900	3.94%
Total			1,388,753,140	71,502,273	263,802	0	475,123	69,161,199	4.98%

	Rate	Principal	Annualized Cost				Total	Embedded Cost
			Interest	Expense		Loss		
				Expense	Premium			
SHORT TERM DEBT								
Notes Payable to Associated Company	2.450% *	144,957,454	3,551,458	-	-	-	3,551,458	2.45
Reacquired Bonds	2.450% *	(79,593,620)	(1,950,044)	-	-	-	(1,950,044)	2.45
Total		65,363,834	1,601,414	-	-	-	1,601,414	2.45%

Embedded Cost of Total Debt 70.762.613 **4.97%**

* Composite rate at end of current month

1 Series P and R bonds were redeemed in 2003, and 2005, respectively. They were not replaced with other bond series. The remaining unamortized expense is being amortized over the remainder of the original lives (due 5/15/07 and 6/1/25 respectively) of the bonds as loss on reacquired debt.

2 Reacquired bonds

KENTUCKY UTILITIES COMPANY

CASE NO. 2008-00251

**UPDATED Response to First Data Request of Commission Staff
Dated July 16, 2008**

Updated Response filed August 27, 2008

Question No. 44

Responding Witness: Shannon L. Charnas

- Q-44. Provide detailed monthly income statements for each month after the test year, including the month in which the hearing ends, as they become available.
- A-44. See attached income statement for July 2008.

KENTUCKY UTILITIES COMPANY

Income Statements

July 31, 2008

Kentucky Utilities Company
Comparative Statement of Income
July 31, 2008

	Current Month			
	This Year Amount	Last Year Amount	Increase or Decrease Amount	%
Electric Operating Revenues.....	127,619,830.80	108,206,292.10	19,413,538.70	17.94
Total Operating Revenues.....	<u>127,619,830.80</u>	<u>108,206,292.10</u>	<u>19,413,538.70</u>	<u>17.94</u>
Fuel for Electric Generation.....	50,554,216.04	41,382,706.70	9,171,509.34	22.16
Power Purchased.....	18,231,684.06	11,619,283.87	6,612,400.19	56.91
Other Operation Expenses.....	15,150,039.32	11,711,036.84	3,439,002.48	29.37
Maintenance.....	6,165,501.63	6,454,208.69	(288,707.06)	(4.47)
Depreciation.....	11,249,730.35	9,955,818.98	1,293,911.37	13.00
Amortization Expense.....	446,262.26	479,574.88	(33,312.62)	(6.95)
Regulatory Credits.....	(190,313.18)	(179,631.83)	(10,681.35)	5.95
Taxes				
Federal Income.....	5,920,581.93	6,475,422.27	(554,840.34)	(8.57)
State Income.....	1,138,573.45	1,245,273.51	(106,700.06)	(8.57)
Deferred Federal Income - Net.....	-	-	-	-
Deferred State Income - Net.....	-	-	-	-
Property and Other.....	1,829,366.80	1,730,789.15	98,577.65	5.70
Investment Tax Credit.....	-	-	-	-
Loss (Gain) from Disposition of Allowances.....	-	-	-	-
Accretion Expense.....	165,564.25	155,089.06	10,475.19	6.75
Total Operating Expenses.....	<u>110,661,206.91</u>	<u>91,029,572.12</u>	<u>19,631,634.79</u>	<u>21.57</u>
Net Operating Income.....	16,958,623.89	17,176,719.98	(218,096.09)	(1.27)
Other Income Less Deductions				
Other Income Less Deductions.....	3,641,885.15	2,814,155.65	827,729.50	29.41
AFUDC - Equity.....	459,097.99	256,245.06	202,852.93	79.16
Total Other Income Less Deductions.....	<u>4,100,983.14</u>	<u>3,070,400.71</u>	<u>1,030,582.43</u>	<u>33.57</u>
Income Before Interest Charges.....	<u>21,059,607.03</u>	<u>20,247,120.69</u>	<u>812,486.34</u>	<u>4.01</u>
Interest on Long-term Debt.....	5,663,374.56	3,978,491.76	1,684,882.80	42.35
Amortization of Debt Expense - Net.....	61,577.08	59,084.63	2,492.45	4.22
Other Interest Expenses.....	311,012.81	814,973.52	(503,960.71)	(61.84)
AFUDC - Borrowed Funds.....	(155,072.46)	(73,688.34)	(81,384.12)	110.44
Total Interest Charges.....	<u>5,880,891.99</u>	<u>4,778,861.57</u>	<u>1,102,030.42</u>	<u>23.06</u>
Net Income.....	<u>15,178,715.04</u>	<u>15,468,259.12</u>	<u>(289,544.08)</u>	<u>(1.87)</u>

August 21, 2008

Kentucky Utilities Company
Comparative Statement of Income
July 31, 2008

	Year to Date			
	This Year	Last Year	Increase or Decrease	
	Amount	Amount	Amount	%
Electric Operating Revenues.....	796,116,049.17	725,958,818.58	70,157,230.59	9.66
Total Operating Revenues.....	796,116,049.17	725,958,818.58	70,157,230.59	9.66
Fuel for Electric Generation.....	283,500,398.09	257,870,190.20	25,630,207.89	9.94
Power Purchased.....	128,452,572.97	101,159,072.10	27,293,500.87	26.98
Other Operation Expenses.....	99,807,929.27	86,929,622.02	12,878,307.25	14.81
Maintenance.....	53,104,938.33	44,413,629.29	8,691,309.04	19.57
Depreciation.....	71,612,267.90	65,054,691.69	6,557,576.21	10.08
Amortization Expense.....	2,927,319.54	3,288,030.05	(360,710.51)	(10.97)
Regulatory Credits.....	(1,311,837.91)	(1,202,622.30)	(109,215.61)	9.08
Taxes				
Federal Income.....	27,099,969.87	27,686,367.95	(586,398.08)	(2.12)
State Income.....	6,742,936.13	8,388,160.87	(1,645,224.74)	(19.61)
Deferred Federal Income - Net.....	(6,622,475.69)	(6,608,236.28)	(14,239.41)	0.22
Deferred State Income - Net.....	(1,773,804.06)	(823,550.08)	(950,253.98)	115.39
Property and Other.....	12,004,578.37	11,082,187.77	922,390.60	8.32
Investment Tax Credit.....	12,924,999.97	19,750,000.00	(6,825,000.03)	(34.56)
Loss (Gain) from Disposition of Allowances.....	(583,106.55)	(706,851.51)	123,744.96	(17.51)
Accretion Expense.....	1,140,609.22	1,085,917.42	54,691.80	5.04
Total Operating Expenses.....	689,027,295.45	617,366,609.19	71,660,686.26	11.61
Net Operating Income.....	107,088,753.72	108,592,209.39	(1,503,455.67)	(1.38)
Other Income Less Deductions				
Other Income Less Deductions.....	17,976,943.82	15,618,950.77	2,357,993.05	15.10
AFUDC - Equity.....	3,454,966.66	1,510,755.46	1,944,211.20	128.69
Total Other Income Less Deductions.....	21,431,910.48	17,129,706.23	4,302,204.25	25.12
Income Before Interest Charges.....	128,520,664.20	125,721,915.62	2,798,748.58	2.23
Interest on Long-term Debt.....	38,472,292.04	25,511,382.01	12,960,910.03	50.80
Amortization of Debt Expense - Net.....	427,107.57	547,455.50	(120,347.93)	(21.98)
Other Interest Expenses.....	1,689,262.29	4,428,311.12	(2,739,048.83)	(61.85)
AFUDC - Borrowed Funds.....	(1,174,977.90)	(433,043.27)	(741,934.63)	171.33
Total Interest Charges.....	39,413,684.00	30,054,105.36	9,359,578.64	31.14
Net Income.....	89,106,980.20	95,667,810.26	(6,560,830.06)	(6.86)

August 21, 2008

Kentucky Utilities Company
Comparative Statement of Income
July 31, 2008

	Year Ended Current Month			
	This Year Amount	Last Year Amount	Increase or Decrease Amount	%
Electric Operating Revenues.....	1,342,706,129.83	1,246,916,709.12	95,789,420.71	7.68
Total Operating Revenues.....	<u>1,342,706,129.83</u>	<u>1,246,916,709.12</u>	<u>95,789,420.71</u>	<u>7.68</u>
Fuel for Electric Generation.....	485,748,892.53	438,289,281.37	47,459,611.16	10.83
Power Purchased.....	195,737,106.51	176,920,475.08	18,816,631.43	10.64
Other Operation Expenses.....	165,801,143.61	154,212,067.06	11,589,076.55	7.52
Maintenance.....	93,933,503.23	74,303,170.65	19,630,332.58	26.42
Depreciation.....	121,821,740.92	111,044,773.16	10,776,967.76	9.71
Amortization Expense.....	5,059,834.45	5,520,419.52	(460,585.07)	(8.34)
Regulatory Credits.....	(2,210,418.95)	(2,054,593.21)	(155,825.74)	7.58
Taxes				
Federal Income.....	27,176,017.71	46,314,830.77	(19,138,813.06)	(41.32)
State Income.....	11,414,993.29	13,727,458.29	(2,312,465.00)	(16.85)
Deferred Federal Income - Net.....	(6,374,402.79)	(8,728,090.47)	2,353,687.68	(26.97)
Deferred State Income - Net.....	(1,438,319.66)	(928,429.36)	(509,890.30)	54.92
Property and Other.....	19,361,467.27	18,830,303.63	531,163.64	2.82
Investment Tax Credit.....	35,741,646.97	31,750,000.00	3,991,646.97	12.57
Loss (Gain) from Disposition of Allowances.....	(583,106.55)	(706,851.51)	123,744.96	(17.51)
Accretion Expense.....	1,916,054.52	1,814,091.30	101,963.22	5.62
Total Operating Expenses.....	<u>1,153,106,153.06</u>	<u>1,060,308,906.28</u>	<u>92,797,246.78</u>	<u>8.75</u>
Net Operating Income.....	189,599,976.77	186,607,802.84	2,992,173.93	1.60
Other Income Less Deductions				
Other income Less Deductions.....	30,808,674.73	30,046,073.33	762,601.40	2.54
AFUDC - Equity.....	5,271,916.05	1,783,990.93	3,487,925.12	195.51
Total Other Income Less Deductions.....	<u>36,080,590.78</u>	<u>31,830,064.26</u>	<u>4,250,526.52</u>	<u>13.35</u>
Income Before Interest Charges.....	<u>225,680,567.55</u>	<u>218,437,867.10</u>	<u>7,242,700.45</u>	<u>3.32</u>
Interest on Long-term Debt.....	61,461,393.60	41,062,240.56	20,399,153.04	49.68
Amortization of Debt Expense - Net.....	733,152.59	924,052.70	(190,900.11)	(20.66)
Other Interest Expenses.....	4,782,018.20	5,804,959.39	(1,022,941.19)	(17.62)
AFUDC - Borrowed Funds.....	(1,697,741.26)	(619,870.11)	(1,077,871.15)	173.89
Total Interest Charges.....	<u>65,278,823.13</u>	<u>47,171,382.54</u>	<u>18,107,440.59</u>	<u>38.39</u>
Net Income.....	<u>160,401,744.42</u>	<u>171,266,484.56</u>	<u>(10,864,740.14)</u>	<u>(6.34)</u>

August 21, 2008