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AUG 22 2008

PUBLIC SERVICE
COMMISSION

Stephanie L. Stumbo, Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

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

August 21, 2008

RE: Monthly Environmental Surcharge Report

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

Dear Ms. Stumbo:

Pursuant to KRS 278.183(3), Kentucky Utilities Company ("KU") files the original and three copies of its Environmental Surcharge Report for the month of July 2008. In accordance with the Commission's Order in the Environmental Surcharge cases, most recently Case No. 2007-00379, KU has included the calculation and supporting documentation of the Environmental Surcharge Factor that will be billed for service on and after September 3, 2008.

As explained in our revised filing dated July 30, 2008, included with this letter are revised ES Forms 3.10, 3.00, 2.00 and 1.10 for the months of April and May 2008. We have included the corrected base revenue numbers in ES Form 3.10 and 3.00 for April and May 2008. The cumulative effect on Net Jurisdictional E(m) is a reduction of \$45,101, the details of which are provided in Exhibit 1 to this filing. The impact of the over collection is reflected on ES Form 1.10 in the July 2008 filing.

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

Sincerely,

Robert M. Conroy

Enclosures

**KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT**

**Calculation of Monthly Billed Environmental Surcharge Factor - MESF
For the Expense Month of July 2008**

$$\text{MESF} = \text{CESF} - \text{BESF}$$

Where:

CESF = Current Period Jurisdictional Environmental Surcharge Factor
BESF = Base Period Jurisdictional Environmental Surcharge Factor

Calculation of MESF:

CESF, from ES Form 1.10	=	11.35%
BESF, from Case No. 2007-0379	=	5.51%
MESF	=	5.84%

Effective Date for Billing: September billing cycle beginning September 3, 2008

Submitted by: _____

Title: Director, Rates

Date Submitted: August 22, 2008

**KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT**

Calculation of Total E(m) and
Jurisdictional Surcharge Billing Factor

For the Expense Month of July 2008

Calculation of Total E(m)

$E(m) = [(RB / 12) (ROR + (ROR - DR)(TR / (1 - TR)))] + OE - BAS$, where

RB = Environmental Compliance Rate Base
ROR = Rate of Return on the Environmental Compliance Rate Base
DR = Debt Rate (both short-term and long-term debt)
TR = Composite Federal & State Income Tax Rate
OE = Pollution Control Operating Expenses
BAS = Total Proceeds from By-Product and Allowance Sales

		Environmental Compliance Plans	
RB	= \$		1,032,461,736
RB / 12	=		86,038,478
$(ROR + (ROR - DR) (TR / (1 - TR)))$	=		11.42%
OE	=		3,085,086
BAS	=		-
E(m)	= \$		12,910,680

Calculation of Jurisdictional Environmental Surcharge Billing Factor

Jurisdictional Allocation Ratio for Expense Month	=		81.02%
Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio	= \$		10,460,233
Adjustment for Monthly True-up (from Form 2 00)	=		(290,847)
Recovery of OMU NOx Expenditures (Case No. 2003-00434-Settlement Agreement, Section 3 19, pg. 13)	=		83,333
Adjustment for Under-collection pursuant to Case No. 2007-00379	=		
Prior Period Adjustment (if necessary)	=		(45,101)
Net Jurisdictional E(m) = Jurisdictional E(m) minus Adjustment for Monthly True-up plus/minus Prior Period Adjustment	= \$		10,207,618
Jurisdictional R(m) = Average Monthly Jurisdictional Revenue for the 12 Months Ending with the Current Expense Month	= \$		89,962,316
Jurisdictional Environmental Surcharge Billing Factor:			
Net Jurisdictional E(m) / Jurisdictional R(m) ; as a % of Revenue	=		11.35%

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT

Revenue Requirements of Environmental Compliance Costs
For the Expense Month of July 2008

Determination of Environmental Compliance Rate Base

	Environmental Compliance Plan	
Eligible Pollution Control Plant	\$ 681,152,709	
Eligible Pollution CWIP Excluding AFUDC	440,900,012	
Subtotal		\$ 1,122,052,721
Additions:		
Inventory - Limestone	\$ 357,595	
Less: Limestone Inventory in base rates	76,473	
Inventory - Emission Allowances per ES Form 2.31, 2.32 and 2.33	117,753	
Less: Allowance Inventory Baseline	69,415	
Net Emission Allowance Inventory	48,338	
Cash Working Capital Allowance	505,684	
Subtotal		835,144
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	33,602,637	
Pollution Control Deferred Income Taxes	37,501,230	
Pollution Control Deferred Investment Tax Credit	19,322,262	
Subtotal		90,426,129
Environmental Compliance Rate Base		\$ 1,032,461,736

Determination of Pollution Control Operating Expenses

	Environmental Compliance Plan
Monthly Operations & Maintenance Expense	\$ 727,902
Monthly Depreciation & Amortization Expense	2,219,914
Monthly Taxes Other Than Income Taxes	106,605
Monthly Insurance Expense	-
Monthly Emission Allowance Expense from ES Form 2.31, 2.32 and 2.33	35,527
Less Monthly Emission Allowance Expense in base rates (1/12 of \$58,345.76)	4,862
Net Recoverable Emission Allowance Expense	30,665
Monthly Surcharge Consultant Fee	-
Total Pollution Control Operations Expense	\$ 3,085,086

Proceeds From By-Product and Allowance Sales

	Total Proceeds
Allowance Sales	\$ -
Scrubber By-Products Sales	-
Total Proceeds from Sales	\$ -

True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences

A. MESF for two months prior to Expense Month	6.71%
B. Net Jurisdictional E(m) for two months prior to Expense Month	10,993,864
C. Environmental Surcharge Revenue, current month (from ES Form 3.00)	6,243,205
D. Retail E(m) recovered through base rates (Base Revenues, ES Form 3.00 times 5.51%)	5,041,506
E. Over/(Under) Recovery due to Timing Differences ((D + C) - B)	290,847
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	

**KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT**

Limestone Inventory

For the Month Ended: July 31, 2008

	Beginning Inventory	Purchases	Other Adjustments	Utilized	Ending Inventory	Reason(s) for Adjustments
Spare Parts						
Limestone						
At Ghent:						
Tons	48,777.36	35,651.00	0.00	38,091.00	46,337.36	
Dollars	\$ 370,018.23	\$ 281,882.32	\$ -	\$ 294,305.32	\$ 357,595.23	
\$/Ton	\$ 7.59	\$ 7.91		\$ 7.73	\$ 7.72	
At E.W. Brown:						
Tons						
Dollars						
\$/Ton						

Ghent Limestone Inventory in Base Rates: \$ 76,473.34

Net to be included in ECR \$ 281,121.89

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT

Plant, CWIP & Depreciation Expense

For the Month Ended: July 31, 2008

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Description	Eligible Plant In Service	Eligible Accumulated Depreciation	CWIP Amount Excluding AFUDC	Eligible Net Plant In Service	Unamortized ITC as of 7/31/2008	Deferred Tax Balance as of 7/31/2008	Monthly Depreciation Expense	Monthly Property Tax Expense
				(2)-(3)+(4)				
2001 Plan:								
Project 16 - KU Nox modifications	\$ 9,775,541	\$ 1,264,000	\$ -	\$ 8,511,541	\$ -	\$ 1,049,468	\$ 16,203	\$ 1,078
Project 17 - KU Nox SCR's	216,964,277	23,468,811	187,616	193,683,081	-	30,179,108	456,301	24,586
Subtotal	226,739,818	24,732,811	187,616	202,194,622	-	31,228,575	472,504	25,664
Less Retirements and Replacement resulting from implementation of 2001 Plan	(2,720,546)	(961,856)	-	(1,758,690)	-	(224,168)	(6,741)	(220)
Net Total - 2001 Plan:	\$ 224,019,272	\$ 23,770,955	\$ 187,616	\$ 200,435,933	\$ -	\$ 31,004,407	\$ 465,762	\$ 25,444
2003 Plan:								
Project 18 - Ghent Ash Pond Dike Elevation	16,148,295	1,613,215	-	14,535,080	-	2,327,058	29,067	1,842
Subtotal	16,148,295	1,613,215	-	14,535,080	-	2,327,058	29,067	1,842
Less Retirements and Replacement resulting from implementation of 2003 Plan	-	-	-	-	-	-	-	-
Net Total - 2003 Plan:	\$ 16,148,295	\$ 1,613,215	\$ -	\$ 14,535,080	\$ -	\$ 2,327,058	\$ 29,067	\$ 1,842
2005 Plan:								
Project 19 - Ash Handling at Ghent 1 and Ghent Station	398,915	19,746	-	379,169	-	32,747	718	48
Project 20 - Ash Treatment Basin Expansion at E.W. Brown Station	19,697,162	32,090	17,005,223	36,670,295	-	83,295	32,090	3,907
Project 21 - FGD's at all E.W. Brown Units and at Ghent 1, 3, and 4	425,024,402	10,289,794	285,996,416	700,731,025	-	4,830,081	1,698,128	67,714
Subtotal	445,120,479	10,341,630	303,001,639	737,780,488	-	4,946,123	1,730,936	71,669
Less Retirements and Replacement resulting from implementation of 2005 Plan	(4,414,652)	(2,139,966)	-	(2,274,685)	-	(790,000)	(8,205)	(284)
Net Total - 2005 Plan:	\$ 440,705,828	\$ 8,201,664	\$ 303,001,639	\$ 735,505,803	\$ -	\$ 4,156,123	\$ 1,722,731	\$ 71,385

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT

Plant, CWIP & Depreciation Expense

For the Month Ended: July 31, 2008

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Description	Eligible Plant in Service	Eligible Accumulated Depreciation	CWIP Amount Excluding AFUDC	Eligible Net Plant In Service	Unamortized ITC as of 7/31/2008	Deferred Tax Balance as of 7/31/2008	Monthly Depreciation Expense	Monthly Property Tax Expense
				(2)-(3)+(4)				
2006 Plan:								
Project 23 - TC2 AQCS Equipment	-	-	128,815,079	128,815,079	19,322,262	-	-	7,336
Project 24 - Sorbent Injection	-	-	8,058,355	8,058,355	-	-	-	580
Project 25 - Mercury Monitors	265,290	25,757	563,424	802,957	-	11,601	2,308	32
Project 27 - E.W. Brown Electrostatic Precipitators	46,715	3,881	273,900	316,734	-	4,315	152	5
Subtotal	312,005	29,638	137,710,758	137,993,124	19,322,262	15,916	2,461	7,953
Less Retirements and Replacement resulting from implementation of 2006 Plan	(32,691)	(12,835)	-	(19,856)	-	(2,274)	(107)	(19)
Net Total - 2006 Plan:	\$ 279,314	\$ 16,803	\$ 137,710,758	\$ 137,973,269	\$ 19,322,262	\$ 13,642	\$ 2,354	\$ 7,934
Net Total - All Plans:	\$ 681,152,709	\$ 33,602,637	\$ 440,900,012	\$ 1,088,450,084	\$ 19,322,262	\$ 37,501,230	\$ 2,219,914	\$ 106,605

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Inventory of Emission Allowances

For the Month Ended: July 31, 2008

Vintage Year	Number of Allowances			Total Dollar Value Of Vintage Year			Comments and Explanations
	SO ₂	NO _x Annual	NO _x Ozone Season	SO ₂	NO _x Annual	NO _x Ozone Season	
Current Year	30,114	-	4,706	\$ 118,231.43	\$ -	\$ -	Vintage 2038 allowances were issued by the EPA in July 2008
2009	83,343		-				
2010	77,535						
2011	77,535						
2012	77,535						
2013	77,535						
2014	77,535						
2015	77,535						
2016	77,535						
2017	77,535						
2018	77,535						
2019	77,535						
2020	77,535						
2021	77,535						
2022	77,535						
2023	77,535						
2024	77,535						
2025	77,535						
2026	77,535						
2027	77,535						
2028 - 2038	852,885						

In the "Comments and Explanation" Column, describe any allowance inventory adjustment other than the assignment of allowances by EPA. Inventory adjustments include, but are not limited to, purchases, allowances acquired as part of other purchases, and the sale of allowances.

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Inventory of Emission Allowances (SO₂) - Current Vintage Year

For the Expense Month of July 2008

	Beginning inventory	Allocations/Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity	39,177	0	9,063	0	0	30,114	
Dollars	\$ 153,758	\$ -	\$ 35,527	\$ -	\$ -	\$ 118,231	
S/Allowance	\$ 3.92	\$ -	\$ 3.92	\$ -	\$ -	\$ 3.93	
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity	39,055	-	9,063	-	-	29,992	
Dollars	\$ 153,280	\$ (0)	\$ 35,527	\$ -	\$ -	\$ 117,753	
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity	122	-	0	0	0	122	
Dollars	\$ 479	\$ 0	\$ -	\$ -	\$ -	\$ 479	
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity	0	0				0	
Dollars	\$ -	\$ -				\$ -	
S/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
From LG&E							
Quantity	0	0				0	
Dollars	\$ -	\$ -				\$ -	
S/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Emission Allowance Expense for Other Power Generation is excluded from expense reported on Form 2.00 for recovery through the monthly billing factor

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
Inventory of Emission Allowances (NOx) - Ozone Season Allowance Allocation

For the Expense Month of July 2008

	Beginning Inventory	Allocations/ Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity	6,741	0	2,035	0	0	4,706	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity	6,011	15	2,032	-	-	3,994	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity	730	(15)	3	-	-	712	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
From LG&E:							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Emission Allowance Expense for Other Power Generation is excluded from expense reported on Form 2.00 for recovery through the monthly billing factor.

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
 Inventory of Emission Allowances (NOx) - Annual Allowance Allocation

For the Expense Month of July 2008

	Beginning Inventory	Allocations/ Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity	-	-	-	-	-	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
From LG&E:							
Quantity	0	0	0	0	0	0	
Dollars	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$/Allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Emission Allowance Expense for Other Power Generation is excluded from expense reported on Form 2.00 for recovery through the monthly billing factor.

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
O&M Expenses and Determination of Cash Working Capital Allowance

For the Month Ended: July 31, 2008

Environmental Compliance Plan	
O&M Expenses	Amount
11th Previous Month	\$ 530,141
10th Previous Month	82,389
9th Previous Month	178,642
8th Previous Month	138,879
7th Previous Month	170,339
6th Previous Month	121,233
5th Previous Month	149,035
4th Previous Month	172,818
3rd Previous Month	286,270
2nd Previous Month	682,745
Previous Month	805,076
Current Month	727,902
Total 12 Month O&M	\$ 4,045,469

Determination of Working Capital Allowance	
12 Months O&M Expenses	\$ 4,045,469
One Eighth (1/8) of 12 Month O&M Expenses	1/8
Pollution Control Cash Working Capital Allowance	\$ 505,684

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT

Pollution Control - Operations & Maintenance Expenses
 For the Month Ended: July 31, 2008

O&M Expense Account	E. W. Brown	Ghent	Green River	Tyrone	Total
2001 Plan					
506104 - NOx Operation -- Consumables		151,209			\$ 151,209
506105 - NOx Operation -- Labor and Other		-			-
512101 - NOx Maintenance		19,189			19,189
Total 2001 Plan O&M Expenses		\$ 170,398			\$ 170,398
2005 Plan					
502006 - Scrubber Operations	-	194,097			194,097
512005 - Scrubber Maintenance	-	22,576			22,576
Total 2005 Plan O&M Expenses	\$ -	\$ 216,673			\$ 216,673
2006 Plan					
506109 - Sorbent Injection Operation		329,495			329,495
512102 - Sorbent Injection Maintenance		11,337			11,337
506110 - Mercury Monitors Operation	-	-	-	-	-
512103 - Mercury Monitors Maintenance	-	-	-	-	-
Total 2006 Plan O&M Expenses	\$ -	\$ 340,832	\$ -	\$ -	\$ 340,832
Current Month O&M Expense for All Plans	\$ -	\$ 727,902	\$ -	\$ -	\$ 727,902

**KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT**

Monthly Average Revenue Computation of R (m)

For the Month Ended: July 31, 2008

(1) Month	Kentucky Jurisdictional Revenues							Non-Jurisdictional Revenues	Total Company Revenues	
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	Base Rate Revenues	Fuel Clause Revenues	DSM Revenues	STOD Program Cost Recovery Factor Revenues	Environmental Surcharge Revenues	Total	Total Excluding Environmental Surcharge	Total Including Off-System Sales	Total	Total Excluding Environmental Surcharge
					(2)+(3)+(4)+(5)+(6)	(7)-(6)	(See Note 1)	(7)+(9)	(10)-(6)	
Aug-07	\$ 81,006,470	\$ 8,438,606	\$ 407,227	\$ 30,426	\$ 4,367,489	\$ 94,250,219	\$ 89,882,730	\$ 15,531,182	\$ 109,781,401	\$ 105,413,912
Sep-07	83,069,297	12,855,756	418,933	32,008	5,094,711	101,470,705	96,375,994	17,611,147	119,081,852	113,987,141
Oct-07	69,577,343	18,469,899	297,323	28,159	4,696,399	93,069,122	88,372,723	15,203,235	108,272,357	103,575,958
Nov-07	64,626,143	9,750,939	274,363	24,889	3,486,782	78,163,115	74,676,333	14,489,065	92,652,180	89,165,398
Dec-07	85,467,687	3,886,202	371,852	24,959	5,482,500	95,233,200	89,750,700	18,484,505	113,717,705	108,235,205
Jan-08	98,727,332	14,048,338	479,600	26,740	8,085,888	121,367,899	113,282,011	21,250,619	142,618,518	134,532,630
Feb-08	95,431,573	2,161,977	459,929	25,587	5,168,528	103,247,594	98,079,066	16,287,289	119,534,883	114,366,355
Mar-08	89,730,735	(154,172)	410,340	24,770	2,964,623	92,976,296	90,011,673	20,688,627	113,664,923	110,700,300
Apr-08	79,215,520	6,908,989	343,104	24,345	4,587,476	91,079,435	86,491,959	15,610,010	106,689,445	102,101,969
May-08	73,723,800	829,312	874,254	24,656	2,816,309	78,267,331	75,451,022	16,974,780	95,242,111	92,425,802
Jun-08	81,577,064	1,284,590	1,063,124	26,828	4,470,912	88,422,518	83,951,606	16,633,443	105,055,961	100,585,049
Jul-08	91,497,390	403,284	1,292,295	29,001	6,243,205	99,465,174	93,221,969	21,842,334	121,307,508	115,064,303
Average Monthly Jurisdictional Revenues, Excluding Environmental Surcharge, for 12 Months Ending Current Expense Month.							\$ 89,962,316			
Jurisdictional Allocation Percentage for Current Month (Environmental Surcharge Excluded from Calculations): Expense Month Kentucky Jurisdictional Revenues Divided by Expense Month Total Company Revenues: Column (8) / Column (11) =										81.02%
								Note 1 - Excludes Brokered Sales, Total for Current Month =	\$	

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT

Reconciliation of Reported Revenues

For the Month Ended: July 31, 2008

	Revenues per Form 3.00	Revenues per Income Statement
Kentucky Retail Revenues		
Base Rates (Customer Charge, Energy Charge, Demand Charge)	\$ 91,497,389.83	\$ 91,497,389.83
Fuel Adjustment Clause	403,283.76	403,283.76
DSM	1,292,295.00	1,292,295.00
STOD Program Cost Recovery Factor	29,000.82	29,000.82
Environmental Surcharge		6,243,204.84
CSR Credits		(470,406.63)
Total Kentucky Jurisdictional Revenues for Environmental Surcharge Purposes =	\$ 93,221,969.41	
Non -Jurisdictional Revenues		
Tennessee Retail	\$ 180.46	180.46
Virginia Retail	4,082,254.81	4,082,254.81
Wholesale	11,472,572.47	11,472,572.47
InterSystem (Total Less Transmission Portion Booked in Account 447)	6,287,326.36	6,287,326.36
Total Non-Jurisdictional Revenues for Environmental Surcharge Purposes =	\$ 21,842,334.10	
Total Company Revenues for Environmental Surcharge Purposes =	\$ 115,064,303.51	
Reconciling Revenues		
Brokered	-	-
InterSystem (Transmission Portion Booked in Account 447)		6,427,000.00
Unbilled		730,140.00
Provision for Refund		780,432.09
Merger Surcredit		(865,852.56)
Merger Surcredit - Non Jurisdictional		(288,980.28)
Value Delivery Surcredit		(10.17)
Miscellaneous		
Total Company Revenues per Income Statement =		\$ 127,619,830.80

Exhibit 1

Kentucky Utilities Company

Revisions to Net Jurisdictional E(m) for Expense Months April and May 2008

Summary of Calculation of Jurisdictional Environmental Surcharge Billing Factor Revision

Expense Month	Change to Base Rate Revenues	Retail Jurisdictional Allocation	Change to Jurisdictional E(m)	Change to Adjustment for Monthly True-up	Adjustment to Net E(m)
April 2008	\$ 921,764	84.71%	\$ 14,579	\$ (28,667)	\$ (14,088)
May 2008	946,832	81.63%	\$ 21,157	\$ (52,170)	\$ (31,013)
Total Adjustment for July Expense Month Filing:					\$ (45,100)

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
 Calculation of Total E(m) and
 Jurisdictional Surcharge Billing Factor

For the Expense Month of May 2008 as Revised August 22, 2008

Calculation of Total E(m)

$E(m) = [(RB / 12) (ROR + (ROR - DR)(TR / (1 - TR)))] + OE - BAS$, where

RB	=	Environmental Compliance Rate Base
ROR	=	Rate of Return on the Environmental Compliance Rate Base
DR	=	Debt Rate (both short-term and long-term debt)
TR	=	Composite Federal & State Income Tax Rate
OE	=	Pollution Control Operating Expenses
BAS	=	Total Proceeds from By-Product and Allowance Sales

		Environmental Compliance Plans	May 2008 as Filed	Difference
RB	= \$	962,572,421	\$ 962,572,421	\$ -
RB / 12	=	80,214,368	80,214,368	(0)
(ROR + (ROR - DR) (TR / (1 - TR)))	=	11.42%	11.42%	0.00%
OE	=	1,974,752	1,974,752	-
BAS	=	-	-	-
E(m)	= \$	11,135,233	\$ 11,135,233	\$ 0

Calculation of Jurisdictional Environmental Surcharge Billing Factor

Jurisdictional Allocation Ratio for Expense Month	=	81.63%	81.44%	0.19%
Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio	= \$	9,089,691	\$ 9,068,534	\$ 21,157
Adjustment for Monthly True-up (from Form 2 00)	=	1,395,901	1,448,071	(52,170)
Recovery of OMU NOx Expenditures (Case No. 2003-00434-Settlement Agreement, Section 3 19, pg. 13)	=	83,333	83,333	-
Adjustment for Under-collection pursuant to Case No. 2007-00379	=	424,939	424,939	-
Prior Period Adjustment (if necessary)	=	-	-	-
Net Jurisdictional E(m) = Jurisdictional E(m) minus Adjustment for Monthly True-up plus/minus Prior Period Adjustment	= \$	10,993,864	\$ 11,024,877	(31,013)
Jurisdictional R(m) = Average Monthly Jurisdictional Revenue for the 12 Months Ending with the Current Expense Month	= \$	90,203,338	Cumulative true-up	(14,088)
Jurisdictional Environmental Surcharge Billing Factor: Net Jurisdictional E(m) / Jurisdictional R(m); as a % of Revenue	=	12.19%	Total True-up	(45,101)

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT

Revenue Requirements of Environmental Compliance Costs
For the Expense Month of May 2008 as Revised August 22, 2008

Determination of Environmental Compliance Rate Base

	Environmental Compliance Plan	
Eligible Pollution Control Plant	\$ 380,268,507	
Eligible Pollution CWIP Excluding AFUDC	662,735,273	
Subtotal		\$ 1,043,003,780
Additions:		
Inventory - Limestone	\$ 341,657	
Less: Limestone Inventory in base rates	76,473	
Inventory - Emission Allowances per ES Form 2.31, 2.32 and 2.33	190,913	
Less: Allowance Inventory Baseline	69,415	
Net Emission Allowance Inventory	121,498	
Cash Working Capital Allowance	480,411	
Subtotal		867,092
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	29,819,925	
Pollution Control Deferred Income Taxes	35,539,334	
Pollution Control Deferred Investment Tax Credit	15,939,192	
Subtotal		81,298,451
Environmental Compliance Rate Base		\$ 962,572,421

Determination of Pollution Control Operating Expenses

	Environmental Compliance Plan
Monthly Operations & Maintenance Expense	\$ 682,745
Monthly Depreciation & Amortization Expense	1,158,571
Monthly Taxes Other Than Income Taxes	106,605
Monthly Insurance Expense	-
Monthly Emission Allowance Expense from ES Form 2.31, 2.32 and 2.33	31,693
Less Monthly Emission Allowance Expense in base rates (1/12 of \$58,345.76)	4,862
Net Recoverable Emission Allowance Expense	26,831
Monthly Surcharge Consultant Fee	
Total Pollution Control Operations Expense	\$ 1,974,752

Proceeds From By-Product and Allowance Sales

	Total Proceeds
Allowance Sales	\$ -
Scrubber By-Products Sales	-
Total Proceeds from Sales	\$ -

True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences

A. MESF for two months prior to Expense Month	3.73%
B. Net Jurisdictional E(m) for two months prior to Expense Month	8,274,336
C. Environmental Surcharge Revenue, current month (from ES Form 3.00)	2,816,309
D. Retail E(m) recovered through base rates (Base Revenues, ES Form 3.00 times 5.51%)	4,062,126
E. Over/(Under) Recovery due to Timing Differences ((D + C) - B)	(1,395,901)
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	

**KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT**

Monthly Average Revenue Computation of R (m)

For the Expense Month of May 2008 as Revised August 22, 2008

(1)	Kentucky Jurisdictional Revenues							Non-Jurisdictional Revenues	Total Company Revenues		
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
	Base Rate Revenues	Fuel Clause Revenues	DSM Revenues	STOD Program Cost Recovery Factor Revenues	Environmental Surcharge Revenues	Total	Total Excluding Environmental Surcharge	Total Including Off-System Sales	Total	Total Excluding Environmental Surcharge	
Month						(2)+(3)+(4)+(5)+(6)	(7)-(6)	(See Note 1)	(7)+(9)	(10)-(6)	
Jun-07	\$ 72,913,608	\$ 17,051,601	\$ 325,429	\$ 28,937	\$ 3,973,879	\$ 94,293,454	\$ 90,319,575	\$ 15,067,463	\$ 109,360,917	\$ 105,387,038	
Jul-07	77,109,821	14,103,870	371,491	29,689	4,095,263	95,710,135	91,614,872	16,517,360	112,227,495	108,132,232	
Aug-07	81,006,470	8,438,606	407,227	30,426	4,367,489	94,250,219	89,882,730	15,531,182	109,781,401	105,413,912	
Sep-07	83,069,297	12,855,756	418,933	32,008	5,094,711	101,470,705	96,375,994	17,611,147	119,081,852	113,987,141	
Oct-07	69,577,343	18,469,899	297,323	28,159	4,696,399	93,069,122	88,372,723	15,203,235	108,272,357	103,575,958	
Nov-07	64,626,143	9,750,939	274,363	24,889	3,486,782	78,163,115	74,676,333	14,489,065	92,652,180	89,165,398	
Dec-07	85,467,687	3,886,202	371,852	24,959	5,482,500	95,233,200	89,750,700	18,484,505	113,717,705	108,235,205	
Jan-08	98,727,332	14,048,338	479,600	26,740	8,085,888	121,367,899	113,282,011	21,250,619	142,618,518	134,532,630	
Feb-08	95,431,573	2,161,977	459,929	25,587	5,168,528	103,247,594	98,079,066	16,287,289	119,534,883	114,366,355	
Mar-08	89,730,735	(154,172)	410,340	24,770	2,964,623	92,976,296	90,011,673	20,688,627	113,664,923	110,700,300	
Apr-08	79,215,520	6,908,989	343,104	24,345	4,587,476	91,079,435	86,491,959	15,610,010	106,689,445	102,101,969	
May-08	73,722,800	829,312	874,254	24,656	2,816,309	78,267,331	75,451,022	16,974,780	95,242,111	92,425,802	
Average Monthly Jurisdictional Revenues, Excluding Environmental Surcharge, for 12 Months Ending Current Expense Month.							\$ 90,359,055				
Jurisdictional Allocation Percentage for Current Month (Environmental Surcharge Excluded from Calculations): Expense Month Kentucky Jurisdictional Revenues Divided by Expense Month Total Company Revenues: Column (8) / Column (11) =										81.63%	
								Note 1 - Excludes Brokered Sales, Total for Current Month =	\$	(82.75)	

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT

Reconciliation of Reported Revenues

For the Expense Month of May 2008 as Revised August 22, 2008

	Revenues per Form 3.00	Revenues per Income Statement
Kentucky Retail Revenues		
Base Rates (Customer Charge, Energy Charge, Demand Charge)	\$ 73,722,799.60	\$ 73,722,799.60
Fuel Adjustment Clause	829,312.43	829,312.43
DSM	874,253.55	874,253.55
STOD Program Cost Recovery Factor	24,656.35	24,656.35
Environmental Surcharge		2,816,308.86
CSR Credits		(473,416.01)
Total Kentucky Jurisdictional Revenues for Environmental Surcharge Purposes =	\$ 75,451,021.93	
Non -Jurisdictional Revenues		
Tennessee Retail	\$ 153.86	153.86
Virginia Retail	3,656,550.69	3,656,550.69
Wholesale	6,324,722.39	6,324,722.39
InterSystem (Total Less Transmission Portion Booked in Account 447)	6,993,352.67	6,993,352.67
Total Non-Jurisdictional Revenues for Environmental Surcharge Purposes =	\$ 16,974,779.61	
Total Company Revenues for Environmental Surcharge Purposes =	\$ 92,425,801.54	
Reconciling Revenues		
Brokered	(82.75)	(82.75)
InterSystem (Transmission Portion Booked in Account 447)		-
Unbilled		4,502,000.00
Provision for Refund		1,261,819.00
Merger Surcredit		712,069.68
Merger Surcredit - Non Jurisdictional		(1,263,132.10)
Value Delivery Surcredit		(225,950.89)
Miscellaneous		(36.37)
Total Company Revenues per Income Statement =		\$ 99,755,380.96

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT
 Calculation of Total E(m) and
 Jurisdictional Surcharge Billing Factor

For the Expense Month of April 2008 as Revised August 22, 2008

Calculation of Total E(m)

$E(m) = \{(RB / 12) (ROR + (ROR - DR) (TR / (1 - TR)))\} + OE - BAS$, where
 RB = Environmental Compliance Rate Base
 ROR = Rate of Return on the Environmental Compliance Rate Base
 DR = Debt Rate (both short-term and long-term debt)
 TR = Composite Federal & State Income Tax Rate
 OE = Pollution Control Operating Expenses
 BAS = Total Proceeds from By-Product and Allowance Sales

	Environmental Compliance Plans	April 2008 as Filed	Difference
RB	= \$ 928,185,321	\$ 928,185,321	\$ -
RB / 12	= 77,348,777	77,348,777	0
(ROR + (ROR - DR) (TR / (1 - TR)))	= 11.42%	11.42%	0.00%
OE	= 1,580,406	1,580,406	-
BAS	= -	-	-
E(m)	= \$ 10,413,636	\$ 10,413,636	\$ (0)

Calculation of Jurisdictional Environmental Surcharge Billing Factor

Jurisdictional Allocation Ratio for Expense Month	= 84.71%	84.57%	0.14%
Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio	= \$ 8,821,391	\$ 8,806,812	\$ 14,579
Adjustment for Monthly True-up (from Form 2 00)	= 443,362	472,029	(28,667)
Recovery of OMM NOx Expenditures (Case No. 2003-00434-Settlement Agreement, Section 3 19, pg. 13)	= 83,333	83,333	-
Adjustment for Under-collection pursuant to Case No. 2007-00379	= 424,939	424,939	-
Prior Period Adjustment (if necessary)	= -	-	-
Net Jurisdictional E(m) = Jurisdictional E(m) minus Adjustment for Monthly True-up plus/minus Prior Period Adjustment	= \$ 9,773,025	\$ 9,787,113	(14,088)
Jurisdictional R(m) = Average Monthly Jurisdictional Revenue for the 12 Months Ending with the Current Expense Month	= \$ 90,279,515	Cumulative true-up	(14,088)
Jurisdictional Environmental Surcharge Billing Factor: Net Jurisdictional E(m) / Jurisdictional R(m) ; as a % of Revenue	= 10.83%		

KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT

Revenue Requirements of Environmental Compliance Costs
For the Expense Month of April 2008 as Revised August 22, 2008

Determination of Environmental Compliance Rate Base

	Environmental Compliance Plan	
Eligible Pollution Control Plant	\$ 380,268,508	
Eligible Pollution CWIP Excluding AFUDC	624,466,119	
Subtotal		\$ 1,004,734,627
Additions:		
Inventory - Limestone	\$ 387,472	
Less: Limestone Inventory in base rates	76,473	
Inventory - Emission Allowances per ES Form 2.31, 2.32 and 2.33	222,606	
Less: Allowance Inventory Baseline	69,415	
Net Emission Allowance Inventory	153,191	
Cash Working Capital Allowance	421,936	
Subtotal		886,126
Deductions:		
Accumulated Depreciation on Eligible Pollution Control Plant	28,646,301	
Pollution Control Deferred Income Taxes	35,129,461	
Pollution Control Deferred Investment Tax Credit	13,659,670	
Subtotal		77,435,432
Environmental Compliance Rate Base		\$ 928,185,321

Determination of Pollution Control Operating Expenses

	Environmental Compliance Plan
Monthly Operations & Maintenance Expense	\$ 286,270
Monthly Depreciation & Amortization Expense	1,158,571
Monthly Taxes Other Than Income Taxes	106,605
Monthly Insurance Expense	-
Monthly Emission Allowance Expense from ES Form 2.31, 2.32 and 2.33	33,822
Less Monthly Emission Allowance Expense in base rates (1/12 of \$58,345.76)	4,862
Net Recoverable Emission Allowance Expense	28,960
Monthly Surcharge Consultant Fee	
Total Pollution Control Operations Expense	\$ 1,580,406

Proceeds From By-Product and Allowance Sales

	Total Proceeds
Allowance Sales	\$ -
Scrubber By-Products Sales	-
Total Proceeds from Sales	\$ -

True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences

A. MESF for two months prior to Expense Month	5.31%
B. Net Jurisdictional E(m) for two months prior to Expense Month	7,494,441
C. Environmental Surcharge Revenue, current month (from ES Form 3.00)	4,587,476
D. Retail E(m) recovered through base rates (Base Revenues, ES Form 3.00 times 3.11%)	2,463,603
E. Over/(Under) Recovery due to Timing Differences ((D + C) - B)	(443,362)
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	

**KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT**
Monthly Average Revenue Computation of R (m)

For the Expense Month of April 2008 as Revised August 22, 2008

Kentucky Jurisdictional Revenues								Non-Jurisdictional Revenues	Total Company Revenues	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Month	Base Rate Revenues	Fuel Clause Revenues	DSM Revenues	STOD Program Cost Recovery Factor Revenues	Environmental Surcharge Revenues	Total	Total Excluding Environmental Surcharge	Total Including Off-System Sales	Total	Total Excluding Environmental Surcharge
						(2)+(3)+(4)+(5)+(6)	(7)-(6)	(See Note 1)	(7)+(9)	(10)-(6)
May-07	\$ 66,404,803	\$ 8,717,582	\$ 269,558	\$ 26,368	\$ 2,339,019	\$ 77,757,331	\$ 75,418,312	\$ 15,357,169	\$ 93,114,500	\$ 90,775,481
Jun-07	72,913,608	17,051,601	325,429	28,937	3,973,879	94,293,454	90,319,575	15,067,463	109,360,917	105,387,038
Jul-07	77,109,821	14,103,870	371,491	29,689	4,095,263	95,710,135	91,614,872	16,517,360	112,227,495	108,132,232
Aug-07	81,006,470	8,438,606	407,227	30,426	4,367,489	94,250,219	89,882,730	15,531,182	109,781,401	105,413,912
Sep-07	83,069,297	12,855,756	418,933	32,008	5,094,711	101,470,705	96,375,994	17,611,147	119,081,852	113,987,141
Oct-07	69,577,343	18,469,899	297,323	28,159	4,696,399	93,069,122	88,372,723	15,203,235	108,272,357	103,575,958
Nov-07	64,626,143	9,750,939	274,363	24,889	3,486,782	78,163,115	74,676,333	14,489,065	92,652,180	89,165,398
Dec-07	85,467,687	3,886,202	371,852	24,959	5,482,500	95,233,200	89,750,700	18,484,505	113,717,705	108,235,205
Jan-08	98,727,332	14,048,338	479,600	26,740	8,085,888	121,367,899	113,282,011	21,250,619	142,618,518	134,532,630
Feb-08	95,431,573	2,161,977	459,929	25,587	5,168,528	103,247,594	98,079,066	16,287,289	119,534,883	114,366,355
Mar-08	89,730,735	(154,172)	410,340	24,770	2,964,623	92,976,296	90,011,673	20,688,627	113,664,923	110,700,300
Apr-08	79,215,520	6,908,989	343,104	24,345	4,587,476	91,079,435	86,491,959	15,610,010	106,689,445	102,101,969
Average Monthly Jurisdictional Revenues, Excluding Environmental Surcharge, for 12 Months Ending Current Expense Month.							\$ 90,356,329			
Jurisdictional Allocation Percentage for Current Month (Environmental Surcharge Excluded from Calculations): Expense Month Kentucky Jurisdictional Revenues Divided by Expense Month Total Company Revenues: Column (8) / Column (11) =										84.71%
								Note 1 - Excludes Brokered Sales, Total for Current Month =	\$ (881.29)	

**KENTUCKY UTILITIES COMPANY
ENVIRONMENTAL SURCHARGE REPORT**

Reconciliation of Reported Revenues

For the Expense Month of April 2008 as Revised August 22, 2008

	Revenues per Form 3.00	Revenues per Income Statement
Kentucky Retail Revenues		
Base Rates (Customer Charge, Energy Charge, Demand Charge)	\$ 79,215,520.22	\$ 79,215,520.22
Fuel Adjustment Clause	6,908,989.12	6,908,989.12
DSM	343,104.01	343,104.01
STOD Program Cost Recovery Factor	24,345.07	24,345.07
Environmental Surcharge		4,587,476.28
CSR Credits		(460,882.27)
Total Kentucky Jurisdictional Revenues for Environmental Surcharge Purposes =	\$ 86,491,958.42	
Non -Jurisdictional Revenues		
Tennessee Retail	\$ 155.30	155.30
Virginia Retail	4,396,975.97	4,396,975.97
Wholesale	5,896,854.73	5,896,854.73
InterSystem (Total Less Transmission Portion Booked in Account 447)	5,316,024.32	5,316,024.32
Total Non-Jurisdictional Revenues for Environmental Surcharge Purposes =	\$ 15,610,010.32	
Total Company Revenues for Environmental Surcharge Purposes =	\$ 102,101,968.74	
Reconciling Revenues		
Brokered	(881.29)	(881.29)
InterSystem (Transmission Portion Booked in Account 447)		-
Unbilled		(8,011,000.00)
Provision for Refund		(1,662,477.00)
Merger Surcredit		553,269.10
Merger Surcredit - Non Jurisdictional		(1,459,991.21)
Value Delivery Surcredit		(262,953.79)
Miscellaneous		(16.63)
Total Company Revenues per Income Statement =		\$ 95,384,511.93