COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

I/M/O An Application of Louisville Gas and Electric Company to File Depreciation Study	))	Case No. 2007-00564
I/M/O An Application of Kentucky Utilities Company to File Depreciation Study	))	Case No. 2007-00565

Direct Testimony of
Michael J. Majoros, Jr.

on Behalf of
the Office of the Attorney General

May 12, 2008

TABLE OF CONTENTS

I. Introduction

Q. State your name, position, and business address.

A. My name is Michael J. Majoros, Jr. I am Vice President of Snavely King Majoros O'Connor & Lee, Inc. ("Snavely King"), located at 1111 14th Street, N.W., Suite 300, Washington, D.C. 20005.

Q. Describe Snavely King.

A. Snavely King is an economic consulting firm founded in 1970 to conduct research on a consulting basis into the rates, revenues, costs, and economic performance of regulated firms and industries. Snavely King represents the interests of government agencies, businesses, and individuals who are consumers of telecom, public utility, and transportation services.

We have a professional staff of twelve economists, accountants, engineers and cost analysts. Most of our work involves the development, preparation, and presentation of expert witness testimony before Federal and state regulatory agencies. Over the course of our 37-year history, members of the firm have participated in more than 1,000 proceedings before almost all of the state commissions and all Federal commissions that regulate utilities or transportation industries.

Q. Have you prepared a summary of your qualifications and experience?

A. Yes, Appendix A is a summary of my qualifications and experience. Appendix B contains a tabulation of my appearances as an expert witness before state and Federal regulatory agencies.

Q. For whom are you appearing in this proceeding?

A. I am appearing on behalf of the Attorney General of the Commonwealth of Kentucky ("AG").

II. Subject and Purpose of Testimony

Q. What is the subject of your testimony?

A. My testimony addresses depreciation.

Q. Explain the purpose of your testimony in this proceeding.

A. The Attorney General asked me to review Louisville Gas and Electric Company and Kentucky Utilities' ("LG&E," "KU," or, collectively "the Companies") depreciation-related testimony and exhibits. I am to express an opinion regarding the reasonableness of the Companies' depreciation proposals and, if warranted, make alternative recommendations.

III. Prior Experience

Q. Do you have any specific experience in the field of public utility depreciation?

A. Yes, I do. I and other members of my firm specialize in the field of public utility depreciation. We have appeared as expert witnesses on this subject before the regulatory commissions of almost every state in the country as well as several Federal Commissions. I have testified in over 100 proceedings on the subject of public utility depreciation, including several appearances before the Kentucky Public Service Commission ("PSC" or "Commission").

IV. Summary of Companies' Filing

Q. Please summarize the Companies' depreciation expense proposals.

A. Mr. John J. Spanos of Gannett Fleming prepared the depreciation studies and sponsors them in testimony. In addition, the Companies submitted Robert M. Conroy and Shannon L. Charnas testimony in support of Mr. Spanos's studies. Mr. Spanos's studies are based on plant and reserve balances as of December 31, 2006. Although he has made some changes to the depreciation parameters, his most significant change is to the procedure used to calculate the remaining lives used in his depreciation rates.

Mr. Spanos's recommendations, summarized below, result in a $23.5 million increase to LG&E's depreciation expense and a $2.5 million increase to KU's depreciation expense, based on December 31, 2007 balances.

Summary of KU and LGE Depreciation Proposals[1]

Company	Current	Proposed	Difference
KU Electric	$ 109,274,294	$ 111,765,099	$ 2,490,805
LG&E Electric	94,634,359	111,403,673	16,769,314
LG&E Gas	14,510,759	16,360,115	1,849,356
LG&E Common	8,079,268	12,998,362	4,919,094
Total	$ 226,498,680	$ 252,527,249	$ 26,028,569

V. Summary of Adjustments and Structure of Testimony

Q. Did you review Mr. Spanos's studies?

A. Yes, I reviewed Mr. Spanos's studies and his responses to data requests, and I conducted independent analysis. I have accepted some aspects of his proposals, but overall I disagree with Mr. Spanos's proposed depreciation rates and accruals.

Q. What adjustments are you proposing to make to the Companies' calculation of depreciation expense?

[1] Application Exhibit 2 for KU and LGE

A. I am proposing two adjustments. First, Mr. Spanos's depreciation rates incorporate an unnecessary retroactive change to the equal life group ("ELG") procedure, which should be rejected. Mr. Spanos's proposal is merely a calculation twist designed to increase charges to ratepayers. Such a change should only be made on a going-forward basis, if at all.

The Companies' depreciation rates should be calculated using the Average Life Group ("ALG") procedure, consistent with their current depreciation rates. As I will demonstrate later in my testimony, most of the $26 million total increase in expense for LG&E and KU is due to this completely unnecessary change. Without this, Mr. Spanos's changes in depreciation parameters would actually result in a decrease to depreciation expense of $12.9 million for KU and an increase of only $4.4 million for LG&E, overall a combined decrease of $8.6 million for both Companies. That is because the Companies have over-recovered their depreciation expense.

My second adjustment stems from the fundamental fact that in 2008 the future removal costs to be collected in rates for the assets providing service in 2008 should reflect the impact of inflation incurred through 2008, but not inflation to be incurred in 2018, 2028 or 2038. Mr. Spanos's approach enables the Companies to over-recover removal costs from current ratepayers and under-recover removal costs from future ratepayers. In other words, Mr. Spanos's approach results in an intergenerational <u>inequity</u>.

Specifically, the amounts Mr. Spanos includes in current rates to fund the future removal of retired plant do not properly match future inflation to the periods it will be incurred. Instead, Mr. Spanos front-loads recovery of future inflation expense such that current ratepayers are overcharged and future ratepayers are undercharged, thus leading to a substantial intergenerational inequity. This approach leads to excessive depreciation expense and the accumulation of excessive depreciation reserves.

My adjustment more appropriately matches the timing of inflation costs with the period in which the related service is provided. I do so by eliminating future inflation from the cost of removal component of Mr. Spanos's current depreciation rates, and charging it to the future years in which it is incurred. This approach constitutes the matching assumed by accrual accounting and the ratemaking concept of intergenerational equity.

Q. Which aspects of Mr. Spanos's studies have you accepted?

A. I have accepted all of Mr. Spanos's lives and curves. My acceptance of these parameters does not constitute an endorsement of Mr. Spanos's life and curve proposals. I have accepted them because there are far more important issues at stake in these cases. I also have not objected to Mr. Spanos's proposed switch to amortization accounting for certain general plant accounts. Furthermore, I have accepted Mr. Spanos's future net salvage ratios. However, I have removed the future, not past, inflation from those estimates.

Q. How is your testimony structured?

A. I begin by providing some background regarding the genesis of the Companies' current depreciation rates. Next, I discuss Mr. Spanos's change to ELG, and finally, I explain why Mr. Spanos's current method of estimating the future cost of removing retired plant predictably front-loads those costs and how to adjust his resulting proposals to remove such front-loading.

VI. Present Depreciation Rates

Q. When were the Companies' present depreciation rates approved?

A. KU and LG&E's present depreciation rates were approved as part of a Settlement Agreement in Case Nos. 2001-140 and 2001-141. The Companies submitted depreciation studies based on utility plant in service as of December 31, 1999. The studies resulted in a decrease in annual depreciation expense of $6.1 million for KU and an increase of $0.9 million for LG&E.[2] With the exception of the life of steam production plant, the Settlement Agreement adopted the Companies' depreciation proposals.[3] As a result of the modified rates adopted in the Settlement Agreement, KU's annual depreciation expense was reduced by $12.8 million and LG&E's depreciation expense was reduced by $5.3 million.[4]

Q. Have the Companies submitted depreciation studies since 1999?

A. Yes. In Case Nos. 2003-00433 and 2003-00434, LG&E and KU submitted new depreciation studies. Although those cases were partially settled, depreciation was not.[5] In those cases, in which I participated, the Commission rejected both the Companies' depreciation studies and my recommendations and chose to maintain the existing depreciation rates.[6]

Q. Why did the Commission reject the Companies' depreciation studies?

A. The depreciation studies submitted by the Companies included double inflation in the net salvage estimates. As I will discuss below, net salvage estimates inherently assume

---

[2] Order, Case Nos. 2001-054 et al., page 4.
[3] Id., p. 7.
[4] Id.
[5] Response to PSC1-1.
[6] Order, Case Nos. 2003-00433 and 2003-00434, pages 34 and 30, respectively.

inflation will continue as it has in the past. In the studies submitted in those cases, the Companies had included an additional inflation adjustment to account for inflation in the future – in other words they had doubled the inflation. Although the Companies submitted a revised calculation removing the additional inflation adjustment, the Commission still expressed concern over the amount of inflation included in the estimates.[7]

Q. Please explain your recommendations in those proceedings.

A. In those cases I eliminated the Companies' inflated net salvage proposals and included instead a net salvage allowance based on the most recent five-years worth of experience.. I also recommended a change to several plant lives. Finally, in the post-hearing brief I recommended that the existing cost of removal reserve be amortized back to ratepayers.[8] The Commission rejected all of my recommendations.[9]

Q. Are you making similar recommendations in these cases?

A. No. As mentioned above, my only recommendations in these cases are to disallow the switch to ELG and remove the future inflation inherent in Mr. Spanos's net salvage proposals.

VII. <u>Equal Life Group</u>

Q. Would you please explain Mr. Spanos's proposal to adopt and apply retroactively the Equal Life Group ("ELG") procedure to all vintages?

[7] Orders, Case Nos 2003-00433 and 2003-00434, pages 32 and 27, respectively
[8] Orders, Case Nos. 2003-00433, pages 29-30 and 2003-00434, page 25.
[9] Orders, Case Nos. 2003-00433 and 2003-00434, pages 32 and 27, respectively.

A. Yes. The Companies' current depreciation rates reflect the use of the broad group ("BG") or Average Service Life Group ("ALG") procedure.[10] Mr. Spanos has now proposed a retroactive change to the Equal Life Group procedure. Both of these are weighting procedures used to calculate an average remaining life. The ELG procedure had not been used previously by LG&E or KU in Kentucky. Retroactive application of ELG leads to a large initial increase in depreciation due to the prior use of the BG/ALG procedure. Therefore, such a change should only be made on a going-forward basis, if at all.

Q. Has ELG been used by any other utilities in Kentucky?

A. Yes, as the Companies point out, ELG is in use by ULH&P.

Q. Do you have any first-hand knowledge of how ULH&P came to use ELG?

A. Yes, I was a witness in both ULH&P cases referenced by the Companies, Case Nos. 2005-00042 and 2006-00172.

Q. Why was ULH&P allowed to switch to ELG for its depreciation rates?

A. The ELG procedure was introduced for gas rates in Case No. 2001-00092, a case in which I did not testify. The rates approved in that case were based on a study prepared by Mr. Spanos, and those rates were not challenged during the course of that case.[11] As I stated in my testimony in Case No. 2005-00042, "the fact that no one objected is not a ringing endorsement of the ELG procedure; it merely reflects budgeting constraints and how funds were allocated to witnesses."[12] I also recommended that the KPSC not

---

[10] See LG&E's response to AG 1-87 and KU's response to AG 1-80.
[11] I/M/O Adjustment of Gas Rates of the Union Light, Heat and Power Company, Case No. 2001-00092, Order, Issued January 31, 2002, page 29.
[12] Majoros Direct Testimony, Case No 2005-00042, p. 7.

consider ULH&P's use of ELG to be established as a precedent.[13] However, because it had already been implemented for ULH&P's gas plant I did not challenge its use.[14] In Case No. 2006-00172 I did not accept the ELG procedure for ULH&P's electric rates.[15] That case was settled, with the agreed-upon rates being neither the Company's originally proposed rates, nor my recommended rates.[16] Furthermore, the Settlement Agreement contains specific language relating to the acceptance of any calculations included within:

> 34. No Admissions. Making this Settlement Agreement shall not be deemed in any respect to constitute an admission by any Party hereto that any computation, formula, allegation, assertion or contention made by any other Party in these proceedings is true or valid. Nothing in this Settlement Agreement shall be used or construed for any purpose to imply, suggest or otherwise indicate that the results produced through the compromise reflected herein represent fully the objectives of a Party.[17]

Q. Why have you discussed ULH&P's implementation of ELG is such detail?

A. The Companies have relied upon ULH&P's use of ELG to support their argument for the change. It is the only example of a Kentucky utility using ELG that they have set forth, despite submitting testimony by two witnesses on the subject. Use of ELG is hardly the standard in Kentucky – the only company currently using the procedure managed to implement it in a case where there were no intervenor depreciation witnesses to challenge the rates.[18]

Q. Have LG&E or KU tried to implement ELG in any other jurisdictions?

[13] Majoros Direct Testimony, Case No. 2005-00042, p. 7.
[14] Majoros Direct Testimony, Case No. 2005-00042, p. 7.
[15] Majoros Direct Testimony, Case No. 2006-00172, p. 13.
[16] I/M/O Adjustment of Electric Rates of the Union Light, Heat and Power Company, Case No. 2006-00172, Order, Issued December 21, 2006, Appendix B, Attachment 2.
[17] Id., Appendix B, ¶ 34.
[18] I/M/O Adjustment of Gas Rates of the Union Light, Heat and Power Company, Case No. 2001-00092, Order, Issued January 31, 2002, page 29.

A. Yes. Kentucky Utilities submitted a 2006 depreciation study to the Virginia State Corporation Commission. Although the Staff approved KU's proposed lives and net salvage parameters, it did not approve the implementation of ELG, stating:

> However, Staff recommends maintaining the use of the average life group procedure ("ALG"). As such, Staff does not recommend Kentucky Utilities' proposed switch to the equal life group procedure ("ELG"). Staff believes that ALG is more appropriate for ratemaking in Virginia, since it tends to produce more stable rates, all other variables (i.e. service lives and net salvage rates) being equal. Further, Staff believes a switch to the ELG procedures would be imprudent for Virginia ratemaking since it can compound any inaccuracies in estimation of retirement dispersion, can introduce inter-generational inequities, and can be more costly and time-consuming to maintain.[19]

Q. Please summarize the differences between the average life group procedure and the equal life group procedure.

A. A broad group average service life relates to the entire account. The ALG procedure develops a single average depreciation rate which can be applied without change over the entire life of an account. For example, assume the broad group average service life for Account 376, Mains is estimated to be thirty years. The BG/ALG procedure would result in a 3.33 percent depreciation rate (1/30) designed to recover the entire investment in Mains, i.e., those retired prior to the attainment of the thirty-year average service life as well as those in service beyond the thirty-year average service life.

Mr. Spanos's primary challenge to the ALG procedure is the averaging explicitly reflected in its use, i.e., the assumption that overrecovery of assets retired beyond the average service life of the group will offset underrecovery of assets retired before the average service life of the group. This is an undeniable assumption in the ALG

[19] KU response to PSC-2-3 (emphasis added).

procedure. In the example above, ALG depreciation would assume that the underrecoveries would be offset by overrecoveries of mains living well beyond the average service life; but the fundamental assumption under ALG is <u>full recovery</u>.

The ELG procedure statistically disaggregates the anticipated retirements within a vintage and then effectively establishes separate depreciation rates for each of the various individual life groups. In the mains example, separate rates would be established for the retirements anticipated to be incurred each year.

Q. Is the switch from ALG to ELG necessary?

A. The change to ELG is not necessary. Both ALG and ELG assume full recovery. However, ELG will produce a depreciation expense increase, merely as a result of turning a switch in a computer program.

Q. Do you recommend that ELG be adopted for use by LG&E and KU in Kentucky?

A. No. ELG Is not necessary and will cause an immediate and abrupt increase in depreciation expense charged to ratepayers. This unnecessary charge comes at a time when energy, gasoline and food prices are going through the roof.

Q. What is the impact on depreciation rates from Mr. Spanos's use of ELG?

A. Attorney General Data Request No. 1-28 (LG&E/KU) requested the calculation of each Company's depreciation rates using the same weighting procedure currently in use. Mr. Spanos provided those calculations, which are summarized below.

Comparison of KU and LGE Depreciation Proposals – ELG v. ALG

Company	ELG[20]	ALG[21]	Difference
KU Electric	$ 111,765,099	$ 96,337,040	$ 15,428,059
LG&E Electric	111,403,673	96,560,461	14,843,212
LG&E Gas	16,360,115	12,524,511	3,835,604
LG&E Common	12,998,362	12,512,141	486,221
Total	$ 252,527,249	$ 217,934,153	$ 34,593,096

The amounts in the tables above reflect the same depreciation parameters, i.e., average service life, dispersion curve and net salvage ratio. This means that Mr. Spanos's retroactive application of ELG alone has caused a $15.4 million increase to KU's depreciation expense and a $19.2 million increase to LG&E's depreciation expense, a total increase of $34.6 million for the two Companies. Recall that the total increase requested in this case is $23.5 million for LG&E and $2.5 million for KU. The use of ELG accounts for $19.2 million of the $23.5 million requested increase in LG&E's depreciation expense. Even more distressing, KU would have experienced a decrease in expense of $12.9 million had Mr. Spanos not used ELG. The table below compares current accruals with those that would occur if Mr. Spanos's parameters were used with the BG/ALG procedure.

[20] Application Exhibit 2 for KU and LGE
[21] Response to AG Data Request No. 27 (both Companies).

Comparison of KU and LGE Depreciation Proposals – Current v. ALG			
Company	Current[22]	ALG[23]	Difference
KU Electric	$ 109,274,294	$ 96,337,040	($12,937,254)
LG&E Electric	94,634,359	96,560,461	$1,926,102
LG&E Gas	14,510,759	12,524,511	($1,986,248)
LG&E Common	8,079,268	12,512,141	$4,432,873
Total	$ 226,498,680	$ 217,934,153	($8,564,527)

It is clear that the lion's share of LG&E's requested increase is driven by the switch to ELG, and based on Mr. Spanos's proposed parameters, KU would be asking for a decrease in expense were it not for ELG.

Q. **If the Commission were to adopt ELG for the Companies, do you agree with Mr. Spanos's implementation proposal?**

A. No. Mr. Spanos proposes to retroactively apply ELG to all prior vintages of plant in a composite calculation, and then use the resulting ELG-based composite remaining life in a remaining life rate calculation. As shown in the tables above, this retroactive implementation of ELG has caused a $15.4 million increase to Mr. Spanos's depreciation request for KU and a $19.2 increase to his request for LG&E. These resulting abrupt depreciation expense increases are caused primarily by the fact that ELG had never been used in the past. Had ELG always been used, the Companies' recorded book reserves would be substantially higher as a result of the use of higher depreciation rates in the

[22] Application Exhibit 2 for KU and LGE
[23] Response to AG Data Request No 27 (both Companies)

past. That is because ELG produces a pattern of depreciation rates which are very similar in nature to accelerated depreciation; double-declining balance is an example.

The depreciation reserve level is a critical element in the calculation of remaining life rates: the higher the reserve, the lower the rate. Conversely, the lower the reserve, the higher the rate. Mr. Spanos's application of ELG to all prior vintages produces a composite remaining life for those vintages which is inconsistent with actual past depreciation practices. The practical consequence is that Mr. Spanos's implementation proposal creates a significant depreciation reserve deficiency resulting merely from a change in the depreciation grouping procedure.

The most well-known application of the ELG procedure is in the telecommunications industry. Many FCC subject-companies made similar proposals for <u>retroactive</u> application of ELG, and all were summarily rejected due to the reserve situations described above, and the fact that ELG creates a spike in revenue requirements. The FCC's initial approach to ELG implementation was to allow it only on a going-forward vintage basis and furthermore, to phase it in by groups of accounts over a series of years. At one point, the FCC was allowing implementation of ELG by applying it to one-half of the gross additions for the year immediately following the study date.[24] For example, if a study was dated December 31, 1990, ELG would be allowed on one-half of the estimated 1991 additions. That practice was abandoned and any carrier subsequently applying for ELG would not see its effects until its study actually contained ELG vintages. For example, if ELG was approved as a result of a 1990 study, the first ELG

[24] FCC Report and Order, Docket No. 20188, adopted November 6, 1980. "This Order, released on December 5, 1980, ordered the use of ELG for the telephone industry on <u>new plant additions</u> beginning in 1981 over a three-year phase-in period." See NARUC Public Utility Depreciation Practices, 1996, p. 172 (emphasis added).

vintage would be 1991. The Company would receive the benefit either in its next regularly scheduled depreciation study or in a technical update.

Q. If ELG is approved, what do you recommend?

A. If ELG is approved, I recommend that it not be applied retroactively. If ELG is approved, I recommend that the FCC's approach be adopted, i.e., the first ELG vintage would be 2007 for the purposes of the next depreciation study. I also recommend that the Companies be required to file depreciation studies every three (3) years to ensure that the ELG rates are properly managed.

VIII. Mr. Spanos's Cost of Removal Proposals

Q. Please explain what is meant by "cost of removal."

A. The cost of providing utility service includes not only the costs of installing and operating utility plant, but also removing that plant where appropriate at the end of its useful life. Therefore, one of the components of a public utility depreciation rate is a current estimate of future cost of removal (or negative net salvage). This estimate is typically expressed as a ratio (derived from historical data), that is applied to the current plant balance to provide an estimate of the future cost of removal. This future cost is, in turn, charged to depreciation expense on a straight-line basis over the remaining life of the plant, just as the depreciation of plant investment is charged to expense. A cost of removal, or negative net salvage ratio increases the overall depreciable cost base because it allocates a portion of the estimated future removal cost to each year of the asset's service life. This process is, by definition, accrual accounting.

Q. Do you object to this process?

A. No, I do not object to this process if properly applied. In past cases I have proposed that the Commission adopt an approach that is closer to expensing current removal costs due to concerns about the accrual approach Kentucky utilities have taken. However, the Commission has made it clear it prefers an accrual accounting approach, that is, one that recovers future removal costs during the period the plant is in service.

Q. **If you are not raising any objection to the general process of forecasting future costs of removal or net salvage, what does your testimony address and how is it different than what the Companies propose?**

A. My testimony focuses on providing the Commission with whatever information it believes it needs to address the inflation issue that was touched upon in Case Nos. 2003-00433 and 2003-00434. To that end, my discussion addresses accrual accounting, matching and intergenerational equity principles. I provide a simple and straight-forward example demonstrating that the present value approach is the approach most consistent with these principles because it properly matches inflation expense to the periods incurred and eliminates the intergenerational inequity inherent in Mr. Spanos's approach. I do not propose any variation on "expensing" or normalizing removal costs. Accepting Mr. Spanos's future cost of removal proposals at face value, I merely express them at their present value so current ratepayers will not be charged for future inflation that has not been incurred.

In other words, for plant in service today that will likely be removed from service twenty years from now, both my approach and Mr. Spanos's approach would recover the same total amounts. My approach would achieve the same straight-line pattern as Mr. Spanos's approach for recovery of the original plant investment, and for recovery of the inflation-adjusted amount for the net salvage costs that will be incurred in 2028. The only difference is the cost recovery pattern for the future inflation costs; I would have the annual amounts increase during the twenty-year period to reflect the effects of inflation (and permit LG&E and KU customers to pay in inflated dollars), while the Companies would allocate the future inflation costs on a straight-line basis, an outcome that assigns a disproportionate share of those costs to current ratepayers.

Q. How did Mr. Spanos arrive at his net salvage or future cost of removal proposals?

A. Mr. Spanos has conducted a "traditional" historical net salvage analysis to estimate future net salvage ratios for each account. This is the same sort of analysis that I have been objecting to before the KY Public Service Commission for many years now.

Q. Why do you object to Mr. Spanos's traditional approach?

A. Mr. Spanos's approach is front-loaded in its treatment of future inflation costs. It increases the current estimate of future costs of removal for a substantial amount of future inflation. In other words, Mr. Spanos's approach charges current ratepayers on an undiscounted basis for future inflation. Mr. Spanos justifies this approach by claiming that charging current ratepayers for un-incurred future inflation is "accrual accounting." I disagree. Accrual accounting consists of matching costs to the periods in which they are incurred. Mr. Spanos's approach fails that fundamental test by front loading future inflation. That is why GAAP specifically precludes his approach.

Q. Why does Mr. Spanos's approach result in inflated future cost of removal estimates?

A. Mr. Spanos bases his approach on the relationship of current cost of removal expenditures in today's dollars versus the original cost of the plant being retired, calculating a ratio of current cost of removal (in today's dollars) to original cost of plant (in historical dollars). A substantial part of the current cost of removal represents past inflation experienced during the period (often decades) between when the plant was first put in service and when the removal costs were incurred. He then applies that ratio to today's plant balances to project the future cost of removal. In this way, the calculation extrapolates into the future all of the past inflation rather than the small portion actually experienced during 2006.

Q. Does Mr. Spanos agree that his approach compares historical plant retirement dollars with current cost of removal and gross salvage dollars and thus results in an estimate which incorporates an assumed level of future inflation?

A. Although he does not explicitly say so, he agrees.[25]

Q. Is the Commission aware that by the nature of the calculation underlying the estimate, net salvage estimates such as Mr. Spanos's incorporate a measure of inflation?

A. Yes. It is clear from the Orders in Case Nos. 2003-00433 and 2003-00434 that the Commission expressed an awareness of the problem.[26]

Q. What is the effect of Mr. Spanos's approach?

A. Mr. Spanos's inflated future cost of removal rates result in the following annual charges for future costs of removal: for KU, $20.7 million versus the $4.2 million it incurs on average; and for LG&E, $35.3 million versus the $5.9 million it incurs on average.[27] This type of difference is largely responsible for the $291.6 million and $241 million cost

---

[25] See response to AG 1-47 and 48 (LG&E).

[26] Orders, Case Nos. 2003-00433 and 2003-00434, pages 31 and 27, respectively.

[27] See response to AG 1-106 (LG&E) and AG 1-99 (KU) for amounts included in proposed rates. Net salvage (cost of removal net of gross salvage) amounts are $17.6 million for KU and $32.1 million for LG&E. Average experience is from 2002-2006, taken from AG 1-21 (both companies).

of removal regulatory liabilities KU and LG&E report in their Annual 10-K Report.[28] These regulatory liabilities have increased by $56.5 million (KU) and $33.1 million (LG&E), from the amounts I highlighted in Case Nos. 2003-00433 and 2003-00434.[29] In other words, just since their last rate cases, the Companies have collected almost $90 million more from ratepayers than they have spent on actual cost of removal. This growth is almost entirely attributable to future inflation costs. I have summarized the growth of the cost of removal regulatory liability below:

Cost of Removal Regulatory Liability

		LG&E	KU Total	KU KY only
2002	1/	$ 207.9	$ 248.5	$ 235.1
2003	2/	216.5	256.7	N/A
2004	2/	220.2	266.8	N/A
2005	3/	219	281	N/A
2006	3/	232	297.3	280.0
2007	3/	241	309.9	291.6

Sources:
1/ See Majoros Direct, Case Nos. 2003-00433 and 00434, p. 28.
2/ LG&E/KU December 31, 2004 Form 10-K Report, pp. 40 and 64.
3/ See responses to AG 1-100 (LG&E), 1-93 and 2-6 (KU)

IX. Accrual Accounting

Q. What is accrual accounting?

A. Accrual accounting recognizes or matches revenue to the periods earned and expenses to the periods incurred. Accrual accounting is the foundation of generally accepted accounting principles ("GAAP"). The directives issued by the Financial Accounting

[28] Note that since the Companies became subsidiaries of E.ON, they are no longer required to file reports with the SEC. The most recent SEC financial reports available are as of September 30, 2006.
[29] See table below. Amounts used are for 2007 and 2002 and reflect KU's Kentucky jurisdiction only.

Standards Board (FASB), such as SFAS No. 143 and FIN 47 set forth GAAP.

Q. What is cash basis accounting?

A. Cash basis accounting recognizes revenues and expenses when received or disbursed rather than when earned or incurred.

Q. Does Mr. Spanos's approach constitute accrual accounting?

A. Not to the extent it charges current ratepayers for the costs of future inflation that may not be incurred for years or even decades. Accrual accounting would match those future inflation costs to the ratepayers taking utility service at the time the inflation is incurred. Mr. Spanos's approach does not match inflation costs to the periods incurred.

Q. Do the relatively recent pronouncements of the Financial Accounting Standards Board provide any useful guidance on these questions?

A. I believe they do, even if the questions are arising here in a ratemaking proceeding and the FASB pronouncements apply most directly to financial reporting requirements. But the underlying principles of achieving appropriate "matching" through accrual accounting do not change whether they arise in a ratemaking or financial reporting setting.

Mr. Spanos is no doubt familiar with the accounting prescribed in SFAS No. 143 and FIN 47, which constitute GAAP. SFAS No. 143 was adopted to establish accounting standards for recognition and measurement of a liability for an asset retirement obligation and any associated asset retirement cost.[30] For financial reporting purposes, the Companies now estimate the "fair value" of their estimated future retirement costs. SFAS 143 provides that where there are no quoted market prices to use for such

[30] SFAS No. 143, ¶ 1

estimating purposes, a "present value" technique is often the best available substitute.[31] This present value technique prescribed in SFAS 143 directs the discounting of the estimated future cash flows using "credit-adjusted risk-free rate."

The Companies will argue that the Commission should not rely on SFAS No. 143 or FIN 47 for purposes of deciding ratemaking issues. For purposes of deciding what approach is most consistent with principles of accrual accounting, however, I believe there is no better source than SFAS 143 and the other FASB pronouncements that are, after all, the embodiment of GAAP. Under SFAS 143, companies are not required to report the absolute future value of removal costs, but rather a "present value" of those future costs. For financial reporting purposes, this better enables investors to assess a company's future asset retirement obligations. For ratemaking, it serves a different purpose – using a present value calculation of the future costs of removal ensures that the future removal cost expenditure is measured in a way that achieves a fair revenue requirement to charge customers during an accounting period. My approach treats the test year, or in this case, the likely test year for the Companies upcoming rate cases, as the relevant accounting period.

It's important to be clear about this. Kentucky utilities have in the past characterized my approach as seeking to have the Commission adopt SFAS 143 for ratemaking purposes when, in fact, it was adopted for financial reporting purposes. I am not asking the Commission to adopt SFAS 143 for ratemaking purposes. However, for purposes of developing an appropriate estimate of the amount of future removal costs to include in today's rates, the underlying principle is consistency with accrual accounting

[31] SFAS No. 143, ¶ 8.

as set forth in GAAP (of which SFAS 143 is a part), whether the estimate is to be used for financial reporting purposes or for establishing a reasonable rate under cost-of-service ratemaking. The amount that should be charged to the accounting period is an appropriate share of the present value of the future obligation. The Commission may choose to use something other than the "credit-adjusted risk-free rate" described in SFAS No. 143 for calculating the present value of the future obligation, but the underlying principle of accrual accounting remains. In ratemaking, the accounting period is the test year, not the remaining life of the plant.

Q. Can you demonstrate that using the present value approach constitutes accrual accounting and that Mr. Spanos's approach does not constitute accrual accounting?

A. Yes. Exhibit___ (MJM-1) is a chart I designed to demonstrate those facts. It is a simple single asset example comparing Mr. Spanos's approach to collecting future inflation versus the present value accrual approach. As you can see, both Mr. Spanos's approach and the present value approach accumulate the same total amount for future removal costs by the end of the asset's life. The difference is the rate of collection for future inflation costs. The present value approach matches inflation to the periods incurred. Mr. Spanos's approach front-loads future inflation costs into current periods, and by doing so overcharges ratepayers in the early years and undercharges ratepayers in the later years. This flies in the face of the "intergenerational equity" and accrual accounting concepts; it stands them on their heads. The front-loading element of this approach is also why KU and LG&E have $291.6 million (KY jurisdiction) and $241 million regulatory liabilities, respectively, for GAAP purposes.

Q. Is your example intended to show rate base effects?

A. No, the example demonstrates that accrual accounting matches inflation to the periods incurred. Rate base is irrelevant to that demonstration.

Q. Is there any economic rationale that supports matching future inflation to the periods incurred?

A. Yes, the inflation-related portion of the future removal cost will be paid for with cheaper dollars in future years. In terms of nominal dollars, the amount paid appears higher, but in real (that is, inflation-adjusted) dollars, the same amount is paid now and in the future, all else equal. When it comes to future inflation costs, "straight-line" recovery should be measured in real dollars, not nominal dollars.

Q. Is Mr. Spanos's approach required under the Uniform System of Accounts ("USoA")?

A. No, nothing in the USoA requires depreciation rates to be based on inflated future costs, or to collect from today's ratepayers the costs of inflation that will not be experienced for years or even decades to come.

Q. Will ratepayers be harmed by Mr. Spanos's approach?

A. Yes. The Companies' Kentucky ratepayers have to date paid in total $532.6 million (KU KY jurisdiction and LG&E combined) more than the Companies' actual cost of removal and cost of removal requirements, with a substantial portion of that amount representing inflation costs that will not be incurred for years or decades to come. This is the effect of the Companies' long-term use of the same approach Mr. Spanos is proposing in these cases.

X. Removing Inflation – Better Aligning Mr. Spanos's Approach with Accrual Accounting

Q. What adjustment is necessary to correct the flaw resulting from the mismatch of current removal dollars to historical retirement dollars?

A. In order to develop the *current* dollars needed to cover the future cost of removal, it is necessary to calculate the present value of Mr. Spanos's estimated future costs. The estimated future costs should be discounted to their present value using Mr. Spanos's proposed remaining lives and a reasonable estimate of the future inflation incorporated into his estimates. In this case, I recommend using the ALG remaining lives Mr. Spanos has provided in response to AG DR No. 27, as opposed to the ELG remaining lives he proposes.

Q. Would discounting Mr. Spanos's cost of removal proposals back to present value better align his proposals with accrual accounting?

A. Yes, it would. Ratepayers in 2008 would bear the costs of 2008 inflation, but not inflation costs that will not be incurred until 2018, 2028, or even further into the future.

Q. What do you recommend?

A. I recommend discounting all of Mr. Spanos's inflated future cost of removal estimates to their present values.

Q. Have you properly calculated future net salvage ratios on a present value basis?

A. Yes, Exhibits___(MJM-2) and (MJM-3) contains those calculations for LG&E and KU, respectively. I removed the inflation from each of Mr. Spanos's estimates. Using the Handy-Whitman Index for the South Atlantic Region, I measured the inflation incurred from 1988 to 2006, i.e., the 19 years Mr. Spanos included in his net salvage studies. For the accounts where Mr. Spanos included a different number of years in his studies, I measured the inflation accordingly. I used the Handy Whitman indication to discount his proposals. All of these calculations take into account my previous recommendation to reject the unnecessary switch to ELG.

Q. How do you propose to treat inflation that will occur between now and the next time the Commission reviews the Companies' depreciation rates?

A. Given the over-collected status of the Companies' regulatory liabilities for cost of removal, the Commission could determine that no such adjustment is necessary and any shortfall in the amounts collected in the next few years is already more than covered by the existing reserves.

However, if the Commission wishes to make an adjustment to reflect current inflation it could do so quite easily. The Commission could direct the Companies to file annual schedules reflecting an increase consistent with current inflation, and the inflation adjustment would be made annually between rate cases. Alternatively, the adjustment could be made each time the Companies file for new depreciation rates, which appears to be approximately every three years.

XI. Summary of Recommendations

Q. Have you prepared a summary of your recommendations?

A. Yes. Exhibit___(MJM-2) shows the calculation of my recommended depreciation rates and expense for LG&E. As summarized below, my recommended depreciation expense based on plant balances as of December 31, 2006 is $98.7 million for LG&E, or $40.6 million less than Mr. Spanos's proposed depreciation expense of $140.8 million. Exhibit___(MJM-3) shows the calculation of my recommended depreciation rates and expense for KU. Based on plant balances as of December 31, 2006, my recommended depreciation accrual is $81.1 million for KU. This is $30.6 million less than Mr. Spanos's proposals.

Comparison of Spanos vs. Majoros

Company	Spanos Proposed	Majoros Recommended	Difference
LG&E Electric	$ 111,403,673	$ 77,122,322	$ (34,281,351)
LG&E Gas	16,360,115	9,354,125	(7,005,990)
LG&E Common	12,998,362	12,269,264	729,098
LG&E Total	$ 140,762,150	$ 98,745,711	$ (40,558,243)
KU Electric	$ 111,765,099	$ 81,136,214	$ (30,628,885)

The table below compares my recommendations to depreciation expense based on the current rates. Overall, my recommendations result in an $18.5 million decrease for LG&E and a $28.1 million decrease for KU, based on current rates.

Comparison of Current vs. Majoros

Company	Current[32]	Majoros Recommended	Difference
LG&E Electric	$ 94,634,359	$ 77,122,322	$ (17,512,037)
LG&E Gas	14,510,759	9,354,125	(5,156,634)
LG&E Common	8,079,268	12,269,264	4,189,996
LG&E Total	$117,224,386	$ 98,745,711	$ (18,478,675)
KU Electric	$ 109,274,294	$ 81,136,214	$ (28,138,080)

Q. Does this conclude your testimony?

A. Yes, it does.

[32] Application Exhibit 2 for KU and LGE

Michael J. Majoros, Jr.

Experience

Snavely King Majoros O'Connor & Lee, Inc.

Vice President and Treasurer (1988 to Present)
Senior Consultant (1981-1987)

Mr. Majoros provides consultation specializing in accounting, financial, and management issues. He has testified as an expert witness or negotiated on behalf of clients in more than one hundred thirty regulatory federal and state regulatory proceedings involving telephone, electric, gas, water, and sewerage companies. His testimony has encompassed a wide array of complex issues including taxation, divestiture accounting, revenue requirements, rate base, nuclear decommissioning, plant lives, and capital recovery. Mr. Majoros has also provided consultation to the U.S. Department of Justice and appeared before the U.S. EPA and the Maryland State Legislature on matters regarding the accounting and plant life effects of electric plant modifications and the financial capacity of public utilities to finance environmental controls. He has estimated economic damages suffered by black farmers in discrimination suits

Van Scoyoc & Wiskup, Inc., *Consultant (1978-1981)*

Mr. Majoros conducted and assisted in various management and regulatory consulting projects in the public utility field, including preparation of electric system load projections for a group of municipally and cooperatively owned electric systems; preparation of a system of accounts and reporting of gas and oil pipelines to be used by a state regulatory commission; accounting system analysis and design for rate proceedings involving electric, gas, and telephone utilities. Mr. Majoros provided onsite management accounting and controllership assistance to a municipal electric and water utility. Mr. Majoros also assisted in an antitrust proceeding involving a major electric utility. He submitted expert testimony in FERC Docket No. RP79-12 (El Paso Natural Gas Company), and he co-authored a study entitled Analysis of Staff Study on Comprehensive Tax Normalization that was submitted to FERC in Docket No RM 80-42.

Handling Equipment Sales Company, Inc.

Controller/Treasurer (1976-1978)

Mr. Majoros' responsibilities included financial management, general accounting and reporting, and income taxes.

Ernst & Ernst, *Auditor (1973-1976)*

Mr Majoros was a member of the audit staff where his responsibilities included auditing, supervision, business systems analysis, report preparation, and corporate income taxes.

University of Baltimore - *(1971-1973)*

Mr. Majoros was a full-time student in the School of Business.

During this period Mr. Majoros worked consistently on a part-time basis in the following positions: Assistant Legislative Auditor – State of Maryland, Staff Accountant – Robert M. Carney & Co., CPA's, Staff Accountant – Naron & Wegad, CPA's, Credit Clerk – Montgomery Wards.

Central Savings Bank, *(1969-1971)*

Mr. Majoros was an Assistant Branch Manager at the time he left the bank to attend college as a full-time student. During his tenure at the bank, Mr. Majoros gained experience in each department of the bank. In addition, he attended night school at the University of Baltimore.

Education

University of Baltimore, School of Business, B.S. – Concentration in Accounting

Professional Affiliations

American Institute of Certified Public Accountants
Maryland Association of C.P.A.s
Society of Depreciation Professionals

Publications, Papers, and Panels

"Analysis of Staff Study on Comprehensive Tax Normalization," FERC Docket No. RM 80-42, 1980.

"Telephone Company Deferred Taxes and Investment Tax Credits – A Capital Loss for Ratepayers," Public Utility Fortnightly, September 27, 1984.

"The Use of Customer Discount Rates in Revenue Requirement Comparisons," Proceedings of the 25th Annual Iowa State Regulatory Conference, 1986

"The Regulatory Dilemma Created By Emerging Revenue Streams of Independent Telephone Companies," Proceedings of NARUC 101st Annual Convention and Regulatory Symposium, 1989.

"BOC Depreciation Issues in the States," National Association of State Utility Consumer Advocates, 1990 Mid-Year Meeting, 1990.

"Current Issues in Capital Recovery" 30th Annual Iowa State Regulatory Conference, 1991.

"Impaired Assets Under SFAS No. 121," National Association of State Utility consumer Advocates, 1996 Mid-Year Meeting, 1996.

"What's 'Sunk' Ain't Stranded: Why Excessive Utility Depreciation is Avoidable," with James Campbell, Public Utilities Fortnightly, April 1, 1999.

"Local Exchange Carrier Depreciation Reserve Percents," with Richard B. Lee, Journal of the Society of Depreciation Professionals, Volume 10, Number 1, 2000-2001

"Rolling Over Ratepayers," Public Utilities Fortnightly, Volume 143, Number 11, November, 2005.

Michael J. Majoros, Jr.

Date	Jurisdiction / Agency	Docket	Utility

Federal Courts

2005	US District Court, Northern District of AL, Northwestern Division 55/56/57/	CV 01-B-403-NW	Tennessee Valley Authority

State Legislatures

2006	Maryland General Assembly 61/	SB154	Maryland Healthy Air Act
2006	Maryland House of Delegates 62/	HB189	Maryland Healthy Air Act

Federal Regulatory Agencies

1979	FERC-US 19/	RP79-12	El Paso Natural Gas Co.
1980	FERC-US 19/	RM80-42	Generic Tax Normalization
1996	CRTC-Canada 30/	97-9	All Canadian Telecoms
1997	CRTC-Canada 31/	97-11	All Canadian Telecoms
1999	FCC 32/	98-137 (Ex Parte)	All LECs
1999	FCC 32/	98-91 (Ex Parte)	All LECs
1999	FCC 32/	98-177 (Ex Parte)	All LECs
1999	FCC 32/	98-45 (Ex Parte)	All LECs
2000	EPA 35/	CAA-00-6	Tennessee Valley Authority
2003	FERC 48/	RM02-7	All Utilities
2003	FCC 52/	03-173	All LECs
2003	FERC 53/	ER03-409-000, ER03-666-000	Pacific Gas and Electric Co.

State Regulatory Agencies

1982	Massachusetts 17/	DPU 557/558	Western Mass Elec. Co.
1982	Illinois 16/	ICC81-8115	Illinois Bell Telephone Co.
1983	Maryland 8/	7574-Direct	Baltimore Gas & Electric Co.
1983	Maryland 8/	7574-Surrebuttal	Baltimore Gas & Electric Co.
1983	Connecticut 15/	810911	Woodlake Water Co.
1983	New Jersey 1/	815-458	New Jersey Bell Tel. Co.
1983	New Jersey 14/	8011-827	Atlantic City Sewerage Co.
1984	Dist. Of Columbia 7/	785	Potomac Electric Power Co.
1984	Maryland 8/	7689	Washington Gas Light Co.
1984	Dist. Of Columbia 7/	798	C&P Tel. Co.
1984	Pennsylvania 13/	R-832316	Bell Telephone Co. of PA
1984	New Mexico 12/	1032	Mt. States Tel. & Telegraph
1984	Idaho 18/	U-1000-70	Mt. States Tel. & Telegraph
1984	Colorado 11/	1655	Mt. States Tel. & Telegraph

Michael J. Majoros, Jr.

1984	Dist. Of Columbia 7/	813	Potomac Electric Power Co.
1984	Pennsylvania 3/	R842621-R842625	Western Pa. Water Co.
1985	Maryland 8/	7743	Potomac Edison Co.
1985	New Jersey 1/	848-856	New Jersey Bell Tel. Co.
1985	Maryland 8/	7851	C&P Tel. Co.
1985	California 10/	I-85-03-78	Pacific Bell Telephone Co.
1985	Pennsylvania 3/	R-850174	Phila. Suburban Water Co.
1985	Pennsylvania 3/	R850178	Pennsylvania Gas & Water Co.
1985	Pennsylvania 3/	R-850299	General Tel. Co. of PA
1986	Maryland 8/	7899	Delmarva Power & Light Co.
1986	Maryland 8/	7754	Chesapeake Utilities Corp.
1986	Pennsylvania 3/	R-850268	York Water Co.
1986	Maryland 8/	7953	Southern Md. Electric Corp.
1986	Idaho 9/	U-1002-59	General Tel. Of the Northwest
1986	Maryland 8/	7973	Baltimore Gas & Electric Co.
1987	Pennsylvania 3/	R-860350	Dauphin Cons. Water Supply
1987	Pennsylvania 3/	C-860923	Bell Telephone Co. of PA
1987	Iowa 6/	DPU-86-2	Northwestern Bell Tel. Co.
1987	Dist. Of Columbia 7/	842	Washington Gas Light Co.
1988	Florida 4/	880069-TL	Southern Bell Telephone
1988	Iowa 6/	RPU-87-3	Iowa Public Service Company
1988	Iowa 6/	RPU-87-6	Northwestern Bell Tel. Co.
1988	Dist. Of Columbia 7/	869	Potomac Electric Power Co.
1989	Iowa 6/	RPU-88-6	Northwestern Bell Tel. Co.
1990	New Jersey 1/	1487-88	Morris City Transfer Station
1990	New Jersey 5/	WR 88-80967	Toms River Water Company
1990	Florida 4/	890256-TL	Southern Bell Company
1990	New Jersey 1/	ER89110912J	Jersey Central Power & Light
1990	New Jersey 1/	WR90050497J	Elizabethtown Water Co.
1991	Pennsylvania 3/	P900465	United Tel. Co. of Pa.
1991	West Virginia 2/	90-564-T-D	C&P Telephone Co.
1991	New Jersey 1/	90080792J	Hackensack Water Co.
1991	New Jersey 1/	WR90080884J	Middlesex Water Co.
1991	Pennsylvania 3/	R-911892	Phil. Suburban Water Co.
1991	Kansas 20/	176, 716-U	Kansas Power & Light Co.
1991	Indiana 29/	39017	Indiana Bell Telephone
1991	Nevada 21/	91-5054	Central Tele. Co. – Nevada
1992	New Jersey 1/	EE91081428	Public Service Electric & Gas
1992	Maryland 8/	8462	C&P Telephone Co.
1992	West Virginia 2/	91-1037-E-D	Appalachian Power Co.
1993	Maryland 8/	8464	Potomac Electric Power Co.
1993	South Carolina 22/	92-227-C	Southern Bell Telephone
1993	Maryland 8/	8485	Baltimore Gas & Electric Co.
1993	Georgia 23/	4451-U	Atlanta Gas Light Co.
1993	New Jersey 1/	GR93040114	New Jersey Natural Gas. Co.

Michael J. Majoros, Jr.

1994	Iowa 6/	RPU-93-9	U.S. West – Iowa
1994	Iowa 6/	RPU-94-3	Midwest Gas
1995	Delaware 24/	94-149	Wilm. Suburban Water Corp.
1995	Connecticut 25/	94-10-03	So. New England Telephone
1995	Connecticut 25/	95-03-01	So. New England Telephone
1995	Pennsylvania 3/	R-00953300	Citizens Utilities Company
1995	Georgia 23/	5503-0	Southern Bell
1996	Maryland 8/	8715	Bell Atlantic
1996	Arizona 26/	E-1032-95-417	Citizens Utilities Company
1996	New Hampshire 27/	DE 96-252	New England Telephone
1997	Iowa 6/	DPU-96-1	U S West – Iowa
1997	Ohio 28/	96-922-TP-UNC	Ameritech – Ohio
1997	Michigan 28/	U-11280	Ameritech – Michigan
1997	Michigan 28/	U-112 81	GTE North
1997	Wyoming 27/	7000-ztr-96-323	US West – Wyoming
1997	Iowa 6/	RPU-96-9	US West – Iowa
1997	Illinois 28/	96-0486-0569	Ameritech – Illinois
1997	Indiana 28/	40611	Ameritech – Indiana
1997	Indiana 27/	40734	GTE North
1997	Utah 27/	97-049-08	US West – Utah
1997	Georgia 28/	7061-U	BellSouth – Georgia
1997	Connecticut 25/	96-04-07	So. New England Telephone
1998	Florida 28/	960833-TP et. al.	BellSouth – Florida
1998	Illinois 27/	97-0355	GTE North/South
1998	Michigan 33/	U-11726	Detroit Edison
1999	Maryland 8/	8794	Baltimore Gas & Electric Co.
1999	Maryland 8/	8795	Delmarva Power & Light Co.
1999	Maryland 8/	8797	Potomac Edison Company
1999	West Virginia 2/	98-0452-E-GI	Electric Restructuring
1999	Delaware 24/	98-98	United Water Company
1999	Pennsylvania 3/	R-00994638	Pennsylvania American Water
1999	West Virginia 2/	98-0985-W-D	West Virginia American Water
1999	Michigan 33/	U-11495	Detroit Edison
2000	Delaware 24/	99-466	Tidewater Utilities
2000	New Mexico 34/	3008	US WEST Communications, Inc.
2000	Florida 28/	990649-TP	BellSouth -Florida
2000	New Jersey 1/	WR30174	Consumer New Jersey Water
2000	Pennsylvania 3/	R-00994868	Philadelphia Suburban Water
2000	Pennsylvania 3/	R-0005212	Pennsylvania American Sewerage
2000	Connecticut 25/	00-07-17	Southern New England Telephone
2001	Kentucky 36/	2000-373	Jackson Energy Cooperative
2001	Kansas 38/39/40/	01-WSRE-436-RTS	Western Resources
2001	South Carolina 22/	2001-93-E	Carolina Power & Light Co.
2001	North Dakota 37/	PU-400-00-521	Northern States Power/Xcel Energy
2001	Indiana 29/41/	41746	Northern Indiana Power Company

Michael J. Majoros, Jr.

2001	New Jersey 1/	GR01050328	Public Service Electric and Gas
2001	Pennsylvania 3/	R-00016236	York Water Company
2001	Pennsylvania 3/	R-00016339	Pennsylvania America Water
2001	Pennsylvania 3/	R-00016356	Wellsboro Electric Coop.
2001	Florida 4/	010949-EL	Gulf Power Company
2001	Hawaii 42/	00-309	The Gas Company
2002	Pennsylvania 3/	R-00016750	Philadelphia Suburban
2002	Nevada 43/	01-10001 &10002	Nevada Power Company
2002	Kentucky 36/	2001-244	Fleming Mason Electric Coop.
2002	Nevada 43/	01-11031	Sierra Pacific Power Company
2002	Georgia 27/	14361-U	BellSouth-Georgia
2002	Alaska 44/	U-01-34,82-87,66	Alaska Communications Systems
2002	Wisconsin 45/	2055-TR-102	CenturyTel
2002	Wisconsin 45/	5846-TR-102	TelUSA
2002	Vermont 46/	6596	Citizen's Energy Services
2002	North Dakota 37/	PU-399-02-183	Montana Dakota Utilities
2002	Kansas 40/	02-MDWG-922-RTS	Midwest Energy
2002	Kentucky 36/	2002-00145	Columbia Gas
2002	Oklahoma 47/	200200166	Reliant Energy ARKLA
2002	New Jersey 1/	GR02040245	Elizabethtown Gas Company
2003	New Jersey 1/	ER02050303	Public Service Electric and Gas Co.
2003	Hawaii 42/	01-0255	Young Brothers Tug & Barge
2003	New Jersey 1/	ER02080506	Jersey Central Power & Light
2003	New Jersey 1/	ER02100724	Rockland Electric Co.
2003	Pennsylvania 3/	R-00027975	The York Water Co.
2003	Pennsylvania /3	R-00038304	Pennsylvania-American Water Co.
2003	Kansas 20/ 40/	03-KGSG-602-RTS	Kansas Gas Service
2003	Nova Scotia, CN 49/	EMO NSPI	Nova Scotia Power, Inc.
2003	Kentucky 36/	2003-00252	Union Light Heat & Power
2003	Alaska 44/	U-96-89	ACS Communications, Inc.
2003	Indiana 29/	42359	PSI Energy, Inc.
2003	Kansas 20/ 40/	03-ATMG-1036-RTS	Atmos Energy
2003	Florida 50/	030001-E1	Tampa Electric Company
2003	Maryland 51/	8960	Washington Gas Light
2003	Hawaii 42/	02-0391	Hawaiian Electric Company
2003	Illinois 28/	02-0864	SBC Illinois
2003	Indiana 28/	42393	SBC Indiana
2004	New Jersey 1/	ER03020110	Atlantic City Electric Co.
2004	Arizona 26/	E-01345A-03-0437	Arizona Public Service Company
2004	Michigan 27/	U-13531	SBC Michigan
2004	New Jersey 1/	GR03080683	South Jersey Gas Company
2004	Kentucky 36/	2003-00434,00433	Kentucky Utilities, Louisville Gas & Electric
2004	Florida 50/ 54/	031033-EI	Tampa Electric Company
2004	Kentucky 36/	2004-00067	Delta Natural Gas Company

Michael J. Majoros, Jr.

2004	Georgia 23/	18300, 15392, 15393	Georgia Power Company
2004	Vermont 46/	6946, 6988	Central Vermont Public Service Corporation
2004	Delaware 24/	04-288	Delaware Electric Cooperative
2004	Missouri 58/	ER-2004-0570	Empire District Electric Company
2005	Florida 50/	041272-EI	Progress Energy Florida, Inc.
2005	Florida 50/	041291-EI	Florida Power & Light Company
2005	California 59/	A.04-12-014	Southern California Edison Co.
2005	Kentucky 36/	2005-00042	Union Light Heat & Power
2005	Florida 50/	050045 & 050188-EI	Florida Power & Light Co.
2005	Florida 50/ 54/	030157-EI	Progress Energy Florida
2005	Kansas 38/ 40/	05-WSEE-981-RTS	Westar Energy, Inc.
2006	Delaware 24/	05-304	Delmarva Power & Light Company
2006	California 59/	A.05-12-002	Pacific Gas & Electric Co.
2006	New Jersey 1/	GR05100845	Public Service Electric and Gas Co.
2006	Colorado 60/	06S-234EG	Public Service Co. of Colorado
2006	Kentucky 36/	2006-00172	Union Light, Heat & Power
2006	Kansas 40/	06-KGSG-1209-RTS	Kansas Gas Service
2006	West Virginia 2/	06-0960-E-42T, 06-1426-E-D	Allegheny Power
2006	West Virginia 2/	05-1120-G-30C, 06-0441-G-PC, et al.	Hope Gas, Inc. and Equitable Resources, Inc.
2007	Delaware 24/	06-284	Delmarva Power & Light Company
2007	Kentucky 36/	2006-00464	Atmos Energy Corporation
2007	Colorado 60/	06S-656G	Public Service Co. of Colorado
2007	California 59/	A.06-12-009, A.06-12-010	San Diego Gas & Electric Co., and Southern California Gas Co.
2007	Kentucky 36/	2007-00143	Kentucky-American Water Co.
2007	Kentucky 36/	2007-00089	Delta Natural Gas Co.
2008	Kansas 40/	08-ATMG-280-RTS	Atmos Energy Corporation

Michael J. Majoros, Jr.

PARTICIPATION AS NEGOTIATOR IN FCC TELEPHONE DEPRECIATION RATE REPRESCRIPTION CONFERENCES

COMPANY	YEARS	CLIENT
Diamond State Telephone Co. 24/	1985 + 1988	Delaware Public Service Comm
Bell Telephone of Pennsylvania 3/	1986 + 1989	PA Consumer Advocate
Chesapeake & Potomac Telephone Co. - Md. 8/	1986	Maryland People's Counsel
Southwestern Bell Telephone – Kansas 20/	1986	Kansas Corp. Commission
Southern Bell – Florida 4/	1986	Florida Consumer Advocate
Chesapeake & Potomac Telephone Co.-W.Va. 2/	1987 + 1990	West VA Consumer Advocate
New Jersey Bell Telephone Co. 1/	1985 + 1988	New Jersey Rate Counsel
Southern Bell - South Carolina 22/	1986 + 1989 + 1992	S. Carolina Consumer Advocate
GTE-North – Pennsylvania 3/	1989	PA Consumer Advocate

Michael J. Majoros, Jr.

PARTICIPATION IN PROCEEDINGS WHICH WERE SETTLED BEFORE TESTIMONY WAS SUBMITTED

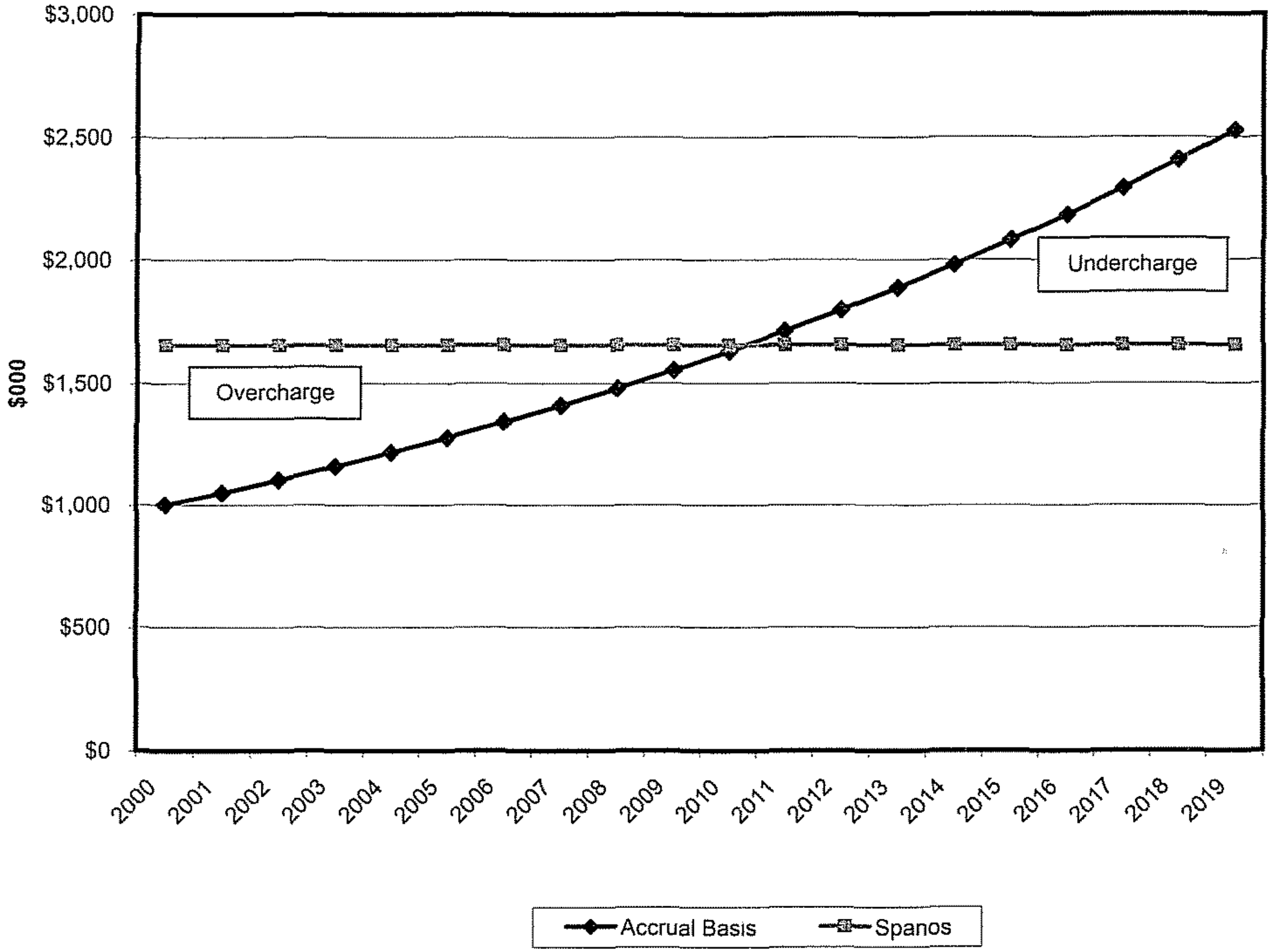
STATE	DOCKET NO.	UTILITY
Maryland 8/	7878	Potomac Edison
Nevada 21/	88-728	Southwest Gas
New Jersey 1/	WR90090950J	New Jersey American Water
New Jersey 1/	WR900050497J	Elizabethtown Water
New Jersey 1/	WR91091483	Garden State Water
West Virginia 2/	91-1037-E	Appalachian Power Co.
Nevada 21/	92-7002	Central Telephone - Nevada
Pennsylvania 3/	R-00932873	Blue Mountain Water
West Virginia 2/	93-1165-E-D	Potomac Edison
West Virginia 2/	94-0013-E-D	Monongahela Power
New Jersey 1/	WR94030059	New Jersey American Water
New Jersey 1/	WR95080346	Elizabethtown Water
New Jersey 1/	WR95050219	Toms River Water Co.
Maryland 8/	8796	Potomac Electric Power Co.
South Carolina 22/	1999-077-E	Carolina Power & Light Co.
South Carolina 22/	1999-072-E	Carolina Power & Light Co.
Kentucky 36/	2001-104 & 141	Kentucky Utilities, Louisville Gas and Electric
Kentucky 36/	2002-485	Jackson Purchase Energy Corporation

Michael J. Majoros, Jr.

Clients

1/ New Jersey Rate Counsel/Advocate	33/ Michigan Attorney General
2/ West Virginia Consumer Advocate	34/ New Mexico Attorney General
3/ Pennsylvania OCA	35/ Environmental Protection Agency Enforcement Staff
4/ Florida Office of Public Advocate	36/ Kentucky Attorney General
5/ Toms River Fire Commissioner's	37/ North Dakota Public Service Commission
6/ Iowa Office of Consumer Advocate	38/ Kansas Industrial Group
7/ D.C. People's Counsel	39/ City of Witchita
8/ Maryland's People's Counsel	40/ Kansas Citizens' Utility Rate Board
9/ Idaho Public Service Commission	41/ NIPSCO Industrial Group
10/ Western Burglar and Fire Alarm	42/ Hawaii Division of Consumer Advocacy
11/ U.S. Dept. of Defense	43/ Nevada Bureau of Consumer Protection
12/ N.M. State Corporation Comm.	44/ GCI
13/ City of Philadelphia	45/ Wisc. Citizens' Utility Rate Board
14/ Resorts International	46/ Vermont Department of Public Service
15/ Woodlake Condominium Association	47/ Oklahoma Corporation Commission
16/ Illinois Attorney General	48/ National Assn. of State Utility Consumer Advocates
17/ Mass Coalition of Municipalities	49/ Nova Scotia Utility and Review Board
18/ U.S. Department of Energy	50/ Florida Office of Public Counsel
19/ Arizona Electric Power Corp.	51/ Maryland Public Service Commission
20/ Kansas Corporation Commission	52/ MCI
21/ Public Service Comm. – Nevada	53/ Transmission Agency of Northern California
22/ SC Dept. of Consumer Affairs	54/ Florida Industrial Power Users Group
23/ Georgia Public Service Comm.	55/ Sierra Club
24/ Delaware Public Service Comm.	56/ Our Children's Earth Foundation
25/ Conn. Ofc. Of Consumer Counsel	57/ National Parks Conservation Association, Inc.
26/ Arizona Corp. Commission	58/ Missouri Office of the Public Counsel
27/ AT&T	59/ The Utility Reform Network
28/ AT&T/MCI	60/ Colorado Office of Consumer Counsel
29/ IN Office of Utility Consumer Counselor	61/ MD State Senator Paul G. Pinsky
30/ Unitel (AT&T – Canada)	62/ MD Speaker of the House Michael Busch
31/ Public Interest Advocacy Centre	
32/ U.S. General Services Administration	

Comparison of Inflation Expense Patterns



Louisville Gas and Electric Company and Kentucky Utilities Company
Comparison of Accrual Accounting Versus Spanos Treatment of Inflation

Line	Assumptions:	Year 1	
	Year 1 (2000) Data	2000	
1	Number of Structures	1	structure
2	Service Life	20	years
3	Average age of structure	0	years
4	Remaining life	20	years
5	Present Value of Disposal Cost Per Structure	$20,000	
6	Present Value of Future Disposal Costs L.1 * L5	$20,000	
7	Future inflation rate	5.00%	Assumed
8	Inflated Value of Future Disposal Costs	$ 53,065.95	
9	Original Cost of Structure	$ 100,000	
10	Spanos Approach Recommendation -(L8/L9)	-53.07%	

	Straight Line Recovery of Original PV of Future Removal			Inflation to Original Cost of Future Removal				Annual Expense		
Year	Original Cost of Future Removal BOY	Depreciation Expense	Accumulated Depreciation EOY	PV of Future Cost BOY	Inflation Expense	PV of Cost EOY	Cumulative Inflation	Accrual Basis Annual Expense	Spanos Annual Expense	Spanos Inflation Matching
2000	$20,000	$1,000	$1,000.00	$ 20,000.00	$1,000.00	$21,000.00	$1,000.00	$2,000.00	$2,653.30	$1,653.30
2001	20,000	1,000	2,000.00	21,000.00	1,050.00	22,050.00	2,050.00	2,050.00	2,653.30	1,653.30
2002	20,000	1,000	3,000.00	22,050.00	1,102.50	23,152.50	3,152.50	2,102.50	2,653.30	1,653.30
2003	20,000	1,000	4,000.00	23,152.50	1,157.63	24,310.13	4,310.13	2,157.63	2,653.30	1,653.30
2004	20,000	1,000	5,000.00	24,310.13	1,215.51	25,525.63	5,525.63	2,215.51	2,653.30	1,653.30
2005	20,000	1,000	6,000.00	25,525.63	1,276.28	26,801.91	6,801.91	2,276.28	2,653.30	1,653.30
2006	20,000	1,000	7,000.00	26,801.91	1,340.10	28,142.01	8,142.01	2,340.10	2,653.30	1,653.30
2007	20,000	1,000	8,000.00	28,142.01	1,407.10	29,549.11	9,549.11	2,407.10	2,653.30	1,653.30
2008	20,000	1,000	9,000.00	29,549.11	1,477.46	31,026.56	11,026.56	2,477.46	2,653.30	1,653.30
2009	20,000	1,000	10,000.00	31,026.56	1,551.33	32,577.89	12,577.89	2,551.33	2,653.30	1,653.30
2010	20,000	1,000	11,000.00	32,577.89	1,628.89	34,206.79	14,206.79	2,628.89	2,653.30	1,653.30
2011	20,000	1,000	12,000.00	34,206.79	1,710.34	35,917.13	15,917.13	2,710.34	2,653.30	1,653.30
2012	20,000	1,000	13,000.00	35,917.13	1,795.86	37,712.98	17,712.98	2,795.86	2,653.30	1,653.30
2013	20,000	1,000	14,000.00	37,712.98	1,885.65	39,598.63	19,598.63	2,885.65	2,653.30	1,653.30
2014	20,000	1,000	15,000.00	39,598.63	1,979.93	41,578.56	21,578.56	2,979.93	2,653.30	1,653.30
2015	20,000	1,000	16,000.00	41,578.56	2,078.93	43,657.49	23,657.49	3,078.93	2,653.30	1,653.30
2016	20,000	1,000	17,000.00	43,657.49	2,182.87	45,840.37	25,840.37	3,182.87	2,653.30	1,653.30
2017	20,000	1,000	18,000.00	45,840.37	2,292.02	48,132.38	28,132.38	3,292.02	2,653.30	1,653.30
2018	20,000	1,000	19,000.00	48,132.38	2,406.62	50,539.00	30,539.00	3,406.62	2,653.30	1,653.30
2019	20,000	1,000	20,000.00	50,539.00	2,526.95	53,065.95	33,065.95	3,526.95	2,653.30	1,653.30
		$20,000.00			$33,065.95			$53,065.95	$53,066.00	

Comparison of Inflation Expense Patterns

Year	Accrual Basis Annual Inflation	Spanos Annual Inflation
2000	$1,000.00	$1,653.30
2001	1,050.00	1,653.30
2002	1,102.50	1,653.30
2003	1,157.63	1,653.30
2004	1,215.51	1,653.30
2005	1,276.28	1,653.30
2006	1,340.10	1,653.30
2007	1,407.10	1,653.30
2008	1,477.46	1,653.30
2009	1,551.33	1,653.30
2010	1,628.89	1,653.30
2011	1,710.34	1,653.30
2012	1,795.86	1,653.30
2013	1,885.65	1,653.30
2014	1,979.93	1,653.30
2015	2,078.93	1,653.30
2016	2,182.87	1,653.30
2017	2,292.02	1,653.30
2018	2,406.62	1,653.30
2019	2,526.95	1,653.30

LOUISVILLE GAS AND ELECTRIC - ELECTRIC
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
SNAVELY KING RECOMMENDED RATES

	ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	ALG COMPOSITE REMAINING LIFE (7)	CALCULATED ANNUAL ACCRUAL AMOUNT (8)=(6)/(7)	CALCULATED ANNUAL ACCRUAL RATE (9)=(8)/(4)
	DEPRECIABLE PLANT								
	STEAM PRODUCTION PLANT								
311.00	STRUCTURES AND IMPROVEMENTS								
	CANE RUN UNIT 1	100-S4 *	0.00	4,233,981	4,657,380	(423,399)	-	-	-
	CANE RUN UNIT 2	100-S4 *	0.00	2,102,942	2,313,236	(210,294)	-	-	-
	CANE RUN UNIT 3	100-S4 *	0.00	3,532,140	3,885,354	(353,214)	-	-	-
	CANE RUN UNIT 4	100-S4 *	(6.16)	3,819,018	3,700,903	353,367	11.5	30,728	0.80
	CANE RUN-SO2 UNIT 4	100-S4 *	(6.16)	760,360	753,417	53,781	11.5	4,677	0.62
	CANE RUN UNIT 5	100-S4 *	(5.21)	6,165,918	4,945,198	1,541,964	15.5	99,482	1.61
	CANE RUN-SO2 UNIT 5	100-S4 *	(5.21)	1,696,435	1,457,117	327,702	15.5	21,142	1.25
	CANE RUN UNIT 6	100-S4 *	(4.99)	19,346,502	14,467,279	5,844,613	16.5	354,219	1.83
	CANE RUN-SO2 UNIT 6	100-S4 *	(4.99)	1,894,852	1,447,631	541,774	16.5	32,835	1.73
	MILL CREEK UNIT 1	100-S4 *	(4.40)	19,168,217	14,961,980	5,049,639	19.5	258,956	1.35
	MILL CREEK-SO2 UNIT 1	100-S4 *	(4.40)	1,716,996	1,334,642	457,901	19.5	23,482	1.37
	MILL CREEK UNIT 2	100-S4 *	(4.40)	10,812,788	8,891,316	2,397,235	19.5	122,935	1.14
	MILL CREEK-SO2 UNIT 2	100-S4 *	(4.40)	1,393,404	1,042,003	412,711	19.5	21,165	1.52
	MILL CREEK UNIT 3	100-S4 *	(2.89)	24,963,587	16,321,633	9,363,402	29.5	317,403	1.27
	MILL CREEK-SO2 UNIT 3	100-S4 *	(2.89)	362,867	242,320	131,034	29.5	4,442	1.22
	MILL CREEK UNIT 4	100-S4 *	(2.89)	60,311,484	33,408,461	28,646,025	29.5	971,052	1.61
	MILL CREEK-SO2 UNIT 4	100-S4 *	(2.89)	5,307,313	3,088,191	2,372,504	29.5	80,424	1.52
	TRIMBLE COUNTY - UNIT 1	100-S4 *	(2.89)	160,498,044	77,910,799	87,225,638	29.5	2,956,801	1.84
	TRIMBLE COUNTY - SO2 UNIT 1	100-S4 *	(2.89)	511,309	218,024	308,062	29.5	10,443	2.04
	TOTAL ACCOUNT 311 - STRUCTURES AND IMPROVEMENTS			328,598,157	195,046,884	144,040,445		5,310,184	1.62
312.00	BOILER PLANT EQUIPMENT								
	CANE RUN LOCOMOTIVE	25-R2	17.01	51,549	36,630	6,151	3.4	1,809	3.51
	CANE RUN LOCOMOTIVE - RAILCARS	25-R2	9.98	1,501,773	512,129	839,767	14.6	57,518	3.83
	CANE RUN UNIT 1	45-R1.5 *	0.00	1,053,742	1,369,865	(316,123)	-	-	-
	CANE RUN UNIT 2	45-R1.5 *	0.00	132,837	172,688	(39,851)	-	-	-
	CANE RUN UNIT 3	45-R1.5 *	0.00	711,484	924,929	(213,445)	-	-	-
	CANE RUN UNIT 4	45-R1.5 *	(17.93)	30,277,227	20,066,982	15,638,952	10.8	1,448,051	4.78
	CANE RUN-SO2 UNIT 4	45-R1.5 *	(17.93)	17,091,728	13,099,553	7,056,722	10.8	653,400	3.82
	CANE RUN UNIT 5	45-R1.5 *	(15.03)	34,767,159	14,352,753	25,639,911	14.5	1,768,270	5.09
	CANE RUN-SO2 UNIT 5	45-R1.5 *	(15.40)	28,107,438	20,525,754	11,910,229	14.0	850,731	3.03
	CANE RUN UNIT 6	45-R1.5 *	(14.54)	47,135,674	24,185,127	29,804,074	15.2	1,960,794	4.16
	CANE RUN-SO2 UNIT 6	45-R1.5 *	(14.68)	32,184,157	20,326,901	16,581,890	15.0	1,105,459	3.43
	MILL CREEK-LAND	45-R1.5	(4.36)	43,503	5,749	39,651	40.5	979	2.25
	MILL CREEK-LOCOMOTIVE	25-R2	15.32	613,424	390,413	129,035	5.6	23,042	3.76
	MILL CREEK-LOCOMOTIVE RAILCARS	25-R2	10.26	3,593,112	1,297,004	1,927,454	14.0	137,675	3.83
	MILL CREEK UNIT 1	45-R1.5 *	(13.35)	47,559,198	27,486,678	26,421,673	17.0	1,554,216	3.27
	MILL CREEK-SO2 UNIT 1	45-R1.5 *	(12.97)	42,349,731	21,544,768	26,297,723	17.6	1,494,189	3.53
	MILL CREEK UNIT 2	45-R1.5 *	(13.03)	47,357,146	22,652,893	30,874,889	17.5	1,764,279	3.73
	MILL CREEK-SO2 UNIT 2	45-R1.5 *	(13.03)	34,424,938	19,066,590	19,843,917	17.5	1,133,938	3.29
	MILL CREEK UNIT 3	45-R1.5 *	(9.20)	137,324,678	46,888,293	103,070,255	24.8	4,156,059	3.03
	MILL CREEK-SO2 UNIT 3	45-R1.5 *	(9.03)	63,097,999	20,709,267	48,086,481	25.2	1,908,194	3.02
	MILL CREEK UNIT 4	45-R1.5 *	(9.12)	237,560,968	79,931,180	179,295,349	25.0	7,171,814	3.02
	MILL CREEK-SO2 UNIT 4	45-R1.5 *	(9.12)	113,648,646	42,505,023	81,508,379	25.0	3,260,335	2.87
	TRIMBLE COUNTY - UNIT 1	45-R1.5 *	(9.20)	246,928,939	99,220,519	170,425,882	24.8	6,872,011	2.78
	TRIMBLE COUNTY - SO2 UNIT 1	45-R1.5 *	(9.20)	63,159,342	25,547,919	43,422,082	24.8	1,750,890	2.77
	TOTAL ACCOUNT 312 - BOILER PLANT EQUIPMENT			1,230,676,391	522,819,607	838,251,046		39,073,655	3.17

LOUISVILLE GAS AND ELECTRIC - ELECTRIC
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
SNAVELY KING RECOMMENDED RATES

	ACCOUNT	SURVIVOR CURVE	NET SALVAGE PERCENT	ORIGINAL COST	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	ALG COMPOSITE REMAINING LIFE	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(6)/(7)	(9)=(8)/(4)
314.00	TURBOGENERATOR UNITS								
	CANE RUN UNIT 1	50-S1.5	0.00	106,009	116,610	(10,601)	-	-	-
	CANE RUN UNIT 2	50-S1.5	0.00	19,999	21,999	(2,000)	-	-	-
	CANE RUN UNIT 3	50-S1.5	0.00	581,177	639,295	(58,118)	-	-	-
	CANE RUN UNIT 4	50-S1.5	(6.10)	9,122,982	6,940,308	2,739,176	11.0	249,016	2.73
	CANE RUN UNIT 5	50-S1.5	(5.41)	7,375,365	5,866,535	1,907,837	13.7	139,258	1.89
	CANE RUN UNIT 6	50-S1.5	(4.99)	14,984,950	8,856,713	6,875,986	15.5	443,612	2.96
	MILL CREEK UNIT 1	50-S1.5	(4.79)	14,332,084	10,703,863	4,314,728	16.4	263,093	1.84
	MILL CREEK UNIT 2	50-S1.5	(4.66)	16,626,880	11,332,777	6,068,915	17.0	356,995	2.15
	MILL CREEK UNIT 3	50-S1.5	(3.61)	27,112,329	16,600,110	11,490,974	22.7	506,210	1.87
	MILL CREEK UNIT 4	50-S1.5	(3.45)	42,108,819	23,449,967	20,111,606	23.7	848,591	2.02
	TRIMBLE COUNTY - UNIT 1	50-S1.5	(3.26)	66,954,099	32,091,281	37,045,521	25.0	1,481,821	2.21
	TOTAL ACCOUNT 314 - TURBOGENERATOR UNITS			199,324,692	116,619,458	90,484,025		4,288,597	2.15
315.00	ACCESSORY ELECTRIC EQUIPMENT								
	CANE RUN UNIT 1	50-S2	0.00	1,891,012	1,985,563	(94,551)	-	-	-
	CANE RUN UNIT 2	50-S2	0.00	1,277,223	1,341,084	(63,861)	-	-	-
	CANE RUN UNIT 3	50-S2	0.00	767,325	805,691	(38,366)	-	-	-
	CANE RUN UNIT 4	50-S2	(2.73)	5,474,319	3,765,370	1,858,398	11.4	163,017	2.98
	CANE RUN-SO2 UNIT 4	50-S2	(2.89)	987,949	954,150	62,351	10.3	6,053	0.61
	CANE RUN UNIT 5	50-S2	(2.24)	6,856,291	4,124,255	2,885,617	15.1	191,100	2.79
	CANE RUN-SO2 UNIT 5	50-S2	(2.40)	2,216,499	1,871,683	398,012	13.8	28,841	1.30
	CANE RUN UNIT 6	50-S2	(2.15)	8,571,567	5,190,930	3,564,925	15.9	224,209	2.62
	CANE RUN-SO2 UNIT 6	50-S2	(2.34)	2,124,667	1,791,940	382,444	14.3	26,744	1.26
	MILL CREEK UNIT 1	50-S2	(1.87)	14,425,286	7,799,790	6,895,248	18.5	372,716	2.58
	MILL CREEK-SO2 UNIT 1	50-S2	(2.05)	5,541,695	4,265,624	1,389,676	16.8	82,719	1.49
	MILL CREEK UNIT 2	50-S2	(1.96)	6,428,716	4,451,613	2,103,105	17.6	119,495	1.86
	MILL CREEK-SO2 UNIT 2	50-S2	(2.05)	4,505,053	3,448,071	1,149,336	16.8	68,413	1.52
	MILL CREEK UNIT 3	50-S2	(1.61)	13,482,711	9,621,338	4,078,445	21.3	191,476	1.42
	MILL CREEK-SO2 UNIT 3	50-S2	(1.63)	2,531,773	1,823,126	749,915	21.1	35,541	1.40
	MILL CREEK UNIT 4	50-S2	(1.50)	20,755,278	13,563,740	7,502,867	22.7	330,523	1.59
	MILL CREEK-SO2 UNIT 4	50-S2	(1.52)	5,864,979	3,915,306	2,038,820	22.4	91,019	1.55
	TRIMBLE COUNTY - UNIT 1	50-S2	(1.30)	56,269,846	28,826,752	28,174,602	25.3	1,113,621	1.98
	TRIMBLE COUNTY - SO2 UNIT 1	50-S2	(1.30)	2,736,920	1,404,151	1,368,349	25.3	54,085	1.98
	TOTAL ACCOUNT 315 - ACCESSORY ELECTRIC EQUIPMENT			162,709,108	100,950,177	64,405,333		3,099,573	1.90
316.00	MISCELLANEOUS PLANT EQUIPMENT								
	CANE RUN UNIT 1	40-S2	0.00	38,746	40,683	(1,937)	-	-	-
	CANE RUN UNIT 3	40-S2	0.00	11,665	12,248	(583)	-	-	-
	CANE RUN UNIT 4	40-S2	(2.87)	71,143	23,667	49,518	11.4	4,344	6.11
	CANE RUN-SO2 UNIT 4	40-S2	(3.18)	6,464	5,087	1,583	9.3	170	2.63
	CANE RUN UNIT 5	40-S2	(2.38)	80,866	18,034	64,756	15.3	4,232	5.23
	CANE RUN-SO2 UNIT 5	40-S2	(2.75)	47,299	33,092	15,508	12.3	1,261	2.67
	CANE RUN UNIT 6	40-S2	(2.34)	2,707,943	1,018,284	1,753,025	15.6	112,373	4.15
	CANE RUN-SO2 UNIT 6	40-S2	(2.75)	31,569	22,434	10,003	12.3	813	2.58
	MILL CREEK UNIT 1	40-S2	(2.40)	696,198	391,989	320,918	15.1	21,253	3.05
	MILL CREEK UNIT 2	40-S2	(2.46)	112,008	70,200	44,563	14.6	3,052	2.73
	MILL CREEK UNIT 3	40-S2	(2.25)	318,625	199,264	126,530	16.4	7,715	2.42
	MILL CREEK UNIT 4	40-S2	(1.54)	5,198,565	1,625,549	3,653,074	24.2	150,953	2.90
	MILL CREEK-SO2 UNIT 4	40-S2	(1.89)	53,007	25,728	28,280	20.0	1,414	2.67
	TRIMBLE COUNTY - UNIT 1	40-S2	(1.64)	2,574,447	993,873	1,622,795	23.0	70,556	2.74
	TOTAL ACCOUNT 316 - MISCELLANEOUS PLANT EQUIPMENT			11,948,545	4,480,132	7,688,033		378,138	3.16
	TOTAL STEAM PRODUCTION PLANT			1,933,256,893	939,916,258	1,144,868,882		52,150,146	

LOUISVILLE GAS AND ELECTRIC - ELECTRIC
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
SNAVELY KING RECOMMENDED RATES

	ACCOUNT	SURVIVOR CURVE	NET SALVAGE PERCENT	ORIGINAL COST	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	ALG COMPOSITE REMAINING LIFE	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(6)/(7)	(9)=(8)/(4)
	HYDROELECTRIC PRODUCTION PLANT								
331.00	STRUCTURES AND IMPROVEMENTS								
	OHIO FALLS - NON-PROJECT	100-S2.5 *	(1.62)	65,796	58,756	8,106	29.5	275	0.42
	OHIO FALLS - PROJECT 289	100-S2.5 *	(1.62)	5,412,308	5,560,362	(60,375)	29.5	(2,047)	(0.04)
	TOTAL ACCOUNT 331 - STRUCTURES AND IMPROVEMENTS			5,478,104	5,619,118	(52,269)		(1,772)	-0.03
332.00	RESERVOIRS, DAMS & WATERWAY								
	OHIO FALLS - PROJECT 289	100-S2.5 *	(2.10)	4,949,177	398,171	4,654,939	29.4	158,331	3.20
	TOTAL ACCOUNT 332 - RESERVOIRS, DAMS & WATERWAY			4,949,177	398,171	4,654,939		158,331	3.20
333.00	WATER WHEELS, TURBINES & GENERATORS								
	OHIO FALLS - PROJECT 289	100-S2.5 *	(5.10)	2,674,580	2,747,041	63,942	29.5	2,168	0.08
	TOTAL ACCOUNT 333 - WATER WHEELS, TURBINES & GENERATORS			2,674,580	2,747,041	63,942		2,168	0.08
334.00	ACCESSORY ELECTRIC EQUIPMENT								
	OHIO FALLS - PROJECT 289	80-S4 *	(2.02)	4,392,876	859,630	3,621,982	29.0	124,896	2.84
	TOTAL ACCOUNT 334 - ACCESSORY ELECTRIC EQUIPMENT			4,392,876	859,630	3,621,982		124,896	2.84
335.00	MISCELLANEOUS PLANT EQUIPMENT								
	OHIO FALLS - NON-PROJECT	80-S3 *	(3.61)	7,814	5,379	2,717	25.5	107	1.36
	OHIO FALLS - PROJECT 289	80-S3 *	(3.34)	171,179	80,876	96,021	27.4	3,504	2.05
	TOTAL ACCOUNT 335 - MISCELLANEOUS PLANT EQUIPMENT			178,993	86,255	98,737		3,611	2.02
336.00	ROADS, RAILROADS & BRIDGES								
	OHIO FALLS - NON-PROJECT	80-S4 *	0.00	1,134	1,134	(0)	-	-	-
	OHIO FALLS - PROJECT 289	80-S4 *	0.00	178,847	219,873	(41,026)	-	-	-
	TOTAL ACCOUNT 336 - ROADS, RAILROADS & BRIDGES			179,981	221,007	(41,026)		-	-
	TOTAL HYDROELECTRIC PRODUCTION PLANT			17,853,710	9,931,222	8,346,306		287,234	
	OTHER PRODUCTION PLANT								
341.00	STRUCTURES AND IMPROVEMENTS								
	CANE RUN GT 11	55-R3 *	(4.40)	68,932	69,172	2,793	3.5	798	1.16
	ZORN AND RIVER ROAD GAS TURBINE	55-R3 *	(4.42)	8,241	8,483	122	3.4	36	0.44
	PADDY'S RUN-GENERATOR 12	55-R3 *	(4.42)	42,865	44,128	631	3.4	186	0.43
	PADDY'S RUN-GENERATOR 13	55-R3 *	(1.78)	2,158,698	390,060	1,807,063	28.5	63,406	2.94
	BROWN COMBUSTION TURBINE #5	55-R3 *	(1.78)	858,539	155,147	718,674	28.5	25,217	2.94
	E W BROWN # 6	55-R3 *	(1.77)	105,978	15,188	92,666	28.6	3,240	3.06
	E W BROWN # 7	55-R3 *	(1.77)	144,356	22,954	123,957	28.6	4,334	3.00
	TRIMBLE COUNTY #5	55-R3 *	(1.77)	1,555,655	227,674	1,355,516	28.6	47,396	3.05
	TRIMBLE COUNTY #6	55-R3 *	(1.77)	1,467,924	222,716	1,271,190	28.6	44,447	3.03
	TRIMBLE COUNTY #7	55-R3 *	(1.76)	2,083,698	186,315	1,934,056	28.8	67,155	3.22
	TRIMBLE COUNTY #8	55-R3 *	(1.76)	2,075,527	185,584	1,926,472	28.8	66,891	3.22
	TRIMBLE COUNTY #9	55-R3 *	(1.76)	2,137,402	191,116	1,983,905	28.8	68,886	3.22
	TRIMBLE COUNTY #10	55-R3 *	(1.76)	2,132,790	190,704	1,979,623	28.8	68,737	3.22
	TOTAL ACCOUNT 341 - STRUCTURES AND IMPROVEMENTS			14,840,604	1,909,241	13,196,668		460,728	3.10

LOUISVILLE GAS AND ELECTRIC - ELECTRIC
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
SNAVELY KING RECOMMENDED RATES

	ACCOUNT	SURVIVOR CURVE	NET SALVAGE PERCENT	ORIGINAL COST	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	ALG COMPOSITE REMAINING LIFE	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(6)/(7)	(9)=(8)/(4)
342.00	FUEL HOLDERS, PRODUCERS AND ACCESSORIES								
	CANE RUN GT 11	50-R3	(4.09)	118,874	108,875	14,861	3.5	4,246	3.57
	ZORN AND RIVER ROAD GAS TURBINE	50-R3	(4.11)	12,802	13,189	139	3.4	41	0.32
	PADDY'S RUN-GENERATOR 11	50-R3	(4.11)	9,238	9,516	101	3.4	30	0.32
	PADDY'S RUN-GENERATOR 12	50-R3	(4.11)	12,197	12,450	248	3.4	73	0.60
	PADDY'S RUN-GENERATOR 13	50-R3	(0.98)	2,255,338	407,591	1,869,849	28.2	66,307	2.94
	BROWN COMBUSTION TURBINE #5	50-R3	(0.98)	822,581	149,681	680,961	28.2	24,148	2.94
	E W BROWN # 6	50-R3	(0.99)	363,762	76,291	291,072	28.1	10,358	2.85
	E W BROWN # 7	50-R3	(0.99)	102,065	21,406	81,669	28.1	2,906	2.85
	TRIMBLE COUNTY #5	50-R3	(0.98)	97,997	14,970	83,987	28.3	2,968	3.03
	TRIMBLE COUNTY #6	50-R3	(0.98)	97,862	14,954	83,867	28.3	2,963	3.03
	TRIMBLE COUNTY CT PIPELINE	50-R3	(0.97)	1,998,391	290,096	1,727,679	28.4	60,834	3.04
	TRIMBLE COUNTY #7	50-R3	(0.96)	338,423	30,605	311,067	28.6	10,876	3.21
	TRIMBLE COUNTY #8	50-R3	(0.97)	337,096	30,485	309,881	28.5	10,873	3.23
	TRIMBLE COUNTY #9	50-R3	(0.97)	347,147	31,393	319,121	28.5	11,197	3.23
	TRIMBLE COUNTY #10	50-R3	(0.96)	346,397	31,326	318,397	28.6	11,133	3.21
	TOTAL ACCOUNT 342 - FUEL HOLDERS, PRODUCERS AND ACCESSORIES			7,260,169	1,242,828	6,092,900		218,953	3.02
343.00	PRIME MOVERS								
	PADDY'S RUN-GENERATOR 13	30-R2	(2.37)	19,700,979	3,375,161	16,792,731	22.9	733,307	3.72
	BROWN COMBUSTION TURBINE #5	30-R2	(2.37)	14,310,574	2,421,790	12,227,944	22.9	533,971	3.73
	E W BROWN # 6	30-R2	(2.37)	15,937,078	2,736,602	13,578,184	22.8	595,534	3.74
	E W BROWN # 7	30-R2	(2.42)	22,587,247	4,619,647	18,514,211	22.2	833,973	3.69
	TRIMBLE COUNTY #5	30-R2	(2.33)	12,521,829	1,780,665	11,032,923	23.4	471,492	3.77
	TRIMBLE COUNTY #6	30-R2	(2.33)	12,417,419	1,773,746	10,932,999	23.4	467,222	3.76
	TRIMBLE COUNTY #7	30-R2	(2.26)	13,328,714	1,102,451	12,527,492	24.3	515,535	3.87
	TRIMBLE COUNTY #8	30-R2	(2.26)	13,203,749	1,089,023	12,413,131	24.3	510,828	3.87
	TRIMBLE COUNTY #9	30-R2	(2.26)	13,094,378	1,080,168	12,310,143	24.3	506,590	3.87
	TRIMBLE COUNTY #10	30-R2	(2.26)	13,055,699	1,076,943	12,273,815	24.3	505,095	3.87
	TOTAL ACCOUNT 343 - ENGINES			150,157,665	21,056,196	132,603,573		5,673,549	3.78
344.00	GENERATORS								
	CANE RUN GT 11	60-S3	(4.24)	2,492,497	2,118,427	479,752	3.5	137,072	5.50
	ZORN AND RIVER ROAD GAS TURBINE	60-S3	(4.24)	1,827,581	1,747,340	157,730	3.5	45,066	2.47
	PADDY'S RUN-GENERATOR 11	60-S3	(4.24)	1,523,116	1,454,634	133,062	3.5	38,018	2.50
	PADDY'S RUN-GENERATOR 12	60-S3	(4.24)	2,991,746	2,868,232	250,364	3.5	71,533	2.39
	PADDY'S RUN-GENERATOR 13	60-S3	(1.27)	5,859,857	1,008,814	4,925,464	29.3	168,105	2.87
	BROWN COMBUSTION TURBINE #5	60-S3	(1.27)	3,219,205	554,278	2,705,811	29.3	92,348	2.87
	E W BROWN # 6	60-S3	(1.27)	2,417,995	479,104	1,969,599	29.2	67,452	2.79
	E W BROWN # 7	60-S3	(1.27)	2,421,079	479,715	1,972,112	29.2	67,538	2.79
	TRIMBLE COUNTY #5	60-S3	(1.27)	1,539,295	222,466	1,336,378	29.3	45,610	2.96
	TRIMBLE COUNTY #6	60-S3	(1.27)	1,537,168	222,236	1,334,454	29.3	45,544	2.96
	TRIMBLE COUNTY #7	60-S3	(1.26)	1,726,824	147,471	1,601,111	29.4	54,460	3.15
	TRIMBLE COUNTY #8	60-S3	(1.26)	1,717,277	146,655	1,592,259	29.4	54,158	3.15
	TRIMBLE COUNTY #9	60-S3	(1.26)	1,728,008	147,572	1,602,209	29.4	54,497	3.15
	TRIMBLE COUNTY #10	60-S3	(1.26)	1,722,674	147,117	1,597,263	29.4	54,329	3.15
	TOTAL ACCOUNT 344 - GENERATORS			32,724,322	11,744,051	21,657,568		995,729	3.04

LOUISVILLE GAS AND ELECTRIC - ELECTRIC
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
SNAVELY KING RECOMMENDED RATES

	ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	ALG COMPOSITE REMAINING LIFE (7)	CALCULATED ANNUAL ACCRUAL AMOUNT (8)=(6)/(7)	CALCULATED ANNUAL ACCRUAL RATE (9)=(8)/(4)
345.00	ACCESSORY ELECTRIC EQUIPMENT								
	CANE RUN GT 11	35-S1.5 *	0.00	113,684	105,125	8,559	3.1	2,761	2.43
	ZORN AND RIVER ROAD GAS TURBINE	35-S1.5 *	0.00	40,936	38,007	2,929	3.1	945	2.31
	PADDY'S RUN-GENERATOR 11	35-S1.5 *	0.00	68,109	58,427	9,682	3.3	2,934	4.31
	PADDY'S RUN-GENERATOR 12	35-S1.5 *	0.00	114,338	99,885	14,453	3.3	4,380	3.83
	PADDY'S RUN-GENERATOR 13	35-S1.5 *	0.00	2,778,993	516,225	2,262,768	24.6	91,982	3.31
	BROWN COMBUSTION TURBINE #5	35-S1.5 *	0.00	2,575,301	478,451	2,096,850	24.6	85,238	3.31
	E W BROWN # 6	35-S1.5 *	0.00	942,589	202,960	739,629	24.1	30,690	3.26
	E W BROWN # 7	35-S1.5 *	0.00	943,792	203,219	740,573	24.1	30,729	3.26
	TRIMBLE COUNTY #5	35-S1.5 *	0.00	685,979	106,398	579,581	25.0	23,183	3.38
	TRIMBLE COUNTY #6	35-S1.5 *	0.00	685,031	106,289	578,742	25.0	23,150	3.38
	TRIMBLE COUNTY #7	35-S1.5 *	0.00	1,841,955	166,408	1,675,547	25.9	64,693	3.51
	TRIMBLE COUNTY #8	35-S1.5 *	0.00	1,834,732	165,756	1,668,976	25.8	64,689	3.53
	TRIMBLE COUNTY #9	35-S1.5 *	0.00	1,889,431	170,697	1,718,734	25.8	66,618	3.53
	TRIMBLE COUNTY #10	35-S1.5 *	0.00	1,885,354	170,329	1,715,025	25.9	66,217	3.51
	TOTAL ACCOUNT 345 - ACCESSORY ELECTRIC EQUIPMENT			16,400,224	2,588,176	13,812,048		558,208	3.40
346.00	MISCELLANEOUS PLANT EQUIPMENT								
	PADDY'S RUN-GENERATOR 12	50-S3 *	0.00	1,141	1,141	(0)	-	-	-
	PADDY'S RUN-GENERATOR 13	50-S3 *	0.00	1,260,055	238,774	1,021,281	28.9	35,338	2.80
	BROWN COMBUSTION TURBINE #5	50-S3 *	0.00	2,370,656	449,305	1,921,351	28.9	66,483	2.80
	E W BROWN # 6	50-S3 *	0.00	22,456	3,865	18,591	28.9	643	2.86
	E W BROWN # 7	50-S3 *	0.00	23,048	3,941	19,107	28.9	661	2.87
	TRIMBLE COUNTY #5	50-S3 *	0.00	8,937	516	8,421	29.2	288	3.23
	TRIMBLE COUNTY #7	50-S3 *	0.00	5,205	487	4,718	29.1	162	3.11
	TRIMBLE COUNTY #8	50-S3 *	0.00	5,183	485	4,698	29.2	161	3.10
	TRIMBLE COUNTY #9	50-S3 *	0.00	5,328	499	4,829	29.1	166	3.11
	TRIMBLE COUNTY #10	50-S3 *	0.00	5,316	497	4,819	29.2	165	3.10
	TOTAL ACCOUNT 346 - MISCELLANEOUS PLANT EQUIPMENT			3,707,325	699,510	3,007,815		104,068	2.81
	TOTAL OTHER PRODUCTION PLANT			225,090,309	39,240,012	190,370,572		8,011,236	
	TRANSMISSION PLANT								
350.10	LAND AND LAND RIGHTS	50-R3	0.00	2,592,774	1,167,041	1,425,733	14.0	101,838	3.93
352.10	STRUCTURES AND IMPROVEMENTS	60-R2.5	(1.55)	3,426,228	1,812,349	1,666,985	49.0	34,020	0.99
353.10	STATION EQUIPMENT	55-R2.5	(1.25)	132,246,588	73,308,244	60,591,426	41.3	1,467,105	1.11
354.00	TOWERS AND FIXTURES	65-R3	(8.42)	24,705,992	20,296,034	6,490,202	41.9	154,897	0.63
355.00	POLES AND FIXTURES	50-R2	(8.39)	32,698,137	13,553,263	21,888,247	36.8	594,789	1.82
356.00	OVERHEAD CONDUCTORS AND DEVICES	50-R2	(7.58)	36,319,312	19,821,363	19,250,953	33.9	567,875	1.56
357.00	UNDERGROUND CONDUIT	50-R3	0.00	1,880,752	445,471	1,435,281	41.2	34,837	1.85
358.00	UNDERGROUND CONDUCTORS AND DEVICES	30-R3	0.00	5,303,989	1,567,760	3,736,229	19.3	193,587	3.65
	TOTAL TRANSMISSION PLANT			239,173,771	131,971,525	116,485,057		3,148,948	

LOUISVILLE GAS AND ELECTRIC - ELECTRIC
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
SNAVELY KING RECOMMENDED RATES

	ACCOUNT	SURVIVOR CURVE	NET SALVAGE PERCENT	ORIGINAL COST	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	ALG COMPOSITE REMAINING LIFE	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(6)/(7)	(9)=(8)/(4)
	DISTRIBUTION PLANT								
361.00	STRUCTURES AND IMPROVEMENTS	60-R3	(3.83)	6,416,608	4,796,994	1,865,370	44.8	41,638	0.65
362.00	STATION EQUIPMENT	55-R1.5	(1.72)	85,588,876	46,104,182	40,956,823	43.4	943,706	1.10
364.00	POLES, TOWERS, AND FIXTURES	50-R2.5	(12.13)	103,127,753	57,472,587	58,164,562	34.8	1,671,395	1.62
365.00	OVERHEAD CONDUCTORS AND DEVICES	45-R1.5	(8.98)	173,009,057	80,947,114	107,598,156	35.6	3,022,420	1.75
366.00	UNDERGROUND CONDUIT	70-R4	(0.89)	61,734,266	22,506,113	39,777,587	58.7	677,642	1.10
367.00	UNDERGROUND CONDUCTORS AND DEVICES	50-R2	(2.51)	90,008,517	39,454,568	52,813,163	40.4	1,307,257	1.45
368.00	LINE TRANSFORMERS	45-R1.5	(5.35)	107,982,343	50,507,529	63,251,869	33.6	1,882,496	1.74
369.10	SERVICES - UNDERGROUND	45-R1.5	(9.11)	3,524,148	1,645,420	2,199,778	36.0	61,105	1.73
369.20	SERVICES - OVERHEAD	45-S1.5	(36.44)	21,039,201	15,017,775	13,688,110	25.8	530,547	2.52
370.00	METERS	30-R2	(3.00)	34,382,670	14,743,379	20,670,771	16.4	1,260,413	3.67
373.10	STREET LIGHTING AND SIGNAL SYSTEMS - OVERHEAD	30-L1	(6.79)	23,772,668	14,545,574	10,841,258	21.2	511,380	2.15
373.20	STREET LIGHTING AND SIGNAL SYSTEMS - UNDERGROUND	35-R1.5	(4.77)	40,882,603	15,306,457	27,526,246	27.9	986,604	2.41
373.40	STREET LIGHTING AND SIGNAL SYSTEMS - TRANSFORMERS	26-R0.5	0.00	87,546	89,351	(1,805)	-	-	-
	TOTAL DISTRIBUTION PLANT			751,556,256	363,137,043	439,351,890		12,896,602	
	GENERAL PLANT								
392.20	TRANSPORTATION EQUIPMENT - TRAILERS	30-S4	2.82	587,518	198,471	372,479	16.9	22,040	3.75
394.00	TOOLS, SHOP AND GARAGE EQUIPMENT	25-SQ	0.00	3,155,933	960,829	2,195,104	15.8	138,931	4.40
395.00	LABORATORY EQUIPMENT	15-SQ	0.00	1,503,831	805,480	698,351	1.5	465,568	30.96
396.20	POWER OPERATED EQUIPMENT - OTHER	30-R1.5	0.00	51,068	21,151	29,917	18.5	1,617	3.17
	TOTAL GENERAL PLANT			5,298,350	1,985,931	3,295,851		628,155	
	TOTAL DEPRECIABLE PLANT			3,172,229,288	1,486,181,991	1,902,718,557		77,122,322	
	LG&E PROPOSED							111,403,673	
	DIFFERENCE							(34,281,351)	

* LIFE SPAN PROCEDURE IS USED. CURVE SHOWN IS INTERIM SURVIVOR CURVE

Sources:
Cols. (1), (2), (4), (5) and (7) from response to AG-1-27.
Col. (3) from pages 10-15.
LG&E Proposed from Application Exhibit 2.

LOUISVILLE GAS AND ELECTRIC - GAS
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
SNAVELY KING RECOMMENDED RATES

	ACCOUNT	SURVIVOR CURVE	NET SALVAGE PERCENT	ORIGINAL COST	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	ALG COMPOSITE REMAINING LIFE	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(6)/(7)	(9)=(8)/(4)
	DEPRECIABLE PLANT								
	PRODUCTION PLANT								
350.20	RIGHTS OF WAY	55-R4	0.00	63,678	70,451	(6,773)	-	-	-
351.20	COMPRESSOR STATION STRUCTURES	50-R2.5	(0.89)	1,696,319	743,281	968,135	45.1	21,466	1.27
351.30	MEASURING AND REGULATING STATION STRUCTURES	55-R2.5	0.00	10,880	14,474	(3,594)	-	-	-
351.40	OTHER STRUCTURES	50-R3	(0.96)	1,236,356	807,089	441,137	43.0	10,259	0.83
352.10	STORAGE LEASEHOLDS AND RIGHTS	65-R4	0.00	548,241	569,590	(21,349)	-	-	-
352.20	RESERVOIRS	55-R4	0.00	400,511	446,270	(45,759)	-	-	-
352.30	NONRECOVERABLE NATURAL GAS	50-SQ	0.00	9,648,855	7,165,705	2,483,150	28.1	88,368	0.92
352.40	WELL DRILLING	55-R2.5	(3.00)	2,622,898	2,710,350	(8,765)	46.1	(190)	(0.01)
352.50	WELL EQUIPMENT	50-R2.5	(5.52)	6,142,763	728,355	5,753,488	31.3	183,818	2.99
353.00	LINES	45-S1	(2.42)	12,786,745	6,643,582	6,452,602	34.5	187,032	1.46
354.00	COMPRESSOR STATION EQUIPMENT	50-R3	(0.85)	13,961,770	6,978,446	7,101,999	43.1	164,780	1.18
355.00	MEASURING AND REGULATING EQUIPMENT	40-R1	(1.44)	387,809	252,799	140,595	32.5	4,326	1.12
356.00	PURIFICATION EQUIPMENT	45-R2	(3.08)	9,934,257	4,093,652	6,146,580	38.5	159,651	1.61
357.00	OTHER EQUIPMENT	40-R2	0.00	1,033,212	269,736	763,476	33.8	22,588	2.19
	TOTAL PRODUCTION PLANT			60,474,294	31,493,780	30,164,921		842,098	1.39
	TRANSMISSION PLANT								
365.20	RIGHTS OF WAY	65-S3	0.00	220,659	199,377	21,282	36.3	586	0.27
367.00	MAINS	65-R2.5	(1.01)	12,673,432	11,578,244	1,223,190	50.9	24,031	0.19
	TOTAL TRANSMISSION PLANT			12,894,091	11,777,621	1,244,472		24,618	0.19
	DISTRIBUTION PLANT								
374.22	OTHER DISTRIBUTION LAND RIGHTS	65-S3	0.00	74,018	72,775	1,243	47.8	26	0.04
375.10	STRUCTURES & IMPROVEMENTS - CITY GATE STATION	55-R3	(0.64)	224,019	112,776	112,676	51.4	2,192	0.98
375.20	STRUCTURES & IMPROVEMENTS - OTHER DISTRIBUTION	30-L1	(3.31)	505,355	96,486	425,596	10.3	41,320	8.18
376.00	MAINS	65-R2.5	(2.01)	262,334,574	92,672,522	174,934,976	53.7	3,257,635	1.24
378.00	MEASURING AND REGULATING STATION EQUIP-GENERAL	41-S0	(2.03)	7,853,390	1,861,536	6,151,278	34.1	180,389	2.30
379.00	MEASURING AND REGULATING STATION EQUIP-CITY GATE	45-S1	(2.93)	3,846,545	1,301,803	2,657,446	34.8	76,363	1.99
380.00	SERVICES	42-S0	(12.62)	125,366,091	47,057,089	94,130,202	32.6	2,887,430	2.30
381.00	METERS	31-R1.5	0.00	21,171,720	3,872,688	17,299,032	20.5	843,855	3.99
382.00	METER INSTALLATIONS	20-L0	0.00	9,136,341	(817,817)	9,954,158	15.4	646,374	7.07
383.00	HOUSE REGULATORS	45-R3	(1.28)	4,598,092	1,202,930	3,454,017	35.5	97,296	2.12
384.00	HOUSE REGULATOR INSTALLATIONS	45-R2	(0.52)	4,707,359	513,259	4,218,578	42.2	99,966	2.12
385.00	MEASURING AND REGULATING STATION EQUIPMENT	40-S2.5	0.00	159,362	114,537	44,825	30.0	1,494	0.94
387.00	OTHER EQUIPMENT	40-S2	0.00	51,112	10,802	40,310	22.7	1,776	3.47
	TOTAL DISTRIBUTION PLANT			440,027,976	148,071,386	313,424,338		8,136,117	1.85

LOUISVILLE GAS AND ELECTRIC - GAS
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
SNAVELY KING RECOMMENDED RATES

	ACCOUNT	SURVIVOR CURVE	NET SALVAGE PERCENT	ORIGINAL COST	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	ALG COMPOSITE REMAINING LIFE	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(6)/(7)	(9)=(8)/(4)
	GENERAL PLANT								
392.20	TRANSPORTATION EQUIPMENT - TRAILERS	20-L1	2.68	474,814	131,916	330,173	14.1	23,417	4.93
394.00	TOOLS, SHOP, AND GARAGE EQUIPMENT	25-SQ	0.00	3,474,778	1,139,401	2,335,377	14.4	162,179	4.67
395.00	LABORATORY EQUIPMENT	15-SQ	0.00	439,513	258,930	180,583	1.1	164,167	37.35
396.20	POWER OPERATED EQUIPMENT - OTHER	25-R1.5	2.83	53,369	32,879	18,980	12.4	1,531	2.87
	TOTAL GENERAL PLANT			4,442,475	1,563,126	2,865,113		351,293	7.91
	TOTAL DEPRECIABLE PLANT			517,838,836	192,905,913	347,698,845		9,354,125	1.81
	LG&E PROPOSED							16,360,115	
	DIFFERENCE							(7,005,990)	

Sources:
Cols. (1), (2), (4), (5) and (7) from response to AG-1-27.
Col. (3) from pages 16-17.
LG&E Proposed from Application Exhibit 2.

LOUISVILLE GAS AND ELECTRIC
COMMON PLANT

SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
SNAVELY KING RECOMMENDED RATES

	ACCOUNT	SURVIVOR CURVE	NET SALVAGE PERCENT	ORIGINAL COST	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	ALG COMPOSITE REMAINING LIFE	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(6)/(7)	(9)=(8)/(4)
	DEPRECIABLE PLANT								
	STRUCTURES AND IMPROVEMENTS								
390.10	GENERAL OFFICE	35-R2	(3.27)	49,324,995	14,956,690	35,981,232	24.2	1,486,828	3.01
390.20	TRANSPORTATION	25-R2.5	(3.05)	431,574	(751,201)	1,195,938	10.8	110,735	25.66
390.30	STORES	45-R3	(1.28)	10,929,116	6,757,968	4,311,040	28.6	150,736	1.38
390.40	SHOPS	45-R4	(1.13)	589,467	301,465	294,663	39.4	7,479	1.27
390.60	MICROWAVE	45-R3	(0.87)	855,653	141,684	721,413	38.3	18,836	2.20
	OFFICE FURNITURE AND EQUIPMENT								
391.10	FURNITURE	20-SQ	0.00	12,512,975	7,578,558	4,934,417	6.6	747,639	5.97
391.20	EQUIPMENT	15-SQ	0.00	3,342,047	2,439,836	902,211	3.1	291,036	8.71
391.30	COMPUTER EQUIPMENT	5-SQ	0.00	19,219,231	9,718,055	9,501,176	2.3	4,130,946	21.49
391.31	PERSONAL COMPUTER	5-SQ	0.00	1,217,943	217,903	1,000,040	4.0	250,010	20.53
391.40	SECURITY EQUIPMENT	10-SQ	0.00	2,554,508	1,706,946	847,562	4.8	176,576	6.91
392.00	TRANSPORTATION EQUIPMENT - TRAILERS	27-O1	2.03	63,404	27,626	34,491	19.5	1,769	2.79
393.00	STORES EQUIPMENT	25-SQ	0.00	1,210,653	414,144	796,509	11.8	67,501	5.58
394.00	TOOLS, SHOP AND GARAGE EQUIPMENT	25-SQ	0.00	3,470,364	672,910	2,797,454	15.6	179,324	5.17
395.00	LABORATORY EQUIPMENT	15-SQ	0.00	22,282	8,637	13,645	1.0	13,645	61.24
396.00	POWER OPERATED EQUIPMENT - OTHER	25-S1.5	6.24	14,147	6,945	6,319	10.2	620	4.38
397.00	COMMUNICATION EQUIPMENT	15-SQ	0.00	36,367,603	12,740,088	23,627,515	5.4	4,375,466	12.03
397.10	COMMUNICATION EQUIPMENT - COMPUTER	15-SQ	0.00	5,784,754	5,155,519	629,235	12.1	52,003	0.90
398.00	MISCELLANEOUS EQUIPMENT	10-SQ	0.00	594,390	(154,835)	749,225	3.6	208,118	35.01
	TOTAL DEPRECIABLE PLANT			148,505,107	61,938,938	88,344,087		12,269,264	8.26
	LG&E PROPOSED							12,998,362	
	DIFFERENCE							(729,098)	

Sources:
Cols. (1), (2), (4), (5) and (7) from response to AG-1-27.
Col. (3) from page 18.
LG&E Proposed from Application Exhibit 2.

LOUISVILLE GAS AND ELECTRIC - ELECTRIC
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
CALCULATION OF PRESENT VALUE OF SPANOS FUTURE NET SALVAGE PROPOSALS

	ACCOUNT	1ST YR IN SPANOS NS STUDY	START YEAR COST INDEX	Jan 2007 COST INDEX	COMPOUND GROWTH RATE	ORIGINAL COST	ALG COMPOSITE REMAINING LIFE	SPANOS FUTURE NET SALVAGE %	SPANOS FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(6)*(8)	(10)	(11)=(10)/(6)
	DEPRECIABLE PLANT										
	STEAM PRODUCTION PLANT										
311.00	STRUCTURES AND IMPROVEMENTS										
	CANE RUN UNIT 1	1972	93	406	4.30%	4,233,981	-	(10)			-
	CANE RUN UNIT 2	1972	93	406	4.30%	2,102,942	-	(10)			-
	CANE RUN UNIT 3	1972	93	406	4.30%	3,532,140	-	(10)			-
	CANE RUN UNIT 4	1972	93	406	4.30%	3,819,018	11.5	(10)	(381,902)	(235,333)	(6.16)
	CANE RUN-SO2 UNIT 4	1972	93	406	4.30%	760,360	11.5	(10)	(76,036)	(46,854)	(6.16)
	CANE RUN UNIT 5	1972	93	406	4.30%	6,165,918	15.5	(10)	(616,592)	(321,064)	(5.21)
	CANE RUN-SO2 UNIT 5	1972	93	406	4.30%	1,696,435	15.5	(10)	(169,644)	(88,335)	(5.21)
	CANE RUN UNIT 6	1972	93	406	4.30%	19,346,502	16.5	(10)	(1,934,650)	(965,854)	(4.99)
	CANE RUN-SO2 UNIT 6	1972	93	406	4.30%	1,894,852	16.5	(10)	(189,485)	(94,599)	(4.99)
	MILL CREEK UNIT 1	1972	93	406	4.30%	19,168,217	19.5	(10)	(1,916,822)	(843,408)	(4.40)
	MILL CREEK-SO2 UNIT 1	1972	93	406	4.30%	1,716,996	19.5	(10)	(171,700)	(75,548)	(4.40)
	MILL CREEK UNIT 2	1972	93	406	4.30%	10,812,788	19.5	(10)	(1,081,279)	(475,766)	(4.40)
	MILL CREEK-SO2 UNIT 2	1972	93	406	4.30%	1,393,404	19.5	(10)	(139,340)	(61,310)	(4.40)
	MILL CREEK UNIT 3	1972	93	406	4.30%	24,963,587	29.5	(10)	(2,496,359)	(720,974)	(2.89)
	MILL CREEK-SO2 UNIT 3	1972	93	406	4.30%	362,867	29.5	(10)	(36,287)	(10,480)	(2.89)
	MILL CREEK UNIT 4	1972	93	406	4.30%	60,311,484	29.5	(10)	(6,031,148)	(1,741,859)	(2.89)
	MILL CREEK-SO2 UNIT 4	1972	93	406	4.30%	5,307,313	29.5	(10)	(530,731)	(153,281)	(2.89)
	TRIMBLE COUNTY - UNIT 1	1972	93	406	4.30%	160,498,044	29.5	(10)	(16,049,804)	(4,635,351)	(2.89)
	TRIMBLE COUNTY - SO2 UNIT 1	1972	93	406	4.30%	511,309	29.5	(10)	(51,131)	(14,767)	(2.89)
	TOTAL ACCOUNT 311 - STRUCTURES AND IMPROVEMENTS					328,598,157	27.2		(31,872,909)	(10,484,782)	
312.00	BOILER PLANT EQUIPMENT										
	CANE RUN LOCOMOTIVE	1973	100	506	4.88%	51,549	3.4	20	10,310	8,768	17.01
	CANE RUN LOCOMOTIVE - RAILCARS	1973	100	506	4.88%	1,501,773	14.6	20	300,355	149,803	9.98
	CANE RUN UNIT 1	1973	100	506	4.88%	1,053,742	-	(30)			-
	CANE RUN UNIT 2	1973	100	506	4.88%	132,837	-	(30)			-
	CANE RUN UNIT 3	1973	100	506	4.88%	711,484	-	(30)			-
	CANE RUN UNIT 4	1973	100	506	4.88%	30,277,227	10.8	(30)	(9,083,168)	(5,429,457)	(17.93)
	CANE RUN-SO2 UNIT 4	1973	100	506	4.88%	17,091,728	10.8	(30)	(5,127,518)	(3,064,970)	(17.93)
	CANE RUN UNIT 5	1973	100	506	4.88%	34,767,159	14.5	(30)	(10,430,148)	(5,226,929)	(15.03)
	CANE RUN-SO2 UNIT 5	1973	100	506	4.88%	28,107,436	14.0	(30)	(8,432,231)	(4,327,579)	(15.40)
	CANE RUN UNIT 6	1973	100	506	4.88%	47,135,674	15.2	(30)	(14,140,702)	(6,853,971)	(14.54)
	CANE RUN-SO2 UNIT 6	1973	100	506	4.88%	32,184,157	15.0	(30)	(9,655,247)	(4,724,689)	(14.68)
	MILL CREEK-LAND	1973	100	506	4.88%	43,503	40.5	(30)	(13,051)	(1,895)	(4.36)
	MILL CREEK-LOCOMOTIVE	1973	100	506	4.88%	613,424	5.6	20	122,685	93,953	15.32
	MILL CREEK-LOCOMOTIVE RAILCARS	1973	100	506	4.88%	3,593,112	14.0	20	718,622	368,810	10.26
	MILL CREEK UNIT 1	1973	100	506	4.88%	47,559,198	17.0	(30)	(14,267,759)	(6,347,172)	(13.35)
	MILL CREEK-SO2 UNIT 1	1973	100	506	4.88%	42,349,731	17.6	(30)	(12,704,919)	(5,492,635)	(12.97)
	MILL CREEK UNIT 2	1973	100	506	4.88%	47,357,146	17.5	(30)	(14,207,144)	(6,171,417)	(13.03)
	MILL CREEK-SO2 UNIT 2	1973	100	506	4.88%	34,424,938	17.5	(30)	(10,327,481)	(4,486,137)	(13.03)
	MILL CREEK UNIT 3	1973	100	506	4.88%	137,324,678	24.8	(30)	(41,197,403)	(12,638,380)	(9.20)
	MILL CREEK-SO2 UNIT 3	1973	100	506	4.88%	63,097,999	25.2	(30)	(18,929,400)	(5,697,461)	(9.03)
	MILL CREEK UNIT 4	1973	100	506	4.88%	237,560,968	25.0	(30)	(71,268,291)	(21,656,056)	(9.12)
	MILL CREEK-SO2 UNIT 4	1973	100	506	4.88%	113,648,646	25.0	(30)	(34,094,594)	(10,360,210)	(9.12)
	TRIMBLE COUNTY - UNIT 1	1973	100	506	4.88%	246,928,939	24.8	(30)	(74,078,682)	(22,725,571)	(9.20)
	TRIMBLE COUNTY - SO2 UNIT 1	1973	100	506	4.88%	63,159,342	24.8	(30)	(18,947,802)	(5,812,734)	(9.20)
	TOTAL ACCOUNT 312 - BOILER PLANT EQUIPMENT					1,230,676,391	21.5		(365,753,569)	(130,395,929)	

LOUISVILLE GAS AND ELECTRIC - ELECTRIC
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
CALCULATION OF PRESENT VALUE OF SPANOS FUTURE NET SALVAGE PROPOSALS

	ACCOUNT	1ST YR IN SPANOS NS STUDY	START YEAR COST INDEX	Jan 2007 COST INDEX	COMPOUND GROWTH RATE	ORIGINAL COST	ALG COMPOSITE REMAINING LIFE	SPANOS FUTURE NET SALVAGE %	SPANOS FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(6)*(8)	(10)	(11)=(10)/(6)
314.00	TURBOGENERATOR UNITS										
	CANE RUN UNIT 1	1974	110	484	4.59%	106,009	-	(10)			-
	CANE RUN UNIT 2	1974	110	484	4.59%	19,999	-	(10)			-
	CANE RUN UNIT 3	1974	110	484	4.59%	581,177	-	(10)			-
	CANE RUN UNIT 4	1974	110	484	4.59%	9,122,982	11.0	(10)	(912,298)	(556,859)	(6.10)
	CANE RUN UNIT 5	1974	110	484	4.59%	7,375,365	13.7	(10)	(737,536)	(398,812)	(5.41)
	CANE RUN UNIT 6	1974	110	484	4.59%	14,984,950	15.5	(10)	(1,498,495)	(747,408)	(4.99)
	MILL CREEK UNIT 1	1974	110	484	4.59%	14,332,084	16.4	(10)	(1,433,208)	(686,548)	(4.79)
	MILL CREEK UNIT 2	1974	110	484	4.59%	16,626,880	17.0	(10)	(1,662,688)	(775,315)	(4.66)
	MILL CREEK UNIT 3	1974	110	484	4.59%	27,112,329	22.7	(10)	(2,711,233)	(978,904)	(3.61)
	MILL CREEK UNIT 4	1974	110	484	4.59%	42,108,819	23.7	(10)	(4,210,882)	(1,453,638)	(3.45)
	TRIMBLE COUNTY - UNIT 1	1974	110	484	4.59%	66,954,099	25.0	(10)	(6,695,410)	(2,180,334)	(3.26)
	TOTAL ACCOUNT 314 - TURBOGENERATOR UNITS					199,324,692	21.1		(19,861,751)	(7,777,817)	
315.00	ACCESSORY ELECTRIC EQUIPMENT										
	CANE RUN UNIT 1	1972	95	610	5.46%	1,891,012	-	(5)			0
	CANE RUN UNIT 2	1972	95	610	5.46%	1,277,223	-	(5)			0
	CANE RUN UNIT 3	1972	95	610	5.46%	767,325	-	(5)			0
	CANE RUN UNIT 4	1972	95	610	5.46%	5,474,319	11.4	(5)	(273,716)	(149,314)	(2.73)
	CANE RUN-SO2 UNIT 4	1972	95	610	5.46%	987,949	10.3	(5)	(49,397)	(28,569)	(2.89)
	CANE RUN UNIT 5	1972	95	610	5.46%	6,856,291	15.1	(5)	(342,815)	(153,615)	(2.24)
	CANE RUN-SO2 UNIT 5	1972	95	610	5.46%	2,216,499	13.8	(5)	(110,825)	(53,214)	(2.40)
	CANE RUN UNIT 6	1972	95	610	5.46%	8,571,567	15.9	(5)	(428,578)	(184,050)	(2.15)
	CANE RUN-SO2 UNIT 6	1972	95	610	5.46%	2,124,667	14.3	(5)	(106,233)	(49,671)	(2.34)
	MILL CREEK UNIT 1	1972	95	610	5.46%	14,425,286	18.5	(5)	(721,264)	(269,756)	(1.87)
	MILL CREEK-SO2 UNIT 1	1972	95	610	5.46%	5,541,695	16.8	(5)	(277,085)	(113,433)	(2.05)
	MILL CREEK UNIT 2	1972	95	610	5.46%	6,428,716	17.6	(5)	(321,436)	(126,110)	(1.96)
	MILL CREEK-SO2 UNIT 2	1972	95	610	5.46%	4,505,053	16.8	(5)	(225,253)	(92,214)	(2.05)
	MILL CREEK UNIT 3	1972	95	610	5.46%	13,482,711	21.3	(5)	(674,136)	(217,259)	(1.61)
	MILL CREEK-SO2 UNIT 3	1972	95	610	5.46%	2,531,773	21.1	(5)	(126,589)	(41,233)	(1.63)
	MILL CREEK UNIT 4	1972	95	610	5.46%	20,755,278	22.7	(5)	(1,037,764)	(310,460)	(1.50)
	MILL CREEK-SO2 UNIT 4	1972	95	610	5.46%	5,864,979	22.4	(5)	(293,249)	(89,140)	(1.52)
	TRIMBLE COUNTY - UNIT 1	1972	95	610	5.46%	56,269,846	25.3	(5)	(2,813,492)	(733,036)	(1.30)
	TRIMBLE COUNTY - SO2 UNIT 1	1972	95	610	5.46%	2,736,920	25.3	(5)	(136,846)	(35,654)	(1.30)
	TOTAL ACCOUNT 315 - ACCESSORY ELECTRIC EQUIPMENT					162,709,108	20.8		(7,938,677)	(2,646,727)	
316.00	MISCELLANEOUS PLANT EQUIPMENT										
	CANE RUN UNIT 1	1972	94	515	4.98%	38,746	-	(5)			0
	CANE RUN UNIT 3	1972	94	515	4.98%	11,665	-	(5)			0
	CANE RUN UNIT 4	1972	94	515	4.98%	71,143	11.4	(5)	(3,557)	(2,044)	(2.87)
	CANE RUN-SO2 UNIT 4	1972	94	515	4.98%	6,464	9.3	(5)	(323)	(206)	(3.18)
	CANE RUN UNIT 5	1972	94	515	4.98%	80,866	15.3	(5)	(4,043)	(1,922)	(2.38)
	CANE RUN-SO2 UNIT 5	1972	94	515	4.98%	47,299	12.3	(5)	(2,365)	(1,301)	(2.75)
	CANE RUN UNIT 6	1972	94	515	4.98%	2,707,943	15.6	(5)	(135,397)	(63,438)	(2.34)
	CANE RUN-SO2 UNIT 6	1972	94	515	4.98%	31,569	12.3	(5)	(1,578)	(868)	(2.75)
	MILL CREEK UNIT 1	1972	94	515	4.98%	696,198	15.1	(5)	(34,810)	(16,711)	(2.40)
	MILL CREEK UNIT 2	1972	94	515	4.98%	112,008	14.6	(5)	(5,600)	(2,755)	(2.46)
	MILL CREEK UNIT 3	1972	94	515	4.98%	318,625	16.4	(5)	(15,931)	(7,180)	(2.25)
	MILL CREEK UNIT 4	1972	94	515	4.98%	5,198,565	24.2	(5)	(259,928)	(80,182)	(1.54)
	MILL CREEK-SO2 UNIT 4	1972	94	515	4.98%	53,007	20.0	(5)	(2,650)	(1,003)	(1.89)
	TRIMBLE COUNTY - UNIT 1	1972	94	515	4.98%	2,574,447	23.0	(5)	(128,722)	(42,092)	(1.64)
	TOTAL ACCOUNT 316 - MISCELLANEOUS PLANT EQUIPMENT					11,948,545	20.3		(594,907)	(219,700)	
	TOTAL STEAM PRODUCTION PLANT					1,933,256,893			(426,021,813)	(151,524,956)	

LOUISVILLE GAS AND ELECTRIC - ELECTRIC
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
CALCULATION OF PRESENT VALUE OF SPANOS FUTURE NET SALVAGE PROPOSALS

	ACCOUNT	1ST YR IN SPANOS NS STUDY	START YEAR COST INDEX		Jan 2007 COST INDEX		COMPOUND GROWTH RATE	ORIGINAL COST	ALG COMPOSITE REMAINING LIFE	SPANOS FUTURE NET SALVAGE %	SPANOS FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE %
	(1)	(2)	(3)		(4)		(5)	(6)	(7)	(8)	(9)=(6)*(8)	(10)	(11)=(10)/(6)
	HYDROELECTRIC PRODUCTION PLANT												
331.00	STRUCTURES AND IMPROVEMENTS												
	OHIO FALLS - NON-PROJECT	1974	115		406		3.90%	65,796	29.5	(5)	(3,290)	(1,064)	(1.62)
	OHIO FALLS - PROJECT 289	1974	115		406		3.90%	5,412,308	29.5	(5)	(270,615)	(87,537)	(1.62)
	TOTAL ACCOUNT 331 - STRUCTURES AND IMPROVEMENTS							5,478,104	29.5		(273,905)	(88,602)	
332.00	RESERVOIRS, DAMS & WATERWAY												
	OHIO FALLS - PROJECT 289	1995	258		368		3.00%	4,949,177	29.4	(5)	(247,459)	(103,774)	(2.10)
	TOTAL ACCOUNT 332 - RESERVOIRS, DAMS & WATERWAY							4,949,177	29.4		(247,459)	(103,774)	
333.00	WATER WHEELS, TURBINES & GENERATORS												
	OHIO FALLS - PROJECT 289	2003	387		424		2.31%	2,674,580	29.5	(10)	(267,458)	(136,355)	(5.10)
	TOTAL ACCOUNT 333 - WATER WHEELS, TURBINES & GENERATORS							2,674,580	29.5		(267,458)	(136,355)	
334.00	ACCESSORY ELECTRIC EQUIPMENT												
	OHIO FALLS - PROJECT 289	1978	157	1/	389	1/	3.18%	4,392,876	29.0	(5)	(219,644)	(88,603)	(2.02)
	TOTAL ACCOUNT 334 - ACCESSORY ELECTRIC EQUIPMENT							4,392,876	29.0		(219,644)	(88,603)	
335.00	MISCELLANEOUS PLANT EQUIPMENT												
	OHIO FALLS - NON-PROJECT	1973	100	1/	389	1/	4.08%	7,814	25.5	(10)	(781)	(282)	(3.61)
	OHIO FALLS - PROJECT 289	1973	100	1/	389	1/	4.08%	171,179	27.4	(10)	(17,118)	(5,723)	(3.34)
	TOTAL ACCOUNT 335 - MISCELLANEOUS PLANT EQUIPMENT							178,993	27.3		(17,899)	(6,004)	
336.00	ROADS, RAILROADS & BRIDGES												
	OHIO FALLS - NON-PROJECT							1,134	-	0	-	-	0
	OHIO FALLS - PROJECT 289							178,847	-	0	-	-	0
	TOTAL ACCOUNT 336 - ROADS, RAILROADS & BRIDGES							179,981	-		-	-	
	TOTAL HYDROELECTRIC PRODUCTION PLANT							17,853,710			(1,026,365)	(423,338)	
	OTHER PRODUCTION PLANT												
341.00	STRUCTURES AND IMPROVEMENTS												
	CANE RUN GT 11	1979	180	1/	498	1/	3.70%	68,932	3.5	(5)	(3,447)	(3,035)	(4.40)
	ZORN AND RIVER ROAD GAS TURBINE	1979	180	1/	498	1/	3.70%	8,241	3.4	(5)	(412)	(364)	(4.42)
	PADDY'S RUN-GENERATOR 12	1979	180	1/	498	1/	3.70%	42,865	3.4	(5)	(2,143)	(1,894)	(4.42)
	PADDY'S RUN-GENERATOR 13	1979	180	1/	498	1/	3.70%	2,158,698	28.5	(5)	(107,935)	(38,324)	(1.78)
	BROWN COMBUSTION TURBINE #5	1979	180	1/	498	1/	3.70%	858,539	28.5	(5)	(42,927)	(15,242)	(1.78)
	E W BROWN # 6	1979	180	1/	498	1/	3.70%	105,978	28.6	(5)	(5,299)	(1,875)	(1.77)
	E W BROWN # 7	1979	180	1/	498	1/	3.70%	144,356	28.6	(5)	(7,218)	(2,553)	(1.77)
	TRIMBLE COUNTY #5	1979	180	1/	498	1/	3.70%	1,555,655	28.6	(5)	(77,783)	(27,518)	(1.77)
	TRIMBLE COUNTY #6	1979	180	1/	498	1/	3.70%	1,467,924	28.6	(5)	(73,396)	(25,966)	(1.77)
	TRIMBLE COUNTY #7	1979	180	1/	498	1/	3.70%	2,083,698	28.8	(5)	(104,185)	(36,591)	(1.76)
	TRIMBLE COUNTY #8	1979	180	1/	498	1/	3.70%	2,075,527	28.8	(5)	(103,776)	(36,448)	(1.76)
	TRIMBLE COUNTY #9	1979	180	1/	498	1/	3.70%	2,137,402	28.8	(5)	(106,870)	(37,534)	(1.76)
	TRIMBLE COUNTY #10	1979	180	1/	498	1/	3.70%	2,132,790	28.8	(5)	(106,639)	(37,453)	(1.76)
	TOTAL ACCOUNT 341 - STRUCTURES AND IMPROVEMENTS							14,840,604	28.6		(742,030)	(264,797)	

LOUISVILLE GAS AND ELECTRIC - ELECTRIC
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
CALCULATION OF PRESENT VALUE OF SPANOS FUTURE NET SALVAGE PROPOSALS

	ACCOUNT	1ST YR IN SPANOS NS STUDY	START YEAR COST INDEX	Jan 2007 COST INDEX	COMPOUND GROWTH RATE	ORIGINAL COST	ALG COMPOSITE REMAINING LIFE	SPANOS FUTURE NET SALVAGE %	SPANOS FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(6)*(8)	(10)	(11)=(10)/(6)
342.00	FUEL HOLDERS, PRODUCERS AND ACCESSORIES										
	CANE RUN GT 11	2003	363	457	5.93%	118,874	3.5	(5)	(5,944)	(4,858)	(4.09)
	ZORN AND RIVER ROAD GAS TURBINE	2003	363	457	5.93%	12,802	3.4	(5)	(640)	(526)	(4.11)
	PADDY'S RUN-GENERATOR 11	2003	363	457	5.93%	9,238	3.4	(5)	(462)	(380)	(4.11)
	PADDY'S RUN-GENERATOR 12	2003	363	457	5.93%	12,197	3.4	(5)	(610)	(501)	(4.11)
	PADDY'S RUN-GENERATOR 13	2003	363	457	5.93%	2,255,338	28.2	(5)	(112,767)	(22,215)	(0.98)
	BROWN COMBUSTION TURBINE #5	2003	363	457	5.93%	822,581	28.2	(5)	(41,129)	(8,102)	(0.98)
	E W BROWN # 6	2003	363	457	5.93%	363,762	28.1	(5)	(18,188)	(3,604)	(0.99)
	E W BROWN # 7	2003	363	457	5.93%	102,065	28.1	(5)	(5,103)	(1,011)	(0.99)
	TRIMBLE COUNTY #5	2003	363	457	5.93%	97,997	28.3	(5)	(4,900)	(960)	(0.98)
	TRIMBLE COUNTY #6	2003	363	457	5.93%	97,862	28.3	(5)	(4,893)	(958)	(0.98)
	TRIMBLE COUNTY CT PIPELINE	2003	363	457	5.93%	1,998,391	28.4	(5)	(99,920)	(19,459)	(0.97)
	TRIMBLE COUNTY #7	2003	363	457	5.93%	338,423	28.6	(5)	(16,921)	(3,258)	(0.96)
	TRIMBLE COUNTY #8	2003	363	457	5.93%	337,096	28.5	(5)	(16,855)	(3,263)	(0.97)
	TRIMBLE COUNTY #9	2003	363	457	5.93%	347,147	28.5	(5)	(17,357)	(3,361)	(0.97)
	TRIMBLE COUNTY #10	2003	363	457	5.93%	346,397	28.6	(5)	(17,320)	(3,334)	(0.96)
	TOTAL ACCOUNT 342 - FUEL HOLDERS, PRODUCERS AND ACCESSORIES					7,260,169	27.8		(363,008)	(75,791)	
343.00	PRIME MOVERS										
	PADDY'S RUN-GENERATOR 13	1984	235 1/	498 1/	3.32%	19,700,979	22.9	(5)	(985,049)	(466,267)	(2.37)
	BROWN COMBUSTION TURBINE #5	1984	235 1/	498 1/	3.32%	14,310,574	22.9	(5)	(715,529)	(338,692)	(2.37)
	E W BROWN # 6	1984	235 1/	498 1/	3.32%	15,937,078	22.8	(5)	(796,854)	(378,420)	(2.37)
	E W BROWN # 7	1984	235 1/	498 1/	3.32%	22,587,247	22.2	(5)	(1,129,362)	(546,940)	(2.42)
	TRIMBLE COUNTY #5	1984	235 1/	498 1/	3.32%	12,521,829	23.4	(5)	(626,091)	(291,557)	(2.33)
	TRIMBLE COUNTY #6	1984	235 1/	498 1/	3.32%	12,417,419	23.4	(5)	(620,871)	(289,126)	(2.33)
	TRIMBLE COUNTY #7	1984	235 1/	498 1/	3.32%	13,328,714	24.3	(5)	(666,436)	(301,354)	(2.26)
	TRIMBLE COUNTY #8	1984	235 1/	498 1/	3.32%	13,203,749	24.3	(5)	(660,187)	(298,529)	(2.26)
	TRIMBLE COUNTY #9	1984	235 1/	498 1/	3.32%	13,094,378	24.3	(5)	(654,719)	(296,056)	(2.26)
	TRIMBLE COUNTY #10	1984	235 1/	498 1/	3.32%	13,055,699	24.3	(5)	(652,785)	(295,182)	(2.26)
	TOTAL ACCOUNT 343 - ENGINES					150,157,665	23.4		(7,507,883)	(3,502,122)	
344.00	GENERATORS										
	CANE RUN GT 11	1974	107	503	4.80%	2,492,497	3.5	(5)	(124,625)	(105,765)	(4.24)
	ZORN AND RIVER ROAD GAS TURBINE	1974	107	503	4.80%	1,827,581	3.5	(5)	(91,379)	(77,550)	(4.24)
	PADDY'S RUN-GENERATOR 11	1974	107	503	4.80%	1,523,116	3.5	(5)	(76,156)	(64,631)	(4.24)
	PADDY'S RUN-GENERATOR 12	1974	107	503	4.80%	2,991,746	3.5	(5)	(149,587)	(126,949)	(4.24)
	PADDY'S RUN-GENERATOR 13	1974	107	503	4.80%	5,859,857	29.3	(5)	(292,993)	(74,177)	(1.27)
	BROWN COMBUSTION TURBINE #5	1974	107	503	4.80%	3,219,205	29.3	(5)	(160,960)	(40,751)	(1.27)
	E W BROWN # 6	1974	107	503	4.80%	2,417,995	29.2	(5)	(120,900)	(30,752)	(1.27)
	E W BROWN # 7	1974	107	503	4.80%	2,421,079	29.2	(5)	(121,054)	(30,791)	(1.27)
	TRIMBLE COUNTY #5	1974	107	503	4.80%	1,539,295	29.3	(5)	(76,965)	(19,485)	(1.27)
	TRIMBLE COUNTY #6	1974	107	503	4.80%	1,537,168	29.3	(5)	(76,858)	(19,458)	(1.27)
	TRIMBLE COUNTY #7	1974	107	503	4.80%	1,726,824	29.4	(5)	(86,341)	(21,757)	(1.26)
	TRIMBLE COUNTY #8	1974	107	503	4.80%	1,717,277	29.4	(5)	(85,864)	(21,637)	(1.26)
	TRIMBLE COUNTY #9	1974	107	503	4.80%	1,728,008	29.4	(5)	(86,400)	(21,772)	(1.26)
	TRIMBLE COUNTY #10	1974	107	503	4.80%	1,722,674	29.4	(5)	(86,134)	(21,705)	(1.26)
	TOTAL ACCOUNT 344 - GENERATORS					32,724,322	21.6		(1,636,216)	(677,179)	

LOUISVILLE GAS AND ELECTRIC - ELECTRIC
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
CALCULATION OF PRESENT VALUE OF SPANOS FUTURE NET SALVAGE PROPOSALS

	ACCOUNT (1)	1ST YR IN SPANOS NS STUDY (2)	START YEAR COST INDEX (3)	Jan 2007 COST INDEX (4)	COMPOUND GROWTH RATE (5)	ORIGINAL COST (6)	ALG COMPOSITE REMAINING LIFE (7)	SPANOS FUTURE NET SALVAGE % (8)	SPANOS FUTURE NET SALVAGE $ (9)=(6)*(8)	PV FUTURE NET SALVAGE $ (10)	PV FUTURE NET SALVAGE % (11)=(10)/(6)
345.00	ACCESSORY ELECTRIC EQUIPMENT										
	CANE RUN GT 11					113,684	3.1	0	-	-	0
	ZORN AND RIVER ROAD GAS TURBINE					40,936	3.1	0	-	-	0
	PADDY'S RUN-GENERATOR 11					68,109	3.3	0	-	-	0
	PADDY'S RUN-GENERATOR 12					114,338	3.3	0	-	-	0
	PADDY'S RUN-GENERATOR 13					2,778,993	24.6	0	-	-	0
	BROWN COMBUSTION TURBINE #5					2,575,301	24.6	0	-	-	0
	E W BROWN # 6					942,589	24.1	0	-	-	0
	E W BROWN # 7					943,792	24.1	0	-	-	0
	TRIMBLE COUNTY #5					685,979	25.0	0	-	-	0
	TRIMBLE COUNTY #6					685,031	25.0	0	-	-	0
	TRIMBLE COUNTY #7					1,841,955	25.9	0	-	-	0
	TRIMBLE COUNTY #8					1,834,732	25.8	0	-	-	0
	TRIMBLE COUNTY #9					1,889,431	25.8	0	-	-	0
	TRIMBLE COUNTY #10					1,885,354	25.9	0	-	-	0
	TOTAL ACCOUNT 345 - ACCESSORY ELECTRIC EQUIPMENT					16,400,224	24.7		-	-	
346.00	MISCELLANEOUS PLANT EQUIPMENT										
	PADDY'S RUN-GENERATOR 12					1,141	-	0	-	-	0
	PADDY'S RUN-GENERATOR 13					1,260,055	28.9	0	-	-	0
	BROWN COMBUSTION TURBINE #5					2,370,656	28.9	0	-	-	0
	E W BROWN # 6					22,456	28.9	0	-	-	0
	E W BROWN # 7					23,048	28.9	0	-	-	0
	TRIMBLE COUNTY #5					8,937	29.2	0	-	-	0
	TRIMBLE COUNTY #7					5,205	29.1	0	-	-	0
	TRIMBLE COUNTY #8					5,183	29.2	0	-	-	0
	TRIMBLE COUNTY #9					5,328	29.1	0	-	-	0
	TRIMBLE COUNTY #10					5,316	29.2	0	-	-	0
	TOTAL ACCOUNT 346 - MISCELLANEOUS PLANT EQUIPMENT					3,707,325	28.9		-	-	
	TOTAL OTHER PRODUCTION PLANT					225,090,309			(10,249,138)	(4,519,889)	
	TRANSMISSION PLANT										
350.10	LAND AND LAND RIGHTS					2,592,774	14.0	0	-	-	0
352.10	STRUCTURES AND IMPROVEMENTS	1976	154 1/	501 1/	3.88%	3,426,228	49.0	(10)	(342,623)	(53,058)	(1.55)
353.10	STATION EQUIPMENT	1972	93	541	5.16%	132,246,588	41.3	(10)	(13,224,659)	(1,655,601)	(1.25)
354.00	TOWERS AND FIXTURES	1974	124	423	3.79%	24,705,992	41.9	(40)	(9,882,397)	(2,079,440)	(8.42)
355.00	POLES AND FIXTURES	1972	86	469	4.97%	32,698,137	36.8	(50)	(16,349,068)	(2,743,429)	(8.39)
356.00	OVERHEAD CONDUCTORS AND DEVICES	1972	99	552	5.03%	36,319,312	33.9	(40)	(14,527,725)	(2,752,165)	(7.58)
357.00	UNDERGROUND CONDUIT					1,880,752	41.2	0	-	-	0
358.00	UNDERGROUND CONDUCTORS AND DEVICES					5,303,989	19.3	0	-	-	0
	TOTAL TRANSMISSION PLANT					239,173,771			(54,326,471)	(9,283,693)	

LOUISVILLE GAS AND ELECTRIC - ELECTRIC
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
CALCULATION OF PRESENT VALUE OF SPANOS FUTURE NET SALVAGE PROPOSALS

	ACCOUNT	1ST YR IN SPANOS NS STUDY	START YEAR COST INDEX	Jan 2007 COST INDEX	COMPOUND GROWTH RATE	ORIGINAL COST	ALG COMPOSITE REMAINING LIFE	SPANOS FUTURE NET SALVAGE %	SPANOS FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(6)*(8)	(10)	(11)=(10)/(6)
	DISTRIBUTION PLANT										
361.00	STRUCTURES AND IMPROVEMENTS	1975	139 1/	453 1/	3.76%	6,416,608	44.8	(20)	(1,283,322)	(245,580)	(3.83)
362.00	STATION EQUIPMENT	1972	93	532	5.11%	85,588,876	43.4	(15)	(12,838,331)	(1,476,242)	(1.72)
364.00	POLES, TOWERS, AND FIXTURES	1972	87	434	4.70%	103,127,753	34.8	(60)	(61,876,652)	(12,513,600)	(12.13)
365.00	OVERHEAD CONDUCTORS AND DEVICES	1972	98	530	4.94%	173,009,057	35.6	(50)	(86,504,529)	(15,543,081)	(8.98)
366.00	UNDERGROUND CONDUIT	1972	94	397	4.20%	61,734,266	58.7	(10)	(6,173,427)	(551,685)	(0.89)
367.00	UNDERGROUND CONDUCTORS AND DEVICES	1972	98	461	4.52%	90,008,517	40.4	(15)	(13,501,278)	(2,263,180)	(2.51)
368.00	LINE TRANSFORMERS	1972	99	391	4.00%	107,982,343	33.6	(20)	(21,596,469)	(5,781,793)	(5.35)
369.10	SERVICES - UNDERGROUND	1972	86	318	3.81%	3,524,148	36.0	(35)	(1,233,452)	(321,005)	(9.11)
369.20	SERVICES - OVERHEAD	1972	96	378	3.99%	21,039,201	25.8	(100)	(21,039,201)	(7,667,372)	(36.44)
370.00	METERS	1972	100	297	3.16%	34,382,670	16.4	(5)	(1,719,134)	(1,032,105)	(3.00)
373.10	STREET LIGHTING AND SIGNAL SYSTEMS - OVERHEAD	1972	96	571	5.23%	23,772,668	21.2	(20)	(4,754,534)	(1,613,426)	(6.79)
373.20	STREET LIGHTING AND SIGNAL SYSTEMS - UNDERGROUND	1972	98	592	5.27%	40,882,603	27.9	(20)	(8,176,521)	(1,951,055)	(4.77)
373.40	STREET LIGHTING AND SIGNAL SYSTEMS - TRANSFORMERS					87,546	-	0	-	-	0
	TOTAL DISTRIBUTION PLANT					751,556,256			(240,696,846)	(50,960,123)	
	GENERAL PLANT										
392.20	TRANSPORTATION EQUIPMENT - TRAILERS	1992	285 2/	474 2/	3.45%	587,518	16.9	5	29,376	16,559	2.82
394.00	TOOLS, SHOP AND GARAGE EQUIPMENT					3,155,933	15.8	0	-	-	0
395.00	LABORATORY EQUIPMENT					1,503,831	1.5	0	-	-	0
396.20	POWER OPERATED EQUIPMENT - OTHER					51,068	18.5	0	-	-	0
	TOTAL GENERAL PLANT					5,298,350			29,376	16,559	
	TOTAL DEPRECIABLE PLANT					3,172,229,288			(732,291,258)	(216,695,440)	

1/ Account not included in H-W - used total function.
2/ Function not included in H-W - used "Total Plant - All Steam & Hydro Gen."

Sources:
Col. (2) from Spanos Depreciation Study, Section III.
Cols. (3) and (4) from Handy-Whitman Index of Public Utility Construction Costs.
Cols. (6), (7) and (8) from response to AG-1-27.

LOUISVILLE GAS AND ELECTRIC - GAS
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
CALCULATION OF PRESENT VALUE OF SPANOS FUTURE NET SALVAGE PROPOSALS

	ACCOUNT	1ST YR IN SPANOS NS STUDY	START YEAR COST INDEX	Jan 2007 COST INDEX	COMPOUND GROWTH RATE	ORIGINAL COST	ALG COMPOSITE REMAINING LIFE	SPANOS FUTURE NET SALVAGE %	SPANOS FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(6)*(8)	(10)	(11)=(10)/(6)
	DEPRECIABLE PLANT										
	PRODUCTION PLANT										
350.20	RIGHTS OF WAY					63,678	-	0	-	-	0
351.20	COMPRESSOR STATION STRUCTURES	1974	111 2/	392 2/	3.90%	1,696,319	45.1	(5)	(84,816)	(15,105)	(0.89)
351.30	MEASURING AND REGULATING STATION STRUCTURES	1974 1/	111 2/	392 2/	3.90%	10,880	-	(5)			0
351.40	OTHER STRUCTURES	1974	111 2/	392 2/	3.90%	1,236,356	43.0	(5)	(61,818)	(11,930)	(0.96)
352.10	STORAGE LEASEHOLDS AND RIGHTS					548,241	-	0	-	-	0
352.20	RESERVOIRS					400,511	-	0	-	-	0
352.30	NONRECOVERABLE NATURAL GAS					9,648,855	28.1	0	-	-	0
352.40	WELL DRILLING	1972	93 2/	392 2/	4.20%	2,622,898	46.1	(20)	(524,580)	(78,724)	(3.00)
352.50	WELL EQUIPMENT	1972	93 2/	392 2/	4.20%	6,142,763	31.3	(20)	(1,228,553)	(338,949)	(5.52)
353.00	LINES	1972	93 2/	392 2/	4.20%	12,786,745	34.5	(10)	(1,278,674)	(309,260)	(2.42)
354.00	COMPRESSOR STATION EQUIPMENT	1972	93 2/	392 2/	4.20%	13,961,770	43.1	(5)	(698,088)	(118,525)	(0.85)
355.00	MEASURING AND REGULATING EQUIPMENT	1974	111 2/	392 2/	3.90%	387,809	32.5	(5)	(19,390)	(5,592)	(1.44)
356.00	PURIFICATION EQUIPMENT	1972	93 2/	392 2/	4.20%	9,934,257	38.5	(15)	(1,490,139)	(305,717)	(3.08)
357.00	OTHER EQUIPMENT					1,033,212	33.8	0	-	-	0
	TOTAL PRODUCTION PLANT					60,474,294	36.0		(5,386,058)	(1,183,803)	
	TRANSMISSION PLANT										
365.20	RIGHTS OF WAY					220,659	36.3	0	-	-	0
367.00	MAINS	1972	95	458	4.60%	12,673,432	50.9	(10)	(1,267,343)	(128,449)	(1.01)
	TOTAL TRANSMISSION PLANT					12,894,091	50.8		(1,267,343)	(128,449)	
	DISTRIBUTION PLANT										
374.22	OTHER DISTRIBUTION LAND RIGHTS					74,018	47.8	0	-	-	0
375.10	STRUCTURES & IMPROVEMENTS - CITY GATE STATION	1972	92	373	4.08%	224,019	51.4	(5)	(11,201)	(1,434)	(0.64)
375.20	STRUCTURES & IMPROVEMENTS - OTHER DISTRIBUTION	1972	92	373	4.08%	505,355	10.3	(5)	(25,268)	(16,737)	(3.31)
376.00	MAINS	1972	96	559	5.16%	262,334,574	53.7	(30)	(78,700,372)	(5,279,597)	(2.01)
378.00	MEASURING AND REGULATING STATION EQUIP-GENERAL	1972	96	493	4.79%	7,853,390	34.1	(10)	(785,339)	(159,276)	(2.03)
379.00	MEASURING AND REGULATING STATION EQUIP-CITY GATE	1972	96	496	4.80%	3,846,545	34.8	(15)	(576,982)	(112,873)	(2.93)
380.00	SERVICES	1972	95	461	4.62%	125,366,091	32.6	(55)	(68,951,350)	(15,816,233)	(12.62)
381.00	METERS					21,171,720	20.5	0	-	-	0
382.00	METER INSTALLATIONS					9,136,341	15.4	0	-	-	0
383.00	HOUSE REGULATORS	1972	98	377	3.92%	4,598,092	35.5	(5)	(229,905)	(58,712)	(1.28)
384.00	HOUSE REGULATOR INSTALLATIONS	1972	86	565	5.53%	4,707,359	42.2	(5)	(235,368)	(24,282)	(0.52)
385.00	MEASURING AND REGULATING STATION EQUIPMENT					159,362	30.0	0	-	-	0
387.00	OTHER EQUIPMENT					51,112	22.7	0	-	-	0
	TOTAL DISTRIBUTION PLANT					440,027,976	39.5		(149,515,784)	(21,469,144)	

LOUISVILLE GAS AND ELECTRIC - GAS
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
CALCULATION OF PRESENT VALUE OF SPANOS FUTURE NET SALVAGE PROPOSALS

	ACCOUNT (1)	1ST YR IN SPANOS NS STUDY (2)	START YEAR COST INDEX (3)	Jan 2007 COST INDEX (4)	COMPOUND GROWTH RATE (5)	ORIGINAL COST (6)	ALG COMPOSITE REMAINING LIFE (7)	SPANOS FUTURE NET SALVAGE % (8)	SPANOS FUTURE NET SALVAGE $ (9)=(6)*(8)	PV FUTURE NET SALVAGE $ (10)	PV FUTURE NET SALVAGE % (11)=(10)/(6)
	GENERAL PLANT										
392.20	TRANSPORTATION EQUIPMENT - TRAILERS	1992	266 2/	517 3/	4.53%	474,814	14.1	5	23,741	12,711	2.68
394.00	TOOLS, SHOP, AND GARAGE EQUIPMENT					3,474,778	14.4	0	-	-	0
395.00	LABORATORY EQUIPMENT					439,513	1.1	0	-	-	0
396.20	POWER OPERATED EQUIPMENT - OTHER	1974	114 2/	517 3/	4.69%	53,369	12.4	5	2,668	1,512	2.83
	TOTAL GENERAL PLANT					4,442,475	8.3				
	TOTAL DEPRECIABLE PLANT					517,838,836	38.4		(156,169,185)	(22,781,396)	

1/ Not included in Spanos net salvage studies - used same start date as other subaccounts.
2/ Account not included in H-W - used L.P.G Equipment
2/ Function not included in H-W - used Total Plant.

Sources:
Col. (2) from Spanos Depreciation Study, Section III.
Cols. (3) and (4) from Handy-Whitman Index of Public Utility Construction Costs.
Cols. (6), (7) and (8) from response to AG-1-27.

LOUISVILLE GAS AND ELECTRIC
COMMON PLANT

SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
CALCULATION OF PRESENT VALUE OF SPANOS FUTURE NET SALVAGE PROPOSALS

	ACCOUNT	1ST YR IN SPANOS NS STUDY	START YEAR COST INDEX	Jan 2007 COST INDEX	COMPOUND GROWTH RATE	ORIGINAL COST	ALG COMPOSITE REMAINING LIFE	SPANOS FUTURE NET SALVAGE %	SPANOS FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(6)*(8)	(10)	(11)=(10)/(6)
	DEPRECIABLE PLANT										
	STRUCTURES AND IMPROVEMENTS										
390.10	GENERAL OFFICE	1972	94 1/	474 1/	4.73%	49,324,995	24.2	(10)	(4,932,499)	(1,611,931)	(3.27)
390.20	TRANSPORTATION	1973	100 1/	474 1/	4.68%	431,574	10.8	(5)	(21,579)	(13,167)	(3.05)
390.30	STORES	2001	356 1/	474 1/	4.89%	10,929,116	28.6	(5)	(546,456)	(139,495)	(1.28)
390.40	SHOPS	1976	147 1/	474 1/	3.85%	589,467	39.4	(5)	(29,473)	(6,653)	(1.13)
390.60	MICROWAVE	1973	100 1/	474 1/	4.68%	855,653	38.3	(5)	(42,783)	(7,421)	(0.87)
	OFFICE FURNITURE AND EQUIPMENT										
391.10	FURNITURE					12,512,975	6.6	0	-	0	0
391.20	EQUIPMENT					3,342,047	3.1	0	-	0	0
391.30	COMPUTER EQUIPMENT					19,219,231	2.3	0	-	0	0
391.31	PERSONAL COMPUTER					1,217,943	4.0	0	-	0	0
391.40	SECURITY EQUIPMENT					2,554,508	4.8	0	-	0	0
392.00	TRANSPORTATION EQUIPMENT - TRAILERS	1972	94 1/	474 1/	4.73%	63,404	19.5	5	3,170	1,287	2.03
393.00	STORES EQUIPMENT					1,210,653	11.8	0	-	0	0
394.00	TOOLS, SHOP AND GARAGE EQUIPMENT					3,470,364	15.6	0	-	0	0
395.00	LABORATORY EQUIPMENT					22,282	1.0	0	-	0	0
396.00	POWER OPERATED EQUIPMENT - OTHER	1972	94 1/	474 1/	4.73%	14,147	10.2	10	1,415	883	6.24
397.00	COMMUNICATION EQUIPMENT					36,367,603	5.4	0	-	0	0
397.10	COMMUNICATION EQUIPMENT - COMPUTER					5,784,754	12.1	0	-	0	0
398.00	MISCELLANEOUS EQUIPMENT					594,390	3.6	0	-	0	0
	TOTAL DEPRECIABLE PLANT					148,505,107			(5,568,205)	(1,776,497)	

1/ Neither Common plant, nor general plant is included in H-W. Used "Total Plant - All Steam & Hydro Gen" (most LG&E plant is electric).

Sources:
Col. (2) from Spanos Depreciation Study, Section III.
Cols. (3) and (4) from Handy-Whitman Index of Public Utility Construction Costs.
Cols. (6), (7) and (8) from response to AG-1-27.

KENTUCKY UTILITIES
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
SNAVELY KING RECOMMENDED RATES

	ACCOUNT	SURVIVOR CURVE	NET SALVAGE PERCENT	ORIGINAL COST	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	ALG COMPOSITE REMAINING LIFE	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(6)/(7)	(9)=(8)/(4)
	DEPRECIABLE PLANT								
	STEAM PRODUCTION PLANT								
311.00	STRUCTURES AND IMPROVEMENTS								
	TYRONE UNIT 3	100-S1.5	* 0.00	5,447,348	5,719,715	(272,367)	-	-	-
	TYRONE UNITS 1 & 2	100-S1.5	* 0.00	594,089	623,794	(29,705)	-	-	-
	GREEN RIVER UNIT 3	100-S1.5	* 0.00	2,818,747	2,959,685	(140,938)	-	-	-
	GREEN RIVER UNIT 4	100-S1.5	* 0.00	4,475,384	4,699,153	(223,769)	-	-	-
	GREEN RIVER UNITS 1 & 2	100-S1.5	* 0.00	2,596,589	2,726,419	(129,830)	-	-	-
	E W BROWN STEAM UNIT 1	100-S1.5	* (2.75)	4,294,489	4,007,844	404,743	19.4	20,863	0.49
	E W BROWN STEAM UNIT 2	100-S1.5	* (2.74)	1,542,704	1,595,211	(10,237)	19.5	(525)	(0.03)
	E W BROWN STEAM UNIT 3	100-S1.5	* (2.76)	12,466,775	11,779,068	1,031,790	19.3	53,461	0.43
	GHENT UNIT 1 SCRUBBER	100-S1.5	* (2.75)	24,298,756	13,016,631	11,950,341	19.4	615,997	2.54
	GHENT UNIT 1	100-S1.5	* (2.77)	17,160,534	16,736,391	899,490	19.2	46,848	0.27
	GHENT UNIT 2	100-S1.5	* (2.70)	16,175,820	15,355,831	1,256,736	20.0	62,837	0.39
	GHENT UNIT 3	100-S1.5	* (2.07)	43,264,065	30,770,444	13,389,188	28.6	468,153	1.08
	GHENT UNIT 4	100-S1.5	* (2.06)	22,674,769	14,633,236	8,508,633	28.7	296,468	1.31
	SYSTEM LABORATORY	100-S1.5	* (2.06)	805,717	488,697	333,618	28.8	11,584	1.44
	TOTAL ACCOUNT 311 - STRUCTURES AND IMPROVEMENTS			158,615,786	125,112,119	36,967,692		1,575,686	0.99
312.00	BOILER PLANT EQUIPMENT								
	TYRONE UNIT 3	65-R2	* (14.45)	12,078,003	9,052,070	4,771,204	11.3	422,230	3.50
	TYRONE UNITS 1 & 2	65-R2	* (14.53)	3,531,623	4,193,561	(148,793)	11.1	(13,405)	(0.38)
	GREEN RIVER UNIT 3	65-R2	* (14.45)	11,195,262	9,565,842	3,247,135	11.3	287,357	2.57
	GREEN RIVER UNIT 4	65-R2	* (14.45)	23,652,945	17,191,266	9,879,529	11.3	874,295	3.70
	GREEN RIVER UNITS 1 & 2	65-R2	* (14.49)	399,431	382,655	74,654	11.2	6,666	1.67
	E W BROWN STEAM UNIT 1	65-R2	* (11.68)	35,546,187	22,971,136	16,726,846	18.7	894,484	2.52
	E W BROWN STEAM UNIT 2	65-R2	* (11.68)	29,161,950	18,640,534	13,927,532	18.7	744,788	2.55
	E W BROWN STEAM UNIT 3	65-R2	* (11.71)	79,655,481	54,260,794	34,722,343	18.6	1,866,793	2.34
	PINEVILL UNIT 3	65-R2	* (20.00)	279,751	335,702	(0)	-	-	-
	GHENT UNIT 1 SCRUBBER	65-R2	* (11.61)	86,520,258	40,651,742	55,913,518	18.9	2,958,387	3.42
	GHENT UNIT 1	65-R2	* (11.64)	162,626,761	77,653,906	103,902,610	18.8	5,526,735	3.40
	GHENT UNIT 2	65-R2	* (11.48)	89,742,087	67,526,984	32,517,495	19.3	1,684,844	1.88
	GHENT UNIT 3	65-R2	* (9.12)	244,747,430	118,161,545	148,906,851	27.3	5,454,463	2.23
	GHENT UNIT 4	65-R2	* (9.06)	247,916,189	107,189,341	163,188,055	27.5	5,934,111	2.39
	GHENT LOCOMOTIVES - RAIL CARS	25-R2	13.96	7,647,232	3,735,435	2,844,243	12.5	227,539	2.98
	TOTAL ACCOUNT 312 - BOILER PLANT EQUIPMENT			1,034,700,591	551,512,513	590,473,222		26,869,287	2.60

KENTUCKY UTILITIES
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
SNAVELY KING RECOMMENDED RATES

	ACCOUNT	SURVIVOR CURVE	NET SALVAGE PERCENT	ORIGINAL COST	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	ALG COMPOSITE REMAINING LIFE	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(6)/(7)	(9)=(8)/(4)
314.00	TURBOGENERATOR UNITS								
	TYRONE UNIT 3	55-R2.5	(10.60)	4,154,427	3,150,207	1,444,589	11.4	126,718	3.05
	TYRONE UNITS 1 & 2	55-R2.5	(15.00)	1,592,029	1,830,833	0	-	-	-
	GREEN RIVER UNIT 3	55-R2.5	(10.60)	4,214,808	3,456,160	1,205,417	11.4	105,738	2.51
	GREEN RIVER UNIT 4	55-R2.5	(10.60)	10,005,417	7,204,057	3,861,934	11.4	338,766	3.39
	E W BROWN STEAM UNIT 1	55-R2.5	(8.83)	4,997,832	4,768,484	670,657	17.4	38,544	0.77
	E W BROWN STEAM UNIT 2	55-R2.5	(8.52)	10,874,094	6,624,591	5,175,976	18.6	278,278	2.56
	E W BROWN STEAM UNIT 3	55-R2.5	(8.49)	27,652,379	15,467,528	14,532,538	18.7	777,141	2.81
	PINEVILL UNIT 3	55-R2.5	(15.00)	6	7	(0)	-	-	-
	GHENT UNIT 1	55-R2.5	(8.65)	25,577,292	19,103,945	8,685,783	18.1	479,878	1.88
	GHENT UNIT 2	55-R2.5	(8.46)	29,546,661	22,424,968	9,621,340	18.8	511,773	1.73
	GHENT UNIT 3	55-R2.5	(6.88)	39,424,928	24,916,555	17,220,808	25.6	672,688	1.71
	GHENT UNIT 4	55-R2.5	(6.76)	51,736,214	29,734,684	25,498,898	26.2	973,240	1.88
	TOTAL ACCOUNT 314 - TURBOGENERATOR UNITS			209,776,086	138,682,019	87,917,941		4,302,765	2.05
315.00	ACCESSORY ELECTRIC EQUIPMENT								
	TYRONE UNIT 3	70-S3	(5.00)	570,737	599,274	(0)	-	-	-
	TYRONE UNITS 1 & 2	70-S3	(5.00)	828,017	869,418	(0)	-	-	-
	GREEN RIVER UNIT 3	70-S3	(5.00)	741,257	778,320	(0)	-	-	-
	GREEN RIVER UNIT 4	70-S3	(2.98)	1,145,214	1,010,620	168,722	11.5	14,671	1.28
	E W BROWN STEAM UNIT 1	70-S3	(2.08)	3,329,622	2,136,619	1,262,259	19.5	64,731	1.94
	E W BROWN STEAM UNIT 2	70-S3	(2.08)	997,856	954,378	64,233	19.5	3,294	0.33
	E W BROWN STEAM UNIT 3	70-S3	(2.09)	5,145,132	4,865,606	387,059	19.4	19,952	0.39
	PINEVILL UNIT 3	70-S3	(5.00)	4,091	4,296	(0)	-	-	-
	GHENT UNIT 1 SCRUBBER	70-S3	(2.08)	3,016,784	1,580,263	1,499,270	19.5	76,886	2.55
	GHENT UNIT 1	70-S3	(2.11)	7,641,005	7,214,612	587,618	19.2	30,605	0.40
	GHENT UNIT 2	70-S3	(2.04)	10,785,959	10,038,015	967,978	19.9	48,642	0.45
	GHENT UNIT 3	70-S3	(1.43)	25,961,222	19,793,702	6,538,765	27.8	235,207	0.91
	GHENT UNIT 4	70-S3	(1.40)	21,911,934	15,446,906	6,771,796	28.3	239,286	1.09
	TOTAL ACCOUNT 315 - ACCESSORY ELECTRIC EQUIPMENT			82,078,830	65,292,029	18,247,699		733,275	0.89
316.00	MISCELLANEOUS PLANT EQUIPMENT								
	TYRONE UNIT 3	70-R1.5	0.00	508,751	329,761	178,990	11.3	15,840	3.11
	TYRONE UNITS 1 & 2	70-R1.5	0.00	59,096	59,096	0	-	-	-
	GREEN RIVER UNIT 3	70-R1.5	0.00	153,390	84,649	68,741	11.3	6,083	3.97
	GREEN RIVER UNIT 4	70-R1.5	0.00	2,096,052	1,455,549	640,503	11.3	56,682	2.70
	GREEN RIVER UNITS 1 & 2	70-R1.5	0.00	84,748	84,748	(0)	-	-	-
	E W BROWN STEAM UNIT 1	70-R1.5	0.00	424,041	243,531	180,510	18.8	9,602	2.26
	E W BROWN STEAM UNIT 2	70-R1.5	0.00	85,648	74,409	11,239	18.5	608	0.71
	E W BROWN STEAM UNIT 3	70-R1.5	0.00	4,233,636	2,389,102	1,844,534	18.7	98,638	2.33
	PINEVILL UNIT 3	70-R1.5	0.00	56,611	56,611	-	-	-	-
	GHENT UNIT 1 SCRUBBER	70-R1.5	0.00	985,410	454,155	531,255	18.8	28,258	2.87
	GHENT UNIT 1	70-R1.5	0.00	1,756,977	1,308,821	448,156	18.5	24,225	1.38
	GHENT UNIT 2	70-R1.5	0.00	1,493,093	1,187,409	305,684	19.2	15,921	1.07
	GHENT UNIT 3	70-R1.5	0.00	3,118,292	1,956,104	1,162,188	26.7	43,528	1.40
	GHENT UNIT 4	70-R1.5	0.00	6,052,103	2,685,232	3,366,871	27.4	122,879	2.03
	SYSTEM LABORATORY	70-R1.5	0.00	2,198,264	525,026	1,673,238	27.8	60,188	2.74
	TOTAL ACCOUNT 316 - MISCELLANEOUS PLANT EQUIPMENT			23,306,111	12,894,203	10,411,908		482,451	2.07
	TOTAL STEAM PRODUCTION PLANT			1,508,477,405	893,492,883	744,018,462		33,963,463	

KENTUCKY UTILITIES
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
SNAVELY KING RECOMMENDED RATES

	ACCOUNT	SURVIVOR CURVE		NET SALVAGE PERCENT	ORIGINAL COST	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	ALG COMPOSITE REMAINING LIFE	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE
	(1)	(2)		(3)	(4)	(5)	(6)	(7)	(8)=(6)/(7)	(9)=(8)/(4)
	HYDROELECTRIC PRODUCTION PLANT									
330.10	LAND AND LAND RIGHTS									
	DIX DAM	100-R4	*	0.00	879,311	905,781	(26,470)	-	-	-
	TOTAL ACCOUNT 330.1 - LAND RIGHTS				879,311	905,781	(26,470)		-	-
331.00	STRUCTURES AND IMPROVEMENTS									
	DIX DAM	90-S2.5	*	(2.08)	453,195	316,800	145,821	27.3	5,341	1.18
	TOTAL ACCOUNT 331 - STRUCTURES AND IMPROVEMENTS				453,195	316,800	145,821		5,341	1.18
332.00	RESERVOIRS, DAMS & WATERWAY									
	DIX DAM	100-S2.5	*	0.00	7,954,452	6,384,461	1,569,991	27.6	56,884	0.72
	TOTAL ACCOUNT 332 - RESERVOIRS, DAMS & WATERWAYS				7,954,452	6,384,461	1,569,991		56,884	0.72
333.00	WATER WHEELS, TURBINES & GENERATORS									
	DIX DAM	80-R3	*	(6.45)	420,537	394,072	53,589	24.7	2,170	0.52
	TOTAL ACCOUNT 333 - WATER WHEELS, TURBINES & GENERATORS				420,537	394,072	53,589		2,170	0.52
334.00	ACCESSORY ELECTRIC EQUIPMENT									
	DIX DAM	40-L2.5	*	0.00	85,383	76,888	8,495	12.0	708	0.83
	TOTAL ACCOUNT 334 - ACCESSORY ELECTRIC EQUIPMENT				85,383	76,888	8,495		708	0.83
335.00	MISCELLANEOUS POWER PLANT EQUIPMENT									
	DIX DAM	35-L1	*	0.00	101,513	39,455	62,058	17.2	3,608	3.55
	TOTAL ACCOUNT 335 - MISCELLANEOUS POWER PLANT EQUIPMENT				101,513	39,455	62,058		3,608	3.55
336.00	ROADS, RAILROADS, & BRIDGES									
	DIX DAM	55-R4	*	0.00	46,976	48,390	(1,414)	-	-	-
	TOTAL ACCOUNT 336 - ROADS, RAILROADS & BRIDGES				46,976	48,390	(1,414)		-	-
	TOTAL HYDROELECTRIC PRODUCTION PLANT				9,941,367	8,165,847	1,812,071		68,711	

KENTUCKY UTILITIES
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
SNAVELY KING RECOMMENDED RATES

	ACCOUNT	SURVIVOR CURVE	NET SALVAGE PERCENT	ORIGINAL COST	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	ALG COMPOSITE REMAINING LIFE	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(6)/(7)	(9)=(8)/(4)
	OTHER PRODUCTION PLANT								
340.10	LAND RIGHTS								
	E W BROWN CT UNIT 9 GAS PIPE	30-R0.5 *	0.00	176,409	71,698	104,711	20.0	5,236	2.97
	TOTAL ACCOUNT 340.1 - LAND RIGHTS			176,409	71,698	104,711		5,236	2.97
341.00	STRUCTURES AND IMPROVEMENTS								
	PADDY'S RUN GENERATOR 13	40-R2.5 *	0.00	1,910,328	374,109	1,536,219	26.5	57,971	3.03
	E W BROWN CT UNIT 5	40-R2.5 *	0.00	775,082	149,820	625,262	26.5	23,595	3.04
	E W BROWN CT UNIT 6	40-R2.5 *	0.00	192,814	36,791	156,023	26.5	5,888	3.05
	E W BROWN CT UNIT 7	40-R2.5 *	0.00	544,966	126,941	418,025	26.2	15,955	2.93
	E W BROWN CT UNIT 8	40-R2.5 *	0.00	2,012,655	717,642	1,295,013	24.7	52,430	2.61
	E W BROWN CT UNIT 9	40-R2.5 *	0.00	4,641,055	1,654,146	2,986,909	24.7	120,927	2.61
	E W BROWN CT UNIT 10	40-R2.5 *	0.00	1,865,719	662,603	1,203,116	24.7	48,709	2.61
	E W BROWN CT UNIT 11	40-R2.5 *	0.00	1,858,754	579,307	1,279,447	25.3	50,571	2.72
	TRIMBLE COUNTY CT UNIT 5	40-R2.5 *	0.00	3,740,231	592,365	3,147,866	26.8	117,458	3.14
	TRIMBLE COUNTY CT UNIT 6	40-R2.5 *	0.00	3,588,684	588,760	2,999,924	26.8	111,937	3.12
	TRIMBLE COUNTY CT UNIT 7	40-R2.5 *	0.00	3,559,155	343,098	3,216,057	27.2	118,237	3.32
	TRIMBLE COUNTY CT UNIT 8	40-R2.5 *	0.00	3,548,852	342,104	3,206,748	27.2	117,895	3.32
	TRIMBLE COUNTY CT UNIT 9	40-R2.5 *	0.00	3,655,976	352,432	3,303,544	27.2	121,454	3.32
	TRIMBLE COUNTY CT UNIT 10	40-R2.5 *	0.00	3,653,030	352,147	3,300,883	27.2	121,356	3.32
	HAEFLING UNITS 1, 2 & 3	40-R2.5 *	0.00	434,853	337,009	97,844	3.5	27,955	6.43
	TOTAL ACCOUNT 341 - STRUCTURES AND IMPROVEMENTS			35,982,154	7,209,274	28,772,880		1,112,338	3.09
342.00	FUEL HOLDERS, PRODUCERS AND ACCESSORIES								
	PADDY'S RUN GENERATOR 13	45-R2.5 *	(2.24)	1,995,102	402,765	1,637,027	27.3	59,964	3.01
	E W BROWN CT UNIT 5	45-R2.5 *	(2.24)	727,929	147,963	596,272	27.3	21,841	3.00
	E W BROWN CT UNIT 6	45-R2.5 *	(2.26)	146,515	38,566	111,260	26.9	4,136	2.82
	E W BROWN CT UNIT 7	45-R2.5 *	(2.26)	145,745	38,363	110,676	26.9	4,114	2.82
	E W BROWN CT UNIT 8	45-R2.5 *	(2.32)	19,613	7,132	12,936	26.1	496	2.53
	E W BROWN CT UNIT 9	45-R2.5 *	(2.32)	1,932,186	694,487	1,282,526	26.1	49,139	2.54
	E W BROWN CT UNIT 10	45-R2.5 *	(2.32)	31,737	11,607	20,866	26.0	803	2.53
	E W BROWN CT UNIT 11	45-R2.5 *	(2.30)	52,430	17,145	36,491	26.4	1,382	2.64
	E W BROWN CT UNIT 9 GAS PIPE	45-R2.5 *	(2.34)	8,106,132	3,135,265	5,160,550	25.8	200,021	2.47
	TRIMBLE COUNTY CT UNIT 5	45-R2.5 *	(2.23)	239,585	40,738	204,189	27.4	7,452	3.11
	TRIMBLE COUNTY CT UNIT 6	45-R2.5 *	(2.23)	239,246	40,695	203,886	27.4	7,441	3.11
	TRIMBLE COUNTY CT PIPELINE	45-R2.5 *	(2.22)	4,850,114	786,421	4,171,366	27.5	151,686	3.13
	TRIMBLE COUNTY CT UNIT 7	45-R2.5 *	(2.21)	578,059	57,997	532,837	27.7	19,236	3.33
	TRIMBLE COUNTY CT UNIT 8	45-R2.5 *	(2.21)	576,386	57,829	531,295	27.7	19,180	3.33
	TRIMBLE COUNTY CT UNIT 9	45-R2.5 *	(2.21)	593,786	59,574	547,335	27.7	19,759	3.33
	TRIMBLE COUNTY CT UNIT 10	45-R2.5 *	(2.21)	593,307	59,526	546,893	27.7	19,743	3.33
	HAEFLING UNITS 1, 2 & 3	45-R2.5 *	0.00	181,132	190,189	(9,057)	-	-	-
	TOTAL ACCOUNT 342 - FUEL HOLDERS, PRODUCERS AND ACCESSORIES			21,009,005	5,786,262	15,697,349		586,395	2.79

KENTUCKY UTILITIES
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
SNAVELY KING RECOMMENDED RATES

	ACCOUNT (1)	SURVIVOR CURVE (2)	NET SALVAGE PERCENT (3)	ORIGINAL COST (4)	BOOK DEPRECIATION RESERVE (5)	FUTURE ACCRUALS (6)	ALG COMPOSITE REMAINING LIFE (7)	CALCULATED ANNUAL ACCRUAL AMOUNT (8)=(6)/(7)	CALCULATED ANNUAL ACCRUAL RATE (9)=(8)/(4)
343.00	PRIME MOVERS								
	PADDY'S RUN GENERATOR 13	35-R1	* (2.63)	17,420,149	3,208,506	14,669,792	23.9	613,799	3.52
	E W BROWN CT UNIT 5	35-R1	* (2.63)	13,164,181	2,305,155	11,205,244	24.0	466,885	3.55
	E W BROWN CT UNIT 6	35-R1	* (2.65)	30,399,242	6,414,963	24,789,859	23.6	1,050,418	3.46
	E W BROWN CT UNIT 7	35-R1	* (2.65)	30,001,198	6,051,587	24,744,643	23.7	1,044,078	3.48
	E W BROWN CT UNIT 8	35-R1	* (2.71)	20,074,864	5,994,874	14,624,019	22.8	641,404	3.20
	E W BROWN CT UNIT 9	35-R1	* (2.73)	21,502,645	6,950,677	15,138,991	22.5	672,844	3.13
	E W BROWN CT UNIT 10	35-R1	* (2.73)	19,670,647	6,157,363	14,050,293	22.6	621,694	3.16
	E W BROWN CT UNIT 11	35-R1	* (2.68)	34,239,853	8,782,372	26,375,109	23.2	1,136,858	3.32
	TRIMBLE COUNTY CT UNIT 5	35-R1	* (2.62)	30,530,610	4,681,480	26,649,032	24.1	1,105,769	3.62
	TRIMBLE COUNTY CT UNIT 6	35-R1	* (2.62)	30,442,270	4,682,426	26,557,431	24.1	1,101,968	3.62
	TRIMBLE COUNTY CT UNIT 7	35-R1	* (2.59)	22,773,833	2,046,994	21,316,682	24.5	870,069	3.82
	TRIMBLE COUNTY CT UNIT 8	35-R1	* (2.59)	22,568,286	2,036,130	21,116,675	24.5	861,905	3.82
	TRIMBLE COUNTY CT UNIT 9	35-R1	* (2.59)	22,401,685	2,020,924	20,960,965	24.5	855,550	3.82
	TRIMBLE COUNTY CT UNIT 10	35-R1	(2.59)	22,378,128	2,018,755	20,938,966	24.5	854,652	3.82
	TOTAL ACCOUNT 343 - PRIME MOVERS			337,567,593	63,352,206	283,137,702		11,897,893	3.52
344.00	GENERATORS								
	PADDY'S RUN GENERATOR 13	55-S3	* (2.43)	5,185,636	1,003,503	4,308,144	29.1	148,046	2.85
	E W BROWN CT UNIT 5	55-S3	* (2.43)	2,831,528	548,012	2,352,322	29.1	80,836	2.85
	E W BROWN CT UNIT 6	55-S3	* (2.44)	3,712,349	930,433	2,872,497	29.0	99,052	2.67
	E W BROWN CT UNIT 7	55-S3	* (2.44)	3,722,788	931,357	2,882,267	29.0	99,389	2.67
	E W BROWN CT UNIT 8	55-S3	* (2.47)	4,953,961	1,736,820	3,339,504	28.5	117,176	2.37
	E W BROWN CT UNIT 9	55-S3	* (2.48)	5,452,041	2,153,184	3,434,068	28.3	121,345	2.23
	E W BROWN CT UNIT 10	55-S3	* (2.47)	4,944,693	1,733,570	3,333,257	28.5	116,956	2.37
	E W BROWN CT UNIT 11	55-S3	* (2.46)	5,187,040	1,694,228	3,620,413	28.6	126,588	2.44
	TRIMBLE COUNTY CT UNIT 5	55-S3	* (2.42)	3,763,275	610,505	3,243,841	29.2	111,090	2.95
	TRIMBLE COUNTY CT UNIT 6	55-S3	* (2.42)	3,757,947	609,864	3,239,025	29.2	110,926	2.95
	TRIMBLE COUNTY CT UNIT 7	55-S3	* (2.42)	2,950,282	282,683	2,738,996	29.3	93,481	3.17
	TRIMBLE COUNTY CT UNIT 8	55-S3	* (2.42)	2,937,930	281,499	2,727,529	29.3	93,090	3.17
	TRIMBLE COUNTY CT UNIT 9	55-S3	* (2.42)	2,957,520	283,376	2,745,716	29.3	93,710	3.17
	TRIMBLE COUNTY CT UNIT 10	55-S3	* (2.42)	2,954,149	283,053	2,742,586	29.3	93,604	3.17
	HAEFLING UNITS 1, 2 & 3	55-S3	* 0.00	4,023,003	4,224,153	(201,150)	-	-	-
	TOTAL ACCOUNT 344 - GENERATORS			59,334,142	17,306,240	43,379,015		1,505,288	2.54
345.00	ACCESSORY ELECTRIC EQUIPMENT								
	PADDY'S RUN GENERATOR 13	45-R3	* 0.00	2,456,320	488,379	1,967,941	27.8	70,789	2.88
	E W BROWN CT UNIT 5	45-R3	* 0.00	1,332,167	264,860	1,067,307	27.8	38,392	2.88
	E W BROWN CT UNIT 6	45-R3	* 0.00	1,354,817	349,592	1,005,225	27.4	36,687	2.71
	E W BROWN CT UNIT 7	45-R3	* 0.00	1,347,700	347,755	999,945	27.4	36,494	2.71
	E W BROWN CT UNIT 8	45-R3	* 0.00	1,797,054	650,416	1,146,638	26.4	43,433	2.42
	E W BROWN CT UNIT 9	45-R3	* 0.00	3,226,186	1,256,027	1,970,159	26.4	74,627	2.31
	E W BROWN CT UNIT 10	45-R3	* 0.00	1,804,419	637,098	1,167,321	26.5	44,050	2.44
	E W BROWN CT UNIT 11	45-R3	* 0.00	916,326	308,077	608,249	26.7	22,781	2.49
	TRIMBLE COUNTY CT UNIT 5	45-R3	* 0.00	1,677,092	279,094	1,397,998	27.9	50,107	2.99
	TRIMBLE COUNTY CT UNIT 6	45-R3	* 0.00	1,674,719	278,801	1,395,918	27.9	50,033	2.99
	TRIMBLE COUNTY CT UNIT 7	45-R3	* 0.00	3,146,235	308,469	2,837,766	28.2	100,630	3.20
	TRIMBLE COUNTY CT UNIT 8	45-R3	* 0.00	3,137,127	307,577	2,829,550	28.2	100,339	3.20
	TRIMBLE COUNTY CT UNIT 9	45-R3	* 0.00	3,231,827	316,862	2,914,965	28.2	103,368	3.20
	TRIMBLE COUNTY CT UNIT 10	45-R3	* 0.00	3,229,223	316,607	2,912,616	28.2	103,284	3.20
	HAEFLING UNITS 1, 2 & 3	45-R3	* 0.00	621,207	621,207	-	-	-	-
	TOTAL ACCOUNT 345 - ACCESSORY ELECTRIC EQUIPMENT			30,952,420	6,730,821	24,221,599		875,015	2.83

KENTUCKY UTILITIES
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
SNAVELY KING RECOMMENDED RATES

	ACCOUNT	SURVIVOR CURVE	NET SALVAGE PERCENT	ORIGINAL COST	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	ALG COMPOSITE REMAINING LIFE	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(6)/(7)	(9)=(8)/(4)
346.00	MISCELLANEOUS PLANT EQUIPMENT								
	PADDY'S RUN GENERATOR 13	35-R2	* 0.00	1,089,549	224,313	865,236	24.8	34,889	3.20
	E W BROWN CT UNIT 5	35-R2	* 0.00	2,108,910	435,769	1,673,141	24.8	67,465	3.20
	E W BROWN CT UNIT 6	35-R2	* 0.00	48,959	7,842	41,117	25.2	1,632	3.33
	E W BROWN CT UNIT 7	35-R2	* 0.00	35,648	6,968	28,680	24.9	1,152	3.23
	E W BROWN CT UNIT 8	35-R2	* 0.00	230,069	86,699	143,370	22.5	6,372	2.77
	E W BROWN CT UNIT 9	35-R2	* 0.00	760,256	287,309	472,947	22.5	21,020	2.76
	E W BROWN CT UNIT 10	35-R2	* 0.00	274,391	94,590	179,801	23.0	7,817	2.85
	E W BROWN CT UNIT 11	35-R2	* 0.00	548,588	111,544	437,044	24.7	17,694	3.23
	TRIMBLE COUNTY CT UNIT 5	35-R2	* 0.00	15,274	324	14,950	26.3	568	3.72
	TRIMBLE COUNTY CT UNIT 7	35-R2	* 0.00	8,889	899	7,990	25.7	311	3.50
	TRIMBLE COUNTY CT UNIT 8	35-R2	* 0.00	8,861	895	7,966	25.7	310	3.50
	TRIMBLE COUNTY CT UNIT 9	35-R2	* 0.00	9,114	921	8,193	25.7	319	3.50
	TRIMBLE COUNTY CT UNIT 10	35-R2	* 0.00	9,106	921	8,185	25.7	318	3.50
	HAEFLING UNITS 1, 2 & 3	35-R2	* 0.00	35,805	35,805	-	-	-	-
	TOTAL ACCOUNT 346 - MISCELLANEOUS PLANT EQUIPMENT			5,183,418	1,294,799	3,888,619		159,867	3.08
	TOTAL OTHER PRODUCTION PLANT			**490,205,140**	**101,751,300**	**399,201,876**		**16,142,032**	
	TRANSMISSION PLANT								
350.10	LAND AND LAND RIGHTS	60-R3	0.00	23,341,455	15,050,587	8,290,868	36.1	229,664	0.98
352.10	STRUCTURES & IMPROVEMENTS-NON SYS CONTROL/COM	65-S2.5	(5.08)	6,979,653	3,813,782	3,520,438	45.7	77,034	1.10
352.20	STRUCTURES & IMPROVEMENTS - SYS CONTROL/COM	60-R3	(6.50)	1,167,783	813,907	429,782	38.6	11,134	0.95
353.10	STATION EQUIPMENT - NON SYS CONTROL/COM	60-R2	(3.72)	173,142,341	59,471,929	120,111,307	43.2	2,780,354	1.61
353.20	STATION EQUIPMENT - SYS CONTROL/COM	30-R2.5	(7.68)	14,749,281	16,016,356	(134,331)	24.6	(5,461)	(0.04)
354.00	TOWERS AND FIXTURES	70-R4	(6.54)	63,308,079	42,955,413	24,493,015	47.4	516,730	0.82
355.00	POLES AND FIXTURES	50-R2	(16.88)	91,302,831	64,368,897	42,345,852	39.3	1,077,503	1.18
356.00	OVERHEAD CONDUCTORS AND DEVICES	60-R3	(12.98)	129,755,652	100,060,047	46,537,889	40.7	1,143,437	0.88
357.00	UNDERGROUND CONDUIT	40-L2.5	0.00	448,760	134,595	314,165	26.9	11,679	2.60
358.00	UNDERGROUND CONDUCTORS AND DEVICES	35-R3	0.00	1,114,762	802,730	312,032	22.2	14,055	1.26
	TOTAL TRANSMISSION PLANT			**505,310,598**	**303,488,243**	**246,221,017**		**5,856,130**	
	DISTRIBUTION PLANT								
360.10	LAND AND LAND RIGHTS	65-R4	0.00	1,496,173	1,022,041	474,132	48.6	9,756	0.65
361.00	STRUCTURES AND IMPROVEMENTS	60-R2.5	(2.20)	4,457,894	1,509,377	3,046,590	46.0	66,230	1.49
362.00	STATION EQUIPMENT	52-R2	(3.69)	100,792,638	30,916,216	73,595,670	37.0	1,989,072	1.97
364.00	POLES, TOWERS, AND FIXTURES	48-S0	(13.69)	193,793,679	108,962,347	111,361,686	38.5	2,892,511	1.49
365.00	OVERHEAD CONDUCTORS AND DEVICES	48-R2	(23.04)	180,861,758	105,672,071	116,860,236	34.4	3,397,100	1.88
366.00	UNDERGROUND CONDUIT	55-S4	0.00	1,728,496	702,456	1,026,040	30.7	33,421	1.93
367.00	UNDERGROUND CONDUCTORS AND DEVICES	44-S0.5	(1.26)	70,302,254	18,432,179	52,755,884	37.6	1,403,082	2.00
368.00	LINE TRANSFORMERS	40-R2	(8.41)	238,783,304	85,924,490	172,940,490	27.1	6,381,568	2.67
369.00	SERVICES	43-R1.5	(9.76)	83,111,706	53,033,588	38,189,821	33.3	1,146,841	1.38
370.00	METERS	40-R1.5	0.00	64,856,075	26,969,792	37,886,283	27.5	1,377,683	2.12
371.00	INSTALLATIONS ON CUSTOMER PREMISES	20-R0.5	(6.30)	18,276,458	14,013,191	5,414,684	14.0	386,763	2.12
373.00	STREET LIGHTING AND SIGNAL SYSTEMS	33-R1	(1.63)	53,640,293	23,870,883	30,643,747	26.4	1,160,748	2.16
	TOTAL DISTRIBUTION PLANT			**1,012,100,728**	**471,028,631**	**644,195,263**		**20,244,776**	

KENTUCKY UTILITIES
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
SNAVELY KING RECOMMENDED RATES

	ACCOUNT	SURVIVOR CURVE	NET SALVAGE PERCENT	ORIGINAL COST	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	ALG COMPOSITE REMAINING LIFE	CALCULATED ANNUAL ACCRUAL AMOUNT	CALCULATED ANNUAL ACCRUAL RATE
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(6)/(7)	(9)=(8)/(4)
	GENERAL PLANT								
390.10	STRUCTURES AND IMPROVEMENTS-TO OWNED PROPERTY	60-S0	(1.14)	32,199,743	8,632,707	23,934,114	47.1	508,155	1.58
390.20	STRUCTURES AND IMPROVEMENTS - LEASED PROPERTY	30-R1	(2.47)	531,973	372,366	172,747	22.4	7,712	1.45
391.10	OFFICE FURNITURE AND EQUIPMENT	20-SQ	0.00	6,646,812	2,868,652	3,778,160	13.6	277,806	4.18
391.20	NON PC COMPUTER EQUIPMENT	5-SQ	0.00	11,291,985	7,567,325	3,724,660	3.3	1,128,685	10.00
391.30	CASH PROCESSING EQUIPMENT	10-SQ	0.00	817,575	532,363	285,212	6.3	45,272	5.54
391.40	PERSONAL COMPUTER EQUIPMENT	4-SQ	0.00	1,932,339	779,327	1,153,012	2.8	411,790	21.31
393.00	STORES EQUIPMENT	25-SQ	0.00	738,677	289,571	449,106	11.6	38,716	5.24
394.00	TOOLS, SHOP AND GARAGE EQUIPMENT	25-SQ	0.00	5,333,517	1,597,795	3,735,722	14.7	254,131	4.76
395.00	LABORATORY EQUIPMENT	15-SQ	0.00	3,202,202	1,586,334	1,615,868	1.8	897,704	28.03
396.00	POWER OPERATED EQUIPMENT	17-R5	0.00	270,942	99,450	171,492	9.9	17,322	6.39
397.10	COMMUNICATION EQUIPMENT - CARRIER	15-SQ	0.00	7,578,906	1,666,583	5,912,323	10.9	542,415	7.16
397.20	COMMUNICATION EQUIPMENT - REMOTE CONTROL	15-SQ	0.00	3,913,060	1,567,195	2,345,865	7.5	312,782	7.99
397.30	COMMUNICATION EQUIPMENT - MOBILE	15-SQ	0.00	4,659,773	1,806,815	2,852,958	8.4	339,638	7.29
398.00	MISCELLANEOUS EQUIPMENT	10-SQ	0.00	394,809	252,657	142,152	1.8	78,973	20.00
	TOTAL GENERAL PLANT			79,512,313	29,619,140	50,273,390		4,861,101	
	TOTAL DEPRECIABLE PLANT			3,605,547,551	1,807,546,044	2,085,722,079		81,136,214	
	KU PROPOSED							111,765,099	
	DIFFERENCE							(30,628,885)	

* LIFE SPAN PROCEDURE IS USED. CURVE SHOWN IS INTERIM SURVIVOR CURVE

Sources:
Cols. (1), (2), (4), (5) and (7) from response to AG-1-27.
Col. (3) from pages 8-14.
KU Proposed from Application Exhibit 2.

KENTUCKY UTILITIES
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
CALCULATION OF PRESENT VALUE OF SPANOS FUTURE NET SALVAGE PROPOSALS

	ACCOUNT	1ST YR IN SPANOS NS STUDY	START YEAR COST INDEX	Jan 2007 COST INDEX	COMPOUND GROWTH RATE	ORIGINAL COST	ALG COMPOSITE REMAINING LIFE	SPANOS FUTURE NET SALVAGE %	SPANOS FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(6)*(8)	(10)	(11)=(10)/(6)
	DEPRECIABLE PLANT										
	STEAM PRODUCTION PLANT		19								
311.00	STRUCTURES AND IMPROVEMENTS										
	TYRONE UNIT 3	1988	226	406	3.13%	5,447,348	-	(5)			-
	TYRONE UNITS 1 & 2	1988	226	406	3.13%	594,089	-	(5)			-
	GREEN RIVER UNIT 3	1988	226	406	3.13%	2,818,747	-	(5)			-
	GREEN RIVER UNIT 4	1988	226	406	3.13%	4,475,384	-	(5)			-
	GREEN RIVER UNITS 1 & 2	1988	226	406	3.13%	2,596,589	-	(5)			-
	E W BROWN STEAM UNIT 1	1988	226	406	3.13%	4,294,489	19.4	(5)	(214,724)	(118,090)	(2.75)
	E W BROWN STEAM UNIT 2	1988	226	406	3.13%	1,542,704	19.5	(5)	(77,135)	(42,291)	(2.74)
	E W BROWN STEAM UNIT 3	1988	226	406	3.13%	12,466,775	19.3	(5)	(623,339)	(343,869)	(2.76)
	GHENT UNIT 1 SCRUBBER	1988	226	406	3.13%	24,298,756	19.4	(5)	(1,214,938)	(668,167)	(2.75)
	GHENT UNIT 1	1988	226	406	3.13%	17,160,534	19.2	(5)	(858,027)	(474,798)	(2.77)
	GHENT UNIT 2	1988	226	406	3.13%	16,175,820	20.0	(5)	(808,791)	(436,652)	(2.70)
	GHENT UNIT 3	1988	226	406	3.13%	43,264,065	28.6	(5)	(2,163,203)	(895,954)	(2.07)
	GHENT UNIT 4	1988	226	406	3.13%	22,674,769	28.7	(5)	(1,133,738)	(468,126)	(2.06)
	SYSTEM LABORATORY	1988	226	406	3.13%	805,717	28.8	(5)	(40,286)	(16,583)	(2.06)
	TOTAL ACCOUNT 311 - STRUCTURES AND IMPROVEMENTS					158,615,786			(7,134,181)	(3,464,530)	
312.00	BOILER PLANT EQUIPMENT										
	TYRONE UNIT 3	1988	293	506	2.92%	12,078,003	11.3	(20)	(2,415,601)	(1,744,928)	(14.45)
	TYRONE UNITS 1 & 2	1988	293	506	2.92%	3,531,623	11.1	(20)	(706,325)	(513,165)	(14.53)
	GREEN RIVER UNIT 3	1988	293	506	2.92%	11,195,262	11.3	(20)	(2,239,052)	(1,617,397)	(14.45)
	GREEN RIVER UNIT 4	1988	293	506	2.92%	23,652,945	11.3	(20)	(4,730,589)	(3,417,179)	(14.45)
	GREEN RIVER UNITS 1 & 2	1988	293	506	2.92%	399,431	11.2	(20)	(79,886)	(57,873)	(14.49)
	E W BROWN STEAM UNIT 1	1988	293	506	2.92%	35,546,187	18.7	(20)	(7,109,237)	(4,150,278)	(11.68)
	E W BROWN STEAM UNIT 2	1988	293	506	2.92%	29,161,950	18.7	(20)	(5,832,390)	(3,404,871)	(11.68)
	E W BROWN STEAM UNIT 3	1988	293	506	2.92%	79,655,481	18.6	(20)	(15,931,096)	(9,327,168)	(11.71)
	PINEVILL UNIT 3	1988	293	506	2.92%	279,751	-	(20)	(55,950)	(55,950)	(20.00)
	GHENT UNIT 1 SCRUBBER	1988	293	506	2.92%	86,520,258	18.9	(20)	(17,304,052)	(10,043,891)	(11.61)
	GHENT UNIT 1	1988	293	506	2.92%	162,626,761	18.8	(20)	(32,525,352)	(18,933,295)	(11.64)
	GHENT UNIT 2	1988	293	506	2.92%	89,742,087	19.3	(20)	(17,948,417)	(10,298,654)	(11.48)
	GHENT UNIT 3	1988	293	506	2.92%	244,747,430	27.3	(20)	(48,949,486)	(22,310,238)	(9.12)
	GHENT UNIT 4	1988	293	506	2.92%	247,916,189	27.5	(20)	(49,583,238)	(22,469,375)	(9.06)
	GHENT LOCOMOTIVES - RAIL CARS	1988	293	506	2.92%	7,647,232	12.5	20	1,529,446	1,067,301	13.96
	TOTAL ACCOUNT 312 - BOILER PLANT EQUIPMENT					1,034,700,591			(203,881,225)	(107,276,962)	

KENTUCKY UTILITIES
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
CALCULATION OF PRESENT VALUE OF SPANOS FUTURE NET SALVAGE PROPOSALS

	ACCOUNT	1ST YR IN SPANOS NS STUDY	START YEAR COST INDEX	Jan 2007 COST INDEX	COMPOUND GROWTH RATE	ORIGINAL COST	ALG COMPOSITE REMAINING LIFE	SPANOS FUTURE NET SALVAGE %	SPANOS FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(6)*(8)	(10)	(11)=(10)/(6)
314.00	TURBOGENERATOR UNITS										
	TYRONE UNIT 3	1994	326	484	3.09%	4,154,427	11.4	(15)	(623,164)	(440,488)	(10.60)
	TYRONE UNITS 1 & 2	1994	326	484	3.09%	1,592,029	-	(15)	(238,804)	(238,804)	(15.00)
	GREEN RIVER UNIT 3	1994	326	484	3.09%	4,214,808	11.4	(15)	(632,221)	(446,890)	(10.60)
	GREEN RIVER UNIT 4	1994	326	484	3.09%	10,005,417	11.4	(15)	(1,500,813)	(1,060,860)	(10.60)
	E W BROWN STEAM UNIT 1	1994	326	484	3.09%	4,997,832	17.4	(15)	(749,675)	(441,474)	(8.83)
	E W BROWN STEAM UNIT 2	1994	326	484	3.09%	10,874,094	18.6	(15)	(1,631,114)	(926,097)	(8.52)
	E W BROWN STEAM UNIT 3	1994	326	484	3.09%	27,652,379	18.7	(15)	(4,147,857)	(2,347,872)	(8.49)
	PINEVILL UNIT 3	1994	326	484	3.09%	6	-	(15)	(1)	(1)	(15.00)
	GHENT UNIT 1	1994	326	484	3.09%	25,577,292	18.1	(15)	(3,836,594)	(2,211,701)	(8.65)
	GHENT UNIT 2	1994	326	484	3.09%	29,546,661	18.8	(15)	(4,431,999)	(2,501,087)	(8.46)
	GHENT UNIT 3	1994	326	484	3.09%	39,424,928	25.6	(15)	(5,913,739)	(2,713,431)	(6.88)
	GHENT UNIT 4	1994	326	484	3.09%	51,736,214	26.2	(15)	(7,760,432)	(3,496,331)	(6.76)
	TOTAL ACCOUNT 314 - TURBOGENERATOR UNITS					209,776,086			(31,466,413)	(16,825,036)	
315.00	ACCESSORY ELECTRIC EQUIPMENT										
	TYRONE UNIT 3	1991	297	610	4.60%	570,737	-	(5)	(28,537)	(28,537)	(5.00)
	TYRONE UNITS 1 & 2	1991	297	610	4.60%	828,017	-	(5)	(41,401)	(41,401)	(5.00)
	GREEN RIVER UNIT 3	1991	297	610	4.60%	741,257	-	(5)	(37,063)	(37,063)	(5.00)
	GREEN RIVER UNIT 4	1991	297	610	4.60%	1,145,214	11.5	(5)	(57,261)	(34,138)	(2.98)
	E W BROWN STEAM UNIT 1	1991	297	610	4.60%	3,329,622	19.5	(5)	(166,481)	(69,262)	(2.08)
	E W BROWN STEAM UNIT 2	1991	297	610	4.60%	997,856	19.5	(5)	(49,893)	(20,757)	(2.08)
	E W BROWN STEAM UNIT 3	1991	297	610	4.60%	5,145,132	19.4	(5)	(257,257)	(107,511)	(2.09)
	PINEVILL UNIT 3	1991	297	610	4.60%	4,091	-	(5)	(205)	(205)	(5.00)
	GHENT UNIT 1 SCRUBBER	1991	297	610	4.60%	3,016,784	19.5	(5)	(150,839)	(62,755)	(2.08)
	GHENT UNIT 1	1991	297	610	4.60%	7,641,005	19.2	(5)	(382,050)	(161,106)	(2.11)
	GHENT UNIT 2	1991	297	610	4.60%	10,785,959	19.9	(5)	(539,298)	(220,368)	(2.04)
	GHENT UNIT 3	1991	297	610	4.60%	25,961,222	27.8	(5)	(1,298,061)	(371,804)	(1.43)
	GHENT UNIT 4	1991	297	610	4.60%	21,911,934	28.3	(5)	(1,095,597)	(306,834)	(1.40)
	TOTAL ACCOUNT 315 - ACCESSORY ELECTRIC EQUIPMENT					82,078,830			(4,103,942)	(1,461,741)	
316.00	MISCELLANEOUS PLANT EQUIPMENT										
	TYRONE UNIT 3					508,751	11.3	0	-	-	-
	TYRONE UNITS 1 & 2					59,096	-	0	-	-	-
	GREEN RIVER UNIT 3					153,390	11.3	0	-	-	-
	GREEN RIVER UNIT 4					2,096,052	11.3	0	-	-	-
	GREEN RIVER UNITS 1 & 2					84,748	-	0	-	-	-
	E W BROWN STEAM UNIT 1					424,041	18.8	0	-	-	-
	E W BROWN STEAM UNIT 2					85,648	18.5	0	-	-	-
	E W BROWN STEAM UNIT 3					4,233,636	18.7	0	-	-	-
	PINEVILL UNIT 3					56,611	-	0	-	-	-
	GHENT UNIT 1 SCRUBBER					985,410	18.8	0	-	-	-
	GHENT UNIT 1					1,756,977	18.5	0	-	-	-
	GHENT UNIT 2					1,493,093	19.2	0	-	-	-
	GHENT UNIT 3					3,118,292	26.7	0	-	-	-
	GHENT UNIT 4					6,052,103	27.4	0	-	-	-
	SYSTEM LABORATORY					2,198,264	27.8	0	-	-	-
	TOTAL ACCOUNT 316 - MISCELLANEOUS PLANT EQUIPMENT					23,306,111			-	-	
	TOTAL STEAM PRODUCTION PLANT					1,508,477,405			(246,585,761)	(129,028,269)	

KENTUCKY UTILITIES
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
CALCULATION OF PRESENT VALUE OF SPANOS FUTURE NET SALVAGE PROPOSALS

	ACCOUNT	1ST YR IN SPANOS NS STUDY	START YEAR COST INDEX	Jan 2007 COST INDEX	COMPOUND GROWTH RATE	ORIGINAL COST	ALG COMPOSITE REMAINING LIFE	SPANOS FUTURE NET SALVAGE %	SPANOS FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(6)*(8)	(10)	(11)=(10)/(6)
	HYDROELECTRIC PRODUCTION PLANT										
330.10	LAND AND LAND RIGHTS										
	DIX DAM					879,311	-	0	-	-	-
	TOTAL ACCOUNT 330.1 - LAND RIGHTS					879,311			-	-	
331.00	STRUCTURES AND IMPROVEMENTS										
	DIX DAM	1990	235	406	3.27%	453,195	27.3	(5)	(22,660)	(9,414)	(2.08)
	TOTAL ACCOUNT 331 - STRUCTURES AND IMPROVEMENTS					453,195			(22,660)	(9,414)	
332.00	RESERVOIRS, DAMS & WATERWAY										
	DIX DAM					7,954,452	27.6	0	-	-	-
	TOTAL ACCOUNT 332 - RESERVOIRS, DAMS & WATERWAYS					7,954,452			-	-	
333.00	WATER WHEELS, TURBINES & GENERATORS										
	DIX DAM	1992	325	424	1.79%	420,537	24.7	(10)	(42,054)	(27,132)	(6.45)
	TOTAL ACCOUNT 333 - WATER WHEELS, TURBINES & GENERATORS					420,537			(42,054)	(27,132)	
334.00	ACCESSORY ELECTRIC EQUIPMENT										
	DIX DAM					85,383	12.0	0	-	-	-
	TOTAL ACCOUNT 334 - ACCESSORY ELECTRIC EQUIPMENT					85,383			-	-	
335.00	MISCELLANEOUS POWER PLANT EQUIPMENT										
	DIX DAM					101,513	17.2	0	-	-	-
	TOTAL ACCOUNT 335 - MISCELLANEOUS POWER PLANT EQUIPMENT					101,513			-	-	
336.00	ROADS, RAILROADS, & BRIDGES										
	DIX DAM					46,976	-	0	-	-	-
	TOTAL ACCOUNT 336 - ROADS, RAILROADS & BRIDGES					46,976			-	-	
	TOTAL HYDROELECTRIC PRODUCTION PLANT					9,941,367			(64,713)	(36,546)	

KENTUCKY UTILITIES
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
CALCULATION OF PRESENT VALUE OF SPANOS FUTURE NET SALVAGE PROPOSALS

	ACCOUNT	1ST YR IN SPANOS NS STUDY	START YEAR COST INDEX	Jan 2007 COST INDEX	COMPOUND GROWTH RATE	ORIGINAL COST	ALG COMPOSITE REMAINING LIFE	SPANOS FUTURE NET SALVAGE %	SPANOS FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(6)*(8)	(10)	(11)=(10)/(6)
	OTHER PRODUCTION PLANT										
340.10	LAND RIGHTS										
	E W BROWN CT UNIT 9 GAS PIPE					176,409	20.0	0	-	-	-
	TOTAL ACCOUNT 340.1 - LAND RIGHTS					176,409			-	-	
341.00	STRUCTURES AND IMPROVEMENTS										
	PADDY'S RUN GENERATOR 13					1,910,328	26.5	0	-	-	-
	E W BROWN CT UNIT 5					775,082	26.5	0	-	-	-
	E W BROWN CT UNIT 6					192,814	26.5	0	-	-	-
	E W BROWN CT UNIT 7					544,966	26.2	0	-	-	-
	E W BROWN CT UNIT 8					2,012,655	24.7	0	-	-	-
	E W BROWN CT UNIT 9					4,641,055	24.7	0	-	-	-
	E W BROWN CT UNIT 10					1,865,719	24.7	0	-	-	-
	E W BROWN CT UNIT 11					1,858,754	25.3	0	-	-	-
	TRIMBLE COUNTY CT UNIT 5					3,740,231	26.8	0	-	-	-
	TRIMBLE COUNTY CT UNIT 6					3,588,684	26.8	0	-	-	-
	TRIMBLE COUNTY CT UNIT 7					3,559,155	27.2	0	-	-	-
	TRIMBLE COUNTY CT UNIT 8					3,548,852	27.2	0	-	-	-
	TRIMBLE COUNTY CT UNIT 9					3,655,976	27.2	0	-	-	-
	TRIMBLE COUNTY CT UNIT 10					3,653,030	27.2	0	-	-	-
	HAEFLING UNITS 1, 2 & 3					434,853	3.5	0	-	-	-
	TOTAL ACCOUNT 341 - STRUCTURES AND IMPROVEMENTS					35,982,154			-	-	
342.00	FUEL HOLDERS, PRODUCERS AND ACCESSORIES										
	PADDY'S RUN GENERATOR 13	1988 1/	261	457	2.99%	1,995,102	27.3	(5)	(99,755)	(44,630)	(2.24)
	E W BROWN CT UNIT 5	1988 1/	261	457	2.99%	727,929	27.3	(5)	(36,396)	(16,284)	(2.24)
	E W BROWN CT UNIT 6	1988 1/	261	457	2.99%	146,515	26.9	(5)	(7,326)	(3,316)	(2.26)
	E W BROWN CT UNIT 7	1988 1/	261	457	2.99%	145,745	26.9	(5)	(7,287)	(3,299)	(2.26)
	E W BROWN CT UNIT 8	1988 1/	261	457	2.99%	19,613	26.1	(5)	(981)	(455)	(2.32)
	E W BROWN CT UNIT 9	1988 1/	261	457	2.99%	1,932,186	26.1	(5)	(96,609)	(44,778)	(2.32)
	E W BROWN CT UNIT 10	1988 1/	261	457	2.99%	31,737	26.0	(5)	(1,587)	(738)	(2.32)
	E W BROWN CT UNIT 11	1988 1/	261	457	2.99%	52,430	26.4	(5)	(2,622)	(1,204)	(2.30)
	E W BROWN CT UNIT 9 GAS PIPE	1988 1/	261	457	2.99%	8,106,132	25.8	(5)	(405,307)	(189,527)	(2.34)
	TRIMBLE COUNTY CT UNIT 5	1988 1/	261	457	2.99%	239,585	27.4	(5)	(11,979)	(5,344)	(2.23)
	TRIMBLE COUNTY CT UNIT 6	1988 1/	261	457	2.99%	239,246	27.4	(5)	(11,962)	(5,336)	(2.23)
	TRIMBLE COUNTY CT PIPELINE	1988 1/	261	457	2.99%	4,850,114	27.5	(5)	(242,506)	(107,859)	(2.22)
	TRIMBLE COUNTY CT UNIT 7	1988 1/	261	457	2.99%	578,059	27.7	(5)	(28,903)	(12,780)	(2.21)
	TRIMBLE COUNTY CT UNIT 8	1988 1/	261	457	2.99%	576,386	27.7	(5)	(28,819)	(12,743)	(2.21)
	TRIMBLE COUNTY CT UNIT 9	1988 1/	261	457	2.99%	593,786	27.7	(5)	(29,689)	(13,127)	(2.21)
	TRIMBLE COUNTY CT UNIT 10	1988 1/	261	457	2.99%	593,307	27.7	(5)	(29,665)	(13,117)	(2.21)
	HAEFLING UNITS 1, 2 & 3	1988 1/	261	457	2.99%	181,132	-	(5)	-	-	-
	TOTAL ACCOUNT 342 - FUEL HOLDERS, PRODUCERS AND ACCESSORIES					21,009,005			(1,041,394)	(474,537)	

KENTUCKY UTILITIES
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
CALCULATION OF PRESENT VALUE OF SPANOS FUTURE NET SALVAGE PROPOSALS

	ACCOUNT	1ST YR IN SPANOS NS STUDY	START YEAR COST INDEX	Jan 2007 COST INDEX	COMPOUND GROWTH RATE	ORIGINAL COST	ALG COMPOSITE REMAINING LIFE	SPANOS FUTURE NET SALVAGE %	SPANOS FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(6)*(8)	(10)	(11)=(10)/(6)
343.00	PRIME MOVERS										
	PADDY'S RUN GENERATOR 13	1988 1/	299 2/	498 2/	2.72%	17,420,149	23.9	(5)	(871,007)	(458,635)	(2.63)
	E W BROWN CT UNIT 5	1988 1/	299 2/	498 2/	2.72%	13,164,181	24.0	(5)	(658,209)	(345,656)	(2.63)
	E W BROWN CT UNIT 6	1988 1/	299 2/	498 2/	2.72%	30,399,242	23.6	(5)	(1,519,962)	(806,816)	(2.65)
	E W BROWN CT UNIT 7	1988 1/	299 2/	498 2/	2.72%	30,001,198	23.7	(5)	(1,500,060)	(794,118)	(2.65)
	E W BROWN CT UNIT 8	1988 1/	299 2/	498 2/	2.72%	20,074,864	22.8	(5)	(1,003,743)	(544,363)	(2.71)
	E W BROWN CT UNIT 9	1988 1/	299 2/	498 2/	2.72%	21,502,645	22.5	(5)	(1,075,132)	(587,793)	(2.73)
	E W BROWN CT UNIT 10	1988 1/	299 2/	498 2/	2.72%	19,670,647	22.6	(5)	(983,532)	(536,272)	(2.73)
	E W BROWN CT UNIT 11	1988 1/	299 2/	498 2/	2.72%	34,239,853	23.2	(5)	(1,711,993)	(918,556)	(2.68)
	TRIMBLE COUNTY CT UNIT 5	1988 1/	299 2/	498 2/	2.72%	30,530,610	24.1	(5)	(1,526,530)	(799,502)	(2.62)
	TRIMBLE COUNTY CT UNIT 6	1988 1/	299 2/	498 2/	2.72%	30,442,270	24.1	(5)	(1,522,114)	(797,189)	(2.62)
	TRIMBLE COUNTY CT UNIT 7	1988 1/	299 2/	498 2/	2.72%	22,773,833	24.5	(5)	(1,138,692)	(590,009)	(2.59)
	TRIMBLE COUNTY CT UNIT 8	1988 1/	299 2/	498 2/	2.72%	22,568,286	24.5	(5)	(1,128,414)	(584,683)	(2.59)
	TRIMBLE COUNTY CT UNIT 9	1988 1/	299 2/	498 2/	2.72%	22,401,685	24.5	(5)	(1,120,084)	(580,367)	(2.59)
	TRIMBLE COUNTY CT UNIT 10	1988 1/	299 2/	498 2/	2.72%	22,378,128	24.5	(5)	(1,118,906)	(579,757)	(2.59)
	TOTAL ACCOUNT 343 - PRIME MOVERS					337,567,593			(16,878,380)	(8,923,716)	
344.00	GENERATORS										
	PADDY'S RUN GENERATOR 13	1988 1/	314	503	2.51%	5,185,636	29.1	(5)	(259,282)	(126,030)	(2.43)
	E W BROWN CT UNIT 5	1988 1/	314	503	2.51%	2,831,528	29.1	(5)	(141,576)	(68,817)	(2.43)
	E W BROWN CT UNIT 6	1988 1/	314	503	2.51%	3,712,349	29.0	(5)	(185,617)	(90,448)	(2.44)
	E W BROWN CT UNIT 7	1988 1/	314	503	2.51%	3,722,788	29.0	(5)	(186,139)	(90,702)	(2.44)
	E W BROWN CT UNIT 8	1988 1/	314	503	2.51%	4,953,961	28.5	(5)	(247,698)	(122,204)	(2.47)
	E W BROWN CT UNIT 9	1988 1/	314	503	2.51%	5,452,041	28.3	(5)	(272,602)	(135,159)	(2.48)
	E W BROWN CT UNIT 10	1988 1/	314	503	2.51%	4,944,693	28.5	(5)	(247,235)	(121,975)	(2.47)
	E W BROWN CT UNIT 11	1988 1/	314	503	2.51%	5,187,040	28.6	(5)	(259,352)	(127,637)	(2.46)
	TRIMBLE COUNTY CT UNIT 5	1988 1/	314	503	2.51%	3,763,275	29.2	(5)	(188,164)	(91,235)	(2.42)
	TRIMBLE COUNTY CT UNIT 6	1988 1/	314	503	2.51%	3,757,947	29.2	(5)	(187,897)	(91,106)	(2.42)
	TRIMBLE COUNTY CT UNIT 7	1988 1/	314	503	2.51%	2,950,282	29.3	(5)	(147,514)	(71,348)	(2.42)
	TRIMBLE COUNTY CT UNIT 8	1988 1/	314	503	2.51%	2,937,930	29.3	(5)	(146,897)	(71,049)	(2.42)
	TRIMBLE COUNTY CT UNIT 9	1988 1/	314	503	2.51%	2,957,520	29.3	(5)	(147,876)	(71,523)	(2.42)
	TRIMBLE COUNTY CT UNIT 10	1988 1/	314	503	2.51%	2,954,149	29.3	(5)	(147,707)	(71,442)	(2.42)
	HAEFLING UNITS 1, 2 & 3	1988 1/	314	503	2.51%	4,023,003	-	(5)	-	-	-
	TOTAL ACCOUNT 344 - GENERATORS					59,334,142			(2,765,557)	(1,350,675)	
345.00	ACCESSORY ELECTRIC EQUIPMENT										
	PADDY'S RUN GENERATOR 13					2,456,320	27.8	0	-	-	-
	E W BROWN CT UNIT 5					1,332,167	27.8	0	-	-	-
	E W BROWN CT UNIT 6					1,354,817	27.4	0	-	-	-
	E W BROWN CT UNIT 7					1,347,700	27.4	0	-	-	-
	E W BROWN CT UNIT 8					1,797,054	26.4	0	-	-	-
	E W BROWN CT UNIT 9					3,226,186	26.4	0	-	-	-
	E W BROWN CT UNIT 10					1,804,419	26.5	0	-	-	-
	E W BROWN CT UNIT 11					916,326	26.7	0	-	-	-
	TRIMBLE COUNTY CT UNIT 5					1,677,092	27.9	0	-	-	-
	TRIMBLE COUNTY CT UNIT 6					1,674,719	27.9	0	-	-	-
	TRIMBLE COUNTY CT UNIT 7					3,146,235	28.2	0	-	-	-
	TRIMBLE COUNTY CT UNIT 8					3,137,127	28.2	0	-	-	-
	TRIMBLE COUNTY CT UNIT 9					3,231,827	28.2	0	-	-	-
	TRIMBLE COUNTY CT UNIT 10					3,229,223	28.2	0	-	-	-
	HAEFLING UNITS 1, 2 & 3					621,207	-	0	-	-	-
	TOTAL ACCOUNT 345 - ACCESSORY ELECTRIC EQUIPMENT					30,952,420			-	-	

KENTUCKY UTILITIES
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND
CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
CALCULATION OF PRESENT VALUE OF SPANOS FUTURE NET SALVAGE PROPOSALS

	ACCOUNT	1ST YR IN SPANOS NS STUDY	START YEAR COST INDEX	Jan 2007 COST INDEX	COMPOUND GROWTH RATE	ORIGINAL COST	ALG COMPOSITE REMAINING LIFE	SPANOS FUTURE NET SALVAGE %	SPANOS FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(6)*(8)	(10)	(11)=(10)/(6)
346.00	MISCELLANEOUS PLANT EQUIPMENT										
	PADDY'S RUN GENERATOR 13					1,089,549	24.8	0	-	-	-
	E W BROWN CT UNIT 5					2,108,910	24.8	0	-	-	-
	E W BROWN CT UNIT 6					48,959	25.2	0	-	-	-
	E W BROWN CT UNIT 7					35,648	24.9	0	-	-	-
	E W BROWN CT UNIT 8					230,069	22.5	0	-	-	-
	E W BROWN CT UNIT 9					760,256	22.5	0	-	-	-
	E W BROWN CT UNIT 10					274,391	23.0	0	-	-	-
	E W BROWN CT UNIT 11					548,588	24.7	0	-	-	-
	TRIMBLE COUNTY CT UNIT 5					15,274	26.3	0	-	-	-
	TRIMBLE COUNTY CT UNIT 7					8,889	25.7	0	-	-	-
	TRIMBLE COUNTY CT UNIT 8					8,861	25.7	0	-	-	-
	TRIMBLE COUNTY CT UNIT 9					9,114	25.7	0	-	-	-
	TRIMBLE COUNTY CT UNIT 10					9,106	25.7	0	-	-	-
	HAEFLING UNITS 1, 2 & 3					35,805	-	0	-	-	-
	TOTAL ACCOUNT 346 - MISCELLANEOUS PLANT EQUIPMENT					5,183,418			-	-	
	TOTAL OTHER PRODUCTION PLANT					490,205,140			(20,685,330)	(10,748,928)	
	TRANSMISSION PLANT										
350.10	LAND AND LAND RIGHTS					23,341,455	36.1	0	-	-	-
352.10	STRUCTURES & IMPROVEMENTS-NON SYS CONTROL/COM	1988	258 2/	501 2/	3.55%	6,979,653	45.7	(25)	(1,744,913)	(354,335)	(5.08)
352.20	STRUCTURES & IMPROVEMENTS - SYS CONTROL/COM	1988	258 2/	501 2/	3.55%	1,167,783	38.6	(25)	(291,946)	(75,947)	(6.50)
353.10	STATION EQUIPMENT - NON SYS CONTROL/COM	1988	258	541	3.97%	173,142,341	43.2	(20)	(34,628,468)	(6,441,778)	(3.72)
353.20	STATION EQUIPMENT - SYS CONTROL/COM	1988	258	541	3.97%	14,749,281	24.6	(20)	(2,949,856)	(1,132,043)	(7.68)
354.00	TOWERS AND FIXTURES	1988	247	423	2.87%	63,308,079	47.4	(25)	(15,827,020)	(4,139,166)	(6.54)
355.00	POLES AND FIXTURES	1988	254	469	3.28%	91,302,831	39.3	(60)	(54,781,698)	(15,409,824)	(16.88)
356.00	OVERHEAD CONDUCTORS AND DEVICES	1988	294	552	3.37%	129,755,652	40.7	(50)	(64,877,826)	(16,836,022)	(12.98)
357.00	UNDERGROUND CONDUIT					448,760	26.9	0	-	-	-
358.00	UNDERGROUND CONDUCTORS AND DEVICES					1,114,762	22.2	0	-	-	-
	TOTAL TRANSMISSION PLANT					505,310,598			(175,101,728)	(44,389,115)	
	DISTRIBUTION PLANT										
360.10	LAND AND LAND RIGHTS					1,496,173	48.6	0	-	-	-
361.00	STRUCTURES AND IMPROVEMENTS	1988	242 2/	453 2/	3.35%	4,457,894	46.0	(10)	(445,789)	(97,915)	(2.20)
362.00	STATION EQUIPMENT	1988	259	532	3.86%	100,792,638	37.0	(15)	(15,118,896)	(3,723,337)	(3.69)
364.00	POLES, TOWERS, AND FIXTURES	1988	241	434	3.14%	193,793,679	38.5	(45)	(87,207,155)	(26,522,089)	(13.69)
365.00	OVERHEAD CONDUCTORS AND DEVICES	1988	276	530	3.49%	180,861,758	34.4	(75)	(135,646,319)	(41,677,677)	(23.04)
366.00	UNDERGROUND CONDUIT					1,728,496	30.7	0	-	-	-
367.00	UNDERGROUND CONDUCTORS AND DEVICES	1988	230	461	3.73%	70,302,254	37.6	(5)	(3,515,113)	(887,023)	(1.26)
368.00	LINE TRANSFORMERS	1988	213	391	3.25%	238,783,304	27.1	(20)	(47,756,661)	(20,073,048)	(8.41)
369.00	SERVICES	1988	199	378	3.43%	83,111,706	33.3	(30)	(24,933,512)	(8,110,622)	(9.76)
370.00	METERS					64,856,075	27.5	0	-	-	-
371.00	INSTALLATIONS ON CUSTOMER PREMISES	1988	242 2/	453 2/	3.35%	18,276,458	14.0	(10)	(1,827,646)	(1,152,246)	(6.30)
373.00	STREET LIGHTING AND SIGNAL SYSTEMS	1988	264	592	4.34%	53,640,293	26.4	(5)	(2,682,015)	(873,694)	(1.63)
	TOTAL DISTRIBUTION PLANT					1,012,100,728			(319,133,105)	(103,117,649)	

KENTUCKY UTILITIES
SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED ANNUAL DEPRECIATION RATES AS OF DECEMBER 31, 2006
CALCULATION OF PRESENT VALUE OF SPANOS FUTURE NET SALVAGE PROPOSALS

	ACCOUNT	1ST YR IN SPANOS NS STUDY	START YEAR COST INDEX	Jan 2007 COST INDEX	COMPOUND GROWTH RATE	ORIGINAL COST	ALG COMPOSITE REMAINING LIFE	SPANOS FUTURE NET SALVAGE %	SPANOS FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE $	PV FUTURE NET SALVAGE %
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)=(6)*(8)	(10)	(11)=(10)/(6)
	GENERAL PLANT										
390.10	STRUCTURES AND IMPROVEMENTS-TO OWNED PROPERTY	1988	261 3/	474 3/	3.19%	32,199,743	47.1	(5)	(1,609,987)	(366,852)	(1.14)
390.20	STRUCTURES AND IMPROVEMENTS - LEASED PROPERTY	1988	261 3/	474 3/	3.19%	531,973	22.4	(5)	(26,599)	(13,164)	(2.47)
391.10	OFFICE FURNITURE AND EQUIPMENT					6,646,812	13.6	0	-	-	-
391.20	NON PC COMPUTER EQUIPMENT					11,291,985	3.3	0	-	-	-
391.30	CASH PROCESSING EQUIPMENT					817,575	6.3	0	-	-	-
391.40	PERSONAL COMPUTER EQUIPMENT					1,932,339	2.8	0	-	-	-
393.00	STORES EQUIPMENT					738,677	11.6	0	-	-	-
394.00	TOOLS, SHOP AND GARAGE EQUIPMENT					5,333,517	14.7	0	-	-	-
395.00	LABORATORY EQUIPMENT					3,202,202	1.8	0	-	-	-
396.00	POWER OPERATED EQUIPMENT					270,942	9.9	0	-	-	-
397.10	COMMUNICATION EQUIPMENT - CARRIER					7,578,906	10.9	0	-	-	-
397.20	COMMUNICATION EQUIPMENT - REMOTE CONTROL					3,913,060	7.5	0	-	-	-
397.30	COMMUNICATION EQUIPMENT - MOBILE					4,659,773	8.4	0	-	-	-
398.00	MISCELLANEOUS EQUIPMENT					394,809	1.8	0	-	-	-
	TOTAL GENERAL PLANT					79,512,313			(1,636,586)	(380,016)	
	TOTAL DEPRECIABLE PLANT					3,605,547,551			(763,207,223)	(287,700,523)	

1/ Account not included in Spanos net salvage studies - used 1988 as starting year.
2/ Account not included in H-W - used total function.
3/ Function not included in H-W - used "Total Plant - All Steam & Hydro Gen."

Sources:
Col. (2) from Spanos Depreciation Study, Section III.
Cols. (3) and (4) from Handy-Whitman Index of Public Utility Construction Costs.
Cols. (6), (7) and (8) from response to AG-1-27.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

-and-

APPLICATION OF LOUISVILLE GAS AND ELECTRIC COMPANY TO FILE DEPRECIATION STUDY	)))	CASE NO. 2007-00564

AFFIDAVIT OF MICHAEL J. MAJOROS, Jr.

District of Columbia) ss.
)
)

Michael J. Majoros, Jr., being first duly sworn, states the following: The prepared Pre-Filed Direct Testimony, the Appendixes and Exhibits attached thereto constitute the direct testimony of Affiant in the above-styled cases. Affiant states that he would give the answers set forth in the Pre-Filed Direct Testimony if asked the questions propounded therein. Affiant further states that, to the best of his knowledge, his statements made are true and correct. Further affiant saith not.

Michael J. Majoros, Jr.

SUBSCRIBED AND SWORN to before me this 8th day of May, 2008.

Angel L. Finch
NOTARY PUBLIC

My Commission Expires: March 14th, 2011