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MAR 28 2008

PUBLIC SERVICE
COMMISSION

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

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

March 28, 2008

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

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

Dear Ms. Stumbo:

Please find enclosed and accept for filing the original and seven (7) copies of the Response of Kentucky Utilities Company to the Attorney General's Initial Requests for Information dated February 4, 2008, in the above-referenced matter.

The Verification Page for John J. Spanos will be filed the week of March 31-April 4, 2008 on his return to the office.

Also enclosed with this filing are an original and ten (10) copies of a Petition for Confidential Protection regarding information provided in response to Questions 6 and 7.

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

Sincerely,

Robert M. Conroy


Enclosures

cc: Parties of Record

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Michael S. Beer**, being duly sworn, deposes and says that he is the Vice President, Federal Regulation and Policy for E.ON U.S. Services Inc., that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.


MICHAEL S. BEER

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 26th day of March, 2008.

Carol A. Harrison (SEAL)
Notary Public

My Commission Expires:

August 5, 2008

VERIFICATION

STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

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

Shannon L. Charnas
SHANNON L. CHARNAS

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 26th day of March, 2008.

Anna Sizemore (SEAL)
Notary Public

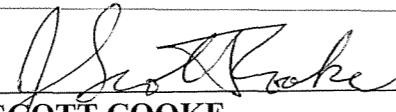
My Commission Expires:

July 1, 2008

VERIFICATION

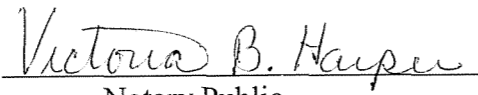
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **J. Scott Cooke**, being duly sworn, deposes and says that he is the Manager, Generation Planning for E.ON U.S. Services Inc., that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



J. SCOTT COOKE

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 26th day of March, 2008.

 (SEAL)

Notary Public

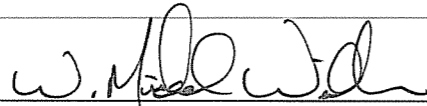
My Commission Expires:

Sept 20, 2010

VERIFICATION

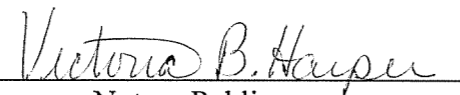
STATE OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **W. Michael Winkler**, being duly sworn, deposes and says that he is the Manager, Environmental Programs for E.ON U.S. Services Inc., that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.



W. MICHAEL WINKLER

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 26th day of March, 2008.

 (SEAL)

Notary Public

My Commission Expires:

Sept 20, 2010

KENTUCKY UTILITIES COMPANY

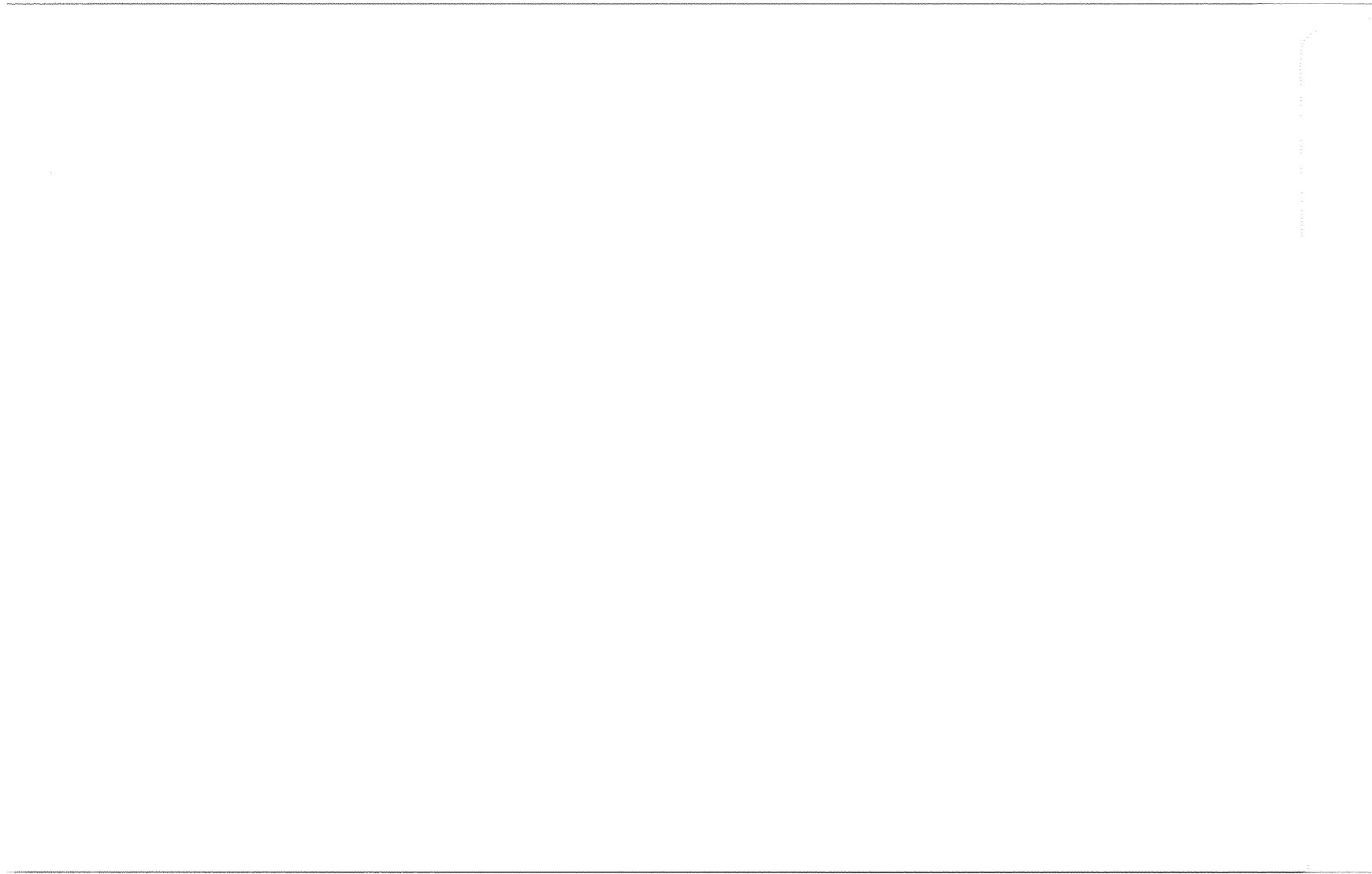
**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

Case No. 2007-00565

Question No. 1

Witness: John J. Spanos

- Q-1. Please provide copies of all workpapers underlying the Depreciation Study prepared by John Spanos of Gannett Fleming. Provide in hard copy and, when applicable, in electronic format (Excel) with all formulae intact.
- A-1. The attached CD contains the workpapers underlying the depreciation study prepared by John Spanos of Gannett Fleming, Inc. By agreement with the Attorney General, hard copies are not being provided.
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KENTUCKY UTILITIES COMPANY

**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

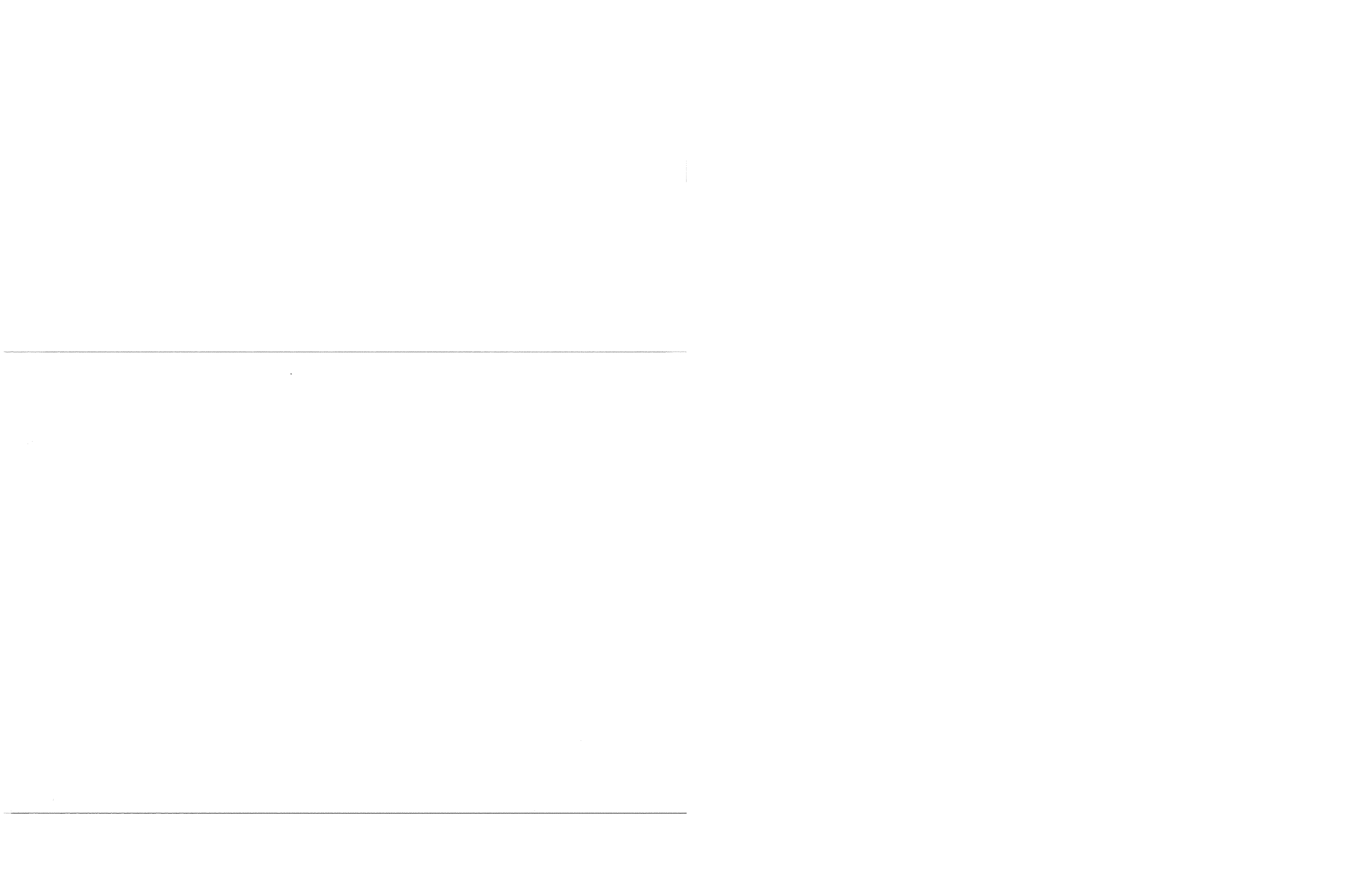
Case No. 2007-00565

Question No. 2

Witness: John J. Spanos

Q-2. Please provide all information obtained by Mr. Spanos and/or Gannett Fleming from Company operating personnel, and separately, financial management personnel relative to current operations and future expectations in the preparation of the Depreciation Study. All information should be provided in the same format it was provided to Mr. Spanos. Also, please provide all notes taken during any meetings with Company personnel regarding this study. Please identify by name and title, all Kentucky Utilities ("KU") personnel who provided the information, and explain the extent of their participation and the information they provided.

A-2. See the response to AG-1.



KENTUCKY UTILITIES COMPANY

**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

Case No. 2007-00565

Question No. 3

Witness: John J. Spanos

Q-3. Please identify all plant tours taken during the preparation of the Depreciation Study.

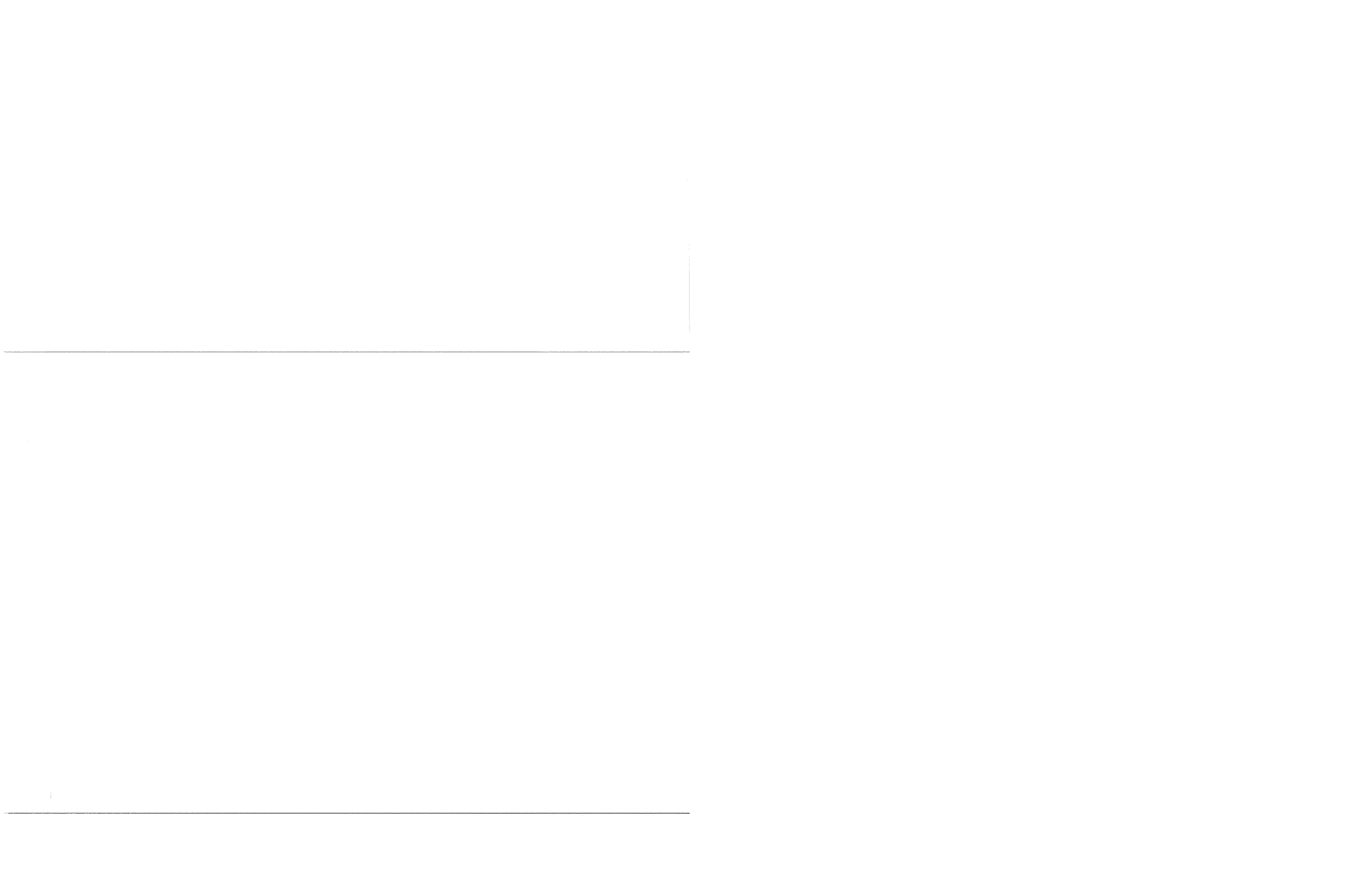
- a. Identify those in attendance and their titles and job descriptions.
- ~~b. Provide all conversation notes taken during the tour.~~
- c. Provide all photographs and images taken during the tour.

A-3. a. The following table sets forth those in attendance and their titles, during the various field tours taken for the Depreciation Study.

<u>Name</u>	<u>Title</u>
John Spanos	Vice President, Gannett Fleming
Sara Wiseman	Manager, Property Accounting
Eric Riggs	Property Accounting Analyst
Diana Wacker	Property Accounting Analyst
Bruce Rose	Property Accounting Analyst
Ed Clark	Property Accounting Analyst
Steven Turner	General Manager, Cane Run, Ohio Falls, Combustion Turbines
Michael Buckner	Production Supervisor, Mill Creek
Wesley Moll	Manager – Production, Trimble County
Samuel Carr	Manager, Commercial Operations, E.W. Brown
Thomas Moore	Manager, E.W. Brown Major Construction
Chris Brown	Group Leader, Substation Construction & Maintenance
Fred Jackson	Director, Generation Services
Jeff Joyce	General Manager, Ghent
Paul Wright	Manager – Production, Ghent
Mark Bradshaw	Electric System Coordinator,

David Cosby	Transmission Commercial Operations Manager, Trimble County
Mike Collins	Team Leader, Instrument Measurement & Electric, Distribution Operations
Dave Harmeling	Engineer – Gas Storage, Muldraugh
Tim Sanders	Supervisor, Facility Operations

b. & c. The notes and photographs taken during the site visits in May 2007 are being provided on the attached CD.



KENTUCKY UTILITIES COMPANY

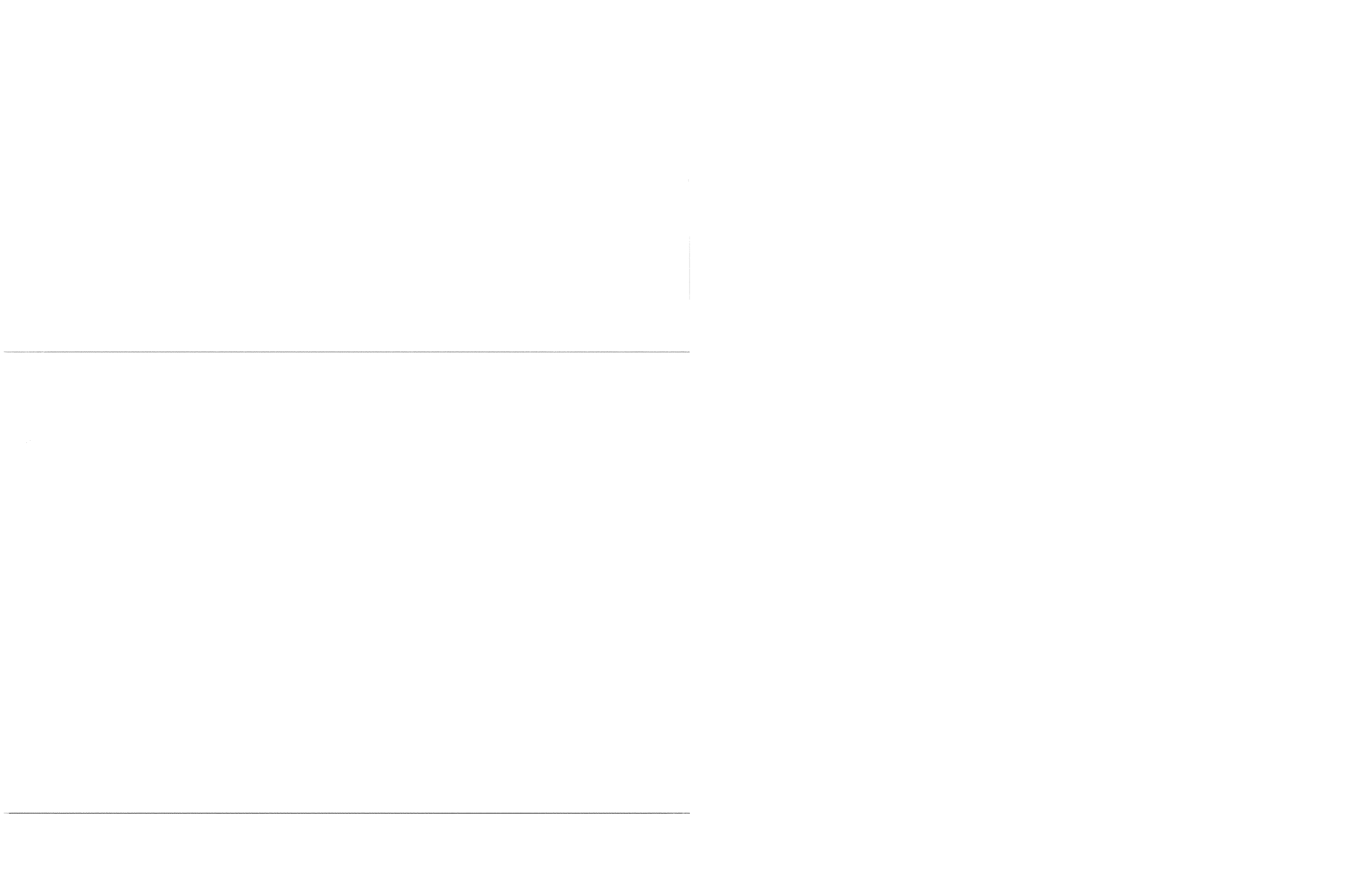
**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

Case No. 2007-00565

Question No. 4

Witness: Shannon L. Charnas

- Q-4. Provide all internal and external audit reports, management letters, consultants' reports etc. from 2005-2007, inclusive, which address in any way, the Company's property accounting and/or depreciation practices.
- A-4. Please see the Company's response to AG-1 for the Life Assessment Study and AG-96 for certain Reports of Independent Public Accounting Firms.
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KENTUCKY UTILITIES COMPANY

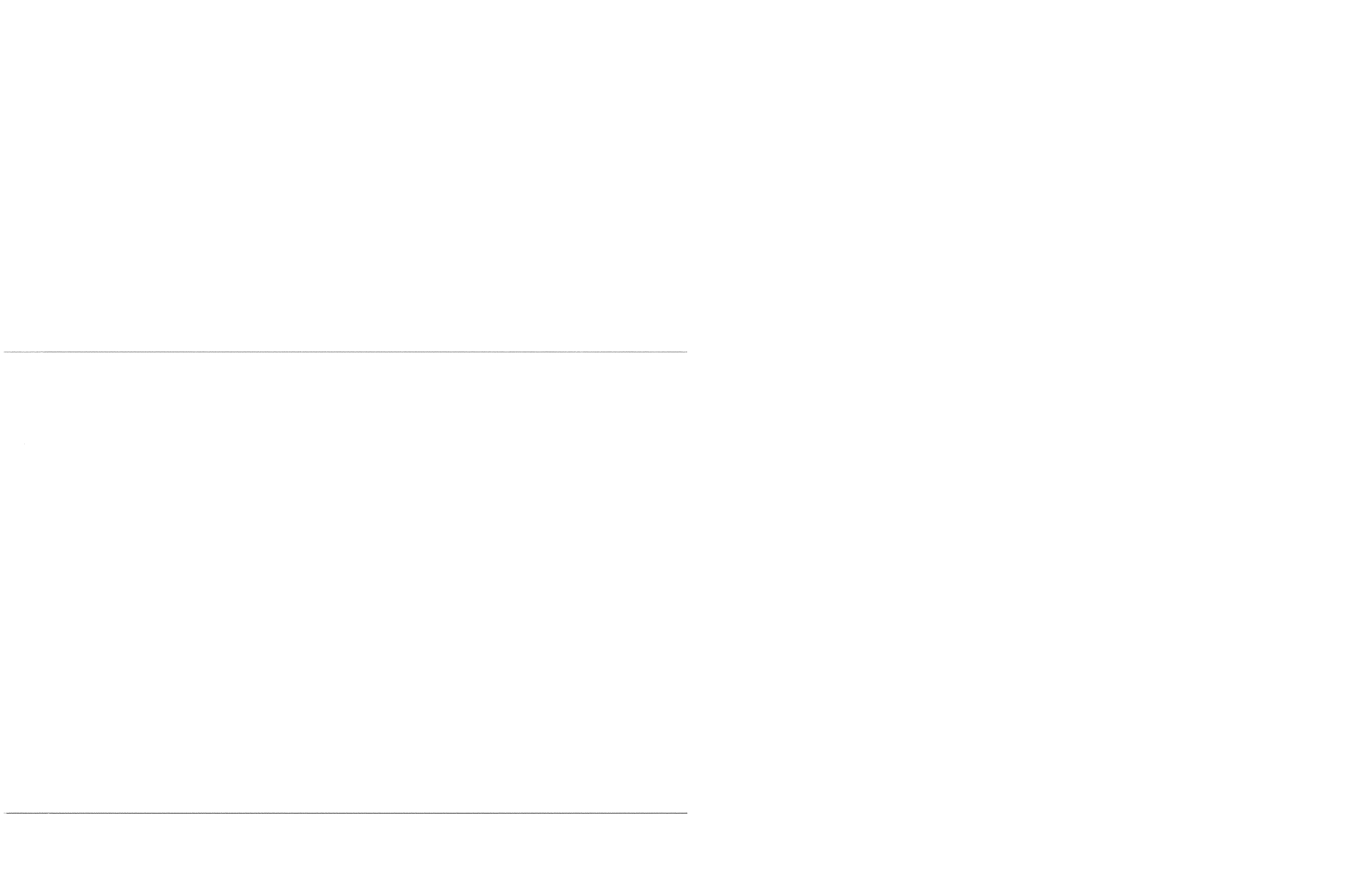
**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

Case No. 2007-00565

Question No. 5

Witness: Shannon L. Charnas

- Q-5. Please provide copies of all Board of Director's minutes and internal management meeting minutes from 2005-2007, inclusive, in which the subject of the Company's depreciation rates or retirement unit costs were discussed.
- A-5. There were no Board of Director meeting minutes in which the subject of depreciation rates or retirement unit costs were discussed. Please see the Company's response to AG-91 for internal management meeting minutes.
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KENTUCKY UTILITIES COMPANY

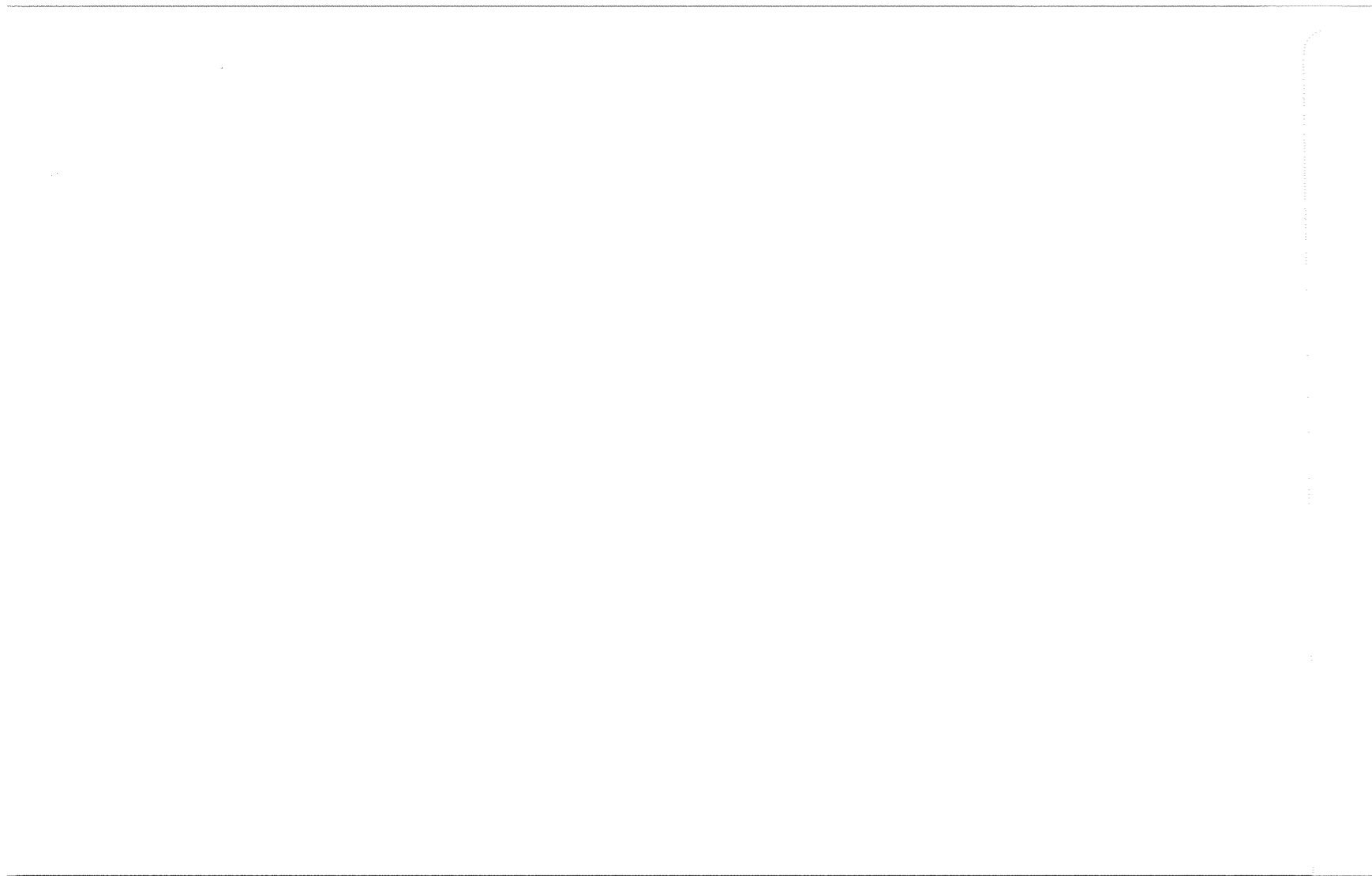
**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

Case No. 2007-00565

Question No. 6

Witness: Shannon L. Charnas / Robert M. Conroy

- Q-6. Please provide copies of all internal correspondence from 2005-2007, inclusive, which deals in any way with the Company's retirement unit costs, electric depreciation rates, and/or the Depreciation Study.
- A-6. KU has sought confidential treatment for certain documents in response to this question through the filing of a Joint Petition for Confidential Protection in this proceeding. A copy of all non-confidential documents responsive to this request that also are not subject to the attorney-client privilege or attorney work product protection are provided on the attached CD.
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KENTUCKY UTILITIES COMPANY

**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

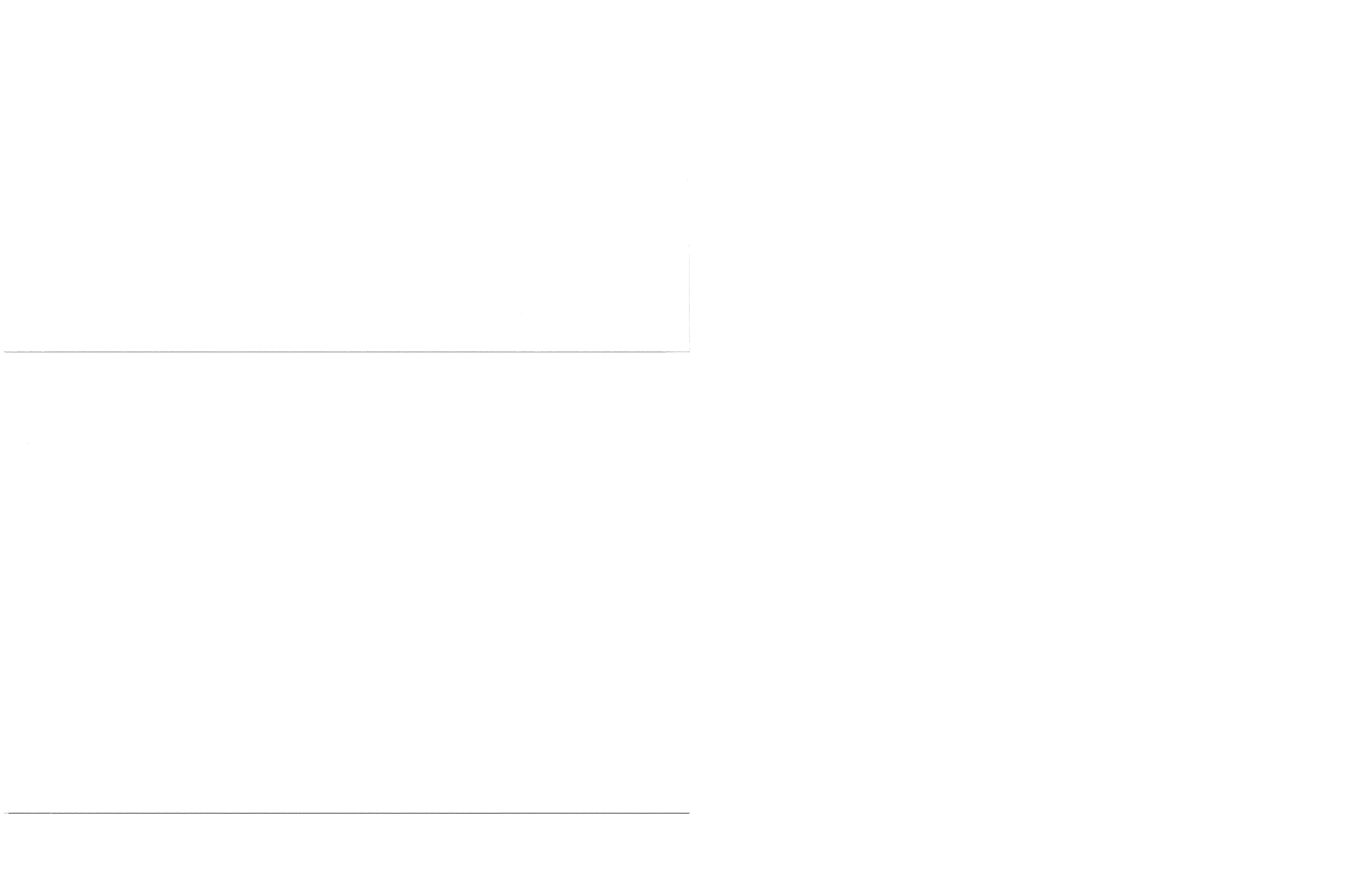
Case No. 2007-00565

Question No. 7

Witness: John J. Spanos

Q-7: Please provide copies of all external correspondence from 2005-2007, inclusive, including correspondence with Mr. Spanos and/or Gannett Fleming., which deals in any way with the Company's retirement unit costs, electric depreciation rates, and/or the Depreciation Study.

A-7: The correspondence between Mr. Spanos and E.ON U.S. personnel related to the Depreciation Study is being provided on the attached CD. Also, see the response to AG-6. KU has sought confidential treatment for certain documents in response to this question through the filing of a Joint Petition for Confidential Protection in this proceeding.



KENTUCKY UTILITIES COMPANY

**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

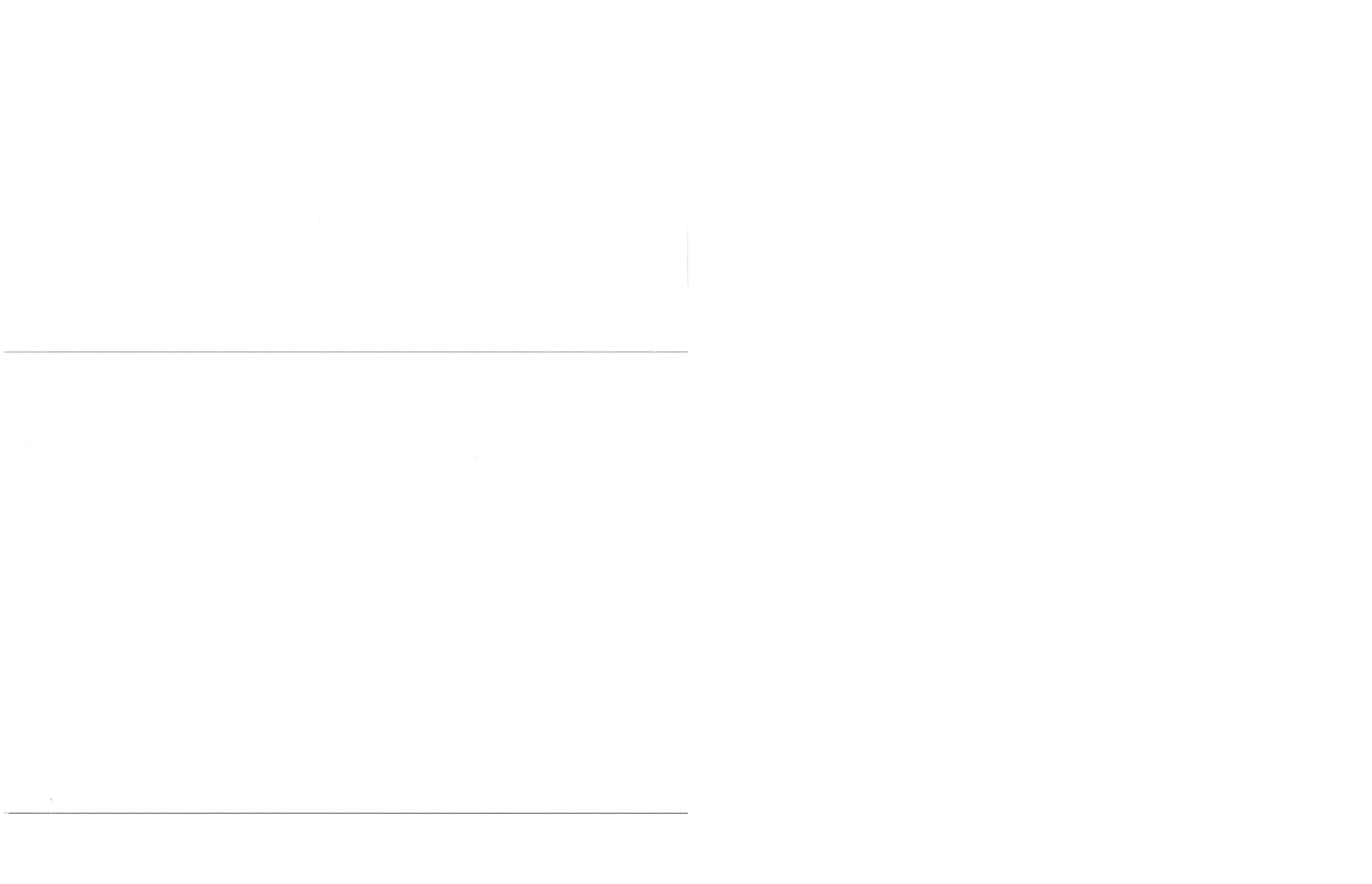
Case No. 2007-00565

Question No. 8

Witness: John J. Spanos

Q-8. Please provide copies of all industry statistics available to Mr. Spanos and/or KU relating to electric or common depreciation rates. Also, identify all industry statistics upon which Mr. Spanos or the Company relied in formulating the depreciation proposals.

~~A-8. The industry statistics primarily relied upon by Mr. Spanos in formulating the depreciation proposals are being provided on the attached CD.~~



KENTUCKY UTILITIES COMPANY

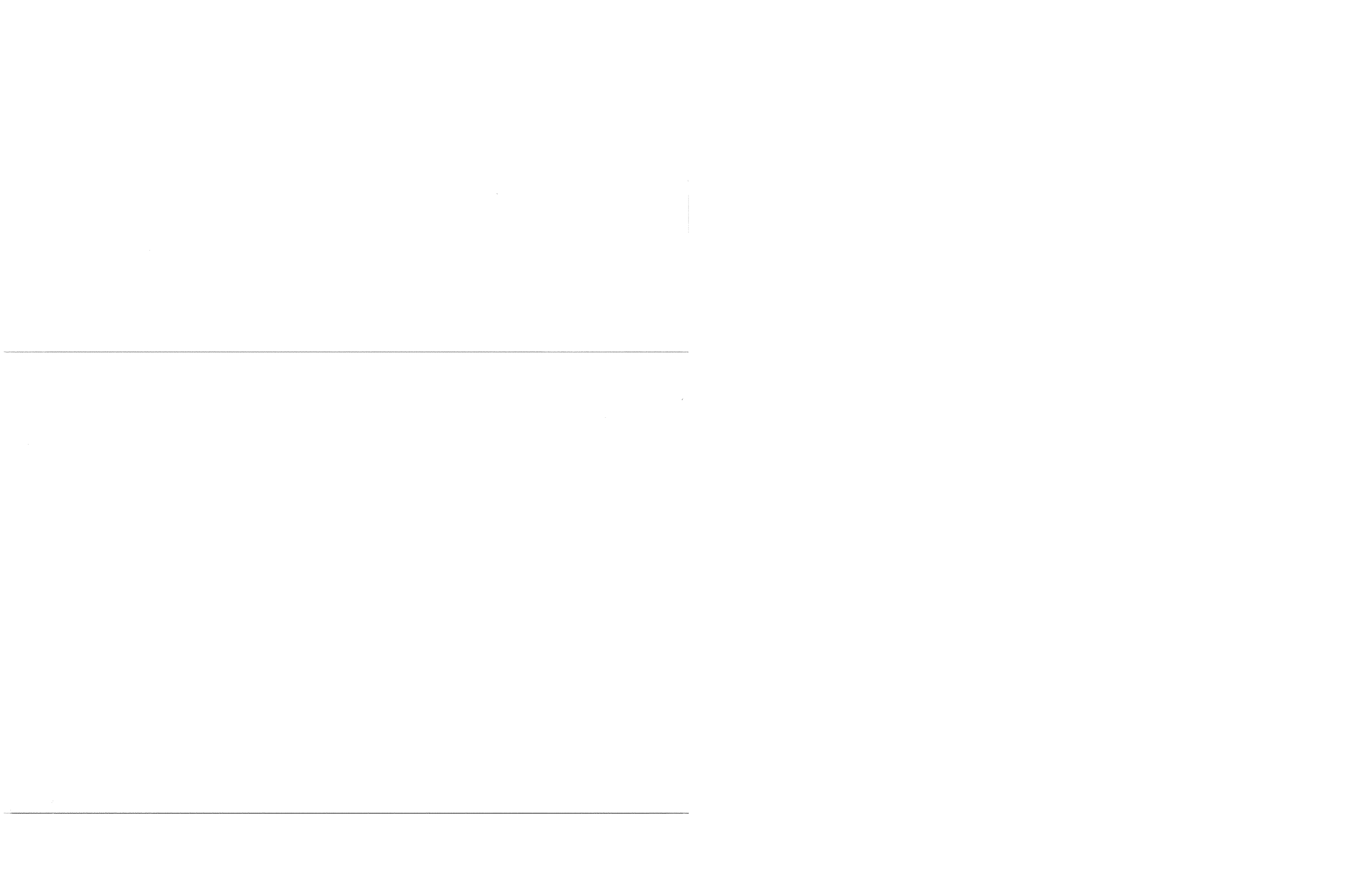
**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

Case No. 2007-00565

Question No. 9

Witness: John J. Spanos

- Q-9. On an account-by-account basis, which accounting method is reflected in the life studies; "location-life" or "cradle-to-grave"? Also, what is impact of the accounting method used on the lives calculated in the Depreciation Study?
- A-9. Based on the manner in which the question is formulated, all production plant is based on probable retirement dates and interim survivor curves by location, therefore, "location-life." All transmission, distribution and general plant is "cradle-to-grave". Mr. Spanos views all assets to be "cradle-to-grave".
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KENTUCKY UTILITIES COMPANY

**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

Case No. 2007-00565

Question No. 10

Witness: Shannon L. Charnas

Q-10. Please provide explanatory examples of the debits and credits relating to customer advances and contributions-in-aid of construction.

A-10. Customer advances for construction are amounts advanced by customers to extend service that are subject to refund in whole or in part. The time or extent of refund is dependent on the terms of specific customer contracts and agreements. The advance is initially established in a deferred credit account. Throughout the term of the agreement, refunds may be given to the customer if original costs paid by that customer are offset by new customers. When the agreement terminates, any un-refunded balance is transferred to the appropriate plant account as a Contribution in Aid of Construction. The entries for this process are:

Create invoice based on contract terms:

Debit 143007 – Accounts Receivable – Non Project Utility Acctg Use Only
Credit 184650 – Customer Advances Clearing

Payment received:

Debit 184650 – Customer Advances Clearing
Credit 252001 – Line Extensions

Debit 131092 – Cash – BOA Funding
Credit 143007 – Accounts Receivable – Non Project Utility
Acctg Use Only

Refund paid:

Debit 252001 – Line Extensions
Credit 232008 – Sundry Billing Refunds

Debit 232008 – Sundry Billing Refunds
Credit 131092 – Cash – BOA Funding

Un-refunded balance:

Debit 252001 – Line Extensions
Credit 107001 – Construction Work In Progress

Contributions in Aid of Construction are non-refundable amounts paid by states, municipalities, other governmental agencies, individuals, and others for construction of facilities. The total contribution in aid of construction is credited to Account 101, Plant in Service. In instances where this would result in negative property unit values, the excess amounts of such contributions are credited to account 108 Accumulated Provision for Depreciation of Utility Plant. The entries for this process are:

Create invoice based on contract terms:

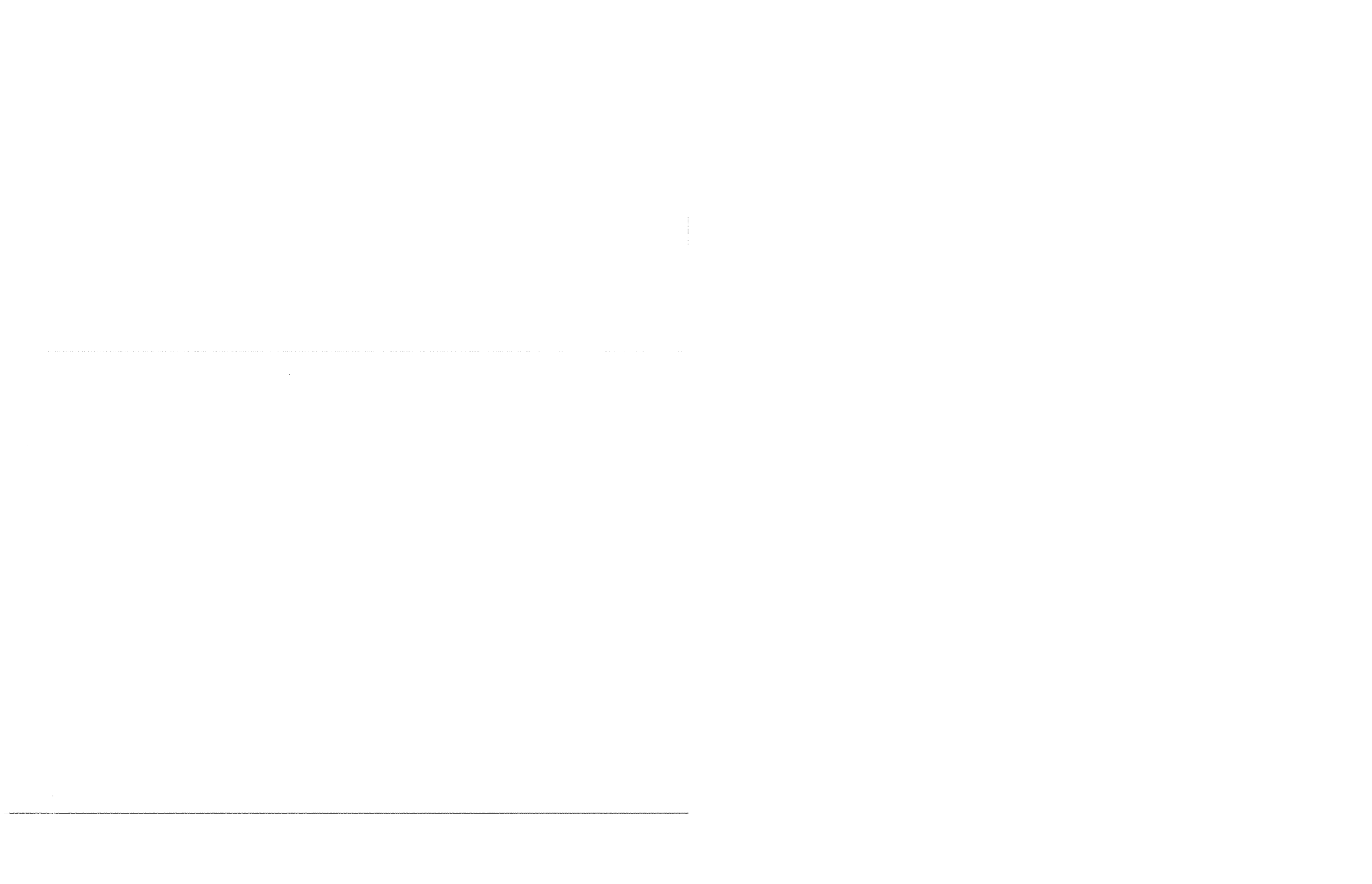
Debit – 143 Other Accounts Receivable
Credit 107001 – Construction Work in Progress

Payment received:

Debit 131050 – Sundry Cash Collect
Credit 143 – Other Accounts Receivable
Credit 108001 – Accumulated Depreciation – Plant

Classified to plant in service:

Debit 107001 - Construction Work In Progress
Credit 101 - Plant in Service



KENTUCKY UTILITIES COMPANY

Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008

Case No. 2007-00565

Question No. 11

Witness: Shannon L. Charnas

Q-11. Please provide explanatory examples of the debits and credits relating to the accounts for which depreciation is charged to clearing accounts.

A-11. Consistent with FERC plant instructions, depreciation expense on utility owned equipment used to transport fuel from the point of acquisition to the unloading point is charged to account 151 Fuel Stock. This equipment primarily consists of rail cars and locomotives. No further allocation is required. Account 151 is debited with the monthly depreciation expense with a corresponding credit charged to account 108, Accumulated Reserve for Depreciation.

Depreciation expense on transportation equipment is charged to clearing account 184 with a corresponding credit to account 108, Accumulated Reserve for Depreciation. On a monthly basis the amounts charged to 184 are allocated to the specific responsible center to which the vehicle is assigned. This allocation is based on labor dollars charged to the responsible center.

For example, assume the responsible center in the following example has one vehicle with monthly depreciation expense of \$100. Each project within the expenditure organization is allocated a portion of depreciation expense based on total labor dollars.

	<u>Labor Dollars</u>	<u>Depreciation Expense</u>	<u>Allocated Depreciation</u>	<u>Total Project Charges</u>
Project 1	500.00	6.2%	6.20	506.20
Project 2	600.00	7.4%	7.40	607.40
Project 3	<u>7,000.00</u>	<u>86.4%</u>	<u>86.40</u>	<u>7,086.40</u>
	\$ 8,100.00	\$ 100	\$ 100.00	\$ 8,200.00

KENTUCKY UTILITIES COMPANY

**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

Case No. 2007-00565

Question No. 12

Witness: Shannon L. Charnas

Q-12. Please provide a copy of the Company's current capitalization policy. If the policy has changed at all since 2000, please provide a copy of all prior policies in effect during any portion of that period.

A-12. See attached.

**E.ON US
Capitalization Policy**

Effective 12/01/07 to Present

E.ON U.S. LLC Policy

Date 12/01/07
Page 1 of 9

Capital and Investment Review

Policy

The primary purpose of the Capital and Investment Review Policy is to establish a uniform process for:

1. capital planning and budgeting;
2. authority for the expenditure of funds;
3. control and reporting of capital expenditures;
4. development of review criteria for the authorization process;
5. recording lessons learned for future investments and decisions; and
6. determining how the investment is operating and how the returns compare to the project as sanctioned.

Further, these policies will provide management with the necessary tools to make informed business decisions. A capital expenditure includes adding, replacing or retiring units of property through the construction or acquisition process. Generally, it is inappropriate to capitalize expenditures that are part of routine or necessary maintenance programs. If a substantial improvement is made to an asset, the following criteria should be used to determine whether or not capitalization is appropriate:

1. Does the improvement extend the original useful life of the asset?
2. Does the improvement increase the throughput or capacity of the asset?
3. Has operating efficiency been improved?
4. Does the expenditure meet the definition of a capitalizable cost under the FERC Uniform System of Accounts?

If you answer yes to any of the above questions, capitalization is appropriate for your project. Questions relating to the categorization of an expense as capital or O&M should be referred to Property Accounting for utility matters or the appropriate fixed-asset accounting group for non-utility operations. The Controller will have the ultimate authority of interpreting expense versus capital decisions based on generally accepted accounting principles. See [Property Accounting's Home Page](#).

Scope

This policy applies to all E.ON U.S. LLC and its subsidiaries' (Company) employees.

General Requirements

1. All capital spending that is expected to occur during the year must be budgeted in the current-year commitment.
 2. There will be no carry-over of spending capital authority from one year to the next.
 3. An Authorization for Investment Proposal (AIP) form must be completed for **all** capital spending projects.
 4. Projects with a total cost of \$2,000 or less will be expensed.
 5. An Investment Proposal must be completed for all capital spending projects greater than \$300,000.
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E.ON U.S. LLC Policy

Date 12/01/07
Page 2 of 9

Capital and Investment Review

6. The Information Technology Department must approve **all** capital projects involving anything related to information technology.
7. All information technology or development projects greater than \$ 500,000 and all other projects greater than \$1,000,000 require the approval of the Investment Committee.

Capital Planning

The multi-year Capital Investment Plan will be used to inform senior management of future capital-spending projections. These plans are prepared annually on an operating business unit (OBU) basis and include the forecast of capital projections during the annual planning period. The first year of the capital investment plan, once approved, becomes the formal budget for that year.

Carry-Over Spending: During preparation of the Three-year Capital Investment Plans, each OBU will review all current-year projects to determine if they will be completed as of the end of the year. If a project is expected to be in process at year-end, but not complete, it must be included in the following year's Three-year Capital Investment Plan for additional funds to be approved.

Capital Approval Process

Authorization for Investment Proposal: Although specific capital projects are identified in the budgeting process, they are still subject to the Authority Limit Matrices signature requirements and all other signature reviews as stated on the face of the AIP. Projects are not considered approved until appropriate signatures are obtained as stated on the AIP form.

The AIP form is used to request the appropriate approvals for spending on capital projects. A completed AIP is required under the following conditions:

- An AIP form must be submitted and approved prior to committing to or incurring any capital expenditure. Approvals must be obtained in the sequence shown in the approval section of the AIP form.
- Approvals must be obtained up to the levels designated in the Authority Limit Matrices for the dollar amount of any project (which may include multiple AIPs).
- Any AIP over \$300,000, except for development proposals, must include an Investment Proposal and Capital Evaluation Model and must be submitted to the appropriate Financial Planning Department for approval. Development proposals must have other adequate supporting documentation attached and, should they become viable projects, must have a revised AIP submitted, accompanied by the Investment Proposal and Capital Evaluation Model if over the \$300,000 threshold.
- A completed AIP form must be submitted and approved prior to the disposal of any capital asset. In addition, an Investment Proposal must be submitted for disposal projects of \$300,000 or more.
- A revised AIP must be submitted for significant project overruns (See below).

E.ON U.S. LLC Policy

Date 12/01/07
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Capital and Investment Review

- Instructions provided with the AIP form must be followed.

Investment Proposal: The Investment Proposal is used to explain in detail the nature and justification of the capital project. Capital projects over \$300,000 on a fully loaded basis require the submittal of an Investment Proposal and Capital Evaluation Model along with the AIP. The following format will provide senior management with consistent information for evaluating capital projects. The Investment Proposal should include the following sections:

- Full description, including alternative options and strategic justification.
- Breakdown of investment amount by year, by type of spend (capital/revenue/working capital).
- Cost of own staff allocated to the project is not included in the investment value but should be separately disclosed.
- The amount to be sanctioned must include an appropriate risk margin.
- Capitalized interest must be included as part of capital spending on discrete projects in excess of €50 million based on the current exchange rate at the time of the preparation of the Investment Proposal which can be obtained at the xe.com website. Please consult Property Accounting for the current interest rate to use in the Capital Evaluation Model based on the most recent embedded cost of debt calculation. Also, if in doubt about whether the project qualifies for capitalized interest, please consult Property Accounting for assistance. When a project qualifies for capitalized interest, two Capital Evaluation Models must be run and attached to the Investment Proposal: one without capitalized interest for regulatory purposes and one with capitalized interest under International Financial Reporting Standards (IFRS). Approved spending levels and analysis of the economics of the project are to be based solely on the IFRS view, inclusive of capitalized interest.
- Economics:
 - NPV* and IRR* should be based on the post tax nominal cash flows.
 - The economics should be calculated on central case cash flows, but include the full investment amount (i.e. including any risk margin).
 - For projects that will not be consolidated (generally less than 50% ownership) the economics should be calculated on the dividend stream to the Company. The project return should also be shown, but this measure is second order to the equity impact.
 - Value added* is calculated as the difference between the ROCE* and the pre tax nominal cost of capital, multiplied by the capital employed.

Value Added* = ROCE* – [E.ON WACC * Capital Employed for the Project]

ROCE* = $\frac{\text{Earnings before tax}}{\text{Capital Employed Company-wide}}$

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- Other economic measures may be shown e.g. payback period (number of years for the cumulative nominal post tax cash flows to exceed the investment cost).

E.ON U.S. LLC Policy

Date 12/01/07
Page 4 of 9

Capital and Investment Review

- Impact on E.ON U.S. financial statements. The impact on EBIT, internal operating profit, net income, net debt and cash flow should be shown at a minimum. The time horizon should be appropriate to the investment.
- Risk assessment and sensitivity analysis. Sensitivities should show the impact on the financial statements (particularly internal operating profit and cash flow) as well as the impact on the NPV* and IRR*.
- Breakdown of synergies; indicating a sensitivity to show the impact of not achieving the synergies.
- How the project will be managed including accountabilities (especially for realizing the synergies) in all stages of the process.
- Assumptions must be stated.
- Reference to supporting documents (e.g. functional reports).
- Budget / plan provision for project.
- Milestone plan.
- Environmental impact of the investment.

*For these and other definitions, see Investment Proposal Guidelines (EON Planning and Controlling Manual, section C.8.5.3).

Unbudgeted Projects: Any capital expenditure that is not included in the original, approved budget, must either be offset by a like reduction in one or more budgeted projects, or the overspending requires prior written approval by the E.ON U.S. LLC Chief Financial Officer (CFO) and Chief Executive Officer (CEO). The Financial Planning Department must approve AIPs for unbudgeted projects (see *Approvals* below). In addition, unbudgeted project spending greater than \$300,000 is subject to the Resource Allocation Committee (RAC) Tenets. Certain Generation Miscellaneous Projects, as described below, are exempt from being considered unbudgeted.

Under-Funded Projects: Projects that are submitted for approval that were included in the original approved budget, where the requested capital amount is greater than the budgeted amount for that project, must either be offset by a like reduction in one or more budgeted projects, or the additional funding requires prior written approval by the E.ON U.S. LLC CFO and CEO.

Project Overruns: When it is apparent that the amount approved on the original AIP will be insufficient (project is expected to be 10% or \$100,000 over; whichever is less, subject to a minimum of \$25,000) to complete the project, a revised AIP must be completed as soon as possible. If a revised AIP is required and the revised total is \$300,000 or greater, a new Investment Proposal is also required. **At no time should overspending occur prior to the approval of the new AIP** (subject to the emergency provision of the Delegated Powers of Authority). The additional funding requested must either be offset by a like reduction in one or

E.ON U.S. LLC Policy

Date 12/01/07
Page 5 of 9

Capital and Investment Review

more budgeted projects, or the additional funding requires prior written approval by the E.ON U.S. LLC CFO and CEO.

Revised AIPs must be approved for the total revised dollar amount using the approval limits in the Authority Limit Matrices. All revised AIPs must be submitted to the Financial Planning Department with a copy of the original AIP attached. Revised AIPs which meet the spending level threshold for Investment Committee approval will be provided to the Investment Committee for review.

Projects expected to exceed the approved AIP by less than 10% or \$100,000 (whichever is less) do not require further approval or review, but the funding must also be offset by a like reduction in one or more budgeted projects.

Approvals: Unbudgeted projects or those projects requiring an Investment Proposal (i.e. over \$300,000) must be forwarded to the appropriate department for review and approval:

- **Utility and SERVCO:** Financial Planning -- Utility Operations
- **All Other:** Financial Planning & Controlling -- E.ON U.S. LLC

If the appropriate financial planning and controlling department does not concur with an Investment Proposal and does not approve the AIP, then the project will require a signature one level above that which is normally required by the Authority Limit Matrices.

Budgeted projects less than \$300,000 are approved as normally required by the Authority Limit Matrices and do not require the prior approval of the appropriate Financial Planning Department.

Generation Miscellaneous Projects: Each Generation plant site may have one miscellaneous project not to exceed \$300,000 which is budgeted to serve as a placeholder for small individual projects which arise during the year and which cannot be specifically anticipated during the budgeting process. This category of projects is different from Blanket Projects described elsewhere in this policy. Each Generation Miscellaneous Project must be budgeted, but an AIP must not be prepared for it and therefore it will not be activated in Oracle. Instead, as specific work is identified, the appropriate budget coordinator must create a new project number for the charges and prepare an AIP for the new project which references the budgeted placeholder project number. The new project is not considered unbudgeted to the extent that unused budget dollars are available in the budgeted placeholder project to cover it. The budget coordinator is responsible for tracking the accumulated spending of the individual projects to ensure that the budget is not exceeded. Property Accounting will also monitor the accumulated spending to ensure that the budget has not been exceeded.

Reimbursable Projects: Projects which will have all or a portion of the spending amount reimbursed by an outside party must follow the same guidelines as non-reimbursable projects, except as noted as follows: Tax Department review indicating whether Contribution in Aid of

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Construction is taxable must occur prior to any reimbursement agreement being finalized and evidence of such review must be attached to the AIP. Also, if a fully executed agreement specifying the terms of reimbursement is attached to an AIP with gross spending under \$1 million for non-IT projects and under \$500,000 for IT projects, the net spending amount may be used to determine whether an Investment Proposal and Capital Evaluation Model are required. Jointly-owned utility projects under the specified gross spending thresholds qualify for this exception without requiring the attachment of the executed joint ownership agreement. For all projects, the gross spending amount must always be used to determine the appropriate approval level.

Government-Mandated/Regulatory Compliance Projects: Projects which are not reimbursable but which are mandated by governmental legislation or other governmental authority must follow the same guidelines as all other projects except that for such AIPs with gross spending under \$1 million for non-IT projects and under \$500,000 for IT projects, neither the Investment Proposal nor the Capital Evaluation Model are required, provided that the appropriate legislative docket numbers or applicable statute references are provided with the AIP.

Early Activation Guidelines

In order for a project to be early activated, the following criteria must be met:

1. The expenditure must be the result of a true emergency: 1) the equipment has failed; 2) a material problem has been found, requiring it to be replaced immediately in order to maintain the reliability of the system; 3) or the expenditure is needed to address an immediate safety risk.

OR

2. The equipment vendor has provided a quote for the capital purchase that is only valid for a short period of time. The time frame would not be long enough to complete all the necessary paperwork, and acquire all necessary approvals in time to place the order at the reduced price.

Process requirements for an Early Activated AIP:

- o For each AIP that is early activated, Property Accounting must first receive email approval from the highest level of LOB authority based on the total amount of the AIP as per the AIP signature process. Financial Planning must also be copied on this email. Should the AIP be for an unbudgeted project, approval from Financial Planning will be required for the Early Activation.
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- In the event the project has been previously approved by the Investment Committee, the above email from the highest LOB authority would not be required. Instead, verification from Financial Planning that the project had indeed been approved by the Investment Committee would be sufficient approval.
- The approval request email must include the following info: 1) Project Number; 2) Project Description; 3) Total Project amount; 4) Name of the individual whose highest level of signature authority is required, and any associated DOA's; 5) Description of the need for the early activation; 6) If the request is for an unbudgeted project, the email must contain the budgeted project number that will cover the unbudgeted spending.
- All normally required signatures must still be acquired on the AIP prior to sending the AIP to Property Accounting.
- The Property Accounting Department will maintain a log of Early Activated projects, and copies of the email approvals will be filed with the AIP.
- All AIPs that are early activated must be received by the Property Accounting Department, or Financial Planning if necessary, with all required approvals, within 10 business days of the early activation. Repeated failure to comply with this timing will require email approval by the appropriate LOB VP for Early Activation of all future AIPs.

Project Completion

Upon project completion the project manager or budget coordinator closest to the project is required to:

1. Verify completion date (report to Property Accounting if different from AIP).
2. Update ORACLE project status to "completed".
3. Verify actual in-service date (report to Property Accounting if different from AIP).
4. Verify actual installed costs (report/explain any variances greater than 10% from the AIP to Property Accounting).
5. Verify actual removal costs (report/explain any variances greater than 10% from the AIP to Property Accounting).
6. Verify units of property installed (report to Property Accounting if different from AIP).
7. Verify units of property retired (report to Property Accounting if different from AIP).

Budget coordinators are required to perform a post-completion audit for any project that required Investment Committee approval except for blanket capital projects (discussed below). The review must follow the requirement specified in the EON Planning and Controlling Manual (section C.8.4). The review must be provided to the Financial Planning Department and the

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Capital and Investment Review

Investment Committee within one year of the project's completion (based on the record history update date on the Oracle project, found under Help/Record History).

Leases

Prior to the execution of any new lease entered into on behalf of the Company, a review must be conducted by the budget coordinator for the appropriate OBU, Financial Accounting and Reporting to determine if the lease is structured as a capital or operating lease, and by the Tax department. Additional reviews by Legal and Corporate Finance may be required depending on the total amount of the lease. See the E.ON U.S. LLC Lease Policy for more details.

Blanket Capital Projects

Background: Several lines of business (primarily Distribution and Transmission) use blanket capital projects to procure routine, frequently used assets (i.e., poles, meters, transformers) or to facilitate routine work for which specific information is not available at the time the budget is prepared (i.e. Gas and Electric Distribution New Business by area.) The blanket projects hold a "bucket" of budget dollars which is used to fund specific tasks (subprojects) under \$300,000 as they are identified throughout the year. Blanket projects are not closed each year but they are rebudgeted each year and are unitized on an "as-spent" basis.

Authorization: At the beginning of each calendar year, a list of all budgeted blanket projects must be submitted to the Investment Committee for approval, along with a summary of the previous year's blanket capital spending. (A post-completion audit will not be required for blanket capital projects.)

Criteria for Spending under an Existing Blanket Project: Only work and materials of a routine nature which cannot be specifically identified at the time of budget preparation may be charged to a blanket project. Individual tasks (which may consist either of individual parts or of work orders containing both labor and material) must fall below a \$300,000 gross (of reimbursement) spending level. Otherwise, a separate, non-blanket capital project must be created which is subject to all requirements described elsewhere in this policy. Moreover, the same rules for spending authorization levels apply for spending under blanket capital projects as described elsewhere in this policy.

Criteria for Creating a New Unbudgeted Blanket Project: New blanket capital projects created after the budget process is complete do not require an approved AIP, but the request to open the project must be submitted to both Property Accounting and Financial Planning. New blanket capital projects are always considered to be unbudgeted and are therefore subject to the same requirements for unbudgeted projects described elsewhere in this policy. The unbudgeted project authorized spending must be covered by either a budgeted blanket or a non-blanket project in accordance with the RAC Tenets.

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Monthly Spending Report: The budget coordinator for each line of business incurring spending under blanket capital projects is required to prepare a monthly report listing all blanket projects and comparing the total year-to-date spending against budget. Any substitution of non-blanket projects' budgets to cover new blanket projects' budgets must be noted on the report and tracked throughout the year. This report must be submitted to Financial Planning for review by the eleventh business day of the following month.

Penalties for Noncompliance

Failure to comply with this policy may result in disciplinary action, up to and including discharge.

Reference: Authority Limit Matrices; Authorization for Investment Proposal; Capital Evaluation Model; Lease Policy; Resource Allocation Committee Tenets; and Investment Proposal forms.

Key Contact:

- Financial Planning
- **Accounting Matters:** Property Accounting, Utility Accounting & Reporting, & Controller
- **Capital Leases:** Corporate Finance and Financial Accounting and Reporting

Administrative Responsibility: Chief Financial Officer.

**E.ON US
Capitalization Policy**

Effective 8/23/05 to 11/30/07

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Capital

Policy

The primary purpose of the Capital Policy is to establish a uniform process for:

1. capital planning and budgeting;
2. authority for the expenditure of funds;
3. control and reporting of capital expenditures; and
4. development of review criteria for the authorization process.

Further, these policies will provide management with the necessary tools to make informed business decisions. A capital expenditure includes adding, replacing or retiring units of property through the construction or acquisition process. Generally, it is inappropriate to capitalize expenditures that are part of routine or necessary maintenance programs. If a substantial improvement is made to an asset, the following criteria should be used to determine whether or not capitalization is appropriate:

1. Does the improvement extend the original useful life of the asset?
2. Does the improvement increase the throughput or capacity of the asset?
3. Has operating efficiency been improved?
4. Does the expenditure meet the definition of a capitalizable cost under the FERC Uniform System of Accounts?

If you answer yes to any of the above questions, capitalization is appropriate for your project. Questions relating to the categorization of an expense as capital or O&M should be referred to Property Accounting for utility matters or the appropriate fixed-asset accounting group for non-utility operations. The Controller will have the ultimate authority of interpreting expense versus capital decisions based on generally accepted accounting principles. See Property Accounting's Home Page.

Scope

This policy applies to all LG&E Energy LLC and its subsidiaries' (Company) employees.

General Requirements

1. All capital spending that is expected to occur during the year must be budgeted in the current-year commitment.
2. There will be no carry-over of spending capital authority from one year to the next.
3. An Authorization for Investment Proposal (AIP) form must be completed for **all** capital spending projects.
4. Projects with a total cost of \$2,000 or less will be expensed.
5. An Investment Proposal must be completed for all capital spending projects greater than \$300,000.
6. On a quarterly basis, the Financial Planning - Utility Operations Department will produce a Capital Projects over \$500,000 report, which will include a project-to-date summary of all approved projects over \$500,000.

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7. The Information Technology Department must approve **all** capital projects involving anything related to information technology.
8. All information technology or development projects greater than \$250,000 and all other projects greater than \$1,000,000 require the approval of the Investment Committee.

Capital Planning

The multi-year Capital Investment Plan will be used to inform senior management of future capital-spending projections. These plans are prepared annually on an operating business unit (OBU) basis and include the forecast of capital projections during the annual planning period. The first year of the capital investment plan, once approved, becomes the formal budget for that year.

Carry-Over Spending: During preparation of the Three-year Capital Investment Plans, each OBU will review all current-year projects to determine if they will be completed as of the end of the year. If the project is expected to be in process at year-end, but not complete, it must be included in the following year's Three-year Capital Investment Plan for additional funds to be approved.

Capital Approval Process

Authorization for Investment Proposal: Although specific capital projects are identified in the budgeting process, they are still subject to the Authority Limit Matrices signature requirements and all other signature reviews as stated on the face of the AIP. Projects are not considered approved until appropriate signatures are obtained as stated on the AIP form.

The AIP form is used to request the appropriate approvals for spending on capital projects. A completed AIP is required under the following conditions:

- An AIP form must be submitted and approved prior to committing to or incurring any capital expenditure. Approvals should be obtained in the sequence shown in the approval section of the AIP form.
- Approvals must be obtained up to the levels designated in the Authority Limit Matrices for the dollar amount of any project (which may include multiple AIPs).
- Any AIP over \$300,000 must include an Investment Proposal and Capital Evaluation Model and must be submitted to the appropriate Financial Planning Department for approval.
- A completed AIP form must be submitted and approved prior to the disposal of any capital asset. In addition, an Investment Proposal must be submitted for disposal projects of \$300,000 or more.
- A revised AIP must be submitted for significant project overruns (See below).
- Instructions provided with the AIP form must be followed.

Investment Proposal: The Investment Proposal is used to explain in detail the nature and justification of the capital project. Capital projects over \$300,000 on a fully loaded basis require

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the submittal of an Investment Proposal and Capital Evaluation Model along with the AIP. The following format will provide senior management with consistent information for evaluating capital projects. The Investment Proposal should include the following sections:

- Full description, including alternative options and strategic justification.
- Breakdown of investment amount by year, by type of spend (capital/revenue/working capital).
- Cost of own staff allocated to the project is not included in the investment value but should be separately disclosed.
- The amount to be sanctioned must include an appropriate risk margin.
- Economics:
 - NPV* and IRR* should be based on the post tax nominal cash flows.
 - The economics should be calculated on central case cash flows, but include the full investment amount (i.e. including any risk margin).
 - For projects that will not be consolidated (generally less than 50% ownership) the economics should be calculated on the dividend stream to the Company. The project return should also be shown, but this measure is second order to the equity impact.
 - Value added* is calculated as the difference between the ROCE* and the pre tax nominal cost of capital, multiplied by the capital employed.

Value Added* = ROCE* – [11% (E.ON WACC) * Capital Employed for the Project]

ROCE* = $\frac{\text{Earnings before tax}}{\text{Capital Employed Company-wide}}$

- Other economic measures may be shown e.g. payback period (number of years for the cumulative nominal post tax cash flows to exceed the investment cost).
- Impact on LG&E Energy financial statements. The impact on EBIT, internal operating profit, net income, net debt and cash flow should be shown at a minimum. The time horizon should be appropriate to the investment.
- Risk assessment and sensitivity analysis. Sensitivities should show the impact on the financial statements (particularly internal operating profit and cash flow) as well as the impact on the NPV* and IRR*.
- Breakdown of synergies; indicating a sensitivity to show the impact of not achieving the synergies.
- How the project will be managed including accountabilities (especially for realizing the synergies) in all stages of the process.
- Assumptions must be stated.
- Reference to supporting documents (e.g. functional reports).
- Budget / plan provision for project.
- Milestone plan.
- Environmental impact of the investment.

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*For these and other definitions, see Investment Decision Procedure , Appendix C.

Unbudgeted Projects: Any capital expenditure that is not included in the original, approved budget, must either be offset by a like reduction in one or more budgeted projects, or the overspending requires prior written approval by the LG&E Energy LLC Chief Financial Officer (CFO) and Chief Executive Officer (CEO). The appropriate Financial Planning Department must approve AIPs for unbudgeted projects (see *Approvals* below).

Under-Funded Projects: Projects that are submitted for approval that were included in the original approved budget, where the requested capital amount is greater than the budgeted amount for that project, must either be offset by a like reduction in one or more budgeted projects, or the additional funding requires prior written approval by the LG&E Energy LLC CFO and CEO.

Project Overruns: When it is apparent that the amount approved on the original AIP will be insufficient (project is expected to be 10% or \$100,000 over; whichever is less, subject to a minimum of \$25,000) to complete the project, a revised AIP must be completed as soon as possible. If a revised AIP is required and the revised total is \$300,000 or greater, a new Investment Proposal is also required. **At no time should overspending occur prior to the approval of the new AIP** (subject to the emergency provision of the *Delegated Powers of Authority*). The additional funding requested must either be offset by a like reduction in one or more budgeted projects, or the additional funding requires prior written approval by the LG&E Energy LLC CFO and CEO.

Revised AIPs must be approved for the total revised dollar amount using the approval limits in the Authority Limit Matrices. All revised AIPs must be submitted to the appropriate Financial Planning Department and will be provided to the Investment Committee for review.

Projects expected to exceed the approved AIP by less than 10% or \$100,000 (whichever is less) do not require further approval or review, but the funding must also be offset by a like reduction in one or more budgeted projects.

Approvals: Unbudgeted projects or those projects requiring an Investment Proposal (i.e. over \$300,000) must be forwarded to the appropriate department for review and approval:

- **Utility and SERVCO:** Financial Planning -- Utility Operations
- **All Other:** Financial Planning & Controlling -- LG&E Energy LLC

If the appropriate financial planning and controlling department does not concur with an Investment Proposal and does not approve the AIP, then the project will require a signature one level above that which is normally required by the Authority Limit Matrices.

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Budgeted projects less than \$300,000 are approved as normally required by the Authority Limit Matrices and do not require the prior approval of the appropriate Financial Planning Department.

Early Activation Guidelines

In order for a project to be early activated, the following criteria must be met:

1. The expenditure must be the result of a true emergency: 1) the equipment has failed; 2) a material problem has been found, requiring it to be replaced immediately in order to maintain the reliability of the system; 3) or the expenditure is needed to address an immediate safety risk.

OR

2. The equipment vendor has provided a quote for the capital purchase that is only valid for a short period of time. The time frame would not be long enough to complete all the necessary paperwork, and acquire all necessary approvals in time to place the order at the reduced price.

Process requirements for an Early Activated AIP:

- For each AIP that is early activated, Property Accounting must first receive email approval from the highest level of LOB authority based on the total amount of the AIP as per the AIP signature process. Financial Planning – Utility Operations should also be copied on this email. Should the AIP be for an unbudgeted project, approval from Financial Planning – Utility Operations will be required for the Early Activation.
- In the event the project has been previously approved by the Investment Committee, the above email from the highest LOB authority would not be required. Instead, verification from Financial Planning – Utility Operations that the project had indeed been approved by the Investment Committee would be sufficient approval.
- The approval request email should include the following info: 1) Project Number; 2) Project Description; 3) Total Project amount; 4) Name of the individual whose highest level of signature authority is required, and any associated DOA's; 5) Description of the need for the early activation; 6) If the request is for an unbudgeted project, the email needs to contain the budgeted project number that will cover the unbudgeted spending.
- All normally required signatures must still be acquired on the AIP prior to sending the AIP to Property Accounting.

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- The Property Accounting Department will maintain a log of Early Activated projects, and copies of the email approvals will be filed with the AIP.
- All AIP's that are early activated must be received by the Property Accounting Department, or Financial Planning – Utility Operations if necessary, with all required approvals, within 10 business days of the early activation. Repeated failure to comply with this timing will require email approval by the appropriate LOB VP for Early Activation of all future AIP's.

Project Completion

Upon project completion the project manager or budget coordinator closest to the project is required to:

1. Verify completion date (report to Property Accounting if different from AIP).
2. Update ORACLE project status to "completed".
3. Verify actual in-service date (report to Property Accounting if different from AIP).
4. Verify actual installed costs (report/explain any variances greater than 10% from the AIP to Property Accounting).
5. Verify actual removal costs (report/explain any variances greater than 10% from the AIP to Property Accounting).
6. Verify units of property installed (report to Property Accounting if different from AIP).
7. Verify units of property retired (report to Property Accounting if different from AIP).

Budget coordinators are required to perform a post-implementation review for any project that required Investment Committee approval. The review must follow the requirement specified in section 3 of the Investment Proposal guidelines. The review must be provided to the appropriate Financial Planning Department and the Investment Committee.

Capital Lease Guidelines

The following guidelines apply to all leases in excess of \$50,000. Leases less than \$50,000 will be treated as an operating lease.

Background: SFAS 13, "Accounting for Leases" and the Code of Federal Regulations, Part 101, General Instruction 19, impose stringent accounting and reporting requirements in connection with capital leases. Upon entering a capital lease the Company must record a capital asset and an offsetting obligation equal to the present value of the minimum lease payments. The offsetting obligation is reported as debt in the financial statements. Lease payments are allocated between interest expense and the reduction of the capital lease obligation.

Because capital lease obligations are classified as debt, a significant number or amount of capital leases will negatively impact the Company's debt ratios and credit ratings. Therefore, the Company chooses to avoid capital leases if possible.

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Capital Lease Criteria: A capital lease exists if any one of the following conditions are met;

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains a bargain purchase option.
3. The lease term is equal to 75% or more of the economic life of the property.
4. The present value of the minimum payments, at the beginning of the lease term, equals 90% of the fair market value of the leased property.

Approvals: Prior to entering lease agreements in excess of \$50,000, the lease must be reviewed by the budget coordinator for the OBU. If the lease meets any of the four capital lease criteria, the budget coordinator must submit an AIP for approval subject to the normal approval requirements for capital investment.

LG&E Energy's Corporate Finance Department must review any lease in excess of \$1,000,000.

Record Retention: Original lease agreements should be retained by the appropriate function in accordance with the Record Retention Policy. The Corporate Law Department will maintain copies of all leases with aggregate rentals over \$300,000 in a central lease file.

Penalties for Noncompliance

Failure to comply with this policy may result in disciplinary action, up to and including discharge.

Reference: Authority Limit Matrices; Authorization for Investment Proposal; Capital Evaluation Model; and Investment Proposal forms.

Key Contact:

- **Utility and SERVCO:** Financial Planning – Utility Operations
- **All Other:** Financial Planning & Controlling – LG&E Energy LLC
- **Investment Committee:** Financial Planning & Controlling
- **Accounting Matters:** Property Accounting, Utility Accounting & Reporting, & Controller
- **Capital Leases:** Corporate Finance

Administrative Responsibility: Chief Financial Officer.

**E.ON US
Capitalization Policy**

Effective 7/31/03 to 8/22/05

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Capital

Policy

The primary purpose of the Capital Policy is to establish a uniform process for:

1. capital planning and budgeting;
2. authority for the expenditure of funds;
3. control and reporting of capital expenditures; and
4. development of review criteria for the authorization process.

Further, these policies will provide management with the necessary tools to make informed business decisions. A capital expenditure includes adding, replacing or retiring units of property through the construction or acquisition process. Generally, it is inappropriate to capitalize expenditures that are part of routine or necessary maintenance programs. If a substantial improvement is made to an asset, the following criteria should be used to determine whether or not capitalization is appropriate:

1. Does the improvement extend the original useful life of the asset?
2. Does the improvement increase the throughput or capacity of the asset?
3. Has operating efficiency been improved?
4. Does the expenditure meet the definition of a capitalizable cost under the FERC Uniform System of Accounts?

If you answer yes to any of the above questions, capitalization is appropriate for your project. Questions relating to the categorization of an expense as capital or O&M should be referred to Property Accounting for utility matters or the appropriate fixed-asset accounting group for non-utility operations. The Controller will have the ultimate authority of interpreting expense versus capital decisions based on generally accepted accounting principles. See Property Accounting's Home Page.

Scope

This policy applies to all LG&E Energy LLC and its subsidiaries' (Company) employees.

General Requirements

1. All capital spending that is expected to occur during the year must be budgeted in the current-year commitment.
2. There will be no carry-over of spending capital authority from one year to the next.
3. An Authorization for Investment Proposal (AIP) form must be completed for **all** capital spending projects.
4. Projects with a total cost of \$2,000 or less will be expensed.
5. An Investment Proposal must be completed for all capital spending projects greater than \$300,000.
6. On a quarterly basis, the Financial Planning - Utility Operations department will produce a Capital Projects over \$500,000 report, which will include a project-to-date summary of all approved projects over \$500,000.

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7. The Information Technology Department must approve **all** capital projects involving anything related to information technology.
8. All information technology or development projects greater than \$250,000 and all other projects greater than \$1,000,000 require the approval of the Investment Committee.

Capital Planning

The multi-year Capital Investment Plan will be used to inform senior management of future capital-spending projections. These plans are prepared annually on an operating business unit (OBU) basis and include the forecast of capital projections during the annual planning period. The first year of the capital investment plan, once approved, becomes the formal budget for that year.

Carry-Over Spending: During preparation of the Three-year Capital Investment Plans, each OBU will review all current-year projects to determine if they will be completed as of the end of the year. If the project is expected to be in process at year-end, but not complete, it must be included in the following year's Three-year Capital Investment Plan for additional funds to be approved.

Capital Approval Process

Authorization for Investment Proposal: Although specific capital projects are identified in the budgeting process, they are still subject to the Authority Limit Matrices signature requirements and all other signature reviews as stated on the face of the AIP. Projects are not considered approved until appropriate signatures are obtained as stated on the AIP form.

The AIP form is used to request the appropriate approvals for spending on capital projects. A completed AIP is required under the following conditions:

- An AIP form must be submitted and approved prior to committing to or incurring any capital expenditure. Approvals should be obtained in the sequence shown in the approval section of the AIP form.
- Approvals must be obtained up to the levels designated in the Authority Limit Matrices for the dollar amount of any project (which may include multiple AIPs).
- Any AIP over \$300,000 must include an Investment Proposal and Capital Evaluation Model and must be submitted to the appropriate Financial Planning department for approval.
- A completed AIP form must be submitted and approved prior to the disposal of any capital asset. In addition, an Investment Proposal must be submitted for disposal projects of \$300,000 or more.
- A revised AIP must be submitted for significant project overruns (See below).
- Instructions provided with the AIP form must be followed.

Investment Proposal: The Investment Proposal is used to explain in detail the nature and justification of the capital project. Capital projects over \$300,000 on a fully loaded basis require

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the submittal of an Investment Proposal and Capital Evaluation Model along with the AIP. The following format will provide senior management with consistent information for evaluating capital projects. The Investment Proposal should include the following sections:

- Full description, including alternative options and strategic justification.
- Breakdown of investment amount by year, by type of spend (capital/revenue/working capital).
- Cost of own staff allocated to the project is not included in the investment value but should be separately disclosed.
- The amount to be sanctioned must include an appropriate risk margin.
- Economics:
 - NPV* and IRR* should be based on the post tax nominal cash flows.
 - The economics should be calculated on central case cash flows, but include the full investment amount (i.e. including any risk margin).
 - For projects that will not be consolidated (generally less than 50% ownership) the economics should be calculated on the dividend stream to the Company. The project return should also be shown, but this measure is second order to the equity impact.
 - Value added* is calculated as the difference between the ROCE* and the pre tax nominal cost of capital, multiplied by the capital employed.

Value Added* = ROCE* - [11% (E.ON WACC) * Capital Employed for the Project]

ROCE* = $\frac{\text{Earnings before tax}}{\text{Capital Employed Company-wide}}$

- Other economic measures may be shown e.g. payback period (number of years for the cumulative nominal post tax cash flows to exceed the investment cost).
- Impact on LG&E Energy financial statements. The impact on EBIT, internal operating profit, net income, net debt and cash flow should be shown at a minimum. The time horizon should be appropriate to the investment.
- Risk assessment and sensitivity analysis. Sensitivities should show the impact on the financial statements (particularly internal operating profit and cash flow) as well as the impact on the NPV* and IRR*.
- Breakdown of synergies; indicating a sensitivity to show the impact of not achieving the synergies.
- How the project will be managed including accountabilities (especially for realizing the synergies) in all stages of the process.
- Assumptions must be stated.
- Reference to supporting documents (e.g. functional reports).
- Budget / plan provision for project.
- Milestone plan.
- Environmental impact of the investment.

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*For these and other definitions, see Investment Decision Procedure , Appendix C.

Unbudgeted Projects: Any capital expenditure that is not included in the original, approved budget, must either be offset by a like reduction in one or more budgeted projects, or the overspending requires prior written approval by the LG&E Energy LLC Chief Financial Officer (CFO) and Chief Executive Officer (CEO). The appropriate Financial Planning department must approve AIPs for unbudgeted projects (see Approvals below).

Under-Funded Projects: Projects that are submitted for approval that were included in the original approved budget, where the requested capital amount is greater than the budgeted amount for that project, must either be offset by a like reduction in one or more budgeted projects, or the additional funding requires prior written approval by the LG&E Energy LLC CFO and CEO.

Project Overruns: When it is apparent that the amount approved on the original AIP will be insufficient (project is expected to be 10% or \$100,000 over; whichever is less, subject to a minimum of \$25,000) to complete the project, a revised AIP must be completed as soon as possible. If a revised AIP is required and the revised total is \$300,000 or greater, a new Investment Proposal is also required. **At no time should overspending occur prior to the approval of the new AIP** (subject to the emergency provision of the Delegated Powers of Authority). The additional funding requested must either be offset by a like reduction in one or more budgeted projects, or the additional funding requires prior written approval by the LG&E Energy LLC CFO and CEO.

Revised AIPs must be approved for the total revised dollar amount using the approval limits in the Authority Limit Matrices. All revised AIPs must be submitted to the appropriate Financial Planning and Accounting department and will be provided to the Investment Committee for review.

Projects expected to exceed the approved AIP by less than 10% or \$100,000 (whichever is less) do not require further approval or review, but the funding must also be offset by a like reduction in one or more budgeted projects.

Approvals: Unbudgeted projects or those projects requiring an Investment Proposal (i.e. over \$300,000) must be forwarded to the appropriate department for review and approval:

- **Utility and SERVCO**: Financial Planning & Accounting -- Utility Operations
- **All Other**: Financial Planning & Accounting -- LG&E Energy LLC

If the appropriate financial planning and accounting department does not concur with an Investment Proposal and does not approve the AIP, then the project will require a signature one level above that which is normally required by the Authority Limit Matrices.

LG&E Energy LLC Policy

Date 07/31/03
Page 5 of 6

Capital

Budgeted projects less than \$300,000 are approved as normally required by the Authority Limit Matrices and do not require the prior approval of the appropriate Financial Planning department.

Project Completion

Upon project completion the project manager or budget coordinator closest to the project is required to:

1. Verify completion date (report to Property Accounting if different from AIP).
2. Update ORACLE project status to "completed".
3. Verify actual in-service date (report to Property Accounting if different from AIP).
4. Verify actual installed costs (report/explain any variances greater than 10% from the AIP to Property Accounting).
5. Verify actual removal costs (report/explain any variances greater than 10% from the AIP to Property Accounting).
6. Verify units of property installed (report to Property Accounting if different from AIP).
7. Verify units of property retired (report to Property Accounting if different from AIP).

Budget coordinators are required to perform a post-implementation review for any project that required Investment Committee approval. The review must follow the requirement specified in section 3 of the Investment Proposal guidelines. The review must be provided to the appropriate Financial Planning department and the Investment Committee.

Capital Lease Guidelines

The following guidelines apply to all leases in excess of \$50,000. Leases less than \$50,000 will be treated as an operating lease.

Background: SFAS 13, "Accounting for Leases" and the Code of Federal Regulations, Part 101, General Instruction 19, impose stringent accounting and reporting requirements in connection with capital leases. Upon entering a capital lease the Company must record a capital asset and an offsetting obligation equal to the present value of the minimum lease payments. The offsetting obligation is reported as debt in the financial statements. Lease payments are allocated between interest expense and the reduction of the capital lease obligation.

Because capital lease obligations are classified as debt, a significant number or amount of capital leases will negatively impact the Company's debt ratios and credit ratings. Therefore, the Company chooses to avoid capital leases if possible.

Capital Lease Criteria: A capital lease exists if any one of the following conditions are met;

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains a bargain purchase option.

LG&E Energy LLC Policy

Date 07/31/03
Page 6 of 6

Capital

3. The lease term is equal to 75% or more of the economic life of the property.
4. The present value of the minimum payments, at the beginning of the lease term, equals 90% of the fair market value of the leased property.

Approvals: Prior to entering lease agreements in excess of \$50,000, the lease must be reviewed by the budget coordinator for the OBU. If the lease meets any of the four capital lease criteria, the budget coordinator must submit an AIP for approval subject to the normal approval requirements for capital investment.

LG&E Energy's Corporate Finance department must review any lease in excess of \$1,000,000.

Record Retention: Original lease agreements should be retained by the appropriate function in accordance with the Record Retention Policy. The Corporate Law Department will maintain copies of all leases with aggregate rentals over \$300,000 in a central lease file.

Penalties for Noncompliance

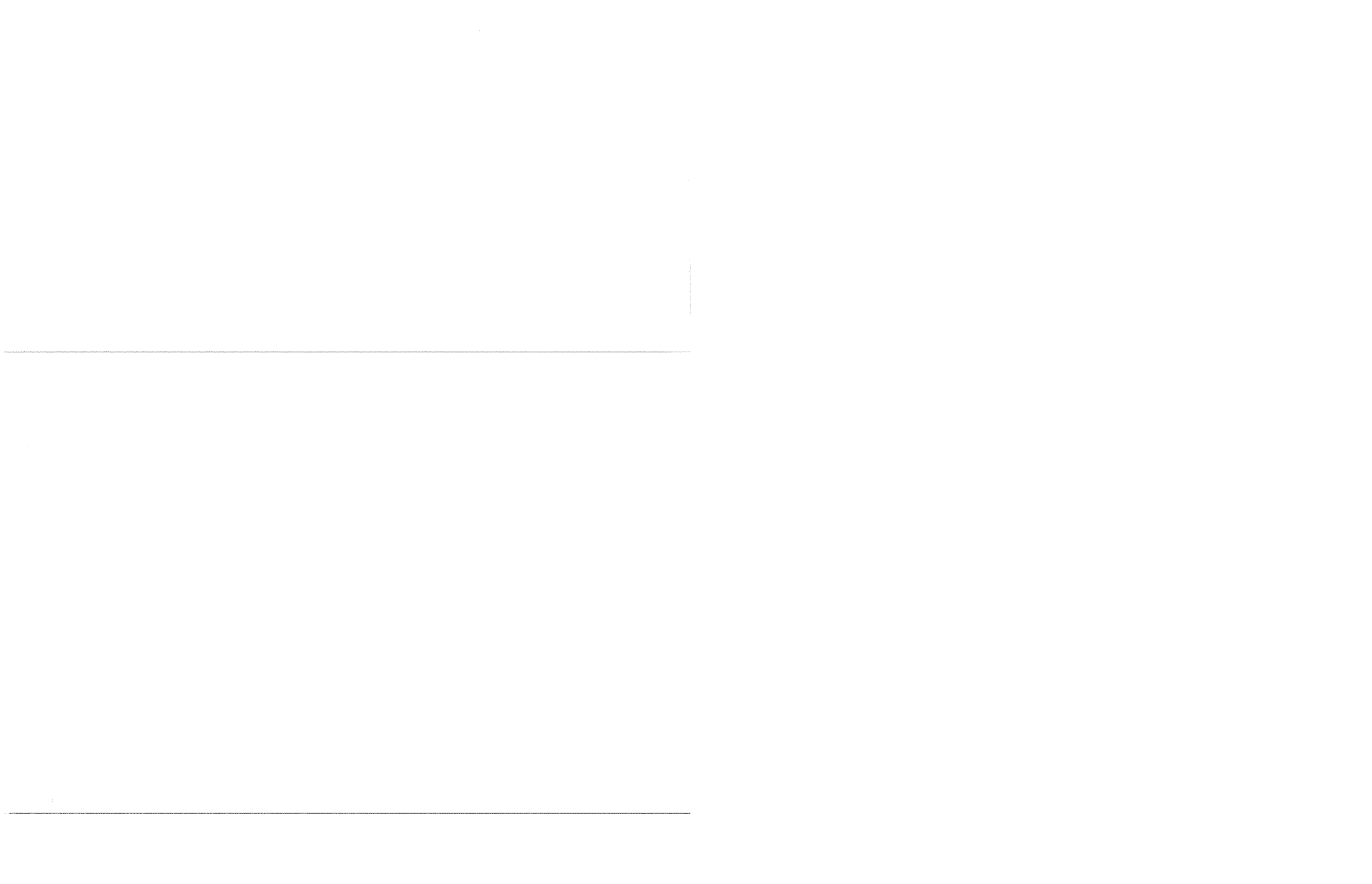
Failure to comply with this policy may result in disciplinary action, up to and including discharge.

Reference: Authority Limit Matrices; Authorization for Investment Proposal; Capital Evaluation Model; and Investment Proposal forms.

Key Contact:

- **Utility and SERVCO:** Financial Planning & Accounting – Utility Operations
- **All Other:** Financial Planning & Accounting – LG&E Energy LLC
- **Investment Committee:** Planning & Controlling

Administrative Responsibility: Chief Financial Officer.



KENTUCKY UTILITIES COMPANY

**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

Case No. 2007-00565

Question No. 13

Witness: John J. Spanos

Q-13. Please identify and explain all changes since the last depreciation study which might affect depreciation rates.

A-13. Depreciation rates are affected by life and net salvage parameters, plant activity, ratio of plant to depreciation reserve and depreciation procedure. Each account has experienced at least two of these factors and many accounts were exposed to all four factors since the last depreciation study.



KENTUCKY UTILITIES COMPANY

**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

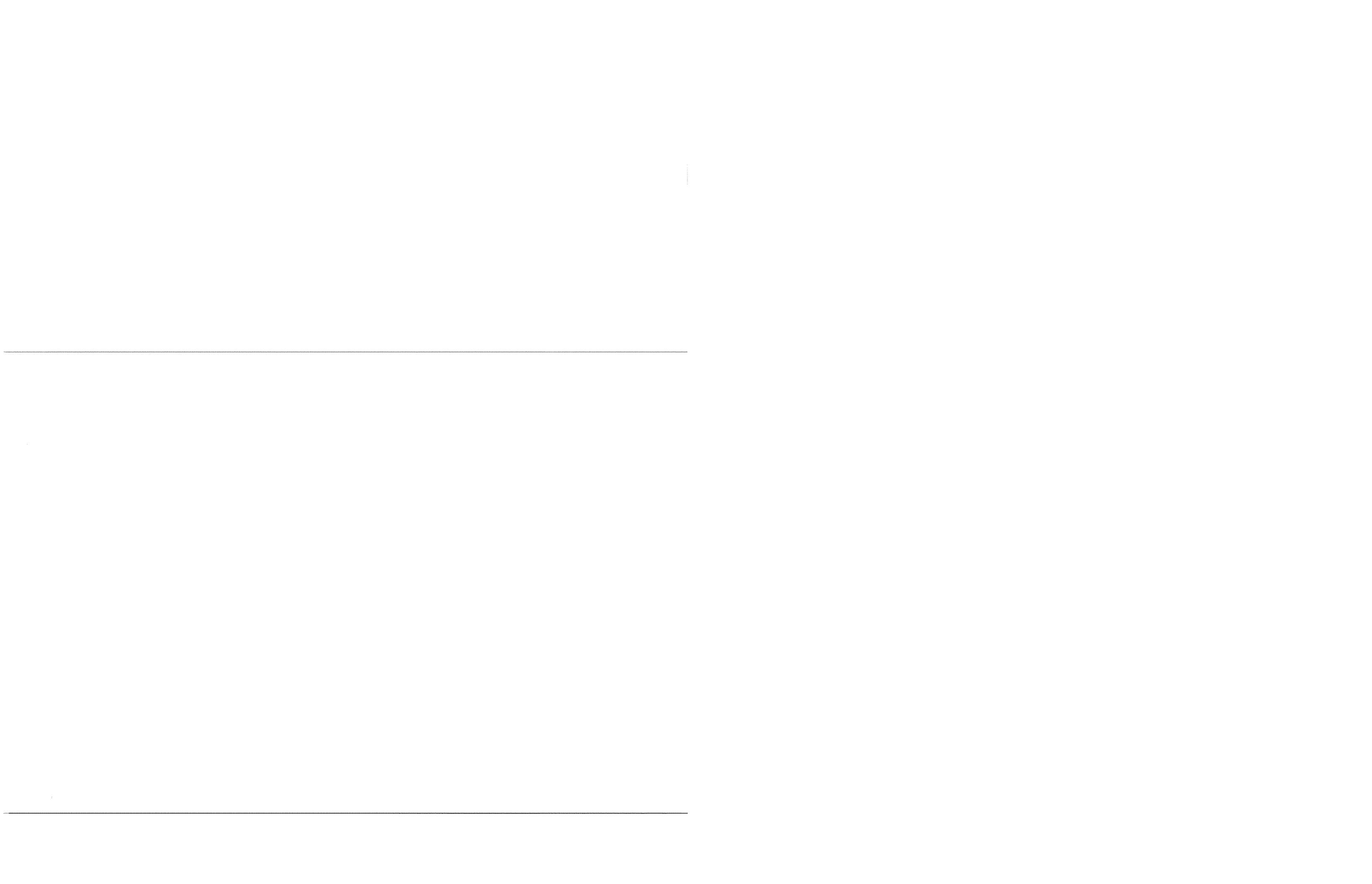
Case No. 2007-00565

Question No. 14

Witness: Robert M. Conroy

Q-14. Please provide the Company's most recent Asset Management Plan.

A-14. The Company does not prepare a document named "Asset Management Plan". All aspects of operating the business consider how assets will be managed and maintained. This process goes into developing the business plans for each area of the Company, the investment proposals for new assets, and all other aspects of the business. No single document covers a specific asset management plan. However, the Company's most recent Integrated Resource Plan ("IRP") filing, Case No. 2005-00162, can be found at the following website: <http://psc.ky.gov/pscscf/2005%20cases/2005-00162/>.



KENTUCKY UTILITIES COMPANY

**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

Case No. 2007-00565

Question No. 15

Witness: Shannon L. Charnas

Q-15. Please provide a copy of the Company's 2003 through 2007 annual reports to the KY Public Service Commission. Please reconcile the December 31, 2006 plant shown in the Depreciation Study with the December 31, 2006 plant shown in the 2006 PSC Report, and provide a complete explanation for each difference.

A-15. Please see the FERC Form 1 and KPSC .pdf format files on the attached CD.

Reconciliation of Form 1 to the Depreciation Study

Electric Plant in Service:

KU 2006 Form 1, page 207, line 104, column (g):	\$ 3,680,734,487
(Less) Asset Retirements Costs not included in study--	
KU 2006 Form 1, page 205, line 15, column (g):	(9,249,179)
KU 2006 Form 1, page 205, line 34, column (g):	(4,970)
KU 2006 Form 1, page 205, line 44, column (g):	(70,990)
KU 2006 Form 1, page 207, line 57, column (g):	(11,027)
KU 2006 Form 1, page 207, line 74, column (g):	(18,610)

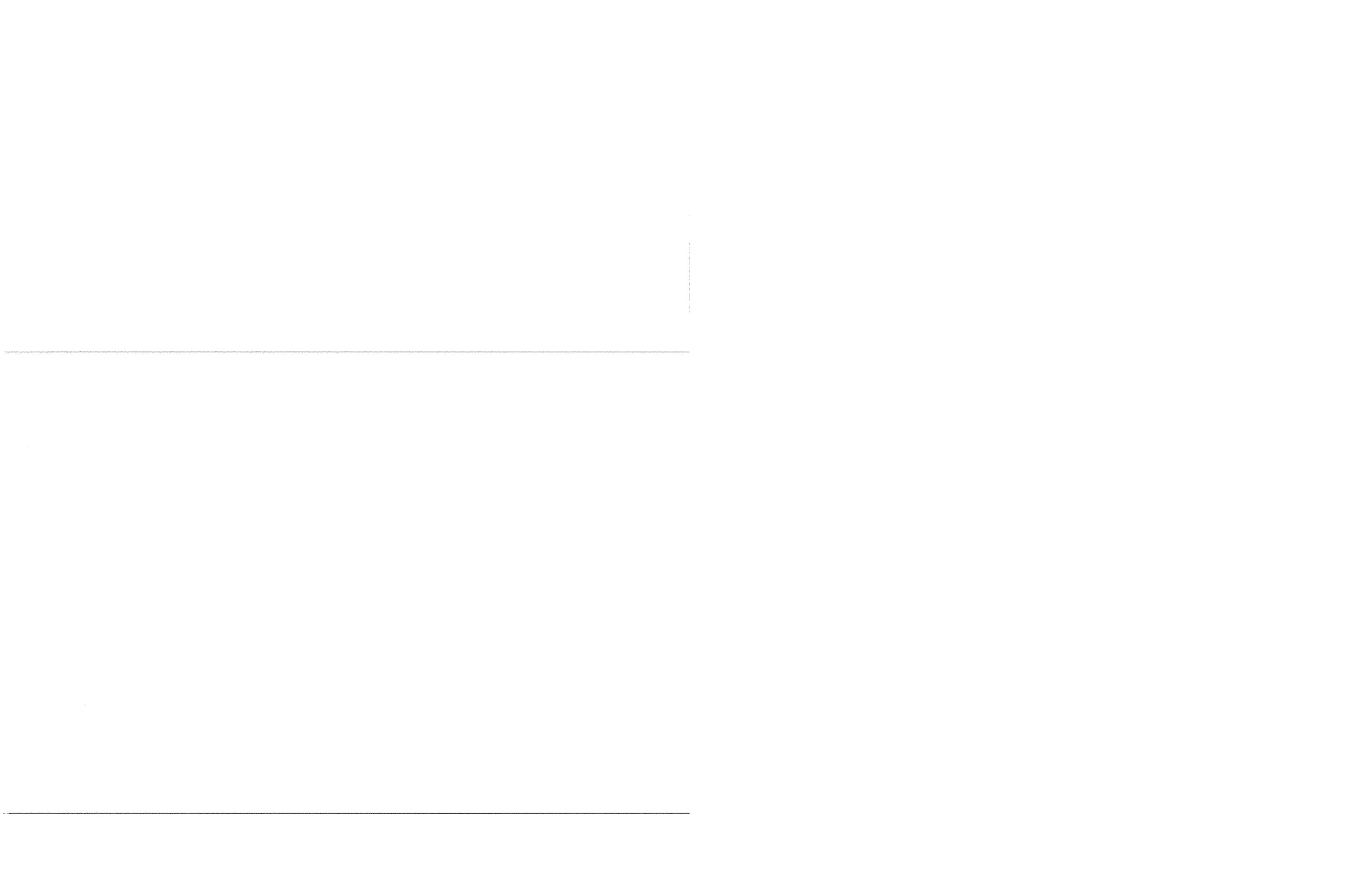
\$ 3,671,379,711

Depreciation Study, page III-10, Total Electric Plant, Original
Cost, column (4)

\$ 3,671,379,710

Difference due to rounding

1



KENTUCKY UTILITIES COMPANY

**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

Case No. 2007-00565

Question No. 16

Witness: John J. Spanos

Q-16. Please provide all tabulations included in the Depreciation Study and all data necessary to recreate in their entirety, all analyses and calculations performed for the preparation of the Depreciation Study. Please provide this and all electronic data in Excel (or .txt format if appropriate), with all formulae intact. Please provide any record layouts necessary to interpret the data. Include in the response electronic spreadsheet copies of all of the schedules and/or tables included in the Depreciation Study, with all formulae intact. Identify and explain any and all unique spreadsheet formula's or assumptions required to recreate in their entirety all of Mr. Spanos's calculations given his inputs.

A-16. The requested data is included on the attached CD.

KENTUCKY UTILITIES COMPANY

**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

Case No. 2007-00565

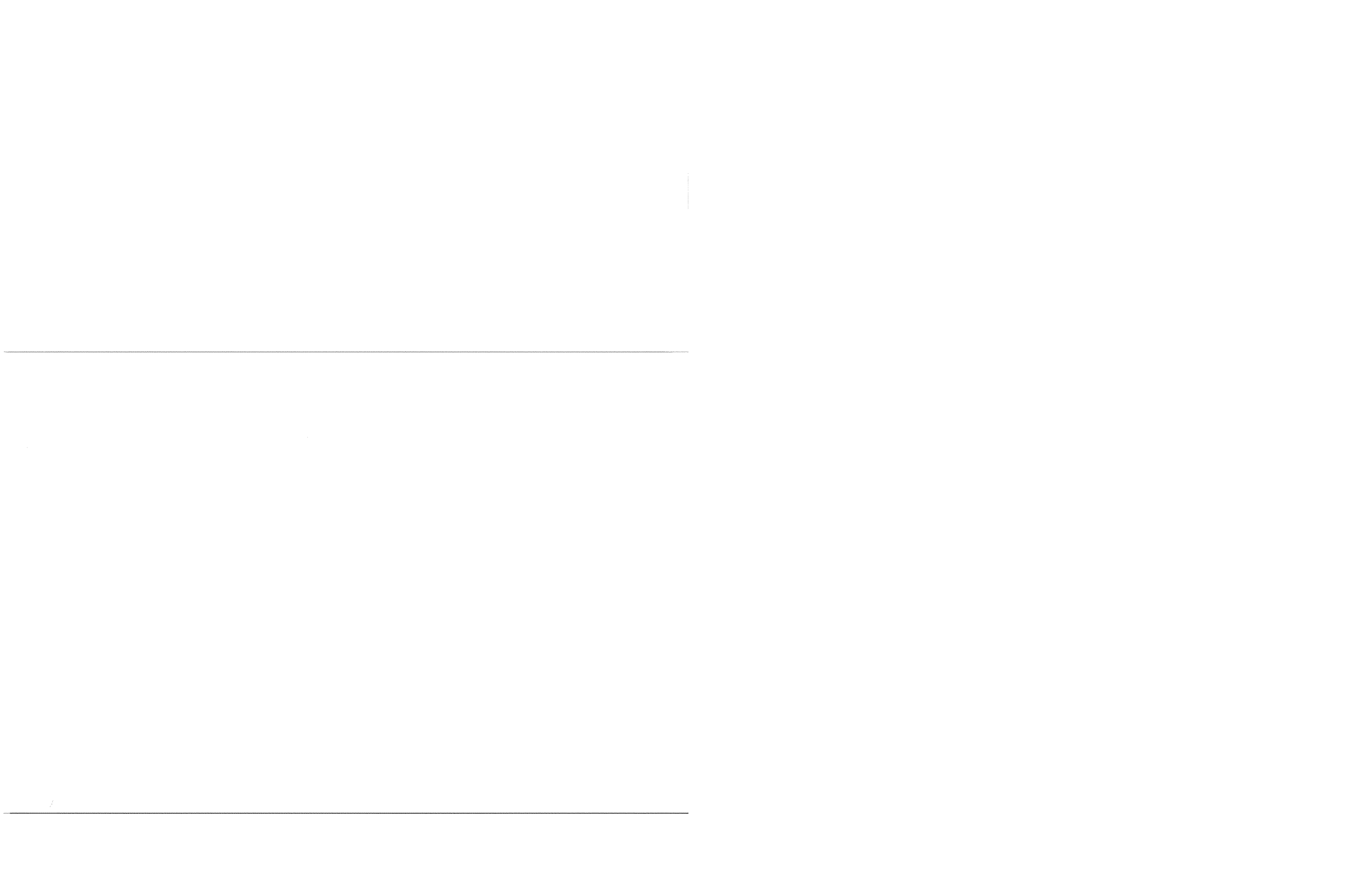
Question No. 17

Witness: John J. Spanos

Q-17. For *each* plant account, and for each year since the inception of the account up to and including 2006, please provide the following standard depreciation study data as identified at pages 30-33 of the August 1996 NARUC Public Utility Depreciation Practices Manual ("NARUC Manual"). At a minimum, the data provided should be the same data set used to conduct the life analyses included in the Depreciation Study. Please provide the data in electronic format (Excel or .txt). Provide aged vintage data if available. Use the codes identified for each type of data, unless the Company regularly uses other codes. In those circumstances, identify and explain the Company's coding system.

Code	Data Type
9	Addition
0	Ordinary Retirement
1	Reimbursement
2	Sale
3	Transfer – In
4	Transfer – Out
5	Acquisition
6	Adjustment
7	Final retirement of life span property (see NARUC Manual, Chapter X)
8	Balance at Study Date
	Initial Balance of Installation

A-17. The service life data is included on the attached CD in .txt format for each plant account from the first year of available activity through 2006. This is the same data that was utilized in the service life study.



KENTUCKY UTILITIES COMPANY

**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

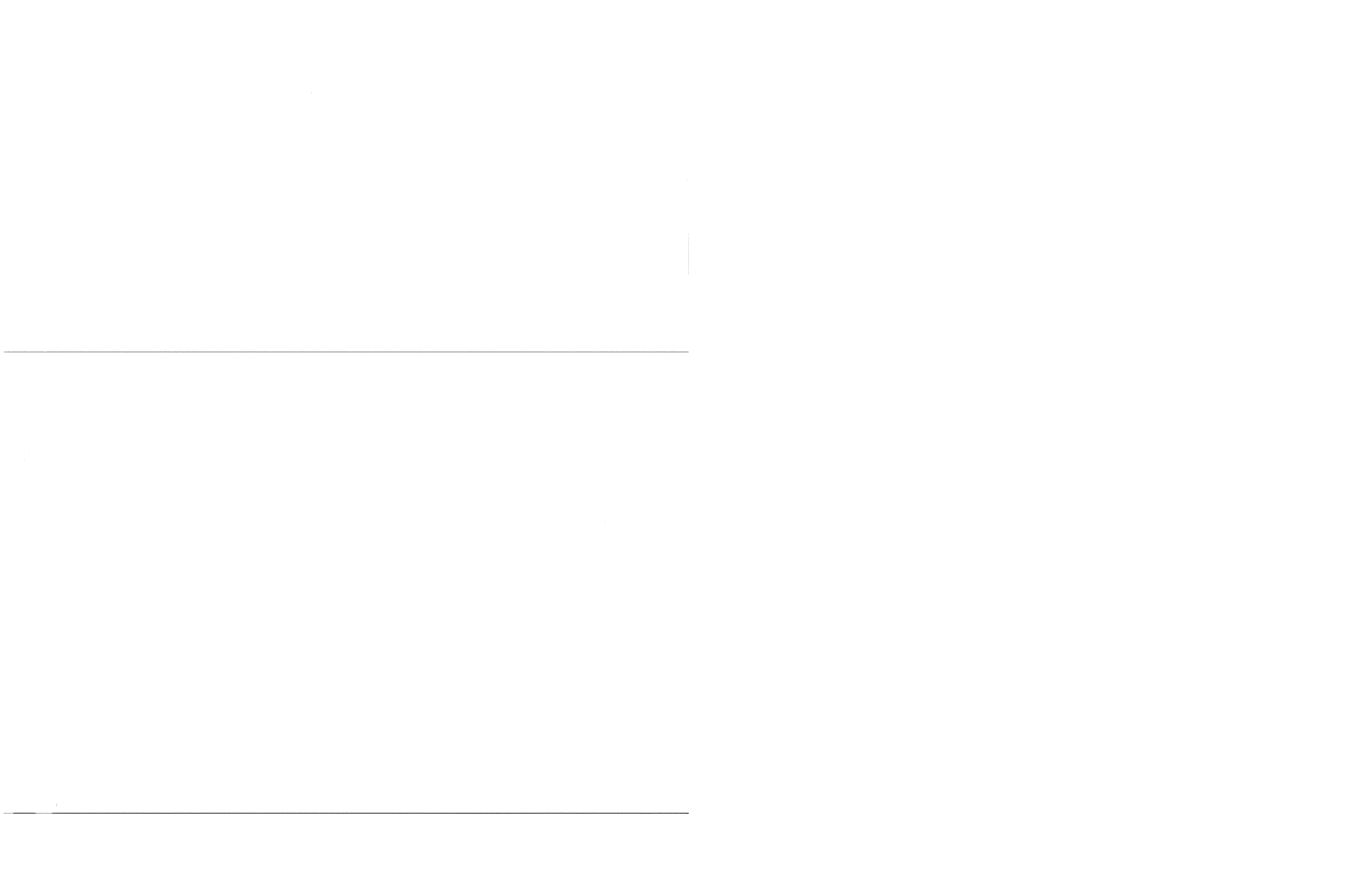
Case No. 2007-00565

Question No. 18

Witness: John J. Spanos

Q-18. If the depreciation study data provided in response to the preceding question is not the exact set of data used to run the life analyses for the Depreciation Study submitted in this case, please explain all differences and reconcile the amounts provided to those used in the Depreciation Study.

A-18. The data set forth in response to AG-17 is the same as that used in the life analyses.



KENTUCKY UTILITIES COMPANY

**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

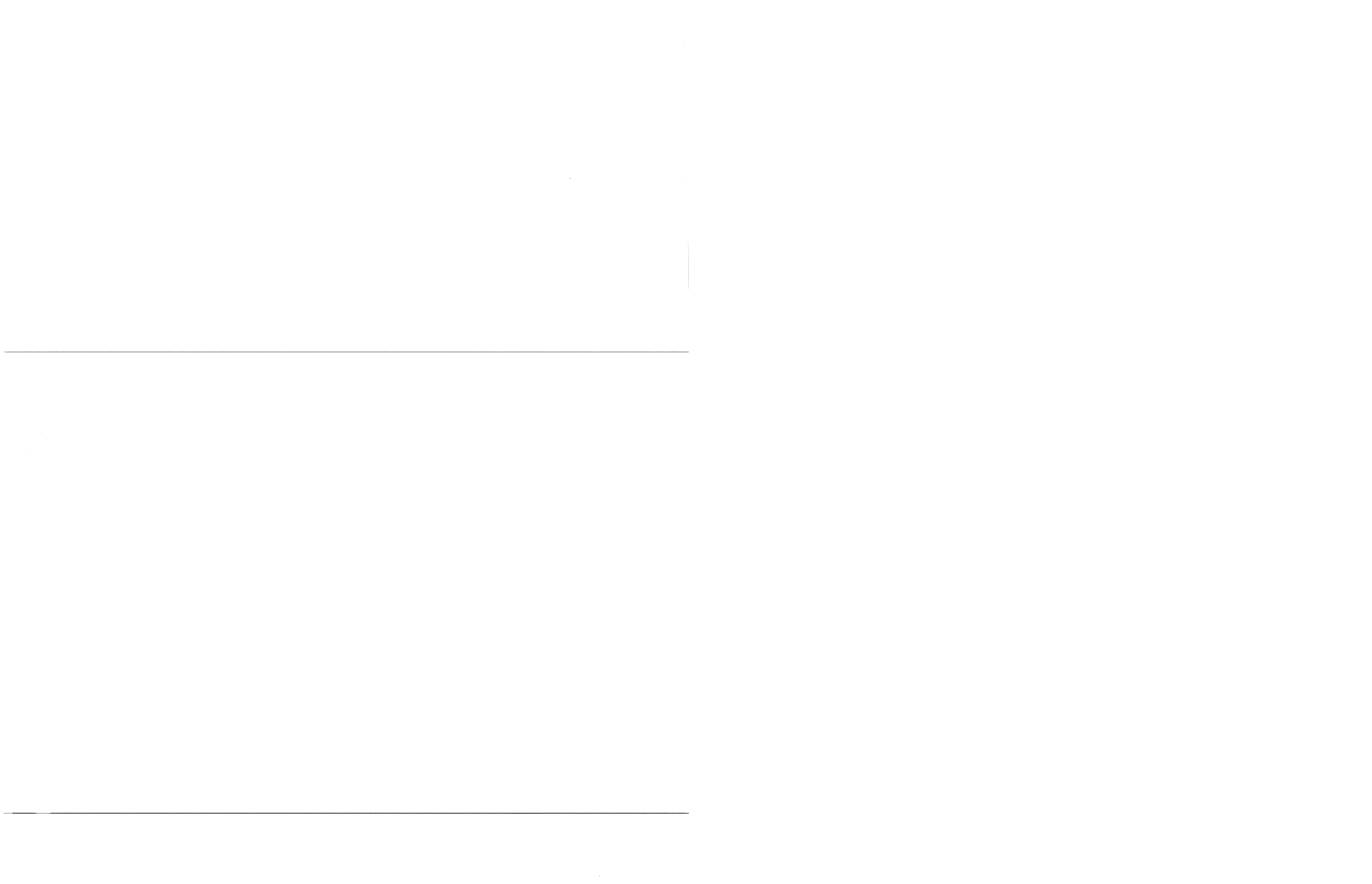
Case No. 2007-00565

Question No. 19

Witness: John J. Spanos

Q-19. If not provided elsewhere, please provide all amortization workpapers and calculations in electronic format (Excel) with all formulae intact. Include all workpapers and support for the selection of the proposed amortization periods.

A-19. The industry statistics set forth as an attachment to the response to AG-8 provide the support for the amortization periods.



KENTUCKY UTILITIES COMPANY

**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

Case No. 2007-00565

Question No. 20

Witness: John J. Spanos

Q-20. Please refer to page 7, lines 22-23 of Mr. Spanos's testimony. Did KU experience a change in account numbers since the last depreciation study was filed? If so, please reconcile the account numbers used in the current study with those used in the previous study. If not, please explain Mr. Spanos's statement on those lines.

A-20. Kentucky Utilities Company did not experience a change in account numbers since the last depreciation study was filed. However, Accounts 391.2 and 391.4 were not included in the last study. Finally, the statement on page 7, lines 22-23 of Mr. Spanos' testimony was intended to establish the accounts subject to amortization accounting.



KENTUCKY UTILITIES COMPANY

**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

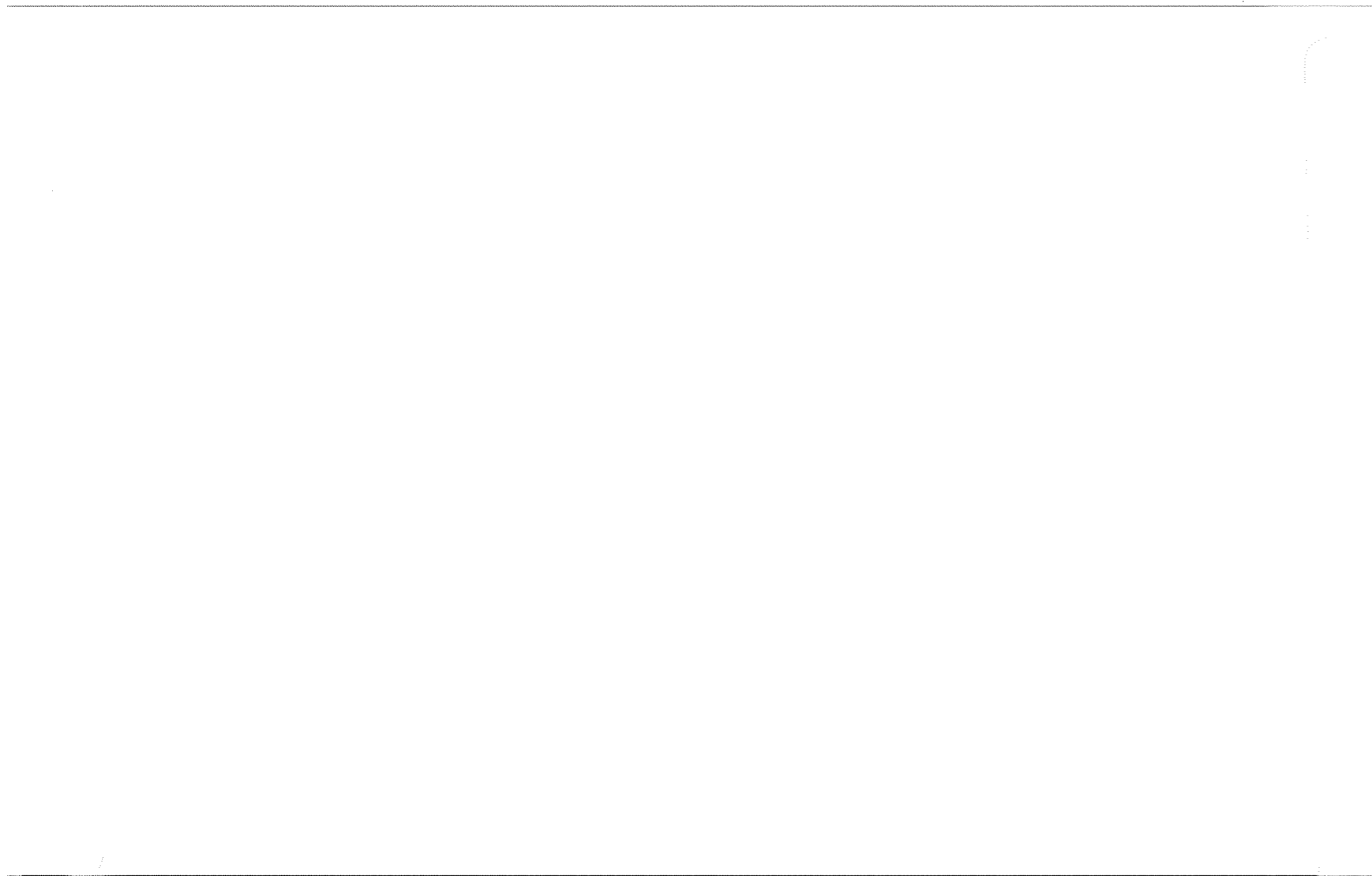
Case No. 2007-00565

Question No. 21

Witness: John J. Spanos

Q-21. If not provided elsewhere, please provide the cost of removal and gross salvage data used in the Depreciation Study net salvage analyses. If this data differs from that reflected on the Company's books, please explain the differences and provide a reconciliation. Please provide this data in electronic (Excel or .txt) format.

A-21. The files included on the attached CD in .txt format set forth the cost of removal and gross salvage data used in the Depreciation Study net salvage analyses. This data was supplied by the Company to Gannett Fleming for the Depreciation Study.



KENTUCKY UTILITIES COMPANY

**Response to the Attorney General's
Initial Requests for Information Dated February 4, 2008**

Case No. 2007-00565

Question No. 22

Witness: John J. Spanos / Shannon L. Charnas

Q-22. Please provide the following annual accumulated depreciation amounts for *all* plant accounts for the last 10 years (up to, and including, 2007). If the requested data is not available for the last 10 years, please provide the data for as many years as are available. Please provide data in both hard copy and electronic format (Excel or .txt).

- a. Beginning and ending reserve balances,
- b. Annual depreciation expense,
- c. Annual retirements,
- d. Annual cost of removal and gross salvage,
- e. Annual third party reimbursements.

A-22. The attached reserve or accumulated depreciation schedules (years 2003-2006) are available for Kentucky Utilities. The depreciation study was performed through 2006, therefore, 2007 is not applicable. Each year includes a breakdown of accumulated depreciation by state. The electronic Excel files are included on the attached CD.

Kentucky Utilities Company

Reserve and Accumulated Depreciation Schedules

2003

KENTUCKY UTILITIES COMPANY
SUMMARY OF UTILITY PLANT
DECEMBER 31, 2003

	NET BALANCE FIRST OF YEAR	ADDITIONS	RETIREMENTS	TRANSFER/ADJUSTMENT	NET ADDITIONS	BALANCE TO DATE
UTILITY PLANT						
Plant In Service						
Intangibles.....	17,423,192.98	4,419,296.16	(6,357,749.91)	(73,952.34)	4,419,296.16	21,842,489.14
Steam Production.....	1,249,118,401.86	31,583,234.21		2,143.99	25,151,531.96	1,274,269,933.82
Hydro Production.....	10,626,165.04	140,903.03	(1,776,053.64)	(5,915,902.65)	143,047.02	10,769,212.06
Other Production.....	362,332,612.45	1,776,209.82	(932,264.08)	933,000.00	(5,915,746.47)	356,416,865.98
Transmission.....	451,607,350.80	28,276,739.45	(4,098,880.17)		28,277,475.37	479,884,826.17
Distribution.....	896,399,091.37	53,535,032.25	(9,437,440.67)		49,436,152.08	945,835,243.45
General.....	78,272,605.83	11,576,119.57			2,138,678.90	80,411,284.73
Transportation.....	23,749,238.51				23,749,238.51	23,749,238.51
Total Electric Plant In Service.....	3,089,528,658.84	131,307,534.49	(22,602,388.47)	(5,054,711.00)	103,650,435.02	3,193,179,093.86
Plant Purchased or Sold.....		(229,792.98)		195,640.37		(34,152.61)
Total Plant.....	3,089,528,658.84	131,077,741.51	(22,602,388.47)	(4,859,070.63)		3,193,144,941.25
Construction Work In Progress.....	191,233,221.88	212,278,347.54				403,511,569.42
Total Utility Plant at Original Cost.....	3,280,761,880.72	343,356,089.05	(22,602,388.47)	(4,859,070.63)		3,596,656,510.67
RESERVE FOR DEPRECIATION OF UTILITY						
Plant In Service						
Steam Production.....	794,854,592.77	35,263,135.37	(6,357,749.91)	(1,895,065.34)	61,336.05	821,567,230.02
Hydro Production.....	8,323,904.23	166,597.04	(1,776,053.64)			8,490,631.49
Other Production.....	50,312,904.75	12,132,305.51	(932,264.08)	2,338,193.33	114,017.28	60,609,356.69
Transmission.....	249,396,208.56	14,668,265.61	(4,098,880.17)	2,233,737.93	55,326.80	264,091,654.23
Distribution.....	371,679,812.59	29,041,512.61	(9,428,661.50)	(98,345.98)		396,642,726.06
General.....	28,370,592.95	6,759,555.52				25,603,140.99
Transportation.....	20,382,770.31	1,447,444.07				22,030,214.38
Total Reserve For Depreciation Of Utility Plant In Service.....	1,523,520,786.16	99,478,815.73	(22,593,609.30)	2,578,519.94	230,680.13	1,599,034,933.86
Retirement of Work in Progress.....	3,476,144.28			(8,133,898.53)	434,481.28	3,569,209.82
Subtotal.....	1,526,996,930.44	99,478,815.73	(22,593,609.30)	(5,555,378.59)	665,161.41	1,602,604,163.68
Intangibles.....	9,157,504.73	4,771,540.09				13,929,044.82
Leaseholds.....	503,517.72	(31,041.82)	(8,779.17)			463,696.73
Total Reserve For Depreciation and Amortization - Utility Plant In Service.....	1,536,657,952.89	104,219,314.00	(22,602,388.47)	(5,555,378.59)	665,161.41	1,616,996,905.23
Utility Plant at Original Cost Less Reserve For Depreciation and Amortization.....	1,744,103,927.83					1,979,659,605.44

KENTUCKY UTILITIES - KENTUCKY
ELECTRIC PLANT
AS OF DECEMBER 31, 2003

	YEAR TO DATE				RESERVE	NET BOOK VALUE
	NET BALANCE FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR RETIREMENTS	NET ADDITIONS		
INTANGIBLE PLANT PROJECT PLANT						
130200	13,461.00					13,461.00
FRANCHISES AND CONSENTS						
TOTAL INTANGIBLE PLANT-PROJECT PLANT	13,461.00					13,461.00
OTHER INTANGIBLE PLANT						
130100	39,116.89					39,116.89
ORGANIZATION	69,992.04			2,102.72		33,543.69
130200	17,297,387.08	2,102.72		4,417,193.44		13,867,012.62
130300		4,417,193.44				7,847,567.90
MISCELLANEOUS INTANGIBLE PLANT						
TOTAL OTHER INTANGIBLE PLANT	17,404,393.29	4,419,296.16		4,419,296.16		7,923,133.14
TOTAL INTANGIBLE PLANT	17,417,854.29	4,419,296.16		4,419,296.16		7,936,594.14
PRODUCTION PLANT						
STEAM PLANT						
131020	10,478,524.55				(2,962.33)	10,475,562.22
131010	154,711,332.22	997,473.37		997,473.37		155,708,805.59
131100	790,197,504.42	11,626,530.00	3,081,491.70	8,545,038.30	(520.00)	798,742,022.72
131200						112,801,755.31
131300						501,967,228.03
131400	191,722,845.06	8,654,417.50	3,275,422.07	5,378,995.43		197,101,840.49
131500	81,289,114.47	286,533.46	836.06	285,697.40		81,574,811.87
131600	20,719,081.14	1,414,439.16		1,414,439.16		22,133,520.30
131700	0.00	8,603,840.72	0.08	8,603,840.64	(70,470.01)	8,533,370.63
ASSET RETIREMENT COST - STEAM						1,690,066.32
TOTAL STEAM PRODUCTION PLANT	1,249,118,401.86	31,583,234.21	6,357,749.91	25,225,484.30	(73,952.34)	1,274,269,933.82
HYDRAULIC PLANT						
PROJECT PLANT						
133020	13,479.47					13,479.47
133010	67,902.49					67,902.49
133200	324,145.88					324,145.88
133300	114,085.49					114,085.49
133400	264,485.91					264,485.91
133500	66,094.89					66,094.89
133600	1,169.79				2,143.99	1,169.79
ROADS, RAILROADS AND BRIDGES						1,525.53
TOTAL HYDRAULIC PLANT-PROJECT PLANT	851,363.92				2,143.99	853,507.91
TOTAL HYDRAULIC PLANT-PROJECT PLANT						796,974.63
TOTAL HYDRAULIC PLANT-PROJECT PLANT						56,533.28

KENTUCKY UTILITIES - KENTUCKY
ELECTRIC PLANT
AS OF DECEMBER 31, 2003

20.2

	YEAR TO DATE				NET BALANCE		
	NET BALANCE FIRST OF YEAR	DEBITS-GROSS RETIREMENTS	CREDITS FOR NET ADDITIONS	ADJUSTMENTS	THIS DATE	RESERVE	NET BOOK VALUE
HYDRAULIC PLANT							
OTHER THAN PROJECT PLANT							
133020 LAND	879,311.47				879,311.47	863,838.38	15,473.09
133010 LAND RIGHTS	429,524.71				429,524.71	297,177.62	132,347.09
133100 STRUCTURES AND IMPROVEMENTS	7,818,030.36	136,421.67	136,421.67		7,954,452.03	6,005,034.15	1,949,417.88
133200 RESERVOIRS, DAMS AND WATERWAYS	418,543.74				418,543.74	374,029.22	44,514.52
133300 WATERWHEELS, TURBINES AND GENERATORS	85,383.13				85,383.13	72,815.52	12,567.61
133400 ACCESSORY ELECTRIC EQUIPMENT	97,031.59	4,481.36	4,481.36		101,512.95	34,612.54	66,900.41
133500 MISCELLANEOUS POWER PLANT EQUIPMENT	46,976.12				46,976.12	46,149.43	826.69
133600 ROADS, RAILROADS AND BRIDGES							
TOTAL HYDRAULIC PLANT-	9,774,801.12	140,903.03	140,903.03		9,915,704.15	7,693,656.86	2,222,047.29
OTHER THAN PROJECT PLANT	10,626,165.04	140,903.03	140,903.03	2,143.99	10,769,212.06	8,490,631.49	2,278,580.57
TOTAL HYDRAULIC PRODUCTION PLANT							
PRODUCTION PLANT							
OTHER PRODUCTION PLANT							
134020 LAND	98,602.74				98,602.74		98,602.74
134010 LAND RIGHTS	176,409.31				176,409.31	53,756.97	122,652.34
134100 STRUCTURES AND IMPROVEMENTS	21,174,956.60			(2,523.50)	21,172,433.10	3,796,495.78	17,375,937.32
134200 FUEL HOLDERS, PRODUCERS AND ACCESS.	18,325,891.25	36,567.97	36,567.97		18,362,459.22	3,766,028.23	14,596,430.99
134300 PRIME MOVERS	251,279,024.10	1,390,431.46	(385,622.18)		245,844,176.75	36,572,177.06	209,271,999.69
134400 GENERATORS	47,479,932.03				47,479,932.03	11,807,361.41	35,672,570.62
134500 ACCESSORY ELECTRIC EQUIPMENT	19,116,795.73			(933,000.00)	18,183,795.73	3,830,010.61	14,353,785.12
134600 MISC. POWER PLANT EQUIPMENT	4,681,000.69	349,210.39	349,210.39		5,028,067.09	762,890.29	4,265,176.80
134700 ASSET RETIREMENT COST - OTHER PRODUCTION				70,990.01	70,990.01	20,636.34	50,353.67
TOTAL OTHER PRODUCTION PLANT	362,332,612.45	1,776,209.82	156.18	(5,915,902.66)	356,416,865.98	60,609,356.69	295,807,509.29
TOTAL PRODUCTION PLANT	1,622,077,179.35	33,500,347.06	8,133,803.55	(5,987,711.00)	1,641,456,011.86	890,667,218.20	750,788,793.66
TRANSMISSION PLANT							
PROJECT PLANT							
135020 LAND	360.64				360.64	14.40	346.24
135010 LAND RIGHTS	2,062.39				2,062.39	3,154.27	(1,091.88)
135210 STRUCT & IMPROVE-NON SYS CONTROL/COM							
135220 STRUCT & IMPROVE-SYS CONTROL/COM							
135310 STATION EQUIPMENT-NON SYS CONTROL/COM	79,468.26				79,468.26	81,043.37	(1,575.11)
135400 TOWERS AND FIXTURES							
135500 FOLES AND FIXTURES	4,313.01				4,313.01	7,422.10	(3,109.09)
135600 OVERHEAD CONDUCTORS AND DEVICES	4,979.83				4,979.83	7,706.39	(2,726.56)
135700 UNDERGROUND CONDUIT							
135800 UNDERGROUND CONDUCTORS AND DEVICES							
TOTAL TRANSMISSION PLANT-PROJECT PLANT	91,184.13				91,184.13	99,340.53	(8,156.40)

KENTUCKY UTILITIES - KENTUCKY
ELECTRIC PLANT
AS OF DECEMBER 31, 2003

	YEAR TO DATE				ADJUSTMENTS	NET BALANCE		
	NET BALANCE FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR RETIREMENTS	NET ADDITIONS		NET BALANCE THIS DATE	RESERVE	NET BOOK VALUE
TRANSMISSION PLANT								
OTHER THAN PROJECT PLANT								
135020 LAND	1,094,360.08					1,094,360.08	(4,251.96)	1,098,612.04
135010 LAND RIGHTS	21,208,602.41	349,837.18		349,837.18		21,558,439.59	12,467,877.94	9,090,561.65
135210 STRUCT & IMPROVE-NON SYS CONTROL/COM	5,374,203.59	217,274.63	5,126.13	212,148.50		5,586,352.09	2,688,155.16	2,898,196.93
135220 STRUCT & IMPROVE-SYS CONTROL/COM	1,184,408.28		16,626.11	(16,626.11)		1,167,783.17	721,068.50	446,714.67
135310 STATION EQUIPMENT-NON SYS CONTROL/COM	132,504,696.67	13,494,095.94	352,167.89	13,141,938.05	933,000.00	146,579,634.71	46,182,944.03	100,396,690.68
135320 STATION EQUIPMENT-SYS CONTROL/COM	14,284,914.20	464,366.49		464,366.49		14,749,280.69	13,281,839.52	1,467,441.17
135400 TOWERS AND FIXTURES	69,614,890.24	2,222,893.40	12,755.21	2,210,138.19		56,004,501.30	34,619,116.60	21,385,384.70
135500 POLES AND FIXTURES	53,794,363.11	6,360,908.79	311,588.00	6,049,320.79		75,664,211.03	51,201,861.81	24,462,359.22
135600 OVERHEAD CONDUCTORS AND DEVICES	110,382,661.62	3,955,727.45	212,715.92	3,743,011.53		114,125,673.15	80,986,957.43	33,128,715.72
135700 UNDERGROUND CONDUIT	435,926.80	12,833.46		12,833.46		448,760.26	107,534.95	341,225.31
135800 UNDERGROUND CONDUCTORS AND DEVICES	1,114,761.90					1,114,761.90	685,010.65	429,751.25
135910 ASSET RETIREMENT COST - TRANSMISSION	0.00	3,600.18		3,600.18		3,600.18	1,130.28	2,469.90
TOTAL TRANSMISSION PLANT-	410,993,789.90	27,081,537.52	910,969.26	26,170,568.26	933,000.00	438,097,358.15	242,949,234.91	195,148,123.24
OTHER THAN PROJECT PLANT	411,084,974.03	27,081,537.52	910,969.26	26,170,568.26	933,000.00	438,188,542.28	243,048,575.44	195,139,966.84
TOTAL TRANSMISSION PLANT								
DISTRIBUTION PLANT								
PROJECT PLANT								
136010 LAND RIGHTS	5.00					5.00		1.27
136400 POLES, TOWERS AND FIXTURES	1,209.61		506.91	(506.91)		702.70	1,457.28	(754.56)
136500 OVERHEAD CONDUCTORS AND DEVICES	258.71					258.71	422.24	(163.53)
TOTAL DISTRIBUTION-PROJECT PLANT	1,473.32		506.91	(506.91)		966.41	1,883.25	(816.84)
DISTRIBUTION PLANT								
OTHER THAN PROJECT PLANT								
136020 LAND	1,485,973.92	128,540.15		128,540.15		1,614,514.07		1,614,514.07
136010 LAND RIGHTS	1,336,969.59					1,336,969.59	913,781.80	423,187.79
136100 STRUCTURES AND IMPROVEMENTS	3,428,240.61	331,791.69	1,926.31	329,865.38	(3,243.93)	3,754,862.06	1,158,359.95	2,596,502.11
136200 STATION EQUIPMENT	86,163,770.68	4,483,076.79	73,468.79	4,409,608.00	(106,185.61)	90,467,193.07	25,395,872.47	65,071,320.60
136300 STORAGE BATTERY EQUIPMENT	155,395,771.93	10,527,472.84	298,183.48	10,229,289.36	(17,856.89)	165,607,204.40	82,801,212.60	82,805,991.80
136400 POLES, TOWERS AND FIXTURES	148,157,865.09	5,874,679.20	451,601.85	5,423,077.35	(2,799.83)	153,578,142.61	83,394,484.81	70,183,657.80
136500 OVERHEAD CONDUCTORS AND DEVICES	1,551,966.69	112,205.94		112,205.94		1,664,172.63	629,655.24	1,034,517.39
136600 UNDERGROUND CONDUIT	49,284,446.82	9,191,717.88	123,660.16	9,068,057.72	(26,519.43)	58,325,985.11	11,658,294.57	46,667,690.54
136700 UNDERGROUND CONDUCTORS AND DEVICES	197,659,253.38	13,132,303.93	1,185,621.89	11,946,682.04	(4,718.17)	209,601,217.25	72,592,307.79	137,008,909.46
136800 LINE TRANSFORMERS	76,774,009.84	1,153,285.42	43,526.65	1,109,758.77	(9,428.52)	77,874,340.09	40,821,313.77	37,053,026.32
136900 SERVICES	58,959,474.32	1,876,752.99	1,466,018.49	410,734.50		59,370,208.82	22,214,450.96	37,155,757.86
137000 METERS	17,402,416.65	1,763.65	3,140.66	(1,377.01)		17,401,039.64	9,965,986.91	7,435,052.73
137100 INSTALLATIONS ON CUSTOMERS' PREMISES								
137200 LEASED PROP. ON CUSTOMERS' PREMISES	44,177,578.73	5,904,276.63	358,374.17	5,545,902.46		49,723,481.19	17,486,204.48	32,235,276.71
137300 STREET LIGHTING AND SIGNAL SYSTEMS								
TOTAL DISTRIBUTION PLANT-	841,777,738.25	52,717,867.11	4,005,522.45	48,712,344.66	(170,752.38)	890,319,330.53	369,033,925.35	521,285,405.18
OTHER THAN PROJECT PLANT	841,779,211.57	52,717,867.11	4,006,029.36	48,711,837.75	(170,752.38)	890,320,296.94	369,035,808.60	521,284,488.34
TOTAL DISTRIBUTION PLANT								

KENTUCKY UTILITIES - KENTUCKY
ELECTRIC PLANT
AS OF DECEMBER 31, 2003

	YEAR TO DATE		NET BALANCE		RESERVE	NET BOOK VALUE
	DEBITS-GROSS	CREDITS FOR RETIREMENTS	NET ADDITIONS	ADJUSTMENTS		
GENERAL PLANT	2,734,775.95	930.00	(930.00)		153,100.15	2,580,745.80
138920 LAND	28,343,519.39	298,176.51	1,436,892.10		7,113,666.83	22,666,744.66
138910 LAND RIGHTS	618,508.30	8,779.17	61,590.03		417,021.81	263,076.52
138910 STRUCT AND IMPROV TO OWNED PROPERTY	6,129,377.49	471,029.12	471,029.12		2,179,586.52	4,420,820.09
138910 IMPROVEMENTS TO LEASED PROPERTY	9,611,731.44	4,247,321.01	4,247,321.01		7,296,712.59	6,562,339.86
138920 OFFICE EQUIPMENT	369,393.94	448,190.94	448,190.94		287,090.18	530,484.70
139110 NON PC COMPUTER EQUIPMENT	9,814,322.00	1,916,096.15	(7,213,468.84)		1,583,539.52	1,017,323.64
139130 CASH PROCESSING EQUIPMENT	22,433,401.14	102,957.32	102,957.32		20,778,061.28	1,655,339.86
139140 PERSONAL COMPUTER EQUIPMENT	563,754.75	935,635.09	935,635.09		276,501.69	390,210.38
139200 TRANSPORTATION EQUIPMENT	3,424,969.75	827.92	827.92		1,248,897.86	3,111,726.98
139400 STORES, SHOP, AND GARAGE EQUIPMT	3,269,202.59	24,822.74	24,822.74		1,322,433.36	1,947,597.15
139400 LABORATORY EQUIPMENT	200,677.14	1,370,921.52	1,370,921.52		131,019.17	94,480.71
139500 POWER OPERATED EQUIPMENT	2,939,746.71	129,697.95	129,697.95		991,702.24	3,318,965.99
139600 CARRIER COMMUNICATION EQUIPMENT	3,729,637.84	91,956.11	91,956.11		1,120,894.65	2,738,441.14
139710 REMOTE CONTROL COMMUNICATION EQUIP	4,339,042.39	5,985.74	5,985.74		1,071,203.84	3,359,794.66
139720 MOBILE COMMUNICATION EQUIPMENT	440,965.52				273,964.56	173,006.70
139730 MISCELLANEOUS EQUIPMENT						
139800 OTHER TANGIBLE PROPERTY	98,963,056.34	11,550,879.42	2,113,438.75		46,245,395.25	54,831,098.84
139900 TOTAL GENERAL PLANT	98,963,056.34	11,550,879.42	2,113,438.75		101,076,495.09	117,391,098.84
101 TOTAL ELECTRIC PLANT IN SERVICE	2,991,322,275.58	129,269,927.27	106,781,694.43	(5,225,463.38)	3,092,878,496.62	1,562,897,554.80
102 ELECTRIC PLANT PURCHASED OR SOLD		(229,792.98)	(229,792.98)	195,640.37	(34,152.61)	
103 ELECTRIC PLANT IN PROCESS OF RECLASSIFICATION						
104 ELECTRIC PLANT LEASED TO OTHERS	187,456,654.48		214,189,357.37		401,646,011.85	401,646,011.85
105 ELECTRIC PLANT HELD FOR FUTURE USE						
107 CONSTRUCTION WORK IN PROGRESS-ELEC.	3,178,778,960.06	343,229,491.66	320,741,248.82		3,494,490,355.86	1,931,626,953.67
108 ACCUMULATED RESERVE						
TOTAL ELECTRIC PLANT	3,178,778,960.06	343,229,491.66	320,741,248.82		3,494,490,355.86	1,931,626,953.67

KENTUCKY UTILITIES - KENTUCKY
RESERVE FOR DEPRECIATION AND AMORTIZATION OF PLANT IN SERVICE
AS OF DECEMBER 31, 2003

	YEAR TO DATE					NET BALANCE THIS DATE
	NET BALANCE FIRST OF YEAR	ACCRUAL	GROSS RETIREMENTS	SALVAGE	COST OF REMOVAL	
RESERVE FOR DEPRECIATION						
EXCLUSIVE OF TRANSPORTATION AND POWER OPERATED EQUIPMENT						
ELECTRIC	794,854,592.77	35,263,135.37	6,357,749.91	61,336.05	1,895,065.34	(359,018.92)
STEAM PRODUCTION	788,668.13	8,306.50	0.00			796,974.63
HYDRAULIC PRODUCTION - PROJECT PLANT	7,535,236.10	158,290.54	0.00			130.22
HYDRAULIC PRODUCTION - NON-PROJECT PLT	50,312,904.75	12,132,305.51	1,776,053.64			(59,799.93)
OTHER PRODUCTION	97,189.29	2,151.24	0.00			99,340.53
TRANSMISSION - PROJECT PLANT	229,451,197.59	13,437,399.45	910,969.26	113,824.42	(2,350,549.17)	(1,492,766.47)
TRANSMISSION - NON-PROJECT PLT	2,438.75	(48.59)	506.91			1,883.25
DISTRIBUTION - PROJECT PLANT	345,622,464.77	27,429,861.44	4,005,522.45	54,930.26	(2,200,975.04)	369,033,925.36
DISTRIBUTION - NON-PROJECT PLT	27,872,255.98	6,705,064.66	9,428,661.50		98,345.98	25,050,313.16
GENERAL						
TOTAL ELECTRIC EXCL. TRANSPORTATION	1,456,536,948.13	95,136,466.12	22,479,463.67	230,090.73	(2,558,112.89)	(4,180,238.80)
TOTAL TRANSPORTATION EQUIPMENT	19,404,027.08	1,374,034.20	0.00			
TOTAL RESERVE FOR DEPRECIATION OF PLANT IN SERVICE - ELECTRIC	1,475,940,975.21	96,510,500.32	22,479,463.67	230,090.73	(2,558,112.89)	(4,180,238.80)
RESERVE FOR AMORTIZATION LEASEHOLDS FRANCHISES AND CONSENTS, ETC.	457,079.47	(31,278.49)	8,779.17			417,021.81
	9,129,016.22	4,771,540.09	0.00			13,900,556.31
RETIREMENT WORK IN PROGRESS	3,476,144.28			434,481.28	8,133,898.53	7,792,482.79

KENTUCKY UTILITIES - TENNESSEE
ELECTRIC PLANT
AS OF DECEMBER 31, 2003

	YEAR TO DATE				RESERVE	NET BOOK VALUE
	NET BALANCE FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR RETIREMENTS	NET ADDITIONS		
TRANSMISSION PLANT						
135010 LAND RIGHTS	439.53				311.55	127.98
135500 POLES AND FIXTURES	50,073.70				46,812.36	3,261.34
135600 OVERHEAD CONDUCTORS AND DEVICES	36,979.88				30,628.04	6,351.84
TOTAL TRANSMISSION PLANT	87,493.11				77,751.95	9,741.16
DISTRIBUTION PLANT						
136020 LAND	2,412.82					2,412.82
136010 LAND RIGHTS	2,627.41				1,709.52	917.89
136100 STRUCTURES AND IMPROVEMENTS	2,621.29				2,075.83	545.46
136200 STATION EQUIPMENT	55,936.26				35,005.15	20,931.11
136300 STORAGE BATTERY EQUIPMENT						
136400 POLES, TOWERS AND FIXTURES	28,304.63				33,996.21	(5,691.58)
136500 OVERHEAD CONDUCTORS AND DEVICES	47,063.18				52,530.69	(5,467.51)
136600 UNDERGROUND CONDUIT						
136700 UNDERGROUND CONDUCTORS AND DEVICES						
136800 LINE TRANSFORMERS	10,054.88				9,474.20	580.68
136900 SERVICES	950.46				1,584.41	(633.95)
137000 METERS	13,434.65				10,546.31	2,888.34
137100 INSTALLATIONS ON CUSTOMERS' PREMISES						
137200 LEASED PROP. ON CUSTOMERS' PREMISES						
137300 STREET LIGHTING AND SIGNAL SYSTEMS						
TOTAL DISTRIBUTION PLANT	163,989.43				147,615.97	16,373.46
SUMMARY						
101 TOTAL ELECTRIC PLANT IN SERVICE	251,482.54				225,367.92	26,114.62
102 ELECTRIC PLANT PURCHASED OR SOLD						
103 ELECTRIC PLANT IN PROCESS OF RECLASSIFICATION						
104 ELECTRIC PLANT LEASED TO OTHERS						
105 ELECTRIC PLANT HELD FOR FUTURE USE		106,832.08			106,832.08	106,832.08
107 CONSTRUCTION WORK IN PROGRESS-ELEC.						
108 ACCUMULATED RESERVE					225,367.92	
TOTAL ELECTRIC PLANT	251,482.54				358,314.62	132,946.70

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KENTUCKY UTILITIES - TENNESSEE
RESERVE FOR DEPRECIATION AND AMORTIZATION OF PLANT IN SERVICE
AS OF DECEMBER 31, 2003

RESERVE FOR DEPRECIATION	YEAR TO DATE					NET BALANCE THIS DATE
	NET BALANCE FIRST OF YEAR	ACCRUAL	GROSS RETIREMENTS	SALVAGE	COST OF REMOVAL	
ELECTRIC TRANSMISSION DISTRIBUTION	74,526.35 143,176.57	3,225.6 4,439.4	0.00 0.00			77,751.95 147,615.97
TOTAL RESERVE FOR DEPRECIATION OF PLANT IN SERVICE - ELECTRIC	217,702.92	7,665.00	0.00	0.00	0.00	225,367.92

KENTUCKY UTILITIES - VIRGINIA
ELECTRIC PLANT
AS OF DECEMBER 31, 2003

20.8

ORGANIZATION	YEAR TO DATE				RESERVE	NET BOOK VALUE
	NET BALANCE FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR RETIREMENTS	NET ADDITIONS		
INTANGIBLE PLANT ORGANIZATION	5,338.69					5,338.69
TOTAL INTANGIBLE PLANT	5,338.69					5,338.69
TRANSMISSION PLANT						
135020 LAND	68,167.96					68,167.96
135010 LAND RIGHTS	1,782,030.88				1,644,063.42	137,967.46
135210 STRUCT & IMPROVE-NON SYS CONTROL/COM	1,050,280.78				531,241.59	519,039.19
135220 STRUCT & IMPROVE-SYS CONTROL/COM				162,778.79		
135310 STATION EQUIPMENT-NON SYS CONTROL/COM	13,943,172.45	163,266.19	487.40		4,790,286.18	9,315,665.06
135320 STATION EQUIPMENT-SYS CONTROL/COM						
135400 TOWERS AND FIXTURES	6,739,096.01		280.43	250,866.36	3,335,514.31	3,403,581.70
135500 POLES AND FIXTURES	5,246,663.43		20,526.99	760,261.96	3,511,432.32	1,866,097.47
135600 OVERHEAD CONDUCTORS AND DEVICES	11,605,472.15	780,788.95			7,152,789.03	5,212,945.08
135700 UNDERGROUND CONDUIT						
135800 UNDERGROUND CONDUCTORS AND DEVICES						
TOTAL TRANSMISSION PLANT	40,434,883.66	1,195,201.93	21,294.82	1,173,907.11	20,965,326.85	20,643,463.92
DISTRIBUTION PLANT						
136020 LAND	96,439.08					96,439.08
136010 LAND RIGHTS	83,580.13	113.00		113.00	51,979.32	31,713.81
136100 STRUCTURES AND IMPROVEMENTS	367,467.51				112,731.15	257,980.29
136200 STATION EQUIPMENT	6,294,362.38	17,860.97		17,860.97	1,753,024.32	4,665,384.64
136300 STORAGE BATTERY EQUIPMENT						
136400 POLES, TOWERS AND FIXTURES	12,133,206.94	256,650.29	30,438.90	226,211.39	6,827,277.56	5,549,997.66
136500 OVERHEAD CONDUCTORS AND DEVICES	12,306,434.76	280,319.81	51,204.17	229,115.64	7,203,659.62	5,334,690.61
136600 UNDERGROUND CONDUIT						
136700 UNDERGROUND CONDUCTORS AND DEVICES	519,618.44	2,626.26		2,626.26	137,699.77	411,064.36
136800 LINE TRANSFORMERS	12,035,778.32	45,921.85	2,567.68	43,354.17	5,521,390.15	6,562,460.51
136900 METERS	4,905,735.94	127,267.42	8,640.06	118,627.36	2,899,340.36	2,134,451.46
137000 INSTALLATIONS ON CUSTOMERS' PREMISES	3,616,919.29				1,755,125.12	1,861,794.17
137100 LEASED PROP. ON CUSTOMERS' PREMISES	867,302.81				610,181.16	257,121.65
137200 STREET LIGHTING AND SIGNAL SYSTEMS	1,229,044.77	86,405.54		86,405.54	586,892.95	728,557.36
137300						
TOTAL DISTRIBUTION PLANT	54,455,890.37	817,165.14	92,850.81	724,314.33	27,459,301.48	27,891,655.60

KENTUCKY UTILITIES - VIRGINIA
ELECTRIC PLANT
AS OF DECEMBER 31, 2003

20.9

	NET BALANCE FIRST OF YEAR	YEAR TO DATE			NET BALANCE THIS DATE	RESERVE	NET BOOK VALUE
		DEBITS-GROSS	CREDITS FOR RETIREMENTS	NET ADDITIONS ADJUSTMENTS			
GENERAL PLANT	91,571.48				91,571.48	91,571.48	
138920 LAND	643,848.85				225,719.99	418,128.86	
138910 LAND RIGHTS	75,980.87				75,163.43	817.44	
139010 STRUCT AND IMPROV TO OWNED PROPERTY	39,094.49				31,794.83	7,299.66	
139020 IMPROVEMENTS TO LEASED PROPERTY	1,315,837.37				1,252,153.10	63,684.27	
139110 OFFICE EQUIPMENT	8,103.30				3,458.21	4,645.09	
139120 NON PC COMPUTER EQUIPMENT	275,731.08	15,279.14		15,279.14	52,798.85	238,211.37	
139200 TRANSPORTATION EQUIPMENT	37,683.18			37,683.18	18,773.21	18,909.97	
139300 STORES EQUIPMENT	153,447.99				99,938.34	53,470.66	
139400 TOOLS, SHOP, AND GARAGE EQUIPEMNT	160,272.74			160,272.74	56,116.89	104,155.85	
139500 LABORATORY EQUIPMENT	240,853.23			240,853.23	51,292.79	189,560.44	
139600 POWER OPERATED EQUIPMENT	16,363.42			16,363.42	12,934.72	3,428.70	
139710 CARRIER COMMUNICATION EQUIPMENT		9,961.01		9,961.01			
139720 REMOTE CONTROL COMMUNICATION EQUIP.							
139730 MOBILE COMMUNICATION EQUIPMENT							
139800 MISCELLANEOUS EQUIPMENT							
139900 OTHER TANGIBLE PROPERTY							
TOTAL GENERAL PLANT	3,058,788.00	25,240.15	25,240.15	3,084,028.15	1,880,144.36	1,203,883.79	

SUMMARY	NET BALANCE FIRST OF YEAR	YEAR TO DATE			NET BALANCE THIS DATE	RESERVE	NET BOOK VALUE
		DEBITS-GROSS	CREDITS FOR RETIREMENTS	NET ADDITIONS ADJUSTMENTS			
101 TOTAL ELECTRIC PLANT IN SERVICE	97,954,900.72	2,037,607.22	114,145.63	1,923,461.59	100,049,114.69	50,304,772.69	49,744,342.00
102 ELECTRIC PLANT PURCHASED OR SOLD							
103 RECLASSIFICATION							
104 ELECTRIC PLANT LEASED TO OTHERS							
105 ELECTRIC PLANT HELD FOR FUTURE USE	3,776,567.40	(2,017,841.91)		1,758,725.49	1,758,725.49	50,304,772.69	1,758,725.49
107 CONSTRUCTION WORK IN PROGRESS-ELEC.							
108 ACCUMULATED RESERVE							
TOTAL ELECTRIC PLANT	101,731,468.12	19,765.31	114,145.63	1,923,461.59	101,807,840.18	50,304,772.69	51,503,067.49

RESERVE FOR DEPRECIATION AND AMORTIZATION OF PLANT IN SERVICE AS OF DECEMBER 31, 2003						
KENTUCKY UTILITIES - VIRGINIA						
RESERVE FOR DEPRECIATION						
EXCLUSIVE OF TRANSPORTATION AND POWER OPERATED EQUIPMENT						
ELECTRIC TRANSMISSION DISTRIBUTION GENERAL						
TOTAL ELECTRIC EXCL. TRANSPORTATION						
TOTAL TRANSPORTATION EQUIPMENT						
TOTAL RESERVE FOR DEPRECIATION OF PLANT IN SERVICE - ELECTRIC						
RESERVE FOR AMORTIZATION FRANCHISES AND CONSENTS, ETC. ELECTRIC						
NET BALANCE FIRST OF YEAR	ACCUAL	GROSS RETIREMENTS	SALVAGE	COST OF REMOVAL	OTHER CREDITS	NET BALANCE THIS DATE
YEAR TO DATE						
19,773,295.33	1,225,489.32	21,294.82	192.86	12,355.84		20,965,326.85
25,911,732.50	1,607,260.36	92,850.81	396.54	(32,762.89)		27,459,301.48
498,336.97	54,490.86	0.00				552,827.83
46,183,364.80	2,887,240.54	114,145.63	589.40	(20,407.05)		48,977,456.16
1,178,743.23	73,409.87	0.00				1,252,153.10
47,362,108.03	2,960,650.41	114,145.63	589.40	(20,407.05)		50,229,609.26
74,926.76	236.67	0.00				75,163.43

KENTUCKY UTILITIES - KENTUCKY
NONUTILITY PROPERTY
AS OF DECEMBER 31, 2003

	YEAR TO DATE			NET BALANCE THIS DATE
	NET BALANCE FIRST OF YEAR	DEBITS-GROSS RETIREMENTS	NET ADDITIONS ADJUSTMENTS	
OTHER NONUTILITY PROPERTY LAND BUILDINGS	946,697.04 80,392.02			946,697.04 80,392.02
TOTAL NONUTILITY PROPERTY	1,027,089.06			1,027,089.06

	YEAR TO DATE			NET BALANCE THIS DATE
	ACCRUAL	GROSS RETIREMENTS	COST OF REMOVAL	
RESERVE FOR DEPRECIATION, DEPLETION AND AMORTIZATION OF NONUTILITY PROPERTY	(130,101.10)	(410.42)		(130,511.52)
TOTAL NONUTILITY PROPERTY LESS RESERVE FOR DEPRECIATION, DEPLETION AND AMORTIZATION	1,157,190.16			1,157,600.58

Kentucky Utilities Company

Reserve and Accumulated Depreciation Schedules

2004

KENTUCKY UTILITIES COMPANY
SUMMARY OF UTILITY PLANT
DECEMBER 31, 2004

	NET BALANCE FIRST OF YEAR	ADDITIONS	RETIREMENTS	TRANSFER/ADJUSTMENT	NET ADDITIONS	BALANCE TO DATE
UTILITY PLANT						
Plant In Service	21,842,489.14	11,131,646.81	(11,830,860.69)	-	(699,213.88)	21,143,275.26
Intangibles	1,274,269,933.82	238,467,283.84	(21,941,292.34)	(170.63)	216,525,820.87	1,490,795,754.69
Steam Production	10,769,212.06	-	-	-	-	10,769,212.06
Hydro Production	356,416,865.98	131,663,050.99	(304,225.57)	(3,788,910.81)	127,569,914.61	483,986,780.59
Other Production	472,884,826.17	10,283,552.83	(357,680.08)	(33,896.15)	9,891,976.60	482,776,802.77
Transmission	945,835,243.45	26,868,038.99	(2,690,405.10)	-	24,177,533.89	970,012,777.34
Distribution	80,411,284.73	3,055,769.61	(2,524,145.26)	-	531,624.35	80,942,909.08
General	23,749,238.51	-	(10,527.89)	-	(10,527.89)	23,738,710.62
Transportation	3,193,179,093.86	421,469,343.07	(39,659,236.93)	(3,822,977.59)	377,987,128.55	3,571,166,222.41
Total Electric Plant In Service	(34,152.61)	-	-	34,152.61	-	-
Plant Purchased or Sold	3,193,144,941.25	421,469,343.07	(39,659,236.93)	(3,788,824.98)	378,021,281.16	3,571,166,222.41
Total Plant	403,311,569.42	(262,528,599.75)	-	-	(262,528,599.75)	140,982,969.67
Construction Work In Progress	3,596,656,510.67	158,940,743.32	(39,659,236.93)	(3,788,824.98)	115,492,681.41	3,712,149,192.08
Total Utility Plant at Original Cost						
RESERVE FOR DEPRECIATION OF UTILITY						
Life Reserves						
Steam Production	(761,020,850.34)	(36,099,929.97)	21,941,292.34	(0.02)	-	(775,179,587.99)
Hydro Production	(7,621,594.75)	(116,945,160)	304,225.57	0.02	-	(174,362,529.20)
Other Production	(60,579,356.69)	(14,245,268.69)	357,680.08	-	-	(74,466,945.30)
Transmission	(169,676,730.84)	(9,293,360.34)	2,690,505.10	72,653.24	-	(176,276,933.84)
Distribution	(285,670,985.88)	(21,135,345.51)	2,524,145.26	(87,409.85)	-	(304,269,586.98)
General	(25,603,140.99)	(5,835,582.75)	10,527.89	(867.16)	-	(30,905,982.95)
Transportation	(22,030,214.38)	(1,232,503.58)	-	-	-	(23,262,717.96)
Total Life Reserves For Depreciation Of Utility Plant In Service	(1,332,202,873.87)	(87,952,936.00)	27,828,376.24	(15,623.77)	-	(1,391,279,246.72)
Salvage Reserves						
Steam Production	(60,546,379.68)	(2,896,221.88)	-	-	-	(63,442,601.56)
Hydro Production	(8,690,036.74)	(51,208.28)	-	-	-	(8,741,245.02)
Other Production	(30,000.00)	-	-	-	-	(30,000.00)
Transmission	(94,414,923.39)	(5,149,321.84)	-	-	-	(99,564,245.23)
Distribution	(110,971,740.18)	(8,338,120.42)	-	-	-	(119,309,860.60)
General	(266,832,079.99)	(16,434,872.42)	-	-	-	(283,266,952.41)
Total Salvage Reserves For Depreciation Of Utility Plant In Service	(266,832,079.99)	(28,818,442.56)	-	-	-	(295,650,522.55)
Total Reserves	(821,467,230.02)	(38,990,151.85)	21,941,292.34	(0.02)	-	(838,516,089.53)
Hydro Production	(8,490,631.49)	(168,153.44)	-	-	-	(8,658,784.93)
Other Production	(60,609,356.69)	(14,245,268.69)	304,225.57	0.02	-	(74,590,395.81)
Transmission	(264,091,654.23)	(14,442,882.18)	2,690,505.10	-	-	(275,843,931.31)
Distribution	(396,642,736.06)	(29,473,465.93)	2,524,145.26	72,653.24	-	(423,521,584.50)
General	(25,603,140.99)	(5,835,582.75)	10,527.89	(867.16)	-	(30,905,982.95)
Transportation	(22,030,214.38)	(1,232,503.58)	-	-	-	(23,262,717.96)
Total Reserve For Depreciation Of Utility Plant In Service	(1,599,044,933.86)	(104,387,808.42)	27,828,376.24	(15,623.77)	-	(1,677,630,290.81)
Retirement of Work in Progress	(3,569,209.82)	-	-	677.66	(1,063,810.68)	(2,502,332.84)
YTD Activity	(1,602,604,163.68)	(104,387,808.42)	27,828,376.24	(14,946.11)	(1,063,810.68)	(1,693,868,412.65)
Intangibles	(13,929,044.82)	(6,161,343.79)	11,810,860.69	28,488.51	-	(8,251,039.41)
Leasehold	(463,696.73)	(89,528.28)	-	(28,488.51)	-	(581,713.52)
Total Reserve For Depreciation and Amortization - Utility Plant In Service	(1,616,996,905.23)	(110,638,580.49)	39,659,236.93	(14,946.11)	(1,063,810.68)	(1,696,976,059.58)
Utility Plant at Original Cost Less Reserve For Depreciation and Amortization	1,979,659,605.44					2,030,335,955.54

KENTUCKY UTILITIES COMPANY
 RECONCILIATION OF REGULATORY RESERVE FOR DEPRECIATION
 TO SEC RESERVE FOR DEPRECIATION
 DECEMBER 31, 2004

	REGULATORY RESERVE AS OF 12/31/2004	SEGMENTED COR AS OF 12/31/2003	YTD 2004 SEC ORDER COR PER FERC ORDER 631	TOTAL SEGMENTED COR PER FERC ORDER 631	SEC RESERVE AS OF 12/31/2004	GL Trial Balance	Variance
Steam Production - Asset Retirement Obligation.....	(834,985,820.93)	(58,844,769.68)	(4,597,831.88)	(64,442,601.56)	(711,543,219.37)	(711,543,219.37)	-
Hydro Production.....	(1,896,142.90)	(869,036.74)	(51,208.28)	(930,245.03)	(1,896,142.90)	(1,896,142.90)	-
Other Production - Asset Retirement Obligation.....	(76,276,860.96)	(30,000.00)	-	(76,246,860.96)	(76,246,860.96)	(76,246,860.96)	-
Transmission - Asset Retirement Obligation.....	(22,987.62)	(93,728,133.39)	(8,836,111.84)	(99,564,245.33)	(22,987.62)	(22,987.62)	-
Distribution - Asset Retirement Obligation.....	(177,910,738.18)	(118,971,740.18)	(8,338,120.42)	(178,346,482.95)	(178,346,482.95)	(178,346,482.95)	-
General.....	(423,266,190.65)	-	-	(423,266,190.65)	(423,266,190.65)	(423,266,190.65)	-
Transportation.....	(23,253,057.33)	-	-	(23,253,057.33)	(23,253,057.33)	(23,253,057.33)	-
Total Reserve For Depreciation Of Utility Plant In Service.....	(1,674,546,197.13)	(264,443,679.99)	(18,823,271.43)	(283,266,951.41)	(1,391,279,246.72)	(1,391,279,246.72)	-
Retirement of Work in Progress.....	(1,673,060,583.61)	-	-	(1,673,060,583.61)	(1,673,060,583.61)	(1,673,060,583.61)	-
Subtotal.....	(8,231,039.41)	-	-	(8,231,039.41)	(8,231,039.41)	(8,231,039.41)	-
Intangibles.....	(581,613.52)	-	-	(581,613.52)	(581,613.52)	(581,613.52)	-
Leases.....	(1,681,813,236.54)	-	-	(1,681,813,236.54)	(1,681,813,236.54)	(1,681,813,236.54)	-
Total Reserve For Depreciation and Amortization Utility Plant In Service.....	(5,993,952,428.62)	-	-	(5,110,695,276.21)	(5,110,695,276.21)	(5,110,695,276.21)	-

RECONCILIATION OF SUMMARY OF UTILITY PLANT REPORT TO INCOME STATEMENT DEPRECIATION AND AMORTIZATION
 AS OF DECEMBER 31, 2004

	YTD ACCRUAL RESERVE FOR DEPRECIATION AND AMORTIZATION	YTD ACCRUAL TO ACCOUNT 151060	YTD GAS REBELINE ACCOUNT 151061	YTD TRANSPORTATION ACCOUNT 184115	YTD INCOME STATEMENT ACCRUAL & AMORTIZATION	GL Trial Balance	Variance
Steam Production - Asset Retirement Obligation.....	(38,770,767.85)	(92,572.58)	-	-	(38,863,340.43)	(38,863,340.43)	-
Hydro Production.....	(168,151.44)	(59,669.70)	-	-	(227,821.14)	(227,821.14)	-
Other Production - Asset Retirement Obligation.....	(14,242,917.39)	(119,339.45)	435,302.54	-	(14,561,972.28)	(14,561,972.28)	-
Transmission - Asset Retirement Obligation.....	(14,442,592.83)	(89,335)	-	-	(14,531,927.83)	(14,531,927.83)	-
Distribution - Asset Retirement Obligation.....	(29,473,465.93)	(89,335)	-	-	(29,562,801.86)	(29,562,801.86)	-
General.....	(1,232,501.58)	-	-	-	(1,232,501.58)	(1,232,501.58)	-
Transportation.....	(104,387,808.42)	(332,197.33)	435,302.54	1,232,500.58	(104,387,808.42)	(104,387,808.42)	-
Total Accrual Of Utility Plant In Service.....	(6,161,343.79)	(6,161,343.79)	-	-	(6,161,343.79)	(6,161,343.79)	-
Intangibles.....	(89,428.28)	-	-	-	(89,428.28)	(89,428.28)	-
Leaseholds.....	(6,250,772.07)	-	-	-	(6,250,772.07)	(6,250,772.07)	-
Total Amortization of Utility Plant In Service.....	(110,638,509.49)	-	-	-	(110,638,509.49)	(110,638,509.49)	-

KENTUCKY UTILITIES - KENTUCKY
ELECTRIC PLANT
AS OF DECEMBER 31, 2004

20.2

	YEAR TO DATE			NET BALANCE		
	NET BALANCE FIRST OF YEAR	DEBITS-GROSS RETIREMENTS	CREDITS FOR NET ADDITIONS	ADJUSTMENTS THIS DATE	RESERVE	NET BOOK VALUE
INTANGIBLE PLANT						
PROJECT PLANT						
130200	13,461.00			13,461.00		13,461.00
FRANCHISES AND CONSENTS						
TOTAL INTANGIBLE PLANT-PROJECT PLANT	13,461.00			13,461.00		13,461.00
OTHER INTANGIBLE PLANT						
130100	39,116.89			39,116.89		39,116.89
ORGANIZATION	69,992.04			69,992.04	(36,817.83)	33,174.21
130200	21,714,580.52	11,131,646.81	(11,830,860.69)	21,015,366.64	(8,194,221.56)	12,821,145.08
130300			(699,213.88)			
MISCELLANEOUS INTANGIBLE PLANT						
TOTAL OTHER INTANGIBLE PLANT	21,823,689.45	11,131,646.81	(11,830,860.69)	21,124,475.57	(8,231,039.39)	12,893,436.18
TOTAL INTANGIBLE PLANT	21,837,150.45	11,131,646.81	(11,830,860.69)	21,137,936.57	(8,231,039.39)	12,906,897.18
PRODUCTION PLANT						
STEAM PLANT						
131020	10,475,562.22	2,962.34	2,962.34	10,478,524.56	(11,409.68)	10,467,114.88
131010						
LAND RIGHTS						
131100	155,708,805.59	3,392,924.07	(1,425,227.89)	157,676,501.77	(115,956,635.02)	41,719,866.75
131200	798,742,022.72	225,986,022.86	(15,215,802.11)	1,009,512,072.84	(511,940,652.83)	497,571,420.01
131300						
STRUCTURES AND IMPROVEMENTS						
131400	197,101,840.49	8,170,429.11	(4,387,542.03)	200,884,727.57	(134,017,340.43)	66,867,387.14
131500	81,574,811.87	52,140,999	(620,681.16)	81,006,271.70	(61,425,437.20)	19,580,834.50
131600	22,133,520.30	862,804.47	(292,039.15)	22,704,285.62	(11,634,345.77)	11,069,939.85
131700	8,533,370.63			8,533,370.63	(1,896,142.90)	6,637,227.73
ASSET RETIREMENT COST - STEAM						
TOTAL STEAM PRODUCTION PLANT	1,274,269,933.82	238,467,283.84	(21,941,292.34)	1,490,795,754.69	(836,881,963.83)	653,913,790.86
HYDRAULIC PLANT						
PROJECT PLANT						
133020	13,479.47			13,479.47	(59.76)	13,419.71
133010						
LAND RIGHTS						
133100	67,902.49			67,902.49	(88,852.68)	(20,950.19)
133200	324,145.88			324,145.88	(360,490.78)	(36,344.90)
133300	114,085.49			114,085.49	(149,284.66)	(35,199.17)
133400	264,485.91			264,485.91	(159,617.03)	104,868.88
133500	68,238.88			68,238.88	(47,632.87)	20,606.01
ROADS, RAILROADS AND BRIDGES	1,169.79			1,169.79	(1,530.73)	(360.94)
TOTAL HYDRAULIC PLANT-PROJECT PLANT	853,507.91			853,507.91	(807,468.51)	46,039.40

KENTUCKY UTILITIES - KENTUCKY
ELECTRIC PLANT
AS OF DECEMBER 31, 2004

20.3

	YEAR TO DATE			NET BALANCE THIS DATE	RESERVE	NET BOOK VALUE
	NET BALANCE FIRST OF YEAR	CREDITS FOR DEBITS-GROSS RETIREMENTS	ADJUSTMENTS			
HYDRAULIC PLANT						
OTHER THAN PROJECT PLANT						
133020 LAND	879,311.47			879,311.47	(877,819.42)	1,492.05
133010 LAND RIGHTS	429,524.71			429,524.71	(304,007.06)	125,517.65
133100 STRUCTURES AND IMPROVEMENTS	7,954,452.03			7,954,452.03	(6,131,509.91)	1,822,942.12
133200 RESERVOIRS, DAMS AND WATERWAYS	418,543.74			418,543.74	(380,684.06)	37,859.68
133300 WATERWHEELS, TURBINES AND GENERATORS	85,383.13			85,383.13	(74,173.08)	11,210.05
133400 ACCESSORY ELECTRIC EQUIPMENT	101,512.95			101,512.95	(36,226.58)	65,286.37
133500 MISCELLANEOUS POWER PLANT EQUIPMENT	46,976.12			46,976.12	(46,896.31)	79.81
133600 ROADS, RAILROADS AND BRIDGES						
TOTAL HYDRAULIC PLANT-	9,915,704.15			9,915,704.15	(7,851,316.42)	2,064,387.73
OTHER THAN PROJECT PLANT	10,769,212.06			10,769,212.06	(8,658,784.93)	2,110,427.13
TOTAL HYDRAULIC PRODUCTION PLANT						
PRODUCTION PLANT						
OTHER PRODUCTION PLANT						
134020 LAND	98,602.74	19,911.67	19,911.67	118,514.41	(59,737.29)	118,514.41
134010 LAND RIGHTS	176,409.31			176,409.31	(4,764,037.56)	116,672.02
134100 STRUCTURES AND IMPROVEMENTS	21,172,433.10	14,544,986.09	14,544,986.09	35,717,419.19	(4,340,254.63)	30,953,381.63
134200 FUEL HOLDERS, PRODUCERS AND ACCESS.	18,362,459.22	2,344,997.02	2,344,997.02	20,625,887.12	(48,017,271.61)	16,285,632.49
134300 PRIME MOVERS	245,844,176.75	90,025,017.04	(81,569.12)	331,857,626.53	(3,788,910.81)	283,840,354.92
134400 GENERATORS	47,479,932.03	11,854,209.78	(222,656.45)	59,334,141.81	(13,505,075.94)	45,829,065.87
134500 ACCESSORY ELECTRIC EQUIPMENT	18,183,795.73	12,768,623.84		30,952,419.57	(4,650,928.52)	26,301,491.05
134600 MISC. POWER PLANT EQUIPMENT	5,028,067.09	105,305.55		5,133,372.64	(939,555.41)	4,193,817.23
134700 ASSET RETIREMENT COST - OTHER PRODUCTION	70,990.01			70,990.01	(22,987.62)	48,002.39
TOTAL OTHER PRODUCTION PLANT	356,416,865.98	131,663,050.99	(304,225.57)	483,986,780.59	(76,299,848.58)	407,686,932.01
TOTAL PRODUCTION PLANT	1,641,456,011.86	370,130,334.83	(22,245,517.91)	1,985,551,747.34	(921,840,597.34)	1,063,711,150.00
TRANSMISSION PLANT						
PROJECT PLANT						
135020 LAND	360.64			360.64	(19.20)	341.44
135010 LAND RIGHTS	2,062.39			2,062.39	(3,208.87)	(1,146.48)
135210 STRUCT & IMPROVE-NON SYS CONTROL/COM						
135220 STRUCT & IMPROVE-SYS CONTROL/COM						
135310 STATION EQUIPMENT-NON SYS CONTROL/COM	79,468.26			79,468.26	(82,799.57)	(3,331.31)
135400 TOWERS AND FIXTURES						
135500 POLES AND FIXTURES	4,313.01			4,313.01	(7,595.86)	(3,282.85)
135600 OVERHEAD CONDUCTORS AND DEVICES	4,979.83			4,979.83	(7,868.27)	(2,888.44)
135700 UNDERGROUND CONDUIT						
135800 UNDERGROUND CONDUCTORS AND DEVICES						
TOTAL TRANSMISSION PLANT-PROJECT PLANT	91,184.13			91,184.13	(101,491.77)	(10,307.64)

KENTUCKY UTILITIES - KENTUCKY
ELECTRIC PLANT
AS OF DECEMBER 31, 2004

	YEAR TO DATE			NET BALANCE			
	DEBITS-GROSS	CREDITS FOR	RETIREMENTS	NET BALANCE	RESERVE	NET BOOK VALUE	
FIRST OF YEAR	DEBITS-GROSS	RETIREMENTS	NET ADDITIONS	ADJUSTMENTS	THIS DATE	RESERVE	NET BOOK VALUE
TRANSMISSION PLANT							
OTHER THAN PROJECT PLANT							
135020	1,094,360.08				1,094,360.08	4,251.96	1,098,612.04
135010	21,558,439.59				21,558,439.59	(12,756,761.02)	8,801,678.57
135210	5,586,352.09				5,726,316.15	(2,830,500.75)	2,895,815.40
135220	1,167,783.17				1,167,783.17	(752,014.70)	415,768.47
135230	14,749,280.69				152,886,019.47	(49,029,180.35)	103,856,839.12
135310	56,004,501.30				14,749,280.69	(14,193,345.12)	555,935.57
135320	75,664,211.03				56,823,855.45	(36,181,824.21)	20,642,031.24
135400	114,125,673.15				77,464,972.37	(54,272,249.76)	23,192,722.61
135500	448,760.26				114,957,751.41	(84,734,690.70)	30,223,060.71
135600	1,114,761.90				448,760.26	(116,554.99)	332,205.27
135700	3,600.18				1,114,761.90	(724,250.29)	390,511.61
135800					3,600.18	(1,219.62)	2,380.56
135910							
	438,097,358.16	10,283,552.83	(351,114.12)	9,932,438.71	(33,896.15)	447,995,900.72	(255,588,339.55)
	438,188,542.29	10,283,552.83	(351,114.12)	9,932,438.71	(33,896.15)	448,027,084.85	(255,689,831.32)
TOTAL TRANSMISSION PLANT-							
OTHER THAN PROJECT PLANT							
TOTAL TRANSMISSION PLANT							
	5.00				5.00	(5.73)	1.27
	702.70				702.70	(1,482.00)	(779.30)
	258.71				258.71	(430.04)	(171.33)
	966.41				966.41	(1,915.77)	(949.36)
DISTRIBUTION PLANT							
PROJECT PLANT							
136010	1,614,514.07				1,614,514.07	(934,704.49)	476,627.66
136020	1,336,969.59				1,411,332.15	(1,229,620.32)	2,541,028.10
136100	3,754,862.06				3,770,648.42	(27,420,140.41)	63,800,787.93
136120	90,467,193.07				170,008,473.69	(88,453,546.83)	81,554,926.86
136130					161,627,703.49	(87,881,354.26)	73,746,349.23
136140					1,722,323.88	(659,668.72)	1,062,655.16
136150					63,529,691.39	(13,693,376.21)	49,836,315.18
136160					212,283,240.08	(75,337,046.49)	136,946,193.59
136170					77,992,417.68	(43,710,560.73)	34,282,056.93
136180					59,956,043.81	(23,885,845.65)	36,070,198.16
136190					17,400,011.57	(11,056,516.60)	6,343,494.97
136200					51,611,963.92	(19,087,427.41)	32,524,536.51
136210							
136220							
136230							
136240							
136250							
136260							
136270							
136280							
136290							
136300							
136310							
136320							
136330							
136340							
136350							
136360							
136370							
136380							
136390							
136400							
136500							
TOTAL DISTRIBUTION-PROJECT PLANT							
	74,362.56				74,362.56	(934,704.49)	476,627.66
	15,786.36				15,786.36	(1,229,620.32)	2,541,028.10
	753,735.27				3,770,648.42	(27,420,140.41)	63,800,787.93
	4,401,269.29				170,008,473.69	(88,453,546.83)	81,554,926.86
	8,049,560.88				161,627,703.49	(87,881,354.26)	73,746,349.23
	58,151.25				1,722,323.88	(659,668.72)	1,062,655.16
	5,203,706.28				63,529,691.39	(13,693,376.21)	49,836,315.18
	2,682,022.84				212,283,240.08	(75,337,046.49)	136,946,193.59
	118,077.58				77,992,417.68	(43,710,560.73)	34,282,056.93
	585,834.99				59,956,043.81	(23,885,845.65)	36,070,198.16
	(1,028.07)				17,400,011.57	(11,056,516.60)	6,343,494.97
	1,888,482.73				51,611,963.92	(19,087,427.41)	32,524,536.51
	2,442,885.11						
	29,210,972.16				914,149,292.49	(393,349,608.14)	520,799,684.35
	26,510,467.06				914,150,258.90	(393,351,523.91)	520,798,734.99
	26,520,467.06						
TOTAL DISTRIBUTION PLANT-							
OTHER THAN PROJECT PLANT							
TOTAL DISTRIBUTION PLANT							
	5.00				5.00	(5.73)	1.27
	702.70				702.70	(1,482.00)	(779.30)
	258.71				258.71	(430.04)	(171.33)
	966.41				966.41	(1,915.77)	(949.36)

KENTUCKY UTILITIES - KENTUCKY
ELECTRIC PLANT
AS OF DECEMBER 31, 2004

20.5

	YEAR TO DATE				NET BALANCE THIS DATE	RESERVE	NET BOOK VALUE
	NET BALANCE FIRST OF YEAR	DEBITS-GROSS RETIREMENTS	CREDITS FOR NET ADDITIONS	ADJUSTMENTS			
GENERAL PLANT	2,733,845.95	(14,316.60)	(14,316.60)		2,719,529.35	(167,416.75)	2,552,112.60
LAND							
138920 LAND RIGHTS	29,780,411.49	283,862.22	174,695.76		29,955,107.25	(7,552,474.66)	22,402,632.59
138910 STRUCT AND IMPROV TO OWNED PROPERTY	680,098.33				680,098.33	(506,271.35)	173,826.98
139010 IMPROVEMENTS TO LEASED PROPERTY	6,600,406.61	80,353.21	(81,350.50)		6,519,056.11	(2,426,232.00)	4,092,824.11
139020 OFFICE EQUIPMENT	13,859,052.45	1,354,612.41	(1,490,220.32)		13,723,444.54	(8,819,091.69)	4,904,352.85
139110 NON PC COMPUTER EQUIPMENT	817,574.88				817,574.88	(368,847.62)	448,727.26
139130 CASH PROCESSING EQUIPMENT	2,600,863.16	442,094.47			3,042,957.63	(2,378,133.22)	664,824.41
139140 PERSONAL COMPUTER EQUIPMENT	22,433,401.14				22,422,873.25	(21,952,641.54)	470,231.71
139200 TRANSPORTATION EQUIPMENT	666,712.07				639,817.45	(269,704.53)	370,112.92
139300 STORES EQUIPMENT	4,360,624.84	311,595.23	(26,894.62)		4,637,878.44	(1,365,159.53)	3,272,718.91
139400 TOOLS, SHOP, AND GARAGE EQUIPEMNT	3,270,030.51		(51,432.51)		3,218,598.00	(1,388,687.15)	1,829,910.85
139500 LABORATORY EQUIPMENT	225,499.88	96,576.68	(32,483.46)		289,593.10	(113,127.29)	176,465.81
139600 POWER OPERATED EQUIPMENT	4,310,668.23	435,468.32	(161,912.15)		4,584,224.40	(1,029,161.09)	3,555,063.31
139710 CARRIER COMMUNICATION EQUIPMENT	3,859,335.79	14,627.35	(216,478.35)		3,647,857.44	(1,096,194.33)	2,546,663.11
139720 REMOTE CONTROL COMMUNICATION EQUIP	4,430,998.50		(75,081.32)		4,370,544.53	(1,234,642.60)	3,135,901.93
139730 MOBILE COMMUNICATION EQUIPMENT	446,971.26		(86,557.05)		360,414.21	(212,019.16)	148,395.05
139800 MISCELLANEOUS EQUIPMENT							
139900 OTHER TANGIBLE PROPERTY	101,076,495.09	3,019,189.89	(2,471,116.07)		101,624,568.91	(50,879,804.51)	50,744,764.40
TOTAL GENERAL PLANT							

	NET BALANCE FIRST OF YEAR	DEBITS-GROSS RETIREMENTS	CREDITS FOR NET ADDITIONS	ADJUSTMENTS	NET BALANCE THIS DATE	RESERVE	NET BOOK VALUE
SUMMARY	3,092,878,496.63	421,085,191.42	(39,589,113.89)	391,819,319.87	(3,822,977.59)	3,470,551,596.57	1,840,558,800.10
101 ELECTRIC PLANT IN SERVICE				0.00			
102 ELECTRIC PLANT PURCHASED OR SOLD	(34,152.61)				34,152.61		
103 ELECTRIC PLANT IN PROCESS OF RECLASSIFICATION							
104 ELECTRIC PLANT LEASED TO OTHERS							
105 ELECTRIC PLANT HELD FOR FUTURE USE	401,646,011.85	(261,831,737.61)		(261,831,737.61)	139,814,274.24	(1,629,992,796.47)	139,814,274.24
107 CONSTRUCTION WORK IN PROGRESS-ELEC.							
108 ACCUMULATED RESERVE							
TOTAL ELECTRIC PLANT	3,494,490,355.87	159,253,453.81	(39,589,113.89)	129,987,582.26	(3,788,824.98)	3,610,365,870.81	1,980,373,074.34

KENTUCKY UTILITIES - KENTUCKY
RESERVE FOR DEPRECIATION AND AMORTIZATION OF PLANT IN SERVICE
AS OF DECEMBER 31, 2004

	YEAR TO DATE							NET BALANCE THIS DATE
	NET BALANCE FIRST OF YEAR	ACCRUAL	GROSS RETIREMENTS	TRANSFERS/ADJ TRANSFERS OUT	RWIP	SALVAGE	COST OF REMOVAL	
RESERVE FOR DEPRECIATION EXCLUSIVE OF TRANSPORTATION AND POWER OPERATED EQUIPMENT								
ELECTRIC	(819,877,163.70)	(38,770,724.85)	21,941,292.34	(13,350.44)			1,734,125.72	(834,985,820.93)
STEAM PRODUCTION - ASSET RETIREMENT OBLIGATION	(1,690,066.32)	(219,427.00)	0.00	13,350.42				(1,896,142.90)
HYDRAULIC PRODUCTION - PROJECT PLANT	(796,974.63)	(10,483.88)	0.00					(807,468.51)
HYDRAULIC PRODUCTION - NON-PROJECT PLT	(7,693,656.86)	(157,659.56)	0.00	0.00			(1,749,448.79)	(7,851,316.42)
OTHER PRODUCTION - ASSET RETIREMENT OBLIGATION	(60,588,720.35)	(1,424,917.39)	304,225.57	0.02				(76,276,860.96)
OTHER PRODUCTION - NON-PROJECT PLT	(20,636.34)	(2,351.30)	0.00	0.02				(22,987.62)
TRANSMISSION - ASSET RETIREMENT OBLIGATION	(99,340.53)	(2,151.24)	0.00	(0.01)		(4,328.99)	273,254.88	(101,491.77)
TRANSMISSION - NON-PROJECT PLT	(242,948,104.62)	(13,259,055.31)	351,114.12	0.01				(255,587,119.93)
TRANSMISSION - ASSET RETIREMENT OBLIGATION	(1,130.28)	(89.35)	0.00	0.01				(1,219.62)
TRANSMISSION - NON-PROJECT PLT	(1,883.25)	(32.52)	0.00	72,653.24		(67,530.23)	844,512.63	(1,915.77)
DISTRIBUTION - ASSET RETIREMENT OBLIGATION	(369,033,925.36)	(27,855,823.52)	2,690,505.10	(87,409.85)		0.00	37,442.82	(393,349,608.14)
DISTRIBUTION - NON-PROJECT PLT	(25,050,313.16)	(5,181,199.61)	2,460,588.18	(14,756.61)		(71,859.22)	1,139,887.26	(28,420,891.62)
GENERAL	(1,527,801,915.40)	(100,301,925.53)	27,747,725.31	(14,756.61)				(1,599,302,844.19)
TOTAL ELECTRIC EXCL. TRANSPORTATION	(20,778,061.28)	(1,184,240.99)	10,527.89	(867.16)				(21,952,641.54)
TOTAL TRANSPORTATION EQUIPMENT								
TOTAL RESERVE FOR DEPRECIATION OF PLANT IN SERVICE - ELECTRIC	(1,548,579,976.68)	(101,486,166.52)	27,758,253.20			(71,859.22)	1,139,887.26	0.00
RESERVE FOR AMORTIZATION LEASEHOLDS FRANCHISES AND CONSENTS, ETC.	(417,021.81)	(80,249.56)	0.00					(506,271.37)
	(13,900,556.31)	(6,161,343.79)	11,830,860.69					(8,231,039.41)
RETIREMENT WORK IN PROGRESS	(3,569,209.82)			677.66	(1,063,810.68)	(23,147.45)	8,785,685.97	1,545,615.52
							(2,584,580.16)	

KENTUCKY UTILITIES - TENNESSEE
ELECTRIC PLANT
AS OF DECEMBER 31, 2004

	YEAR TO DATE		NET BALANCE	
	NET BALANCE FIRST OF YEAR	DEBITS-GROSS RETIREMENTS	NET BALANCE THIS DATE	RESERVE NET BOOK VALUE
TRANSMISSION PLANT				
135010 LAND RIGHTS	439.53		439.53	122.10
135500 POLES AND FIXTURES	50,073.70		50,073.70	1,243.38
135600 OVERHEAD CONDUCTORS AND DEVICES	36,979.88		36,979.88	5,150.00
TOTAL TRANSMISSION PLANT	87,493.11		87,493.11	6,515.48
DISTRIBUTION PLANT				
136020 LAND	2,412.82		2,412.82	2,412.82
136010 LAND RIGHTS	2,627.41		2,627.41	887.89
136100 STRUCTURES AND IMPROVEMENTS	2,621.29		2,621.29	495.90
136200 STATION EQUIPMENT	55,936.26		55,936.26	19,678.19
136300 STORAGE BATTERY EQUIPMENT				
136400 POLES, TOWERS AND FIXTURES	28,304.63		28,304.63	(6,687.90)
136500 OVERHEAD CONDUCTORS AND DEVICES	47,063.18		47,063.18	(6,888.79)
136600 UNDERGROUND CONDUIT				
136700 UNDERGROUND CONDUCTORS AND DEVICES	10,054.88		10,054.88	338.40
136800 LINE TRANSFORMERS	950.46		950.46	(669.59)
136900 METERS	13,434.65		13,434.65	2,513.58
137000 INSTALLATIONS ON CUSTOMERS' PREMISES	583.85		583.85	(146.40)
137100 LEASED PROP. ON CUSTOMERS' PREMISES				
137200 STREET LIGHTING AND SIGNAL SYSTEMS				
137300				
TOTAL DISTRIBUTION PLANT	163,989.43		163,989.43	11,934.10
SUMMARY				
101 TOTAL ELECTRIC PLANT IN SERVICE	251,482.54		251,482.54	18,449.58
102 ELECTRIC PLANT PURCHASED OR SOLD				
103 ELECTRIC PLANT IN PROCESS OF RECLASSIFICATION				
104 ELECTRIC PLANT LEASED TO OTHERS			48,908.58	48,908.58
105 ELECTRIC PLANT HELD FOR FUTURE USE		(57,923.50)	(57,923.50)	
107 CONSTRUCTION WORK IN PROGRESS-ELEC.				
108 ACCUMULATED RESERVE			300,391.12	67,358.16
TOTAL ELECTRIC PLANT	358,314.62		300,391.12	67,358.16

20.8

KENTUCKY UTILITIES - TENNESSEE
RESERVE FOR DEPRECIATION AND AMORTIZATION OF PLANT IN SERVICE
AS OF DECEMBER 31, 2004

RESERVE FOR DEPRECIATION	YEAR TO DATE					NET BALANCE THIS DATE
	NET BALANCE FIRST OF YEAR	ACCUAL RETIREMENTS	GROSS TRANSFERS/ADJ	SALVAGE REMOVAL CREDITS	COST OF OTHER	
ELECTRIC TRANSMISSION DISTRIBUTION	(77,751.95) (147,615.97)	(3,225.68) (4,439.36)	0.00 0.00			(80,977.63) (152,055.33)
TOTAL RESERVE FOR DEPRECIATION OF PLANT IN SERVICE - ELECTRIC	(225,367.92)	(7,665.04)	0.00	0.00	0.00	(233,032.96)

KENTUCKY UTILITIES - VIRGINIA
ELECTRIC PLANT
AS OF DECEMBER 31, 2004

20.9

	YEAR TO DATE			NET BALANCE			
	NET BALANCE FIRST OF YEAR	DEBITS-GROSS RETIREMENTS	CREDITS FOR NET ADDITIONS	ADJUSTMENTS	THIS DATE	RESERVE	NET BOOK VALUE
INTANGIBLE PLANT ORGANIZATION	5,338.69				5,338.69		5,338.69
TOTAL INTANGIBLE PLANT	5,338.69				5,338.69		5,338.69
TRANSMISSION PLANT							
135020 LAND	68,167.96				68,167.96		68,167.96
135010 LAND RIGHTS	1,782,030.88				1,782,030.88	(1,667,942.58)	114,088.30
135210 STRUCT & IMPROVE-NON SYS CONTROL/COM	1,050,280.78				1,050,280.78	(559,074.03)	491,206.75
135220 STRUCT & IMPROVE-SYS CONTROL/COM							
135310 STATION EQUIPMENT-NON SYS CONTROL/COM	14,105,951.24				14,105,951.24	(5,102,027.70)	9,003,923.54
135320 STATION EQUIPMENT-SYS CONTROL/COM							
135400 TOWERS AND FIXTURES	6,739,096.01				6,739,096.01	(3,526,904.59)	3,212,191.42
135500 POLES AND FIXTURES	5,497,529.79		(953.02)	(953.02)	5,496,576.77	(3,732,621.07)	1,763,955.70
135600 OVERHEAD CONDUCTORS AND DEVICES	12,365,734.11		(5,612.94)	(5,612.94)	12,360,121.17	(7,552,568.88)	4,807,552.29
135700 UNDERGROUND CONDUIT							
135800 UNDERGROUND CONDUCTORS AND DEVICES							
TOTAL TRANSMISSION PLANT	41,608,790.77		(6,565.96)	(6,565.96)	41,602,224.81	(22,141,138.85)	19,461,085.96
DISTRIBUTION PLANT							
136020 LAND	96,439.08				96,439.08		96,439.08
136010 LAND RIGHTS	83,693.13				83,693.13	(52,933.44)	30,759.69
136100 STRUCTURES AND IMPROVEMENTS	370,711.44				370,711.44	(119,737.59)	250,973.85
136200 STATION EQUIPMENT	6,418,408.96	6,907.77		6,907.77	6,425,316.73	(1,897,005.92)	4,528,310.81
136300 STORAGE BATTERY EQUIPMENT							
136400 POLES, TOWERS AND FIXTURES	12,377,275.22	28,706.02		28,706.02	12,405,981.24	(7,199,453.12)	5,206,528.12
136500 OVERHEAD CONDUCTORS AND DEVICES	12,538,350.23	99,693.42		99,693.42	12,638,043.65	(7,583,965.13)	5,054,078.52
136600 UNDERGROUND CONDUIT							
136700 UNDERGROUND CONDUCTORS AND DEVICES	548,764.13	106,821.74		106,821.74	655,585.87	(158,243.52)	497,342.35
136800 LINE TRANSFORMERS	12,083,850.66	48,463.23		48,463.23	12,132,313.89	(5,813,381.21)	6,318,932.68
136900 SERVICES	5,033,791.82	56,902.10		56,902.10	5,090,693.92	(3,089,614.47)	2,001,079.45
137000 METERS	3,616,919.29				3,616,919.29	(1,856,037.16)	1,760,882.13
137100 INSTALLATIONS ON CUSTOMERS' PREMISES	867,302.81				867,302.81	(664,561.08)	202,741.73
137200 LEASED PROP. ON CUSTOMERS' PREMISES	1,315,450.31	77.65		77.65	1,315,527.96	(637,539.37)	677,988.59
137300 STREET LIGHTING AND SIGNAL SYSTEMS							
TOTAL DISTRIBUTION PLANT	55,350,957.08	347,571.93		347,571.93	55,698,529.01	(29,072,472.01)	26,626,057.00

KENTUCKY UTILITIES - VIRGINIA
RESERVE FOR DEPRECIATION AND AMORTIZATION OF PLANT IN SERVICE
AS OF DECEMBER 31, 2004

20.11

	YEAR TO DATE						NET BALANCE THIS DATE
	NET BALANCE FIRST OF YEAR	ACCRUAL	GROSS RETIREMENTS	TRANSFERS/ ADJ	SALVAGE REMOVAL	COST OF OTHER CREDITS	
RESERVE FOR DEPRECIATION EXCLUSIVE OF TRANSPORTATION AND POWER OPERATED EQUIPMENT							
ELECTRIC							
TRANSMISSION	(20,965,326.85)	(1,178,160.60)	6,565.96		(4,217.36)		(22,141,138.85)
DISTRIBUTION	(27,459,301.48)	(1,613,170.53)	0.00				(29,072,472.01)
GENERAL	(552,827.83)	(54,383.14)	63,557.08				(543,653.89)
TOTAL ELECTRIC EXCL. TRANSPORTATION	(48,977,456.16)	(2,845,714.27)	70,123.04		(4,217.36)		(51,757,264.75)
TOTAL TRANSPORTATION EQUIPMENT	(1,252,153.10)	(48,262.59)	0.00				(1,300,415.69)
TOTAL RESERVE FOR DEPRECIATION OF PLANT IN SERVICE - ELECTRIC	(50,229,609.26)	(2,893,976.86)	70,123.04		(4,217.36)		(53,057,680.44)
RESERVE FOR AMORTIZATION FRANCHISES AND CONSENTS, ETC. ELECTRIC	(75,163.43)	(178.72)	0.00				(75,342.15)

KENTUCKY UTILITIES - KENTUCKY
NONUTILITY PROPERTY
AS OF DECEMBER 31, 2004

	YEAR TO DATE			NET BALANCE THIS DATE	
	NET BALANCE FIRST OF YEAR	CREDITS FOR DEBITS-GROSS RETIREMENTS	NET ADDITIONS ADJUSTMENTS		
OTHER NONUTILITY PROPERTY				946,697.04	
LAND	946,697.04			80,392.02	
BUILDINGS	80,392.02				
TOTAL NONUTILITY PROPERTY	1,027,089.06			1,027,089.06	
<hr/>					
		ACCRUAL	GROSS RETIREMENTS	COST OF REMOVAL	TRANSFERS/ OTHER CREDITS
RESERVE FOR DEPRECIATION, DEPLETION AND AMORTIZATION OF NONUTILITY PROPERTY	(130,511.52)	(410.40)			(130,921.92)
OTHER NONUTILITY PROPERTY					
TOTAL NONUTILITY PROPERTY LESS RESERVE FOR DEPRECIATION, DEPLETION AND AMORTIZATION	896,577.54				896,167.14

Kentucky Utilities Company

Reserve and Accumulated Depreciation Schedules

2005

KENTUCKY UTILITIES COMPANY
SUMMARY OF UTILITY PLANT
DECEMBER 31, 2005

	NET BALANCE FIRST OF YEAR	ADDITIONS	RETIREMENTS	TRANSFER/ADJUSTMENT	NET ADDITIONS	BALANCE TO DATE
UTILITY PLANT						
Plant In Service						
Intangibles	21,143,275.26	5,885,465.86	-	-	5,885,465.86	27,028,741.12
Steam Production	1,490,793,754.69	38,811,373.30	(3,494,500.66)	-	35,316,872.64	1,526,112,627.33
Hydro Production	10,769,212.06	30,633.16	(853,507.91)	-	(922,874.75)	9,946,337.31
Other Production	483,986,780.59	583,240.62	(91,184.13)	-	583,240.62	484,570,021.21
Transmission	489,776,802.77	12,728,447.00	-	-	12,637,262.87	502,414,065.64
Distribution	970,012,777.34	16,343,548.12	-	-	16,343,548.12	986,356,325.46
General	80,942,099.08	8,541,089.29	-	-	8,541,089.29	89,483,998.37
Transportation	27,738,710.62	95,983.90	-	-	95,983.90	27,834,694.52
Total Electric Plant In Service	3,771,166,722.41	83,019,781.25	(4,439,192.70)	-	78,580,588.55	3,649,746,810.96
Plant Purchased or Sold		944,692.04	-	(829,553.92)	115,138.12	115,138.12
Total Plant	3,771,166,722.41	83,964,473.29	(4,439,192.70)	-	78,695,726.67	3,649,861,949.08
Construction Work In Progress	140,982,969.67	56,041,888.29	-	-	56,041,888.29	197,024,857.96
Total Utility Plant at Original Cost	3,712,149,192.08	140,006,361.58	(4,439,192.70)	-	134,737,614.96	3,846,886,807.04
RESERVE FOR DEPRECIATION OF UTILITY PLANT IN SERVICE						
Life Reserves						
Steam Production	(773,439,362.27)	(38,093,209.08)	3,494,500.66	(3,568,256.34)	-	(811,606,327.03)
Hydro Production	(7,738,539.91)	(223,945.44)	822,340.75	-	-	(7,140,144.60)
Other Production	(76,269,848.58)	(16,474,330.10)	-	1,749,448.80	-	(90,994,729.88)
Transmission	(178,347,702.57)	(9,046,097.12)	71,161.03	(1,380,455.61)	-	(188,542,133.05)
Distribution	(303,266,190.65)	(21,782,539.13)	-	(1,131,265.01)	-	(325,070,974.79)
General	(28,964,545.51)	(6,590,452.06)	-	(581,613.52)	-	(35,136,611.09)
Transportation	(23,253,057.23)	(388,608.89)	-	(438.34)	-	(23,642,104.46)
Total Life Reserve For Depreciation Of Utility Plant In Service	(1,391,279,246.72)	(92,598,181.82)	4,388,002.44	(2,151,668.80)	-	(1,481,642,094.90)
Savings Reserves						
Steam Production	(63,442,601.56)	(5,334,181.31)	-	3,367,951.37	-	(65,408,831.50)
Hydro Production	(920,245.02)	(50,632.49)	-	-	-	(970,877.51)
Other Production	(30,000.00)	-	-	(1,749,448.80)	-	(1,779,448.80)
Transmission	(99,564,245.23)	(5,958,293.58)	-	(1,380,455.61)	-	(106,902,994.42)
Distribution	(119,309,860.60)	(8,449,745.05)	-	1,131,265.01	-	(126,628,340.64)
Total Savings Reserve For Depreciation Of Utility Plant In Service	(283,266,952.41)	(19,794,852.43)	-	1,569,311.97	-	(299,736,782.83)
Total Reserves	(836,881,963.83)	(43,429,390.59)	3,494,500.66	(304.97)	-	(875,061,448.24)
Hydro Production	(8,638,784.93)	(274,577.93)	822,340.75	-	-	(8,111,022.11)
Other Production	(76,299,848.58)	(16,474,330.10)	-	-	-	(92,774,178.68)
Transmission	(277,911,947.80)	(15,004,390.70)	71,161.03	-	-	(292,845,177.47)
Distribution	(422,576,051.25)	(30,232,284.18)	-	-	-	(452,808,335.43)
General	(28,964,545.51)	(6,590,452.06)	-	(581,613.52)	-	(35,136,611.09)
Transportation	(23,253,057.23)	(388,608.89)	-	(438.34)	-	(23,642,104.46)
Total Reserve For Depreciation Of Utility Plant In Service	(1,674,546,199.13)	(112,394,034.25)	4,388,002.44	(582,356.83)	-	(1,781,378,877.48)
Retirement of Work in Progress	1,545,615.52	-	-	-	-	1,545,615.52
YTD Activity	(1,673,000,583.61)	(112,394,034.25)	4,388,002.44	(582,356.83)	(1,755,710.29)	(1,781,378,877.48)
Inaugurable	(8,231,039.41)	(5,240,026.60)	-	-	-	(13,471,066.01)
Leaseholds	(581,613.52)	-	-	-	-	(581,613.52)
Total Reserve For Depreciation and Amortization - Utility Plant In Service	(1,681,813,236.54)	(117,634,060.85)	4,388,002.44	(743.31)	(1,755,710.29)	(1,789,102,820.22)
Utility Plant at Original Cost Less						

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KENTUCKY UTILITIES COMPANY
RECONCILIATION OF REGULATORY RESERVE FOR DEPRECIATION
DECEMBER 31, 2005

	<u>Depreciation</u>	<u>Amortization</u>
Per the plant report	(112,394,034.25)	(5,240,026.60)
YTD Accrual to account 254	(252,192.25)	
YTD Accrual to account 151060 (Rail Cars)	351,007.92	
YTD Accrual to account 151061 (Gas Pipeline)	480,160.27	
YTD Accrual to account 184315 (Transportation/POE	388,608.89	
LOCK 7 RWIP	99,930.10	
FIN 47 Implementation	261,144.32	
Asset Retirement Obligation	1,418,956.60	
Adjusted depreciation	<u>(109,646,418.40)</u>	<u>(5,240,026.60)</u>
Per the income statement	<u>109,646,418.40</u>	<u>5,240,026.60</u>
Difference	<u>-</u>	<u>-</u>

KENTUCKY UTILITIES COMPANY
RECONCILIATION OF REGULATORY RESERVE FOR DEPRECIATION
TO SECURITIES VALUATION
DECEMBER 31, 2015

	REGULATORY RESERVE AS OF DECEMBER 31, 2015	SEGMENTED AS OF DECEMBER 31, 2015	YTD 2014 SEGMENTED AS OF DECEMBER 31, 2014	YTD 2015 SEGMENTED AS OF DECEMBER 31, 2015	TOTAL SECURIZED CORP B/F	SEC AS OF DECEMBER 31, 2015	GL BALANCE	YTD BALANCE
Steam Production - Asset Retirement Obligations	(871,248,977.17)	(5,844,199.63)	(4,297,831.83)	(2,721,952.44)	(65,164,103.70)	(86,104,973.43)		
Hydro Production - Asset Retirement Obligations	(1,056,562.41)	(869,056.74)	(51,208.13)	(46,727.89)	(44,732.86)	(3,242,242.11)		
Other Production - Asset Retirement Obligations	(92,248,819.77)	(18,096.00)		(1,166,246.01)	(79,672,473.31)	(6,402,308.87)		
Transmission - Asset Retirement Obligations	(28,233,819.91)	(9,278,132.39)	(5,836,111.84)	(3,383,403.19)	(106,092,794.42)	(18,593,544.70)		
Distribution - Asset Retirement Obligations	(45,305,105.32)	(10,971,246.10)	(8,105,170.62)	(3,314,409.04)	(126,628,240.64)	(26,171,764.88)		
General	(1,622,104.90)					(1,622,104.90)		
Total Reserve for Depreciation of Utility Plants	1,313,338,892.13	(8,641,628.92)	(18,823,272.42)	(10,825,469.50)	(301,472,492.82)	(479,278,692.86)	(1,488,251,421.24)	
State of Kentucky - Retirement of Work in Progress	5,221,133.72					(5,221,133.72)	(778,632.12)	
Schools	(13,471,066.91)					(13,471,066.91)	(16,443,661.60)	
Intangibles							(16,443,661.60)	
Lawrenceburg - Retirement of Depreciation and Amortization Utility Plants in Service	(1,289,269,212.21)					(1,289,269,212.21)	(12,365,184.42)	
Utility Plant of Other Co's								
Reserve for Depreciation and Amortization	3,033,831,249.73					3,033,497,237.64		

RECONCILIATION OF SUMMARY OF UTILITY PLANT REPORT TO INCOME STATEMENT DEPRECIATION AND AMORTIZATION
AS OF DECEMBER 31, 2015

	YTD ACCUMULATED RESERVE FOR DEPRECIATION AND AMORTIZATION	ACTUAL TO ACCOUNT FOR	YTD BALANCE AS OF DECEMBER 31, 2015	YTD GAS PIPELINE ACCOUNTING	USKY FUND	YTD TRANSITION ACCOUNTING	YTD DEPRECIATION	YTD ASSETS	YTD INCOME STATEMENT ACCUMULATED DEPRECIATION	GL BALANCE	YTD BALANCE
Steam Production - Asset Retirement Obligations	(1,186,022.24)		(1,186,022.24)								
Hydro Production - Asset Retirement Obligations	(2,351.29)		(2,351.29)								
Other Production - Asset Retirement Obligations	(18,226,054.81)	79,659.65	(18,146,395.16)	480,100.37							
Transmission - Asset Retirement Obligations	(6,402,308.87)		(6,402,308.87)								
Distribution - Asset Retirement Obligations	(138,603.81)		(138,603.81)								
General	(3,240,834.69)		(3,240,834.69)								
Total Actual of Utility Plants in Service	(23,385,175.76)	79,659.65	(23,305,516.11)	480,100.37	99,939.10			1,418,206.60	(109,566,418.40)		
Intangibles	(2,240,834.69)		(2,240,834.69)								
Lawrenceburg - Retirement of Depreciation and Amortization Utility Plants in Service	(11,240,834.69)		(11,240,834.69)								
Total Actual and Amortization of Utility Plants in Service	(36,866,845.14)	79,659.65	(36,787,185.49)	480,100.37	99,939.10			1,418,206.60	(109,566,418.40)		
Income Statement											
Depreciation											
Amortization											
Total											
Total Actual and Amortization of Utility Plants in Service											
Income Statement											
Depreciation											
Amortization											
Total											
Total Actual and Amortization of Utility Plants in Service											

KENTUCKY UTILITIES - KENTUCKY
ELECTRIC PLANT
AS OF DECEMBER 31, 2005

	YEAR TO DATE				RESERVE	NET BOOK VALUE
	NET BALANCE FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR RETIREMENTS	NET BALANCE THIS DATE		
INTANGIBLE PLANT PROJECT PLANT						
130200	13,461.00			13,461.00		13,461.00
FRANCHISES AND CONSENTS						
TOTAL INTANGIBLE PLANT-PROJECT PLANT	13,461.00			13,461.00		13,461.00
OTHER INTANGIBLE PLANT						
130100	39,116.89			39,116.89		39,116.89
130200	69,992.04			69,992.04	(40,079.49)	29,912.55
130300	21,015,366.64	5,885,465.86		26,900,832.50	(13,430,986.52)	13,469,845.98
MISCELLANEOUS INTANGIBLE PLANT						
TOTAL OTHER INTANGIBLE PLANT	21,124,475.57	5,885,465.86	0.00	27,009,941.43	(13,471,066.01)	13,538,875.42
TOTAL INTANGIBLE PLANT	21,137,936.57	5,885,465.86	0.00	27,023,402.43	(13,471,066.01)	13,552,336.42
PRODUCTION PLANT						
STEAM PLANT						
131020	10,478,524.56			10,478,524.56	(45,638.72)	10,432,885.84
131010	157,676,501.77	970,909.50	970,909.50	158,647,411.27	(120,633,458.07)	38,013,953.20
131100	1,009,512,072.84	28,179,603.97	(2,723,300.66)	1,034,968,376.15	(536,538,166.36)	498,430,209.79
131200						
131300	200,884,727.57	8,047,875.41	(771,200.00)	208,161,402.98	(138,307,776.24)	69,853,626.74
131400	81,006,271.70	394,173.34		81,400,445.04	(63,417,458.62)	17,982,986.42
131500	22,704,285.62	503,072.54		23,207,358.16	(12,326,479.12)	10,880,879.04
131600	8,533,370.63	715,738.54		9,249,109.17	(3,792,471.11)	5,456,638.06
131700						
TOTAL STEAM PRODUCTION PLANT	1,490,795,754.69	38,811,373.30	(3,494,500.66)	1,526,112,627.33	(875,061,448.24)	651,051,179.09
HYDRAULIC PLANT						
PROJECT PLANT						
133020	13,479.47		(13,479.47)	0.00		0.00
133010	67,902.49	(67,902.49)	(67,902.49)	0.00	(0.20)	(67,902.69)
133100	324,145.88	(324,145.88)	(324,145.88)	0.00	(99,923.31)	(99,923.31)
133200	114,085.49	(114,085.49)	(114,085.49)	0.00	0.00	0.00
133300	264,485.91	(264,485.91)	(264,485.91)	0.00	0.00	0.00
133400	68,238.88	(68,238.88)	(68,238.88)	0.00	0.00	0.00
133500	1,169.79	(1,169.79)	(1,169.79)	0.00	0.00	0.00
TOTAL HYDRAULIC PLANT-PROJECT PLANT	853,507.91	0.00	(853,507.91)	0.00	(99,923.51)	(99,923.51)

KENTUCKY UTILITIES - KENTUCKY
ELECTRIC PLANT
AS OF DECEMBER 31, 2005

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	YEAR TO DATE				RESERVE	NET BOOK VALUE
	NET BALANCE FIRST OF YEAR	DEBITS-GROSS RETIREMENTS	NET ADDITIONS ADJUSTMENTS	NET BALANCE THIS DATE		
HYDRAULIC PLANT						
OTHER THAN PROJECT PLANT						
133020 LAND	879,311.47	23,670.27		879,311.47	(891,800.38)	(12,488.91)
133010 LAND RIGHTS	429,524.71		23,670.27	453,194.98	(311,255.85)	141,939.13
133100 STRUCTURES AND IMPROVEMENTS	7,954,452.03			7,954,452.03	(6,257,985.59)	1,696,466.44
133200 RESERVOIRS, DAMS AND WATERWAYS	418,543.74	1,992.81		420,536.55	(387,385.61)	33,150.94
133300 WATER WHEELS, TURBINES AND GENERATORS	85,383.13			85,383.13	(75,530.64)	9,852.49
133400 ACCESSORY ELECTRIC EQUIPMENT	101,512.95			101,512.95	(37,840.70)	63,672.25
133500 MISCELLANEOUS POWER PLANT EQUIPMENT	46,976.12			46,976.12	(47,643.19)	(667.07)
133600 ROADS, RAILROADS AND BRIDGES					(1,656.64)	3,313.44
133700 ASSET RETIREMENT COST - HYDRAULIC		4,970.08	4,970.08	4,970.08		
TOTAL HYDRAULIC PLANT - OTHER THAN PROJECT PLANT	9,915,704.15	30,633.16	30,633.16	9,946,337.31	(8,011,098.60)	1,935,238.71
TOTAL HYDRAULIC PRODUCTION PLANT	10,769,212.06	30,633.16	(822,874.75)	9,946,337.31	(8,111,022.11)	1,835,315.20
PRODUCTION PLANT						
OTHER PRODUCTION PLANT						
134020 LAND	118,514.41			118,514.41		118,514.41
134010 LAND RIGHTS	176,409.31			176,409.31	(65,717.61)	110,691.70
134100 STRUCTURES AND IMPROVEMENTS	35,717,419.19	95,380.15	95,380.15	35,812,799.34	(5,979,138.52)	29,833,660.82
134200 FUEL HOLDERS, PRODUCERS AND ACCESS.	20,625,887.12	388,234.23	388,234.23	21,014,121.35	(5,085,142.01)	15,928,979.34
134300 PRIME MOVERS	331,857,626.53	64,854.57	64,854.57	331,922,481.10	(59,405,527.08)	272,516,954.02
134400 GENERATORS	59,334,141.81			59,334,141.81	(15,405,657.78)	43,928,484.03
134500 ACCESSORY ELECTRIC EQUIPMENT	30,952,419.57	34,771.67	34,771.67	30,987,191.24	(5,690,874.68)	25,296,316.56
134600 MISC. POWER PLANT EQUIPMENT	5,133,372.64			5,133,372.64	(1,116,782.09)	4,016,590.55
134700 ASSET RETIREMENT COST - OTHER PRODUCTION	70,990.01			70,990.01	(25,338.91)	45,651.10
TOTAL OTHER PRODUCTION PLANT	485,986,780.59	583,240.62	583,240.62	486,570,021.21	(92,774,178.68)	393,795,842.53
TOTAL PRODUCTION PLANT	1,985,551,747.34	39,425,247.08	(4,348,008.57)	2,020,628,985.85	(975,946,649.03)	1,044,682,336.82
TRANSMISSION PLANT						
PROJECT PLANT						
135020 LAND	360.64			360.64		360.64
135010 LAND RIGHTS	2,062.39			2,062.39		2,062.39
135210 STRUCT & IMPROVE-NON SYS CONTROL/COM		(360.64)	(360.64)		184.00	184.00
135220 STRUCT & IMPROVE-SYS CONTROL/COM		(2,062.39)	(2,062.39)		250.28	250.28
135310 STATION EQUIPMENT-NON SYS CONTROL/COM	79,468.26			79,468.26		79,468.26
135400 TOWERS AND FIXTURES					(33,071.23)	(33,071.23)
135500 POLES AND FIXTURES	4,313.01			4,313.01		4,313.01
135600 OVERHEAD CONDUCTORS AND DEVICES	4,979.83			4,979.83		4,979.83
135700 UNDERGROUND CONDUIT						
135800 UNDERGROUND CONDUCTORS AND DEVICES						
TOTAL TRANSMISSION PLANT-PROJECT PLANT	91,184.13	0.00	(91,184.13)	0.00	(32,335.63)	(32,335.63)

KENTUCKY UTILITIES - KENTUCKY
ELECTRIC PLANT
AS OF DECEMBER 31, 2005

	YEAR TO DATE			RESERVE	NET BOOK VALUE
	NET BALANCE FIRST OF YEAR	DEBITS-GROSS CREDITS FOR RETIREMENTS	NET BALANCE THIS DATE		
TRANSMISSION PLANT OTHER THAN PROJECT PLANT					
135030 LAND RIGHTS	1,094,360.08		1,094,360.08	4,251.96	1,098,612.04
135010 LAND	21,558,984.59	545.00	21,558,984.59	(13,045,667.38)	8,513,317.21
135210 STRUCT & IMPROVE-NON SYS CONTROL/COM	5,726,316.15	31,511.20	5,757,827.35	(2,982,775.53)	2,775,051.82
135220 STRUCT & IMPROVE-SYS CONTROL/COM	1,167,783.17		1,167,783.17	(780,382.05)	387,401.12
135310 STATION EQUIPMENT-NON SYS CONTROL/COM	152,886,019.47	4,745,837.95	157,631,857.42	(52,550,374.27)	105,081,483.15
135310 STATION EQUIPMENT-SYS CONTROL/COM	14,749,280.69	1,603.60	14,749,280.69	(15,104,850.72)	(355,570.03)
135330 TOWERS AND FIXTURES	56,823,855.45	5,043,431.80	61,867,287.25	(37,795,743.95)	19,029,715.10
135400 POLES AND FIXTURES	77,464,972.37	1,373,948.14	78,838,920.51	(57,512,080.07)	24,996,324.10
135500 OVERHEAD CONDUCTORS AND DEVICES	114,957,751.41	1,373,948.14	116,331,699.55	(88,704,881.98)	27,626,817.57
135600 UNDERGROUND CONDUIT	448,760.26		448,760.26	(125,575.03)	323,185.23
135700 UNDERGROUND CONDUCTORS AND DEVICES	1,114,761.90	7,426.94	1,122,188.84	(765,489.95)	351,717.97
135800 ASSET RETIREMENT COST - TRANSMISSION	3,600.18		3,600.18	(3,638.70)	7,388.42
135910 TOTAL TRANSMISSION PLANT- OTHER THAN PROJECT PLANT	447,995,900.72	11,204,304.63	459,200,205.35	(269,365,207.65)	189,834,997.70
136400 TOTAL TRANSMISSION PLANT	448,087,084.85	11,204,304.63	459,291,389.48	(269,397,543.28)	189,802,662.07
DISTRIBUTION PLANT PROJECT PLANT					
136010 LAND RIGHTS	5.00		5.00	(3.73)	1.27
136400 POLES, TOWERS AND FIXTURES	702.70		702.70	(1,506.72)	(804.02)
136500 OVERHEAD CONDUCTORS AND DEVICES	258.71		258.71	(437.84)	(179.13)
136600 TOTAL DISTRIBUTION-PROJECT PLANT	966.41	0.00	966.41	(1,948.29)	(981.88)
DISTRIBUTION PLANT OTHER THAN PROJECT PLANT					
136020 LAND RIGHTS	1,614,514.07	31,403.91	1,645,917.98	(948,112.09)	647,805.89
136100 STRUCTURES AND IMPROVEMENTS	1,411,332.15	141,669.84	1,552,999.99	(1,304,259.14)	2,608,059.12
136200 STATION EQUIPMENT	3,770,648.42	3,400,097.06	7,170,745.48	(29,589,908.84)	65,031,116.56
136300 STORAGE BATTERY EQUIPMENT	91,220,928.34	5,024,265.16	96,245,193.50	(94,741,376.44)	80,291,362.41
136400 POLES, TOWERS AND FIXTURES	170,008,473.69	2,514,279.85	172,522,753.54	(690,850.46)	71,179,236.53
136500 OVERHEAD CONDUCTORS AND DEVICES	161,627,703.49	26,268.24	161,653,971.73	(15,797,910.38)	1,057,741.66
136600 UNDERGROUND CONDUIT	1,722,323.88	4,007,547.20	5,729,871.08	(80,458,360.57)	51,739,328.21
136700 UNDERGROUND CONDUCTORS AND DEVICES	63,529,691.39	401,798.57	64,931,489.96	(46,635,094.47)	132,226,678.08
136800 LINE TRANSFORMERS	212,283,240.08	206,936.97	212,490,177.05	(25,568,734.94)	31,357,323.21
136900 SERVICES	77,992,417.68		77,992,417.68	(25,568,734.94)	34,594,245.84
137000 METERS	59,956,043.81		59,956,043.81	(12,148,034.08)	5,251,977.49
137100 INSTALLATIONS ON CUSTOMERS' PREMISES	17,400,011.57		17,400,011.57	(21,103,406.57)	30,905,915.98
137200 LEASED PROP. ON CUSTOMERS' PREMISES		397,358.63	397,358.63	(6,230.11)	12,380.33
137300 STREET LIGHTING AND SIGNAL SYSTEMS	51,611,963.92	18,610.44	51,630,574.36	(6,230.11)	45,400,344.25
137400 ASSET RETIREMENT COST - DISTRIBUTION		18,610.44	18,610.44		
137400 TOTAL DISTRIBUTION PLANT- OTHER THAN PROJECT PLANT	914,149,297.49	16,170,235.87	930,319,533.36	(421,955,024.90)	508,364,503.46
137400 TOTAL DISTRIBUTION PLANT	914,150,258.90	16,170,235.87	930,325,494.77	(421,956,973.19)	508,363,521.58

		KENTUCKY UTILITIES - KENTUCKY ELECTRIC PLANT AS OF DECEMBER 31, 2005					
		YEAR TO DATE		YEAR TO DATE			
	NET BALANCE	NET BALANCE	DEBITS-GROSS	CREDITS FOR	NET BALANCE	NET BALANCE	
	FIRST OF YEAR	FIRST OF YEAR	RETIREMENTS	NET ADDITIONS	THIS DATE	RESERVE	NET BOOK VALUE
138920	LAND RIGHTS	2,719,529.35			2,719,529.35	(167,416.75)	2,552,112.60
139010	STRUCT AND IMPROV TO OWNED PROPERTY	29,955,107.25	1,228,991.20	1,228,991.20	31,184,098.45	(8,098,938.43)	23,085,160.02
139020	IMPROVEMENTS TO LEASED PROPERTY	680,098.33			680,098.33	(528,154.69)	151,943.64
139110	OFFICE EQUIPMENT	6,519,056.11	164,091.73	164,091.73	6,683,147.84	(2,843,019.54)	3,840,128.30
139120	NON PC COMPUTER EQUIPMENT	13,723,444.54	3,595,002.69	3,595,002.69	17,318,447.23	(12,228,933.41)	5,089,513.82
139130	CASH PROCESSING EQUIPMENT	817,574.88			817,574.88	(450,605.08)	366,969.80
139140	PERSONAL COMPUTER EQUIPMENT	3,042,957.63	941,612.48	941,612.48	3,984,570.11	(3,382,593.72)	601,976.39
139200	TRANSPORTATION EQUIPMENT	22,422,873.25	95,983.90	95,983.90	22,518,857.15	(22,326,267.09)	192,590.06
139300	STORES EQUIPMENT	639,817.45	118,483.26	118,483.26	758,300.71	(292,241.44)	466,059.27
139400	TOOLS, SHOP, AND GARAGE EQUIPMENT	4,637,878.44	289,715.49	289,715.49	4,927,593.93	(1,512,446.17)	3,415,147.76
139500	LABORATORY EQUIPMENT	3,218,598.00			3,218,598.00	(1,503,675.48)	1,714,922.52
139600	POWER OPERATED EQUIPMENT	289,593.10	11,307.99	11,307.99	300,901.09	(121,852.95)	179,048.14
139710	CARRIER COMMUNICATION EQUIPMENT	4,584,224.40	2,079,411.35	2,079,411.35	6,663,635.75	(1,333,685.14)	5,329,950.61
139720	REMOTE CONTROL COMMUNICATION EQUIP	3,642,857.44	109,929.58	109,929.58	3,752,787.02	(1,291,767.23)	2,461,019.79
139730	MOBILE COMMUNICATION EQUIPMENT	4,370,544.53			4,370,544.53	(1,472,826.33)	2,897,718.20
139800	MISCELLANEOUS EQUIPMENT	360,414.21	2,543.52	2,543.52	362,957.73	(236,217.17)	126,740.56
139900	OTHER TANGIBLE PROPERTY	101,624,568.91	8,637,073.19	8,637,073.19	110,261,642.10	(57,790,640.62)	52,471,001.48
TOTAL GENERAL PLANT		101,624,568.91	8,637,073.19	8,637,073.19	110,261,642.10	(57,790,640.62)	52,471,001.48
101	TOTAL ELECTRIC PLANT IN SERVICE	3,470,551,596.57	81,322,326.63	(4,439,192.70)	3,547,434,730.50	(1,738,562,872.13)	1,808,871,858.37
102	ELECTRIC PLANT PURCHASED OR SOLD	0.00	944,692.04	944,692.04	944,692.04	115,138.12	
103	ELECTRIC PLANT IN PROCESS OF RECLASSIFICATION						
104	ELECTRIC PLANT LEASED TO OTHERS						
105	ELECTRIC PLANT HELD FOR FUTURE USE	139,814,274.24	53,579,531.77	53,579,531.77	193,393,806.01	(1,738,562,872.13)	193,393,806.01
107	ACCUMULATED RESERVE						
108	TOTAL ELECTRIC PLANT	3,610,365,870.81	135,846,550.44	(4,439,192.70)	3,740,943,674.63	(1,738,562,872.13)	2,002,265,664.38
SUMMARY		3,470,551,596.57	81,322,326.63	(4,439,192.70)	3,547,434,730.50	(1,738,562,872.13)	1,808,871,858.37

RESERVE FOR DEPRECIATION										
EXCLUSIVE OF TRANSPORTATION AND POWER OPERATED EQUIPMENT										
YEAR TO DATE										
NET BALANCE	FIRST OF YEAR	ACCRUAL	GROSS RETIREMENTS	TRANSFERS/ADJ TRANSFERS OUT	R/WP	SALVAGE	COST OF REMOVAL	OTHER CREDITS	NET BALANCE THIS DATE	
(834,985,820.93)	(41,533,367.15)	3,494,500.66	0.00	(304.97)	(3,066.16)	1,758,776.45	(871,268,977.13)	(3,792,471.11)	(871,268,977.13)	STEAM PRODUCTION - ASSET RETIREMENT OBLIGATION
(1,896,142.90)	(1,896,023.24)	0.00	822,340.75				(99,923.51)	(8,009,441.96)	(3,792,471.11)	HYDRAULIC PRODUCTION - PROJECT PLANT
(807,468.51)	(114,795.75)	(158,125.54)	0.00				(1,656.64)	(92,748,839.77)	(807,468.51)	HYDRAULIC PRODUCTION - NON-PROJECT PLANT
(7,851,316.42)	(7,851,316.42)	0.00	0.00				(1,656.64)	(92,748,839.77)	(7,851,316.42)	OTHER PRODUCTION - ASSET RETIREMENT OBLIGATION
(76,276,860.96)	(16,471,978.81)	0.00	0.00				(25,338.91)	(269,361,568.95)	(76,276,860.96)	OTHER PRODUCTION - NON-PROJECT PLANT
(22,987.62)	(2,351.29)	0.00	0.00				(25,338.91)	(269,361,568.95)	(22,987.62)	OTHER PRODUCTION - ASSET RETIREMENT OBLIGATION
(101,491.77)	(2,004.89)	71,161.03	0.00				(32,335.63)	(269,361,568.95)	(101,491.77)	TRANSMISSION - PROJECT PLANT
(255,587,119.93)	(13,774,449.02)	0.00	0.00				(32,335.63)	(269,361,568.95)	(255,587,119.93)	TRANSMISSION - NON-PROJECT PLANT
(1,219.62)	(2,419.08)	0.00	0.00				(1,948.29)	(1,948.29)	(1,219.62)	TRANSMISSION - ASSET RETIREMENT OBLIGATION
(1,915.77)	(32.52)	0.00	0.00				(1,948.29)	(1,948.29)	(1,915.77)	DISTRIBUTION - PROJECT PLANT
(393,349,608.14)	(28,599,186.65)	0.00	0.00				(421,948,794.79)	(6,230.11)	(393,349,608.14)	DISTRIBUTION - NON-PROJECT PLANT
0.00	(6,230.11)	0.00	0.00				(6,230.11)	(6,230.11)	0.00	DISTRIBUTION - ASSET RETIREMENT OBLIGATION
(28,420,891.62)	(6,537,210.54)	0.00	0.00	(506,271.37)			(35,464,373.53)		(28,420,891.62)	GENERAL
(1,599,302,844.19)	(109,099,831.23)	4,388,002.44	(506,576.34)		(3,066.16)	1,758,776.45	(1,702,765,539.03)	0.00	(1,599,302,844.19)	TOTAL ELECTRIC EXCL. TRANSPORTATION
(21,952,641.54)	(373,187.21)	0.00	(438.94)				(22,326,267.09)		(21,952,641.54)	TOTAL TRANSPORTATION EQUIPMENT
(1,621,255,483.73)	(109,473,018.44)	4,388,002.44			(3,066.16)	1,758,776.45	(1,725,091,806.12)	0.00	(1,621,255,483.73)	TOTAL RESERVE FOR DEPRECIATION OF PLANT IN SERVICE - ELECTRIC
(506,271.37)	0.00	0.00	506,271.37				0.00		(506,271.37)	RESERVE FOR AMORTIZATION OF PLANT IN SERVICE
(8,231,039.41)	(5,240,026.60)	0.00	0.00				(13,471,066.01)		(8,231,039.41)	LEASEHOLDS AND CONSENTS, ETC.
1,545,615.52				(1,755,710.29)	(2,489,613.76)	9,739,397.74	(1,292,565.94)		1,545,615.52	RETIREMENT WORK IN PROGRESS

KENTUCKY UTILITIES - TENNESSEE
ELECTRIC PLANT
AS OF DECEMBER 31, 2005

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	NET BALANCE		YEAR TO DATE		NET BALANCE				
	FIRST OF YEAR	DEBITS-GROSS	CREDITS FOR	RETIREMENTS	NET ADDITIONS	ADJUSTMENTS	THIS DATE	RESERVE	NET BOOK VALUE
TRANSMISSION PLANT									
135010 LAND RIGHTS	439.53						439.53	(323.31)	116.22
135500 POLES AND FIXTURES	50,073.70	72,146.42			72,146.42		122,220.12	(53,285.35)	68,934.77
135600 OVERHEAD CONDUCTORS AND DEVICES	36,979.88	31,474.34			31,474.34		68,454.22	(33,944.90)	34,509.32
TOTAL TRANSMISSION PLANT	87,493.11	103,620.76	0.00		103,620.76	0.00	191,113.87	(87,553.56)	103,560.31
DISTRIBUTION PLANT									
136020 LAND	2,412.82						2,412.82		2,412.82
136010 LAND RIGHTS	2,627.41						2,627.41	(1,769.52)	857.89
136100 STRUCTURES AND IMPROVEMENTS	2,621.29						2,621.29	(2,174.95)	446.34
136200 STATION EQUIPMENT	55,936.26						55,936.26	(37,510.99)	18,425.27
136300 STORAGE BATTERY EQUIPMENT									
136400 POLES, TOWERS AND FIXTURES	28,304.63						28,304.63	(35,988.77)	(7,684.14)
136500 OVERHEAD CONDUCTORS AND DEVICES	47,063.18						47,063.18	(55,373.25)	(8,310.07)
136600 UNDERGROUND CONDUIT									
136700 UNDERGROUND CONDUCTORS AND DEVICES									
136800 LINE TRANSFORMERS	10,054.88						10,054.88	(9,958.76)	96.12
136900 SERVICES	950.46						950.46	(1,655.69)	(705.23)
137000 METERS	13,434.65						13,434.65	(11,295.83)	2,138.82
137100 INSTALLATIONS ON CUSTOMERS' PREMISES	583.85						583.85	(766.85)	(183.00)
137200 LEASED PROP. ON CUSTOMERS' PREMISES									
137300 STREET LIGHTING AND SIGNAL SYSTEMS									
TOTAL DISTRIBUTION PLANT	163,989.43	0.00	0.00		0.00	0.00	163,989.43	(156,494.61)	7,494.82
SUMMARY									
101 TOTAL ELECTRIC PLANT IN SERVICE	251,482.54	103,620.76	0.00		103,620.76	0.00	355,103.30	(244,048.17)	111,055.13
102 ELECTRIC PLANT PURCHASED OR SOLD									
103 ELECTRIC PLANT IN PROCESS OF RECLASSIFICATION									
104 ELECTRIC PLANT LEASED TO OTHERS									
105 ELECTRIC PLANT HELD FOR FUTURE USE									
107 CONSTRUCTION WORK IN PROGRESS-ELEC.	48,908.58	(41,884.86)					7,023.72	(244,048.17)	7,023.72
108 ACCUMULATED RESERVE									
TOTAL ELECTRIC PLANT	300,391.12	61,735.90	0.00		103,620.76	0.00	362,127.02	(244,048.17)	118,078.85

KENTUCKY UTILITIES - TENNESSEE
 RESERVE FOR DEPRECIATION AND AMORTIZATION OF PLANT IN SERVICE
 AS OF DECEMBER 31, 2005

RESERVE FOR DEPRECIATION	YEAR TO DATE					NET BALANCE THIS DATE
	NET BALANCE FIRST OF YEAR	ACCUAL	GROSS RETIREMENTS	TRANSFERS/ADJ SALVAGE REMOVAL	COST OF OTHER REMOVAL CREDITS	
ELECTRIC TRANSMISSION DISTRIBUTION	(80,977.63) (152,055.33)	(6,575.93) (4,439.28)	0.00 0.00			(87,553.56) (156,494.61)
TOTAL RESERVE FOR DEPRECIATION OF PLANT IN SERVICE - ELECTRIC	(233,032.96)	(11,015.21)	0.00	0.00	0.00	(244,048.17)

KENTUCKY UTILITIES - VIRGINIA ELECTRIC PLANT AS OF DECEMBER 31, 2005		YEAR TO DATE		CREDITS FOR		NET BALANCE		FIRST OF YEAR		NET OF YEAR	
		DEBITS-GROSS		RETIREMENTS		NET ADDITIONS		ADJUSTMENTS		THIS DATE	
		RESERVE		NET BALANCE		RESERVE		NET BOOK VALUE			
130100	INTANGIBLE PLANT ORGANIZATION	5,338.69		5,338.69		5,338.69		5,338.69		5,338.69	
	TOTAL INTANGIBLE PLANT	5,338.69	0.00	5,338.69	0.00	5,338.69	0.00	5,338.69	0.00	5,338.69	0.00
135020	LAND	68,167.96		68,167.96		68,167.96		68,167.96		68,167.96	
135010	LAND RIGHTS	1,782,030.88		1,782,030.88		1,782,030.88		1,782,030.88		1,782,030.88	
135210	STRUCT & IMPROVE-NON SYS CONTROL/COM	1,050,280.78		1,050,280.78		1,050,280.78		1,050,280.78		1,050,280.78	
135220	STRUCT & IMPROVE-SYS CONTROL/COM										
135310	STATION EQUIPMENT-NON SYS CONTROL/COM	14,105,951.24		14,344,855.79		14,344,855.79		14,344,855.79		14,344,855.79	
135320	STATION EQUIPMENT-SYS CONTROL/COM										
135400	TOWERS AND FIXTURES	6,739,096.01		6,739,096.01		6,739,096.01		6,739,096.01		6,739,096.01	
135500	POLES AND FIXTURES	5,496,576.77		5,496,576.77		5,496,576.77		5,496,576.77		5,496,576.77	
135600	OVERHEAD CONDUCTORS AND DEVICES	12,360,121.17		12,782,318.90		12,782,318.90		12,782,318.90		12,782,318.90	
135700	UNDERGROUND CONDUIT										
135800	UNDERGROUND CONDUCTORS AND DEVICES	759,419.33		759,419.33		759,419.33		759,419.33		759,419.33	
	TOTAL TRANSMISSION PLANT	41,602,224.81	1,420,521.61	43,022,746.42	23,360,080.63	19,662,665.79	0.00	1,420,521.61	0.00	43,022,746.42	23,360,080.63
136020	LAND	96,439.08		96,439.08		96,439.08		96,439.08		96,439.08	
136010	LAND RIGHTS	83,693.13		83,693.13		83,693.13		83,693.13		83,693.13	
136100	STRUCTURES AND IMPROVEMENTS	370,711.44		375,767.95		375,767.95		375,767.95		375,767.95	
136200	STATION EQUIPMENT	6,425,316.73		6,494,787.72		6,494,787.72		6,494,787.72		6,494,787.72	
136300	STORAGE BATTERY EQUIPMENT										
136400	POLES, TOWERS AND FIXTURES	12,405,981.24		12,438,138.59		12,438,138.59		12,438,138.59		12,438,138.59	
136500	OVERHEAD CONDUCTORS AND DEVICES	12,638,043.65		12,691,276.76		12,691,276.76		12,691,276.76		12,691,276.76	
136600	UNDERGROUND CONDUIT										
136700	UNDERGROUND CONDUCTORS AND DEVICES	655,585.87		655,585.87		655,585.87		655,585.87		655,585.87	
136800	LINE TRANSFORMERS	12,132,313.89		12,145,708.18		12,145,708.18		12,145,708.18		12,145,708.18	
136900	SERVICES	5,090,693.92		5,090,693.92		5,090,693.92		5,090,693.92		5,090,693.92	
137000	METERS	3,616,919.29		3,616,919.29		3,616,919.29		3,616,919.29		3,616,919.29	
137100	INSTALLATIONS ON CUSTOMERS' PREMISES	867,302.81		867,302.81		867,302.81		867,302.81		867,302.81	
137200	LEASED PROP. ON CUSTOMERS' PREMISES										
137300	STREET LIGHTING AND SIGNAL SYSTEMS	1,315,527.96		1,315,527.96		1,315,527.96		1,315,527.96		1,315,527.96	
	TOTAL DISTRIBUTION PLANT	55,698,529.01	173,312.25	55,871,841.26	(30,694,867.63)	25,176,973.63	0.00	173,312.25	0.00	55,871,841.26	(30,694,867.63)

KENTUCKY UTILITIES - VIRGINIA ELECTRIC PLANT AS OF DECEMBER 31, 2005		YEAR TO DATE		YEAR TO DATE		YEAR TO DATE		YEAR TO DATE	
NET BALANCE	CREDITS FOR	DEBITS-GROSS	RETIREMENTS	NET ADDITIONS	ADJUSTMENTS	NET BALANCE	THIS DATE	RESERVE	NET BOOK VALUE
91,571.48				91,571.48		91,571.48			91,571.48
138920	LAND RIGHTS								
13900	STRUCT AND IMPROV TO OWNED PROPERTY	643,848.85				643,848.85	(248,383.43)		395,465.42
139020	IMPROVEMENTS TO LEASED PROPERTY	75,980.87				75,980.87	(75,495.29)		485.58
13910	OFFICE EQUIPMENT	36,895.30				36,895.30	(34,310.95)		2,584.35
139120	NON PC COMPUTER EQUIPMENT								0.00
139200	TRANSPORTATION EQUIPMENT	1,315,837.37				1,315,837.37	(1,315,837.37)		0.00
139300	STORES EQUIPMENT	8,103.30				8,103.30	(3,960.89)		4,142.41
139400	TOOLS, SHOP, AND GARAGE EQUIPMENT	283,321.70				283,321.70	(60,831.15)		222,490.55
139500	LABORATORY EQUIPMENT	37,683.18				37,683.18	(21,505.49)		16,177.69
139600	POWER OPERATED EQUIPMENT								50,884.00
139710	CARRIER COMMUNICATION EQUIPMENT	116,974.17				116,974.17	(66,090.17)		86,301.44
139720	REMOTE CONTROL COMMUNICATION EQUIP	160,272.74				160,272.74	(73,971.30)		196,673.24
139730	MOBILE COMMUNICATION EQUIPMENT	277,432.95				277,432.95	(80,759.71)		2,199.70
139800	MISCELLANEOUS EQUIPMENT	9,128.88				9,128.88	(6,929.18)		1,068,975.86
139900	OTHER TANGIBLE PROPERTY	3,057,050.79	0.00	0.00	0.00	3,057,050.79	(1,988,074.93)		
	TOTAL GENERAL PLANT	3,057,050.79	0.00	0.00	0.00	3,057,050.79	(1,988,074.93)		1,068,975.86
101	TOTAL ELECTRIC PLANT IN SERVICE	100,363,143.30	0.00	1,593,833.86	0.00	101,956,977.16	(56,043,023.19)		45,913,953.97
102	ELECTRIC PLANT PURCHASED OR SOLD								
103	ELECTRIC PLANT IN PROCESS OF RECLASSIFICATION								
104	ELECTRIC PLANT LEASED TO OTHERS								
105	ELECTRIC PLANT HELD FOR FUTURE USE								
107	CONSTRUCTION WORK IN PROGRESS-ELEC.	1,119,786.85	2,504,241.38			3,624,028.23	(56,043,023.19)		3,624,028.23
108	ACCUMULATED RESERVE								
	TOTAL ELECTRIC PLANT	101,482,930.15	4,098,075.24	1,593,833.86	0.00	105,581,005.39	(56,043,023.19)		49,537,982.20

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KENTUCKY UTILITIES - VIRGINIA
RESERVE FOR DEPRECIATION AND AMORTIZATION OF PLANT IN SERVICE
AS OF DECEMBER 31, 2005

RESERVE FOR DEPRECIATION EXCLUSIVE OF TRANSPORTATION AND POWER OPERATED EQUIPMENT	YEAR TO DATE						NET BALANCE THIS DATE
	NET BALANCE FIRST OF YEAR	ACCRUAL	GROSS RETIREMENTS	TRANSFERS/ADJ	SALVAGE	COST OF REMOVAL	
ELECTRIC							
TRANSMISSION	(22,141,138.85)	(1,218,941.78)	0.00				(23,360,080.63)
DISTRIBUTION	(29,072,472.01)	(1,622,395.62)	0.00				(30,694,867.63)
GENERAL	(543,653.89)	(53,241.52)	0.00	(75,342.15)			(672,237.56)
TOTAL ELECTRIC EXCL. TRANSPORTATION	(51,757,264.75)	(2,894,578.92)	0.00	(75,342.15)	0.00	0.00	(54,727,185.82)
TOTAL TRANSPORTATION EQUIPMENT	(1,300,415.69)	(15,421.68)	0.00				(1,315,837.37)
TOTAL RESERVE FOR DEPRECIATION OF PLANT IN SERVICE - ELECTRIC	(53,057,680.44)	(2,910,000.60)	0.00	(75,342.15)	0.00	0.00	(56,043,023.19)
RESERVE FOR AMORTIZATION FRANCHISES AND CONSENTS, ETC. LEASEHOLDS ELECTRIC	(75,342.15)	0.00	0.00	75,342.15			0.00

KENTUCKY UTILITIES - KENTUCKY NONUTILITY PROPERTY AS OF DECEMBER 31, 2005		YEAR TO DATE	
NET BALANCE FIRST OF YEAR	CREDITS FOR DEBITS-GROSS	NET ADDITIONS	ADJUSTMENTS THIS DATE
946,697.04	80,392.02	946,697.04	80,392.02
1,027,089.06	1,027,089.06		1,027,089.06
TOTAL NONUTILITY PROPERTY			
OTHER NONUTILITY PROPERTY			
946,697.04	80,392.02	946,697.04	80,392.02
1,027,089.06	1,027,089.06		1,027,089.06
TOTAL NONUTILITY PROPERTY			
RESERVE FOR DEPRECIATION, DEPLETION AND AMORTIZATION OF NONUTILITY PROPERTY			
(130,511.52)	(718.20)	(130,511.52)	(718.20)
OTHER NONUTILITY PROPERTY			
TOTAL NONUTILITY PROPERTY LESS RESERVE FOR DEPRECIATION, DEPLETION AND AMORTIZATION			
896,577.54		896,577.54	
TOTAL NONUTILITY PROPERTY LESS RESERVE FOR DEPRECIATION, DEPLETION AND AMORTIZATION			
			895,859.34

Kentucky Utilities Company

Reserve and Accumulated Depreciation Schedules

2006

KENTUCKY UTILITIES COMPANY
SUMMARY OF UTILITY PLANT
DECEMBER 31, 2006

	NET BALANCE FIRST OF YEAR	ADDITIONS	RETIREMENTS	TRANSFER/ADJUSTMENT	NET ADDITIONS	BALANCE TO DATE		
UTILITY PLANT								
Plant In Service	27,028,741.12	2,572,656.76	(3,950,740.06)	-	(1,378,083.30)	25,650,657.82		
Intangibles	1,526,112,027.33	14,862,587.13	(12,770,106.84)	-	2,092,480.29	1,528,205,107.62		
Steam Production	9,946,337.31	0.07	-	-	0.07	9,946,337.38		
Hydro Production	484,570,021.21	13,353,773.84	(7,529,150.35)	-	5,824,623.49	490,394,644.70		
Other Production	502,414,065.64	7,766,573.54	(3,690,776.02)	-	4,075,797.52	506,489,863.16		
Transmission	986,356,325.46	37,502,672.79	(9,994,889.73)	-	27,507,783.06	1,013,864,108.52		
Distribution	89,493,998.37	4,642,133.00	(11,802,717.48)	-	(7,160,584.48)	82,323,413.89		
General	23,834,694.52	25,658.87	-	-	25,658.87	23,860,353.39		
Transportation								
Total Electric Plant In Service	3,649,746,810.96	80,726,056.00	(49,738,380.48)	-	30,987,675.52	3,680,734,486.48		
Plant Purchased or Sold	115,138.12	(32,482.18)	-	(82,655.94)	(115,138.12)	-		
Total Plant	3,649,861,949.08	80,693,573.82	(49,738,380.48)	(82,655.94)	30,872,537.40	3,680,734,486.48		
Construction Work In Progress	197,024,857.96	290,218,782.25	-	-	290,218,782.25	487,243,640.21		
Total Utility Plant at Original Cost	3,846,886,807.04	370,912,356.07	(49,738,380.48)	(82,655.94)	321,091,319.65	4,167,978,126.69		
RESERVE FOR DEPRECIATION OF UTILITY								
Plant In Service	NET BALANCE FIRST OF YEAR	ACCURAL	RETIREMENTS	TRANSFERS/ADJ	R/VP TRANSFERS OUT	COST OF REMOVAL	OTHER CREDITS	BALANCE TO DATE
Life Reserves	(811,606,327.03)	(36,363,504.39)	12,770,106.84	(116,584.71)	-	-	-	(835,316,309.29)
Steam Production	(7,140,144.60)	(118,092.96)	-	(160,478.04)	-	-	-	(7,418,715.60)
Hydro Production	(90,984,728.88)	(16,093,596.11)	7,529,150.35	0.03	-	-	-	(100,459,175.61)
Other Production	(185,942,183.05)	(8,933,892.88)	3,690,776.02	113,777.60	-	-	(2,074,087.10)	(193,145,219.41)
Transmission	(386,770,994.79)	(22,639,658.69)	9,994,889.73	102,378.66	-	-	(785,265.96)	(398,507,651.05)
Distribution	(36,136,611.09)	(5,443,728.10)	11,802,717.48	(68,595.25)	-	68,085.15	-	(29,772,581.81)
General	(23,642,104.46)	(75,718.83)	-	-	-	-	-	(23,717,823.29)
Transportation								
Total Life Reserve For Depreciation Of Utility Plant In Service	(1,481,642,094.90)	(60,567,241.96)	45,787,640.42	(129,501.71)	-	68,085.15	(2,859,363.06)	(1,529,342,476.06)
Salvage Reserves	(63,455,121.21)	(5,165,695.61)	-	254,327.30	-	6,375,414.24	(17,932.39)	(62,263,334.97)
Steam Production	(970,877.51)	(32,438.61)	-	-	-	-	-	(1,003,316.12)
Hydro Production	(1,779,448.80)	0.01	-	-	-	459,634.90	-	(1,319,813.89)
Other Production	(106,592,994.42)	(6,066,839.20)	-	(66,446.80)	-	2,881,823.43	(13,277.37)	(110,346,842.22)
Transmission	(136,628,340.64)	(8,723,975.13)	-	-	-	4,152,615.47	-	(131,362,005.74)
Distribution								
Total Salvage Reserve For Depreciation Of Utility Plant In Service	(299,736,782.58)	(19,990,948.54)	-	188,080.50	-	13,869,488.04	(13,277.37)	(306,040,785.64)
Total Reserves	(875,061,448.24)	(41,529,200.00)	12,770,106.84	(116,584.71)	-	6,375,414.24	(17,932.39)	(897,579,644.26)
Steam Production	(8,111,022.11)	(150,531.57)	-	94,049.26	-	-	-	(8,167,504.42)
Hydro Production	(92,774,178.68)	(16,993,596.10)	7,529,150.35	0.03	-	459,634.90	-	(101,778,989.50)
Other Production	(292,845,177.47)	(15,000,332.08)	3,690,776.02	47,330.80	-	2,881,823.43	(2,087,374.47)	(303,492,061.63)
Transmission	(452,808,335.43)	(31,365,633.82)	9,994,889.73	102,378.66	-	4,077,020.95	(785,265.96)	(470,945,251.31)
Distribution	(36,136,611.09)	(5,443,178.10)	11,802,717.48	(68,595.25)	-	143,679.67	-	(29,701,987.29)
General	(23,642,104.46)	(75,718.83)	-	-	-	-	-	(23,717,823.29)
Transportation								
Total Reserve For Depreciation Of Utility Plant In Service	(1,781,378,877.48)	(110,538,190.50)	45,787,640.42	58,578.79	-	13,937,573.19	(2,872,640.43)	(1,835,383,261.70)
Retirement Work In Progress	5,747,123.27	-	-	(63,948.48)	(10,707,587.07)	6,941,175.70	(1,079,014.10)	(35,933.69)
YTD Activity	(1,775,631,754.21)	(110,538,190.50)	45,787,640.42	(5,369.69)	(10,707,587.07)	20,878,748.89	(3,951,654.53)	(1,835,419,215.39)
Intangibles	(13,471,066.01)	(5,072,613.90)	3,950,740.06	0.10	-	-	-	(14,592,939.75)
Leaseholds								
Total Reserve For Depreciation and Amortization - Utility Plant In Service	(1,789,102,820.22)	(115,610,804.40)	49,738,380.48	(5,369.59)	(10,707,587.07)	20,878,748.89	(3,951,654.53)	(1,850,012,155.14)
Utility Plant at Original Cost Less Reserve For Depreciation and Amortization	2,057,783,986.82							2,317,965,971.55

KENTUCKY UTILITIES COMPANY
RECONCILIATION OF SUMMARY OF UTILITY PLANT REPORT TO INCOME STATEMENT DEPRECIATION AND AMORTIZATION
AS OF DECEMBER 31, 2006

YTD ACCRUAL RESERVE FOR DEPRECIATION AND AMORTIZATION	YTD ACCRUAL TO ACCOUNT 254	YTD RAILCARS ACCOUNT 151060	YTD GAS PIPELINE ACCOUNT 151061	YTD TRANSPORTATION ACCOUNT 184315	ROUNDING	INCOME STATEMENT ACCRUAL & AMORTIZATION	GL TRIAL BALANCE	VARIANCE
(41,235,254.01)	192,522.60	351,007.92				(41,076,768.69)	41,076,768.69	(0.00)
(293,945.99)						(293,945.99)	293,945.99	(0.00)
(150,531.57)						(150,531.57)	150,531.57	(0.00)
-			447,901.37			-	-	0.00
(16,991,244.82)						(16,543,343.45)	16,543,343.45	0.00
Hydro - Asset Retirement Obligation								0.00
Other Production - Asset Retirement Obligation					0.02	(2,351.28)	2,351.28	0.00
Transmission - Asset Retirement Obligation	59,669.64					(15,059,822.06)	15,059,822.06	0.00
Distribution - Asset Retirement Obligation	(15,000,152.44)					(179.64)	179.64	(0.00)
General	(179.64)					(31,365,451.32)	31,365,451.32	0.00
Transportation	(31,365,451.30)				(0.02)	(182.52)	182.52	(0.00)
Distribution - Asset Retirement Obligation	(182.52)					(5,443,178.11)	5,443,178.11	(0.00)
General	(5,443,178.10)				(0.01)	(0.00)	-	(0.00)
Transportation	(75,718.83)							0.00
Total Accrual of Utility Plant in Service	(110,558,190.50)	252,192.24	351,007.92	447,901.37		(109,935,754.63)	109,935,754.63	0.00
Intangibles	(5,072,613.90)					(5,072,613.90)	5,072,613.90	0.00
Total Amortization of Utility Plant in Service	(5,072,613.90)					(5,072,613.90)	5,072,613.90	0.00
Leaseholds	-					-	-	0.00
Total Accrual and Amortization of Utility Plant in Service	(115,630,804.40)					(115,008,368.53)	115,008,368.53	0.00

K:\Case No. 2007-00564 and 2007-00565 - LG&E and KU Revised Depreciation Rates\1st Data Request\KU 2007-00565\Attachments\KU-AG-1-22\KU-AG-1-22 Dec 2006 KU Plant Detail.xls

KENTUCKY UTILITIES - KENTUCKY
ELECTRIC PLANT
AS OF DECEMBER 31, 2006
YEAR TO DATE

	NET BALANCE			CREDITS FOR			NET BALANCE		
	FIRST OF YEAR	DEBITS-GROSS	RETIREMENTS	NET ADDITIONS	ADJUSTMENTS	THIS DATE	RESERVE	NET BOOK VALUE	
INTANGIBLE PLANT									
PROJECT PLANT									
130200	13,461.00					13,461.00		13,461.00	
FRANCHISES AND CONSENTS									
TOTAL INTANGIBLE PLANT-PROJECT PLANT	13,461.00					13,461.00		13,461.00	
OTHER INTANGIBLE PLANT									
130100	39,116.89					39,116.89		39,116.89	
ORGANIZATION	69,992.04					69,992.04	(43,305.87)	26,686.17	
130200	26,900,832.50	2,572,656.76	(3,950,740.06)	(1,378,083.30)		25,522,749.20	(14,549,633.88)	10,973,115.32	
130300									
MISCELLANEOUS INTANGIBLE PLANT									
TOTAL OTHER INTANGIBLE PLANT	27,009,941.43	2,572,656.76	(3,950,740.06)	(1,378,083.30)	0.00	25,631,858.13	(14,592,939.75)	11,038,918.38	
TOTAL INTANGIBLE PLANT	27,023,402.43	2,572,656.76	(3,950,740.06)	(1,378,083.30)	0.00	25,645,319.13	(14,592,939.75)	11,052,379.38	
PRODUCTION PLANT									
STEAM PLANT									
131020	10,478,524.56	0.00		0.00		10,478,524.56		10,478,524.56	
131010									
LAND RIGHTS									
131100	158,647,411.27	106,333.65	(137,959.29)	(31,625.64)		158,615,785.63	(125,112,118.75)	33,503,666.88	
131200	1,034,968,376.15	8,199,264.99	(8,467,050.62)	(267,785.63)		1,034,700,590.52	(551,512,512.52)	483,188,078.00	
STRUCTURES AND IMPROVEMENTS									
131300									
BOILER PLANT EQUIPMENT									
131400	208,161,402.98	5,548,811.39	(3,934,127.89)	1,614,683.50		209,776,086.48	(138,682,018.72)	71,094,067.76	
131500	81,400,445.04	786,741.41	(108,356.00)	678,385.41		82,078,830.45	(65,292,028.96)	16,786,801.49	
131600	23,207,358.16	221,366.32	(122,613.04)	98,753.28		23,306,111.44	(12,894,202.85)	10,411,908.59	
131700	9,249,109.17	69.37		69.37		9,249,178.54	(4,086,762.46)	5,162,416.08	
MISCELLANEOUS POWER PLANT EQUIPMENT									
ASSET RETIREMENT OBLIGATION - STEAM									
TOTAL STEAM PRODUCTION PLANT	1,526,112,627.33	14,862,387.13	(12,770,106.84)	2,092,480.29	0.00	1,528,205,107.62	(897,579,644.26)	630,625,463.36	

KENTUCKY UTILITIES - KENTUCKY ELECTRIC PLANT AS OF DECEMBER 31, 2006		YEAR TO DATE		NET BALANCE		NET BALANCE		FIRST OF YEAR	
		CREDITS FOR		DEBITS-GROSS		RETIREMENTS		NET ADDITIONS	
		ADJUSTMENTS		THIS DATE		RESERVE		NET BOOK VALUE	
134020	LAND								
134010	LAND RIGHTS	176,409.31							
134100	STRUCTURES AND IMPROVEMENTS	169,354.35							
134200	FUEL HOLDERS, PRODUCERS AND ACCESS.	21,014,121.35	(11,267.00)	5,645,111.69					
134300	PRIME MOVERS	331,922,481.10	13,162,995.04	(7,517,883.35)					
134400	GENERATORS	59,334,141.81							
134500	ACCESSORY ELECTRIC EQUIPMENT	30,952,419.57							
134600	MISC. POWER PLANT EQUIPMENT	5,168,144.31	15,274.16						
134700	ASSET RETIREMENT OBLIGATION - OTHER PRODUCTION	70,990.01							
134800	TOTAL OTHER PRODUCTION PLANT	484,570,021.21	13,353,773.84	(7,529,150.35)	5,824,623.49	7,917,103.85	0.00	2,028,546,089.70	(1,007,526,138.18)
134900	TOTAL PRODUCTION PLANT	118,514.41							
135000	OTHER THAN PROJECT PLANT								
135100	LAND								
135200	LAND RIGHTS	176,409.31							
135300	STRUCTURES AND IMPROVEMENTS	169,354.35							
135400	FUEL HOLDERS, DAMS AND WATERWAYS	21,014,121.35	(11,267.00)	5,645,111.69					
135500	PRIME MOVERS	331,922,481.10	13,162,995.04	(7,517,883.35)					
135600	GENERATORS	59,334,141.81							
135700	ACCESSORY ELECTRIC EQUIPMENT	30,952,419.57							
135800	MISC. POWER PLANT EQUIPMENT	5,168,144.31	15,274.16						
135900	ASSET RETIREMENT OBLIGATION - HYDRAULIC	4,970.08							
136000	ROADS, RAILROADS AND BRIDGES	46,976.12	0.01						
136100	TOTAL HYDRAULIC PLANT	9,946,337.31	0.07	0.00	0.07	0.07	0.00	9,946,337.38	(8,167,504.42)
136200	OTHER THAN PROJECT PLANT								
136300	TOTAL HYDRAULIC PRODUCTION PLANT	9,946,337.31	0.07	0.00	0.07	0.07	0.00	9,946,337.38	(8,167,504.42)
136400	LAND								
136500	LAND RIGHTS	879,311.47	0.02						
136600	STRUCTURES AND IMPROVEMENTS	453,194.98							
136700	RESERVOIRS, DAMS AND WATERWAYS	7,954,452.03	0.01						
136800	WATERWHEELS, TURBINES AND GENERATORS	420,536.55	0.01						
136900	ACCESSORY ELECTRIC EQUIPMENT	85,383.13	0.01						
137000	MISCELLANEOUS POWER PLANT EQUIPMENT	101,512.95	0.01						
137100	ROADS, RAILROADS AND BRIDGES	46,976.12	0.01						
137200	ASSET RETIREMENT OBLIGATION - HYDRAULIC	4,970.08							
137300	TOTAL HYDRAULIC PROJECT PLANT	9,946,337.31	0.07	0.00	0.07	0.07	0.00	9,946,337.38	(8,167,504.42)
137400	OTHER THAN PROJECT PLANT								
137500	LAND								
137600	LAND RIGHTS	879,311.47	0.02						
137700	STRUCTURES AND IMPROVEMENTS	453,194.98							
137800	RESERVOIRS, DAMS AND WATERWAYS	7,954,452.04	0.01						
137900	WATERWHEELS, TURBINES AND GENERATORS	420,536.56	0.01						
138000	ACCESSORY ELECTRIC EQUIPMENT	85,383.14	0.01						
138100	MISCELLANEOUS POWER PLANT EQUIPMENT	101,512.96	0.01						
138200	ROADS, RAILROADS AND BRIDGES	46,976.13	0.01						
138300	ASSET RETIREMENT OBLIGATION - HYDRAULIC	4,970.08							
138400	TOTAL HYDRAULIC PROJECT PLANT	9,946,337.38	0.07	0.00	0.07	0.07	0.00	9,946,337.38	(8,167,504.42)
138500	OTHER THAN PROJECT PLANT								
138600	LAND								
138700	LAND RIGHTS	879,311.47	0.02						
138800	STRUCTURES AND IMPROVEMENTS	453,195.00							
138900	RESERVOIRS, DAMS AND WATERWAYS	7,954,452.04	0.01						
139000	WATERWHEELS, TURBINES AND GENERATORS	420,536.56	0.01						
139100	ACCESSORY ELECTRIC EQUIPMENT	85,383.14	0.01						
139200	MISCELLANEOUS POWER PLANT EQUIPMENT	101,512.96	0.01						
139300	ROADS, RAILROADS AND BRIDGES	46,976.13	0.01						
139400	ASSET RETIREMENT OBLIGATION - HYDRAULIC	4,970.08							
139500	TOTAL HYDRAULIC PROJECT PLANT	9,946,337.38	0.07	0.00	0.07	0.07	0.00	9,946,337.38	(8,167,504.42)
139600	OTHER THAN PROJECT PLANT								
139700	LAND								
139800	LAND RIGHTS	879,311.47	0.02						
139900	STRUCTURES AND IMPROVEMENTS	453,195.00							
140000	RESERVOIRS, DAMS AND WATERWAYS	7,954,452.04	0.01						
140100	WATERWHEELS, TURBINES AND GENERATORS	420,536.56	0.01						
140200	ACCESSORY ELECTRIC EQUIPMENT	85,383.14	0.01						
140300	MISCELLANEOUS POWER PLANT EQUIPMENT	101,512.96	0.01						
140400	ROADS, RAILROADS AND BRIDGES	46,976.13	0.01						
140500	ASSET RETIREMENT OBLIGATION - HYDRAULIC	4,970.08							
140600	TOTAL HYDRAULIC PROJECT PLANT	9,946,337.38	0.07	0.00	0.07	0.07	0.00	9,946,337.38	(8,167,504.42)
140700	OTHER THAN PROJECT PLANT								
140800	LAND								
140900	LAND RIGHTS	879,311.47	0.02						
141000	STRUCTURES AND IMPROVEMENTS	453,195.00							
141100	RESERVOIRS, DAMS AND WATERWAYS	7,954,452.04	0.01						
141200	WATERWHEELS, TURBINES AND GENERATORS	420,536.56	0.01						
141300	ACCESSORY ELECTRIC EQUIPMENT	85,383.14	0.01						
141400	MISCELLANEOUS POWER PLANT EQUIPMENT	101,512.96	0.01						
141500	ROADS, RAILROADS AND BRIDGES	46,976.13	0.01						
141600	ASSET RETIREMENT OBLIGATION - HYDRAULIC	4,970.08							
141700	TOTAL HYDRAULIC PROJECT PLANT	9,946,337.38	0.07	0.00	0.07	0.07	0.00	9,946,337.38	(8,167,504.42)
141800	OTHER THAN PROJECT PLANT								
141900	LAND								
142000	LAND RIGHTS	879,311.47	0.02						
142100	STRUCTURES AND IMPROVEMENTS	453,195.00							
142200	RESERVOIRS, DAMS AND WATERWAYS	7,954,452.04	0.01						
142300	WATERWHEELS, TURBINES AND GENERATORS	420,536.56	0.01						
142400	ACCESSORY ELECTRIC EQUIPMENT	85,383.14	0.01						
142500	MISCELLANEOUS POWER PLANT EQUIPMENT	101,512.96	0.01						
142600	ROADS, RAILROADS AND BRIDGES	46,976.13	0.01						
142700	ASSET RETIREMENT OBLIGATION - HYDRAULIC	4,970.08							
142800	TOTAL HYDRAULIC PROJECT PLANT	9,946,337.38	0.07	0.00	0.07	0.07	0.00	9,946,337.38	(8,167,504.42)
142900	OTHER THAN PROJECT PLANT								
143000	LAND								
143100	LAND RIGHTS	879,311.47	0.02						
143200	STRUCTURES AND IMPROVEMENTS	453,195.00							
143300	RESERVOIRS, DAMS AND WATERWAYS	7,954,452.04	0.01						
143400	WATERWHEELS, TURBINES AND GENERATORS	420,536.56	0.01						
143500	ACCESSORY ELECTRIC EQUIPMENT	85,383.14	0.01						
143600	MISCELLANEOUS POWER PLANT EQUIPMENT	101,512.96	0.01						
143700	ROADS, RAILROADS AND BRIDGES	46,976.13	0.01						
143800	ASSET RETIREMENT OBLIGATION - HYDRAULIC	4,970.08							
143900	TOTAL HYDRAULIC PROJECT PLANT	9,946,337.38	0.07	0.00	0.07	0.07	0.00	9,946,337.38	(8,167,504.42)
144000	OTHER THAN PROJECT PLANT								
144100	LAND								
144200	LAND RIGHTS	879,311.47	0.02						
144300	STRUCTURES AND IMPROVEMENTS	453,195.00							
144400	RESERVOIRS, DAMS AND WATERWAYS	7,954,452.04	0.01						
144500	WATERWHEELS, TURBINES AND GENERATORS	420,536.56	0.01						
144600	ACCESSORY ELECTRIC EQUIPMENT	85,383.14	0.01						
144700	MISCELLANEOUS POWER PLANT EQUIPMENT	101,512.96	0.01						
144800	ROADS, RAILROADS AND BRIDGES	46,976.13	0.01						
144900	ASSET RETIREMENT OBLIGATION - HYDRAULIC	4,970.08							
145000	TOTAL HYDRAULIC PROJECT PLANT	9,946,337.38	0.07	0.00	0.07	0.07	0.00	9,946,337.38	(8,167,504.42)
145100	OTHER THAN PROJECT PLANT								
145200	LAND								
145300	LAND RIGHTS	879,311.47	0.02						
145400	STRUCTURES AND IMPROVEMENTS	453,195.00							
145500	RESERVOIRS, DAMS AND WATERWAYS	7,954,452.04	0.01						
145600	WATERWHEELS, TURBINES AND GENERATORS	420,536.56	0.01						
145700	ACCESSORY ELECTRIC EQUIPMENT	85,383.14	0.01						
145800	MISCELLANEOUS POWER PLANT EQUIPMENT	101,512.96	0.01						
145900	ROADS, RAILROADS AND BRIDGES	46,976.13	0.01						
146000	ASSET RETIREMENT OBLIGATION - HYDRAULIC	4,970.08							
146100	TOTAL HYDRAULIC PROJECT PLANT	9,946,337.38	0.07	0.00	0.07	0.07	0.00	9,946,337.38	(8,167,504.42)
146200	OTHER THAN PROJECT PLANT								
146300	LAND								
146400	LAND RIGHTS	879,311.47	0.02						
146500	STRUCTURES AND IMPROVEMENTS	453,195.00							
146600	RESERVOIRS, DAMS AND WATERWAYS	7,954,452.04	0.01						
146700	WATERWHEELS, TURBINES AND GENERATORS	420,536.56	0.01						
146800	ACCESSORY ELECTRIC EQUIPMENT	85,383.14	0.01						
146900	MISCELLANEOUS POWER PLANT EQUIPMENT	101,512.96	0.01						
147000	ROADS, RAILROADS AND BRIDGES	46,976.13	0.01						
147100	ASSET RETIREMENT OBLIGATION - HYDRAULIC	4,970.08							
147200	TOTAL HYDRAULIC PROJECT PL								

KENTUCKY UTILITIES - KENTUCKY
ELECTRIC PLANT
AS OF DECEMBER 31, 2006

	YEAR TO DATE				NET BALANCE THIS DATE	RESERVE	NET BOOK VALUE
	NET BALANCE FIRST OF YEAR	DEBITS-GROSS RETIREMENTS	CREDITS FOR NET ADDITIONS	ADJUSTMENTS			
TRANSMISSION PLANT OTHER THAN PROJECT PLANT							
135020 LAND	1,094,360.08	5,710.39	5,710.39			1,100,070.47	
135010 LAND RIGHTS	21,558,984.59	179,654.42	(7,990.84)	171,663.58	(13,334,557.38)	8,224,427.21	
135210 STRUCT & IMPROVE-NON SYS CONTROL/COM	5,757,827.35	3,001,750.19	(1,878,504.92)	1,123,245.27	(3,195,161.79)	2,730,329.14	
135220 STRUCT & IMPROVE-SYS CONTROL/COM	1,167,783.17	179,654.42	(7,990.84)	171,663.58	(813,907.10)	353,876.07	
135310 STATION EQUIPMENT-NON SYS CONTROL/COM	157,631,857.42	3,001,750.19	(1,878,504.92)	1,123,245.27	(53,770,294.28)	104,984,808.41	
135320 STATION EQUIPMENT-SYS CONTROL/COM	14,749,280.69	2,912,641.13	(256,475.83)	2,402,056.46	(16,016,336.32)	(1,267,075.63)	
135320 TOWERS AND FIXTURES	56,825,459.05	1,477,353.69	(510,584.67)	2,402,056.46	(39,045,727.67)	17,523,255.55	
135400 POLES AND FIXTURES	82,508,404.17	1,477,353.69	(510,584.67)	2,402,056.46	(60,188,517.29)	24,721,943.34	
135500 OVERHEAD CONDUCTORS AND DEVICES	116,331,699.55	1,477,353.69	(510,584.67)	2,402,056.46	(92,097,822.75)	25,154,156.88	
135600 UNDERGROUND CONDUIT	448,760.26			920,280.08	(134,595.07)	314,165.19	
135700 UNDERGROUND CONDUCTORS AND DEVICES	1,114,761.90			920,280.08	(802,729.57)	312,032.33	
135800 ASSET RETIREMENT OBLIGATION - TRANSMISSION	11,027.12				(3,818.34)	7,208.78	
TOTAL TRANSMISSION PLANT- OTHER THAN PROJECT PLANT	459,200,205.35	7,577,109.82	(3,210,629.87)	4,366,479.95	(279,407,487.56)	184,159,197.74	
TOTAL TRANSMISSION PLANT	459,200,205.35	7,577,109.82	(3,210,629.87)	4,366,479.95	(279,407,487.56)	184,159,197.74	
DISTRIBUTION PLANT PROJECT PLANT							
136010 LAND RIGHTS	5.00					5.00	
136400 POLES, TOWERS AND FIXTURES	702.70				(1,614.78)	(912.08)	
136500 OVERHEAD CONDUCTORS AND DEVICES	258.71				3,471.32	3,730.03	
TOTAL DISTRIBUTION-PROJECT PLANT	966.41	0.00	0.00	0.00	1,852.81	2,819.22	
DISTRIBUTION PLANT OTHER THAN PROJECT PLANT							
136020 LAND	1,645,917.98					1,645,917.98	
136010 LAND RIGHTS	1,411,332.15		(413.65)	(413.65)	(966,468.53)	444,449.97	
136100 STRUCTURES AND IMPROVEMENTS	3,912,318.26	176,191.42	(8,465.58)	167,725.84	(1,373,779.90)	2,706,264.20	
136200 STATION EQUIPMENT	94,621,025.40	2,213,370.16	(2,481,793.97)	(268,423.81)	(94,352,601.59)	65,531,372.81	
136300 STORAGE BATTERY EQUIPMENT	175,032,738.85	4,267,142.17	(75,468.05)	4,191,674.12	(100,893,372.67)	78,331,040.30	
136400 POLES, TOWERS AND FIXTURES	164,141,983.34	3,800,555.37	(189,008.37)	3,611,527.00	(97,293,376.05)	70,460,134.29	
136500 OVERHEAD CONDUCTORS AND DEVICES	1,748,952.12	2,097,413.98	(20,096.53)	(20,096.53)	(702,455.67)	1,026,039.92	
136600 UNDERGROUND CONDUIT	67,537,238.59	2,097,413.98	(1,400.38)	2,096,013.60	(18,229,693.44)	51,403,558.75	
136700 UNDERGROUND CONDUCTORS AND DEVICES	212,685,038.65	18,137,480.56	(4,539,373.69)	13,598,106.87	(79,632,016.30)	146,651,129.22	
136800 LINE TRANSFORMERS	77,992,417.68	27,330.48		27,330.48	(49,560,456.22)	28,459,291.94	
136900 SERVICES	60,162,980.78	3,508,764.42	(2,446,023.84)	1,062,740.58	(24,900,259.97)	36,325,461.39	
137000 METERS	17,400,011.57	8,550.24	(256.13)	8,294.11	(13,239,045.39)	4,169,260.29	
137100 INSTALLATIONS ON CUSTOMERS' PREMISES	52,009,322.55	318,281.39	(2,919.20)	315,362.19	(23,132,038.81)	29,192,645.93	
137200 LEASED PROP. ON CUSTOMERS' PREMISES	18,610.44				(6,412.63)	12,197.81	
137300 STREET LIGHTING AND SIGNAL SYSTEMS							
137400 ASSET RETIREMENT COST - DISTRIBUTION							
TOTAL DISTRIBUTION PLANT- OTHER THAN PROJECT PLANT	930,319,528.36	34,555,060.19	(9,765,219.39)	24,789,840.80	(438,750,604.36)	516,338,764.80	
TOTAL DISTRIBUTION PLANT	930,320,494.77	34,555,060.19	(9,765,219.39)	24,789,840.80	(438,748,751.55)	516,361,584.02	

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KENTUCKY UTILITIES - KENTUCKY
ELECTRIC PLANT
AS OF DECEMBER 31, 2006

	YEAR TO DATE		RESERVE	NET BOOK VALUE
	NET BALANCE FIRST OF YEAR	NET BALANCE THIS DATE		
GENERAL PLANT	2,719,529.35	2,719,529.35		2,719,529.35
138920 LAND			(8,372,991.45)	23,182,903.13
138910 LAND RIGHTS	31,184,098.45	31,555,894.58	(334,197.09)	156,892.75
139010 STRUCT AND IMPROV TO OWNED PROPERTY	680,098.33	491,089.84	(2,856,751.81)	3,777,017.63
139010 IMPROVEMENTS TO LEASED PROPERTY	6,683,147.84	6,633,769.44	(7,567,325.00)	3,724,659.97
139020 OFFICE EQUIPMENT	17,318,447.23	11,291,984.97	(532,362.54)	285,212.34
139110 OFFICE EQUIPMENT	817,574.88	817,574.88	(779,326.59)	1,153,011.99
139120 NON PC COMPUTER EQUIPMENT	3,984,570.11	1,932,338.58	(22,401,985.92)	142,530.10
139130 CASH PROCESSING EQUIPMENT	22,518,857.15	22,544,516.02	(285,368.06)	445,205.95
139140 PERSONAL COMPUTER EQUIPMENT	758,300.71	730,574.01	(1,530,050.39)	3,520,873.41
139200 TRANSPORTATION EQUIPMENT	4,927,593.93	5,050,923.80	(1,563,416.63)	1,601,013.12
139300 STORES EQUIPMENT	3,218,598.00	3,166,429.75	(99,450.04)	171,491.69
139400 TOOLS, SHOP, AND GARAGE EQUIPMENT	758,300.71	270,941.73	(99,450.04)	5,865,763.81
139500 LABORATORY EQUIPMENT	4,927,593.93	7,461,931.42	(1,596,167.61)	2,268,510.29
139600 POWER OPERATED EQUIPMENT	300,901.09	3,752,787.02	(1,484,276.73)	2,670,964.70
139710 CARRIER COMMUNICATION EQUIPMENT	6,663,635.75	815,159.55	(1,711,375.56)	140,571.41
139720 REMOTE CONTROL COMMUNICATION EQUIP.	3,752,787.02	4,382,340.26	(245,108.41)	
139730 MOBILE COMMUNICATION EQUIPMENT	362,957.73	385,679.82		
139800 MISCELLANEOUS EQUIPMENT	4,370,544.53			
139900 OTHER TANGIBLE PROPERTY				
TOTAL GENERAL PLANT	110,261,642.10	103,188,305.47	(51,362,153.83)	51,826,151.64

	YEAR TO DATE		RESERVE	NET BOOK VALUE
	NET BALANCE FIRST OF YEAR	NET BALANCE THIS DATE		
101 TOTAL ELECTRIC PLANT IN SERVICE	3,547,454,730.50	77,588,979.68	(48,966,975.01)	3,576,056,735.17
102 ELECTRIC PLANT PURCHASED OR SOLD	115,138.12	(32,482.18)		0.00
103 ELECTRIC PLANT IN PROCESS OF RECLASSIFICATION		288,463,391.50		481,857,197.51
104 ELECTRIC PLANT LEASED TO OTHERS	193,393,806.01	288,463,391.50		(1,791,637,470.87)
105 ELECTRIC PLANT HELD FOR FUTURE USE				
106 CONSTRUCTION WORK IN PROGRESS-ELEC.				
107 ACCUMULATED RESERVE	3,809,184,765.29	366,019,889.00	(48,966,975.01)	4,057,913,932.68
108 TOTAL ELECTRIC PLANT	3,809,184,765.29	366,019,889.00	(48,966,975.01)	4,057,913,932.68

	YEAR TO DATE		RESERVE	NET BOOK VALUE
	NET BALANCE FIRST OF YEAR	NET BALANCE THIS DATE		
110,261,642.10	4,667,791.87	(11,741,128.50)	(7,073,336.63)	1,784,419,264.30
3,547,454,730.50	77,588,979.68	(48,966,975.01)	28,622,004.67	1,784,419,264.30
115,138.12	(32,482.18)		(82,655.94)	0.00
				0.00
193,393,806.01	288,463,391.50		288,463,391.50	481,857,197.51
				(1,791,637,470.87)
3,809,184,765.29	366,019,889.00	(48,966,975.01)	317,052,913.99	2,266,276,461.81

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RESERVE FOR DEPRECIATION	EXCLUSIVE OF TRANSPORTATION AND POWER OPERATED EQUIPMENT	KENTUCKY UTILITIES - KENTUCKY AS OF DECEMBER 31, 2006									
		NET BALANCE FIRST OF YEAR	ACCRUAL	GROSS RETIREMENTS	R/WP TRANSFERS/ADJ TRANSFERS OUT	SALVAGE	REMOVAL	OTHER CREDITS	NET BALANCE THIS DATE		
STEAM PRODUCTION - ASSET RETIREMENT OBLIGATION	(871,268,977.13)	(41,235,254.01)	12,770,106.84	(116,239.35)	(345.36)	6,375,414.24	(17,932.39)	(893,492,881.80)			
HYDRAULIC PRODUCTION - NON-PROJECT PLT	(3,792,471.11)	(293,945.99)	0.00	0.00	94,049.26		(1,656.64)	(4,086,762.46)			
HYDRAULIC PRODUCTION - PROJECT PLANT	(99,923.51)	5,874.25	0.00	0.00			(8,165,847.78)				
HYDRAULIC PRODUCTION - ASSET RETIREMENT OBLIGATION	(8,009,441.96)	(156,405.82)	0.00	0.00		459,634.90	(1,774,642.54)				
OTHER PRODUCTION	(1,656.64)	0.00	0.00	0.03			(27,690.19)				
TRANSMISSION - ASSET RETIREMENT OBLIGATION	(25,338.91)	(2,351.28)	0.00	38,209.86			(1,656.64)				
TRANSMISSION - NON-PROJECT PLANT	(269,361,568.95)	(13,788,007.63)	3,210,629.87	13,975.22			(1,656.64)				
TRANSMISSION - PROJECT PLANT	(3,638.70)	(179.64)	0.00	0.00			(3,818.34)				
TRANSMISSION - ASSET RETIREMENT OBLIGATION	(1,948.29)	3,801.10	0.00	0.00			1,852.81				
DISTRIBUTION - PROJECT PLANT	(421,948,794.79)	(29,706,330.31)	9,765,219.39	102,085.76			(438,661,342.35)				
DISTRIBUTION - NON-PROJECT PLT	(6,230.11)	(182.52)	0.00	0.00			(6,412.63)				
GENERAL	(35,464,373.53)	(5,394,856.67)	11,741,128.50	(68,595.25)			(29,043,017.28)				
TOTAL ELECTRIC EXCL. TRANSPORTATION	(1,702,765,539.03)	(107,564,957.57)	45,016,234.95	63,140.17			(1,754,642,545.19)				
TOTAL TRANSPORTATION EQUIPMENT	(22,326,267.09)	(75,718.83)	0.00				(22,401,985.92)				
TOTAL RESERVE FOR DEPRECIATION OF PLANT IN SERVICE - ELECTRIC	(1,725,091,806.12)	(107,640,676.40)	45,016,234.95	63,140.17			(1,777,044,531.11)				
RESERVE FOR AMORTIZATION LEASEHOLDS AND CONSENTS, ETC.	0.00	0.00	0.00	0.00			0.00				
RESERVE FOR AMORTIZATION FRANCHISES	(13,471,066.01)	(5,072,613.90)	3,950,740.06	0.10			(14,592,939.75)				
RETIREMENT WORK IN PROGRESS	5,747,123.27	(63,948.48)		(10,707,587.07)			(35,953.69)				

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KENTUCKY UTILITIES - TENNESSEE
ELECTRIC PLANT
AS OF DECEMBER 31, 2006

20.7

	YEAR TO DATE				NET BALANCE THIS DATE	RESERVE	NET BOOK VALUE
	NET BALANCE FIRST OF YEAR	DEBITS-GROSS RETIREMENTS	CREDITS FOR NET ADDITIONS	ADJUSTMENTS			
TRANSMISSION PLANT							
135010 LAND RIGHTS	439.53				439.53	(329.19)	110.34
135500 POLES AND FIXTURES	122,220.12	(1,646.39)			120,573.73	(56,550.65)	64,023.08
135600 OVERHEAD CONDUCTORS AND DEVICES	68,454.22				68,454.22	(36,169.70)	32,284.52
TOTAL TRANSMISSION PLANT	191,113.87	0.00	(1,646.39)	0.00	189,467.48	(93,049.54)	96,417.94
DISTRIBUTION PLANT							
136020 LAND	2,412.82				2,412.82		2,412.82
136010 LAND RIGHTS	2,627.41				2,627.41	(1,799.52)	827.89
136100 STRUCTURES AND IMPROVEMENTS	2,621.29				2,621.29	(2,224.51)	396.78
136200 STATION EQUIPMENT	55,936.26				55,936.26	(38,763.91)	17,172.35
136300 STORAGE BATTERY EQUIPMENT							
136400 POLES, TOWERS AND FIXTURES	28,304.63				28,304.63	(36,985.06)	(8,680.43)
136500 OVERHEAD CONDUCTORS AND DEVICES	47,063.18				47,063.18	(56,794.53)	(9,731.35)
136600 UNDERGROUND CONDUIT							
136700 UNDERGROUND CONDUCTORS AND DEVICES	10,054.88	(517.31)			9,537.57	(9,465.44)	72.13
136800 LINE TRANSFORMERS	950.46				950.46	(1,691.33)	(740.87)
136900 SERVICES	13,434.65				13,434.65	(11,670.59)	1,764.06
137000 METERS	583.85				583.85	(803.45)	(219.60)
137100 INSTALLATIONS ON CUSTOMERS' PREMISES							
137200 LEASED PROP. ON CUSTOMERS' PREMISES							
137300 STREET LIGHTING AND SIGNAL SYSTEMS							
TOTAL DISTRIBUTION PLANT	163,989.43	0.00	(517.31)	0.00	163,472.12	(160,198.34)	3,273.78
SUMMARY							
101 TOTAL ELECTRIC PLANT IN SERVICE	355,103.30	0.00	(2,163.70)	0.00	352,939.60	(253,247.88)	99,691.72
102 ELECTRIC PLANT PURCHASED OR SOLD							
103 ELECTRIC PLANT IN PROCESS OF RECLASSIFICATION							
104 ELECTRIC PLANT LEASED TO OTHERS							
105 ELECTRIC PLANT HELD FOR FUTURE USE	7,023.72	83.50			7,107.22	(253,247.88)	7,107.22
107 CONSTRUCTION WORK IN PROGRESS-ELEC.							
108 ACCUMULATED RESERVE							
TOTAL ELECTRIC PLANT	362,127.02	83.50	(2,163.70)	0.00	360,046.82	(253,247.88)	106,798.94

RESERVE FOR DEPRECIATION	KENTUCKY UTILITIES - TENNESSEE					20.8
	RESERVE FOR DEPRECIATION AND AMORTIZATION OF PLANT IN SERVICE AS OF DECEMBER 31, 2006					
	YEAR TO DATE					
	NET BALANCE FIRST OF YEAR	ACCUAL	GROSS RETIREMENTS	TRANSFERS/ADJ SALVAGE REMOVAL	COST OF OTHER CREDITS	NET BALANCE THIS DATE
ELECTRIC TRANSMISSION DISTRIBUTION	(87,553.56) (156,494.61)	(7,142.37) (4,221.04)	1,646.39 517.31			(93,049.54) (160,198.34)
TOTAL RESERVE FOR DEPRECIATION OF PLANT IN SERVICE - ELECTRIC	(244,048.17)	(11,363.41)	2,163.70	0.00	0.00	(253,247.88)

KENTUCKY UTILITIES - VIRGINIA
ELECTRIC PLANT
AS OF DECEMBER 31, 2006

INTANGIBLE PLANT ORGANIZATION	YEAR TO DATE CREDITS FOR				NET BALANCE THIS DATE	RESERVE	NET BOOK VALUE
	NET BALANCE FIRST OF YEAR	DEBITS-GROSS RETIREMENTS	NET ADDITIONS	ADJUSTMENTS			
130100	5,338.69	0.00	0.00	0.00	5,338.69		5,338.69
TOTAL INTANGIBLE PLANT	5,338.69	0.00	0.00	0.00	5,338.69		5,338.69
TRANSMISSION PLANT							
135020 LAND	68,167.96				68,167.96		68,167.96
135010 LAND RIGHTS	1,782,030.88				1,782,030.88	(1,715,700.90)	66,329.98
135210 STRUCT & IMPROVE-NON SYS CONTROL/COM	1,050,280.78	(118.46)		(118.46)	1,050,162.32	(614,620.06)	435,542.26
135220 STRUCT & IMPROVE-SYS CONTROL/COM							
135310 STATION EQUIPMENT-NON SYS CONTROL/COM	14,344,855.79	(32,675.50)	42,382.42		14,387,238.21	(5,701,655.15)	8,685,603.06
135320 STATION EQUIPMENT-SYS CONTROL/COM							
135400 TOWERS AND FIXTURES	6,739,096.01				6,739,096.01	(3,909,685.15)	2,829,410.86
135500 POLES AND FIXTURES	6,255,996.10	(98,605.49)	15,800.31		6,271,796.41	(4,123,828.67)	2,147,967.74
135600 OVERHEAD CONDUCTORS AND DEVICES	12,782,318.90	(347,100.31)	(347,100.31)		12,435,218.59	(7,926,054.60)	4,509,163.99
135700 UNDERGROUND CONDUIT							
135800 UNDERGROUND CONDUCTORS AND DEVICES							
TOTAL TRANSMISSION PLANT	43,022,746.42	(478,499.76)	(289,036.04)	0.00	42,733,710.38	(23,991,524.53)	18,742,185.85
DISTRIBUTION PLANT							
136020 LAND	96,439.08				96,439.08		96,439.08
136010 LAND RIGHTS	83,693.13	(1,070.68)	(1,070.68)		82,622.45	(53,769.47)	28,852.98
136100 STRUCTURES AND IMPROVEMENTS	375,767.95	(539.79)	(539.79)		375,228.16	(133,372.78)	241,855.38
136200 STATION EQUIPMENT	6,494,787.72	2,893.81	(110,688.03)		6,384,099.69	(2,036,223.33)	4,327,876.36
136300 STORAGE BATTERY EQUIPMENT							
136400 POLES, TOWERS AND FIXTURES	12,438,138.59	(3,821.03)	2,102,119.67		14,540,258.26	(8,030,374.38)	6,509,883.88
136500 OVERHEAD CONDUCTORS AND DEVICES	12,691,276.76	(13,368.72)	369,649.26		13,060,926.02	(8,318,428.66)	4,742,497.36
136600 UNDERGROUND CONDUIT							
136700 UNDERGROUND CONDUCTORS AND DEVICES	655,585.87	13,416.17	13,416.17		669,002.04	(202,485.63)	466,516.41
136800 LINE TRANSFORMERS	12,145,708.18	(96,770.97)	344,912.93		12,490,621.11	(6,283,008.74)	6,207,612.37
136900 SERVICES	5,090,693.92	313.51	313.51		5,091,007.43	(3,471,440.07)	1,619,567.36
137000 METERS	3,616,919.29	265.88			3,616,919.29	(2,057,861.13)	1,559,058.16
137100 INSTALLATIONS ON CUSTOMERS' PREMISES	867,302.81		265.88		867,568.69	(773,342.45)	94,226.24
137200 LEASED PROP. ON CUSTOMERS' PREMISES							
137300 STREET LIGHTING AND SIGNAL SYSTEMS	1,315,527.96	80.65	80.65		1,315,608.61	(738,844.16)	576,764.45
TOTAL DISTRIBUTION PLANT	55,871,841.26	(229,153.03)	2,718,459.57	0.00	58,590,300.83	(32,119,150.80)	26,471,150.03

20.10

KENTUCKY UTILITIES - VIRGINIA
ELECTRIC PLANT
AS OF DECEMBER 31, 2006

	YEAR TO DATE				RESERVE	NET BOOK VALUE
	NET BALANCE FIRST OF YEAR	DEBITS-GROSS RETIREMENTS	NET ADDITIONS CREDITS FOR	ADJUSTMENTS		
GENERAL PLANT	91,571.48					91,571.48
138920 LAND						
138910 LAND RIGHTS	643,848.85				(259,715.15)	384,133.70
139010 STRUCT AND IMPROV TO OWNED PROPERTY	75,980.87	(35,097.27)	(35,097.27)		(38,169.10)	2,714.50
139020 IMPROVEMENTS TO LEASED PROPERTY	36,895.30	(23,852.61)	(23,852.61)		(11,899.86)	1,142.83
139110 OFFICE EQUIPMENT						
139120 NON PC COMPUTER EQUIPMENT	1,315,837.37				(1,315,837.37)	0.00
139200 TRANSPORTATION EQUIPMENT	8,103.30				(4,203.26)	3,900.04
139300 STORES EQUIPMENT	283,321.70	(728.11)	(728.11)		(67,744.19)	214,849.40
139400 TOOLS, SHOP, AND GARAGE EQUIPEMNT	37,683.18	(1,910.99)	(1,910.99)		(20,917.01)	14,855.18
139500 LABORATORY EQUIPMENT						
139600 POWER OPERATED EQUIPMENT	116,974.17				(70,415.43)	46,558.74
139710 CARRIER COMMUNICATION EQUIPMENT	160,272.74				(82,918.24)	77,354.50
139720 REMOTE CONTROL COMMUNICATION EQUIP.	277,432.95				(95,439.08)	181,993.87
139730 MOBILE COMMUNICATION EQUIPMENT	9,128.88				(7,548.69)	1,580.19
139800 MISCELLANEOUS EQUIPMENT						
139900 OTHER TANGIBLE PROPERTY	3,057,050.79	0.00	(61,588.98)	0.00	(1,974,807.38)	1,020,654.43
TOTAL GENERAL PLANT						

SUMMARY	NET BALANCE FIRST OF YEAR	DEBITS-GROSS RETIREMENTS	NET ADDITIONS CREDITS FOR	ADJUSTMENTS	RESERVE	NET BOOK VALUE
101 TOTAL ELECTRIC PLANT IN SERVICE	101,956,977.16	3,137,076.32	(769,241.77)	2,367,834.55	(58,085,482.71)	46,239,329.00
102 ELECTRIC PLANT PURCHASED OR SOLD						
103 ELECTRIC PLANT IN PROCESS OF RECLASSIFICATION						
104 ELECTRIC PLANT LEASED TO OTHERS						
105 ELECTRIC PLANT HELD FOR FUTURE USE	3,624,028.23	1,755,307.25			(58,085,482.71)	5,379,335.48
107 CONSTRUCTION WORK IN PROGRESS-ELEC.						
108 ACCUMULATED RESERVE						
TOTAL ELECTRIC PLANT	107,174,839.25	4,892,383.57	(769,241.77)	2,367,834.55	(58,085,482.71)	51,618,664.48

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KENTUCKY UTILITIES - VIRGINIA
RESERVE FOR DEPRECIATION AND AMORTIZATION OF PLANT IN SERVICE
AS OF DECEMBER 31, 2006

20.11

RESERVE FOR DEPRECIATION EXCLUSIVE OF TRANSPORTATION AND POWER OPERATED EQUIPMENT	YEAR TO DATE							NET BALANCE THIS DATE
	NET BALANCE FIRST OF YEAR	ACCRUAL	GROSS RETIREMENTS	TRANSFERS/ADJ	SALVAGE	COST OF REMOVAL	OTHER CREDITS	
ELECTRIC								
TRANSMISSION	(23,360,080.63)	(1,199,128.21)	478,499.76	(4,854.28)		94,038.83		(23,991,524.53)
DISTRIBUTION	(30,694,867.63)	(1,658,701.05)	229,153.03	292.90		4,971.95		(32,119,150.80)
GENERAL	(672,237.56)	(48,321.43)	61,588.98	0.00				(658,970.01)
TOTAL ELECTRIC EXCL. TRANSPORTATION	(54,727,185.82)	(2,906,150.69)	769,241.77	(4,561.38)	0.00	99,010.78	0.00	(56,769,645.34)
TOTAL TRANSPORTATION EQUIPMENT	(1,315,837.37)		0.00					(1,315,837.37)
TOTAL RESERVE FOR DEPRECIATION OF PLANT IN SERVICE - ELECTRIC	(56,043,023.19)	(2,906,150.69)	769,241.77	(4,561.38)	0.00	99,010.78	0.00	(58,085,482.71)
RESERVE FOR AMORTIZATION FRANCHISES AND CONSENTS, ETC. LEASEHOLDS ELECTRIC	0.00	0.00	0.00	0.00				0.00

KENTUCKY UTILITIES - KENTUCKY NONUTILITY PROPERTY AS OF DECEMBER 31, 2006		20.12	
YEAR TO DATE			
NET BALANCE FIRST OF YEAR	DEBITS-GROSS RETIREMENTS	CREDITS FOR NET ADDITIONS ADJUSTMENTS	NET BALANCE THIS DATE
OTHER NONUTILITY PROPERTY			
LAND	946,697.04		946,697.04
BUILDINGS	80,392.02		80,392.02
TOTAL NONUTILITY PROPERTY	1,027,089.06		1,027,089.06
RESERVE FOR DEPRECIATION, DEPLETION AND AMORTIZATION OF NONUTILITY PROPERTY			
OTHER NONUTILITY PROPERTY	(131,229.72)	73,405.87	(57,936.45)
TOTAL NONUTILITY PROPERTY LESS RESERVE FOR DEPRECIATION, DEPLETION AND AMORTIZATION	895,859.34		969,162.61

