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PUBLIC SERVICE  
COMMISSION

Ms. Stephanie L. Stumbo  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

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

September 11, 2008

Lonnie E. Bellar  
Vice President  
T 502-627-4830  
F 502-217-2109  
lonnie.bellar@eon-us.com

**RE: *Application of Kentucky Utilities Company for an Adjustment of Base Rates – Case No. 2008-00251***

***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 ten (10) copies of the Response of Kentucky Utilities Company to the Kentucky Industrial Utility Customers, Inc. (KIUC) First Set of Data Requests dated August 27, 2008, in the above-referenced matters.

Also, enclosed are an original and ten (10) copies of a Petition for Confidential Protection regarding certain information requested in Question No. 14(a).

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

Sincerely,

Lonnie E. Bellar

cc: Parties of Record

Ms. Stephanie L. Stumbo  
September 11, 2008

Counsel of Record

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

Consultants to the Parties

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

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>APPLICATION OF KENTUCKY</b>	)	<b>CASE NO.</b>
<b>UTILITIES COMPANY FOR AN</b>	)	<b>2008-00251</b>
<b>ADJUSTMENT OF BASE RATES</b>	)	

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

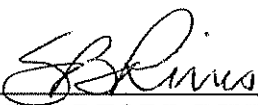
**RESPONSE OF**  
**KENTUCKY UTILITIES COMPANY**  
**TO THE**  
**FIRST DATA REQUEST OF THE**  
**KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. (KIUC)**  
**DATED AUGUST 27, 2008**

**FILED: September 11, 2008**


VERIFICATION

STATE OF KENTUCKY    )  
  ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **S. Bradford Rives**, being duly sworn, deposes and says that he is the Chief Financial Officer, for Kentucky Utilities Company, 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.

  
\_\_\_\_\_  
**S. BRADFORD RIVES**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 9<sup>th</sup> day of September, 2008.

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

My Commission Expires:  
November 9, 2010


VERIFICATION

STATE OF KENTUCKY    )  
  ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Paula H. Pottinger, Ph.D.**, being duly sworn, deposes and says that she is the Senior Vice President, Human Resources for Kentucky Utilities Company, 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.

  
\_\_\_\_\_  
**PAULA H. POTTINGER, Ph.D.**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 9<sup>th</sup> day of September, 2008.

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

My Commission Expires:

November 9, 2010


VERIFICATION

STATE OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Lonnie E. Bellar**, being duly sworn, deposes and says that he is the Vice President, State Regulation and Rates for Kentucky Utilities Company, 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.

  
\_\_\_\_\_  
LONNIE E. BELLAR

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 9<sup>th</sup> day of September, 2008.

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

My Commission Expires:

November 9, 2010


VERIFICATION

STATE OF KENTUCKY    )  
                                  ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is the Director, Rates for Kentucky Utilities Company, 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.

  
\_\_\_\_\_  
**ROBERT M. CONROY**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 9<sup>th</sup> day of September, 2008.

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

My Commission Expires:  
November 9, 2010

**VERIFICATION**

STATE OF KENTUCKY    )  
                                  ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Valerie L. Scott**, being duly sworn, deposes and says that she is the Controller, for Kentucky Utilities Company, 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.

Valerie L. Scott  
VALERIE L. SCOTT

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 9<sup>th</sup> day of September, 2008.

James J. Elgy (SEAL)  
Notary Public

My Commission Expires:

November 9, 2010



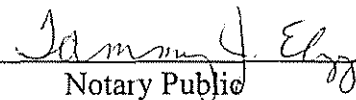
VERIFICATION

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 for Kentucky Utilities Company, that she has personal knowledge of the matters set forth in the responses for which she is identified as the witness, and the answers contained therein are true and correct to the best of her information, knowledge and belief.

  
SHANNON L. CHARNAS

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 9<sup>th</sup> day of September, 2008.

 (SEAL)  
Notary Public

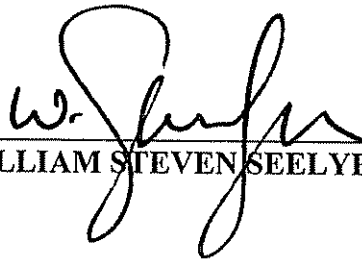
My Commission Expires:

November 9, 2010


VERIFICATION

STATE OF KENTUCKY )  
) SS:  
COUNTY OF JEFFERSON )

The undersigned, **William Steven Seelye**, being duly sworn, deposes and says that he is the Senior Consultant and Principal, for The Prime Group, LLC, 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.

  
\_\_\_\_\_  
WILLIAM STEVEN SEELYE

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 9<sup>th</sup> day of September, 2008.

 (SEAL)  
Notary Public

My Commission Expires:  
November 9, 2010

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA )  
 ) SS:  
COUNTY OF CUMBERLAND )

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

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

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 5<sup>th</sup> day of September, 2008.

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

My Commission Expires:

February 20, 2011

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



**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

**CASE NO. 2007-00565**

**Response to First Data Request of the Kentucky Industrial Utility Customers, Inc.  
Dated August 27, 2008**

**Question No. 1**

**Responding Witness: Lonnie E. Bellar / William Steven Seelye**

- Q-1. Please provide all schedules and underlying computations and workpapers supporting the Company's requested electric rate increase in electronic spreadsheet format with all formulas intact. This request includes, but is not limited to, the revenue requirement components and computations, including all ratemaking adjustments to the historic data, and the cost of service model.
- A-1. The requested information is being provided on CD and in response to PSC-2 Question No. 30.

# Electronic Attachment on CD



**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

**CASE NO. 2007-00565**

**Response to First Data Request of the Kentucky Industrial Utility Customers, Inc.  
Dated August 27, 2008**

**Question No. 2**

**Responding Witness: Shannon L. Charnas**

Q-2. Please provide a copy of the Company's monthly financial reports filed with the Kentucky Commission since April 2008.

A-2. See attached.



**KU Financial Reports – May 31, 2008  
Responding Witness – Shannon L. Charnas**

# **KENTUCKY UTILITIES COMPANY**

## **Financial Reports**

**May 31, 2008**

**Prepared by Regulatory Accounting and Reporting**

**Kentucky Utilities Company**  
**Comparative Statement of Income**  
**May 31, 2008**

	Current Month			
	This Year Amount	Last Year Amount	Increase or Decrease Amount	%
Electric Operating Revenues.....	99,755,380.96	101,751,806.08	(1,996,425.12)	(1.96)
Total Operating Revenues.....	99,755,380.96	101,751,806.08	(1,996,425.12)	(1.96)
Fuel for Electric Generation.....	31,177,070.48	33,213,270.08	(2,036,199.60)	(6.13)
Power Purchased.....	16,649,385.90	15,792,776.44	856,609.46	5.42
Other Operation Expenses.....	14,562,057.84	12,831,258.10	1,730,799.74	13.49
Maintenance.....	10,211,189.82	7,195,879.25	3,015,310.57	41.90
Depreciation.....	9,659,973.16	9,223,976.56	435,996.60	4.73
Amortization Expense.....	429,857.35	479,715.52	(49,858.17)	(10.39)
Regulatory Credits.....	(172,309.04)	(179,631.83)	7,322.79	(4.08)
Taxes				
Federal Income.....	3,888,005.50	5,340,434.05	(1,452,428.55)	(27.20)
State Income.....	1,137,542.44	1,027,006.54	110,535.90	10.76
Deferred Federal Income - Net.....	(841,274.00)	-	(841,274.00)	(100.00)
Deferred State Income - Net.....	(549,936.00)	-	(549,936.00)	(100.00)
Property and Other..... - Net.....	2,078,286.82	1,665,385.79	412,901.03	24.79
Investment Tax Credit.....	-	-	-	-
Loss (Gain) from Disposition of Allowances.....	-	-	-	-
Accretion Expense.....	149,714.63	155,089.06	(5,374.43)	(3.47)
Total Operating Expenses.....	88,379,564.90	86,745,159.56	1,634,405.34	1.88
Net Operating Income.....	11,375,816.06	15,006,646.52	(3,630,830.46)	(24.19)
Other Income Less Deductions				
Other Income Less Deductions.....	1,588,109.73	2,006,433.45	(418,323.72)	(20.85)
AFUDC - Equity.....	584,097.29	268,543.13	315,554.16	117.51
Total Other Income Less Deductions.....	2,172,207.02	2,274,976.58	(102,769.56)	(4.52)
Income Before Interest Charges.....	13,548,023.08	17,281,623.10	(3,733,600.02)	(21.60)
Interest on Long-term Debt.....	5,490,521.54	3,758,663.56	1,731,857.98	46.08
Amortization of Debt Expense - Net.....	61,451.85	67,885.88	(6,434.03)	(9.48)
Other Interest Expenses.....	307,512.09	1,166,325.75	(858,813.66)	(73.63)
AFUDC - Borrowed Funds.....	(197,294.31)	(77,218.15)	(120,076.16)	155.50
Total Interest Charges.....	5,662,191.17	4,915,657.04	746,534.13	15.19
Net Income.....	7,885,831.91	12,365,966.06	(4,480,134.15)	(36.23)

**Kentucky Utilities Company**  
**Comparative Statement of Income**  
**May 31, 2008**

	Year to Date			
	This Year Amount	Last Year Amount	Increase or Decrease Amount	%
Electric Operating Revenues.....	547,336,539.50	515,847,937.55	31,488,601.95	6.10
Total Operating Revenues.....	547,336,539.50	515,847,937.55	31,488,601.95	6.10
Fuel for Electric Generation.....	186,342,535.15	176,210,135.09	10,132,400.06	5.75
Power Purchased.....	89,079,668.39	75,536,878.71	13,542,789.68	17.93
Other Operation Expenses.....	69,721,258.64	61,448,892.22	8,272,366.42	13.46
Maintenance.....	38,744,061.75	30,504,303.77	8,239,757.98	27.01
Depreciation.....	49,907,561.27	45,572,565.66	4,334,995.61	9.51
Amortization Expense.....	2,045,923.21	2,323,271.18	(277,347.97)	(11.94)
Regulatory Credits.....	(931,252.48)	(843,358.64)	(87,893.84)	10.42
Taxes				
Federal Income.....	25,238,387.89	22,797,764.51	2,440,623.38	10.71
State Income.....	4,849,433.94	6,086,193.37	(1,236,759.43)	(20.32)
Deferred Federal Income - Net.....	(4,319,837.50)	(2,472,094.14)	(1,847,743.36)	74.74
Deferred State Income - Net.....	(988,639.98)	(275,696.04)	(712,943.94)	258.60
Property and Other.....	8,676,240.31	7,708,581.27	967,659.04	12.55
Investment Tax Credit.....	3,200,000.00	9,875,000.00	(6,675,000.00)	(67.59)
Loss (Gain) from Disposition of Allowances.....	(583,106.55)	(706,851.51)	123,744.96	(17.51)
Accretion Expense.....	810,346.39	775,739.30	34,607.09	4.46
Total Operating Expenses.....	471,792,580.43	434,541,324.75	37,251,255.68	8.57
Net Operating Income.....	75,543,959.07	81,306,612.80	(5,762,653.73)	(7.09)
Other Income Less Deductions				
Other Income Less Deductions.....	10,226,043.00	9,112,884.27	1,113,158.73	12.22
AFUDC - Equity.....	2,476,575.12	1,048,446.45	1,428,128.67	136.21
Total Other Income Less Deductions.....	12,702,618.12	10,161,330.72	2,541,287.40	25.01
Income Before Interest Charges.....	88,246,577.19	91,467,943.52	(3,221,366.33)	(3.52)
Interest on Long-term Debt.....	27,266,602.69	17,845,879.94	9,420,722.75	52.79
Amortization of Debt Expense - Net.....	303,961.79	424,687.78	(120,725.99)	(28.43)
Other Interest Expenses.....	1,135,009.98	2,622,792.94	(1,487,782.96)	(56.73)
AFUDC - Borrowed Funds.....	(844,500.30)	(300,289.92)	(544,210.38)	181.23
Total Interest Charges.....	27,861,074.16	20,593,070.74	7,268,003.42	35.29
Net Income.....	60,385,503.03	70,874,872.78	(10,489,369.75)	(14.80)

**Kentucky Utilities Company**  
**Comparative Statement of Income**  
**May 31, 2008**

	Year Ended Current Month			
	This Year Amount	Last Year Amount	Increase or Decrease Amount	%
Electric Operating Revenues.....	1,304,037,501.19	1,260,884,352.42	43,153,148.77	3.42
Total Operating Revenues.....	1,304,037,501.19	1,260,884,352.42	43,153,148.77	3.42
Fuel for Electric Generation.....	470,251,084.70	444,343,834.13	25,907,250.57	5.83
Power Purchased.....	181,986,395.32	182,652,384.27	(665,988.95)	(0.36)
Other Operation Expenses.....	161,195,202.78	153,732,746.22	7,462,456.56	4.85
Maintenance.....	93,481,952.17	73,549,627.34	19,932,324.83	27.10
Depreciation.....	119,599,160.32	110,085,931.18	9,513,229.14	8.64
Amortization Expense.....	5,143,196.99	5,368,997.08	(225,800.09)	(4.21)
Regulatory Credits.....	(2,189,097.18)	(2,036,117.23)	(152,979.95)	7.51
Taxes				
Federal Income.....	30,203,039.17	52,657,323.53	(22,454,284.36)	(42.64)
State Income.....	11,823,458.60	13,257,636.08	(1,434,177.48)	(10.82)
Deferred Federal Income - Net.....	(8,207,906.74)	(4,461,586.84)	(3,746,319.90)	83.97
Deferred State Income - Net.....	(1,201,009.62)	274,520.86	(1,475,530.48)	(537.49)
Property and Other.....	19,406,735.71	18,452,935.08	953,800.63	5.17
Investment Tax Credit.....	35,891,647.00	21,875,000.00	14,016,647.00	64.08
Loss (Gain) from Disposition of Allowances.....	(583,106.55)	(706,851.51)	123,744.96	(17.51)
Accretion Expense.....	1,895,969.81	1,795,182.06	100,787.75	5.61
Total Operating Expenses.....	1,118,696,722.48	1,070,841,562.25	47,855,160.23	4.47
Net Operating Income.....	185,340,778.71	190,042,790.17	(4,702,011.46)	(2.47)
Other Income Less Deductions				
Other Income Less Deductions.....	29,563,840.41	26,938,080.77	2,625,759.64	9.75
AFUDC - Equity.....	4,755,833.52	1,368,193.87	3,387,639.65	247.60
Total Other Income Less Deductions.....	34,319,673.93	28,306,274.64	6,013,399.29	21.24
Income Before Interest Charges.....	219,660,452.64	218,349,064.81	1,311,387.83	0.60
Interest on Long-term Debt.....	57,921,206.32	38,967,066.82	18,954,139.50	48.64
Amortization of Debt Expense - Net.....	732,774.53	949,543.98	(216,769.45)	(22.83)
Other Interest Expenses.....	6,033,284.07	4,753,006.39	1,280,277.68	26.94
AFUDC - Borrowed Funds.....	(1,500,017.01)	(518,924.19)	(981,092.82)	189.06
Total Interest Charges.....	63,187,247.91	44,150,693.00	19,036,554.91	43.12
Net Income.....	156,473,204.73	174,198,371.81	(17,725,167.08)	(10.18)

**Kentucky Utilities Company**  
**Analysis of Retained Earnings**  
**May 31, 2008**

	Current Month		Year to Date		Year Ended Current Month	
	Total Retained Earnings	Undistributed Subsidiary Earnings	Total Retained Earnings	Undistributed Subsidiary Earnings	Total Retained Earnings	Undistributed Subsidiary Earnings
Retained Earnings and Undistributed Earnings						
Balance at Beginning of Period.....	1,066,612,042.33	23,584,678.80	1,016,489,982.01	21,207,068.00	920,745,076.31	20,856,584.00
Add:						
Net Income for Period.....	7,885,831.91		60,385,503.03		156,473,204.73	
FIN 48 Adjustment.....	-		-		7,688.00	
Deduct:						
Adjust for Equity in Subsidiary Earnings for Year						
-EE Inc.....	(2,298,294.00)	2,298,294.00	(12,175,904.80)	12,175,904.80	(28,576,388.80)	28,576,388.80
Dividends Received Current Year						
-EE Inc.....	7,500,000.00	(7,500,000.00)	15,000,000.00	(15,000,000.00)	31,050,000.00	(31,050,000.00)
Balance at End of Period.....	<u>1,079,699,580.24</u>	<u>18,382,972.80</u>	<u>1,079,699,580.24</u>	<u>18,382,972.80</u>	<u>1,079,699,580.24</u>	<u>18,382,972.80</u>
Combined Retained Earnings	12 MONTHS 05/31/2008	12 MONTHS 05/31/2007				
Retained Earnings at Beginning of Period.....	941,601,660.31	767,055,815.50				
Net Income.....	156,473,204.73	174,198,371.81				
FIN 48 Adjustment.....	7,688.00	347,473.00				
Retained Earnings at End of Period.....	<u>1,098,082,553.04</u>	<u>941,601,660.31</u>				

**Kentucky Utilities Company**  
**Comparative Balance Sheets as of May 31, 2008 and 2007**

Assets and Other Debits	<u>This Year</u>	<u>Last Year</u>	Liabilities and Other Credits	<u>This Year</u>	<u>Last Year</u>
<b>Utility Plant</b>			<b>Capitalization</b>		
Utility Plant at Original Cost.....	5,208,709,032.93	4,426,618,552.21	Common Stock.....	308,139,977.56	308,139,977.56
Less Reserves for Depreciation and Amortization.....	<u>1,980,986,456.14</u>	<u>1,879,446,292.95</u>	Common Stock Expense.....	(321,288.87)	(321,288.87)
<b>Total.....</b>	<u><b>3,227,722,576.79</b></u>	<u><b>2,547,172,259.26</b></u>	Paid-in Capital.....	115,000,000.00	15,000,000.00
			Other Comprehensive Income.....	-	-
<b>Investments - at Cost</b>			Retained Earnings.....	1,079,699,580.24	920,745,076.31
Ohio Valley Electric Corporation.....	250,000.00	250,000.00	Unappropriated Undistributed Subsidiary Earnings.....	<u>18,382,972.80</u>	<u>20,856,584.00</u>
Nonutility Property-Less Reserve.....	178,821.21	968,991.61	<b>Total Common Equity.....</b>	<u><b>1,520,901,241.73</b></u>	<u><b>1,264,420,349.00</b></u>
Investments in Subsidiary Companies.....	19,678,772.80	22,152,384.00	Pollution Control Bonds - Net of Reacquired Bonds..	303,159,520.00	332,753,140.00
Special Funds.....	6,079,541.57	7,834,873.45	LT Notes Payable to Associated Companies.....	<u>1,006,000,000.00</u>	<u>611,000,000.00</u>
Other.....	<u>411,140.00</u>	<u>426,140.00</u>	<b>Total Long-term Debt.....</b>	<u><b>1,309,159,520.00</b></u>	<u><b>943,753,140.00</b></u>
<b>Total.....</b>	<u><b>26,598,275.58</b></u>	<u><b>31,632,389.06</b></u>	<b>Total Capitalization.....</b>	<u><b>2,830,060,761.73</b></u>	<u><b>2,208,173,489.00</b></u>
			<b>Current and Accrued Liabilities</b>		
<b>Current and Accrued Assets</b>			Long-term Debt Due in 1 Year.....	-	-
Cash.....	2,197,797.71	3,868,034.12	ST Notes Payable to Associated Companies.....	73,147,454.00	127,047,054.00
Special Deposits.....	46,022.59	47,190,191.86	Notes Payable.....	-	-
Temporary Cash Investments.....	17,715.50	16,997.67	Notes Payable to Associated Companies.....	-	-
Accounts Receivable-Less Reserve.....	145,706,243.24	122,285,820.10	Accounts Payable.....	161,565,334.01	120,107,085.02
Notes Receivable from Associated Companies.....	-	-	Accounts Payable to Associated Companies.....	10,284,864.53	81,310,734.41
Accounts Receivable from Associated Companies.....	6,356,238.83	13,290,185.68	Customer Deposits.....	19,919,069.31	18,872,010.38
Materials and Supplies-At Average Cost			Taxes Accrued.....	19,681,179.97	6,206,445.61
Fuel.....	56,160,099.44	68,536,308.35	Interest Accrued.....	15,091,998.59	9,365,777.80
Plant Materials and Operating Supplies.....	28,176,794.53	25,711,016.87	Dividends Declared.....	-	-
Stores Expense.....	6,498,163.59	6,070,638.78	Miscellaneous Current and Accrued Liabilities.....	<u>10,347,219.06</u>	<u>11,122,897.34</u>
Allowance Inventory.....	191,392.07	2,220,588.42	<b>Total.....</b>	<u><b>310,037,119.47</b></u>	<u><b>374,032,004.56</b></u>
Prepayments.....	2,709,509.67	2,828,075.34			
Miscellaneous Current and Accrued Assets.....	<u>-</u>	<u>1,389,419.28</u>	<b>Deferred Credits and Other</b>		
<b>Total.....</b>	<u><b>248,059,977.17</b></u>	<u><b>293,407,276.47</b></u>	Accumulated Deferred Income Taxes.....	330,043,757.30	328,775,200.23
			Investment Tax Credit.....	58,068,150.32	22,652,395.32
<b>Deferred Debits and Other</b>			Regulatory Liabilities.....	38,533,425.70	37,002,907.98
Unamortized Debt Expense.....	6,576,279.58	6,915,437.38	Customer Advances for Construction.....	2,379,947.16	1,965,662.24
Unamortized Loss on Bonds.....	10,831,379.56	10,428,312.95	Asset Retirement Obligations.....	31,125,405.65	29,256,945.84
Accumulated Deferred Income Taxes.....	50,537,997.37	45,723,507.74	Other Deferred Credits.....	21,882,903.78	8,175,756.80
Deferred Regulatory Assets.....	82,657,385.71	115,774,512.81	Miscellaneous Long-term Liabilities.....	3,302,374.92	46,913,039.58
Other Deferred Debits.....	<u>59,270,254.84</u>	<u>79,863,243.88</u>	Accum Provision for Postretirement Benefits.....	<u>86,820,280.57</u>	<u>73,969,538.00</u>
<b>Total.....</b>	<u><b>209,873,297.06</b></u>	<u><b>258,705,014.76</b></u>	<b>Total.....</b>	<u><b>572,156,245.40</b></u>	<u><b>548,711,445.99</b></u>
			<b>Total Liabilities and Other Credits.....</b>	<u><b>3,712,254,126.60</b></u>	<u><b>3,130,916,939.55</b></u>
<b>Total Assets and Other Debits.....</b>	<u><b>3,712,254,126.60</b></u>	<u><b>3,130,916,939.55</b></u>			

**Kentucky Utilities Company**  
**Statement of Capitalization and Short-term Debt**  
**May 31, 2008**

	Authorized Shares	Issued and Outstanding		Percent of Total	
		Shares	Amount	Capital and ST Debt	Capital
<b>Common Equity</b>					
Common Stock - Without Par.....	80,000,000	37,817,878	308,139,977.56		
Common Stock Expense.....			(321,288.87)		
Paid-In Capital.....			115,000,000.00		
Retained Earnings.....			1,079,699,580.24		
Unappropriated Undistributed Subsidiary Earnings.....			18,382,972.80		
<b>Total Common Equity.....</b>			<u>1,520,901,241.73</u>	<u>52.39</u>	<u>53.74</u>
<b>Long-term Debt</b>					
<b>Pollution Control Bonds</b>					
Mercer County 2000 Series A due 05/01/23 Var%.....			12,900,000.00		
Carroll County 2002 Series A due 02/01/32 Var%.....			20,930,000.00		
Carroll County 2002 Series B due 02/01/32 Var%.....			2,400,000.00		
Muhlenburg County 2002 Series A due 02/01/32 Var%..			2,400,000.00		
Mercer County 2002 Series A due 02/01/32 Var%.....			7,400,000.00		
Carroll County 2002 Series C due 10/01/32 Var%.....			96,000,000.00		
Carroll County 2004 Series A due 10/01/34 Var%.....			50,000,000.00		
Carroll County 2005 Series A due 06/01/35 Var%.....			13,266,950.00		
Carroll County 2005 Series B due 06/01/35 Var%.....			13,266,950.00		
Carroll County 2006 Series A due 06/01/36 Var%.....			16,693,620.00		
Carroll County 2006 Series C due 06/01/36 Var%.....			16,693,620.00		
Carroll County 2006 Series B due 10/01/34 Var%.....			54,000,000.00		
Carroll County 2007 Series A due 02/01/26 Var%.....			17,875,000.00		
Trimble County 2007 Series A due 03/01/37 Var%.....			8,927,000.00		
			<u>332,753,140.00</u>	<u>11.46</u>	<u>11.76</u>
<b>Less Reacquired Bonds</b>					
Mercer County 2000 Series A due 05/01/23 Var%.....			(12,900,000.00)		
Carroll County 2006 Series C due 06/01/36 Var%.....			(16,693,620.00)		
			<u>(29,593,620.00)</u>	<u>(1.02)</u>	<u>(1.05)</u>
<b>Total Pollution Control Bonds.....</b>			<u>303,159,520.00</u>	<u>10.44</u>	<u>10.71</u>
<b>Long-term Notes Payable to Associated Companies.....</b>			<u>1,006,000,000.00</u>	<u>34.65</u>	<u>35.55</u>
<b>Total Capitalization.....</b>			<u>2,830,060,761.73</u>	<u>97.48</u>	<u>100.00</u>
<b>Short-term Notes Payable to Associated Companies.....</b>			<u>73,147,454.00</u>	<u>2.52</u>	
<b>Total Capitalization and Short-term Debt.....</b>			<u><u>2,903,208,215.73</u></u>	<u><u>100.00</u></u>	



**Kentucky Utilities Company**  
**Trial Balance**  
**May 31, 2008**

<u>Account - Subsidiary Account</u>	<u>Balance Subsidiary Account</u>	<u>Balance as Shown on Balance Sheets</u>
Utility Plant.....		
At Original Cost.....	5,208,709,032.93	5,208,709,032.93
Reserves for Depreciation and Amortization.....		(1,980,986,456.14)
Depreciation.....	(1,962,117,940.79)	
Amortization of Plant.....	(18,868,515.35)	
Investments - at Cost.....		26,598,275.58
Nonutility Property.....	179,120.94	
Nonutility Property Reserve.....	(299.73)	
Investments in Subsidiary Companies.....	19,678,772.80	
Ohio Valley Electric Corporation.....	250,000.00	
Other.....	411,140.00	
OMU - Interest on Reserve, New.....	1,310,639.15	
OMU - Revenue and Investments on Maintenance Reserve.....	600,000.00	
OMU - Revenue and Investments on Additions and Replacements.....	120,000.00	
OMU - Revenue and Investments on Operations.....	538,067.36	
OMU - Revenue and Investments Interest on Purchase Power.....	380,837.79	
OMU - Purchase Power, Coal Reserve.....	3,129,997.27	
Cash.....	2,197,797.71	2,197,797.71
Special Deposits.....		46,022.59
MAN Margin Call.....	46,022.59	
Temporary Cash Investments.....	17,715.50	17,715.50
Accounts Receivable - Less Reserve.....		145,706,243.24
Working Funds.....	34,517.13	
Customers - Active.....	71,469,445.22	
Wholesale Sales.....	5,020,579.93	
Transmission Sales.....	467,458.23	
Unbilled Revenues.....	45,478,000.00	
Employee Computer Loans.....	61,810.77	
Damage Claims.....	203,305.99	
Officers and Employees.....	1,149.56	
Insurance Claims.....	(105.69)	
IMEA.....	5,473,502.36	
IMPA.....	5,816,725.29	
Other.....	6,696,660.26	
Reserves for Uncollectible Accounts		
Utility Customers		
Reserve.....	(753,553.00)	
Accrual.....	(897,163.51)	
Charged Off.....	1,270,079.37	
Recoveries.....	(372,915.86)	
A/R Miscellaneous.....	(96,404.00)	
LEM Reserve.....	(1,728,708.32)	
Interest and Dividends Receivable.....	7,561,859.51	
Accounts Receivable from Associated Companies.....		6,356,238.83
E.ON US Services/Louisville Gas and Electric Company.....	6,356,238.83	

**Kentucky Utilities Company**  
**Trial Balance**  
**May 31, 2008**

<u>Account - Subsidiary Account</u>	<u>Balance Subsidiary Account</u>	<u>Balance as Shown on Balance Sheets</u>
Fuel .....		56,160,099.44
Coal 906,485.28 Tons @ \$54.17 MMBtu 21,541,643.61 @ 227.95¢ .....	49,104,707.25	
Fuel Oil 2,835,190 Gallons @ 244.16¢ .....	6,922,379.64	
Gas Pipeline 12,657.40 Mcf @ \$10.51 .....	133,012.55	
Plant Materials and Operating Supplies .....		28,176,794.53
Regular Materials and Supplies .....	27,835,137.91	
Limestone 45,146.36 Tons @ \$7.57 .....	341,656.62	
Stores Expense .....		6,498,163.59
Stores Expense Undistributed .....	6,498,163.59	
Allowance Inventory .....	191,392.07	191,392.07
Prepayments .....		2,709,509.67
Insurance .....	1,559,140.60	
Taxes .....	149,209.68	
Risk Management and Workers Compensation .....	75,000.00	
Vehicle License .....	71,317.32	
Other .....	854,842.07	
Unamortized Debt Expense .....		6,576,279.58
Carroll County 2002 Series A due 02/01/32 Var% .....	97,050.34	
Carroll County 2002 Series B due 02/01/32 Var% .....	67,463.62	
Auhlenburg County 2002 Series A due 02/01/32 Var% .....	27,073.40	
Mercer County 2002 Series A due 02/01/32 Var% .....	75,102.11	
Carroll County 2002 Series C due 10/01/32 Var% .....	1,769,159.04	
Carroll County 2004 Series A due 10/01/34 Var% .....	1,055,320.59	
Carroll County 2005 Series A due 06/01/35 Var% .....	477,747.30	
Carroll County 2005 Series B due 06/01/35 Var% .....	485,552.04	
Carroll County 2006 Series A due 06/01/36 Var% .....	579,372.05	
Carroll County 2006 Series B due 10/01/34 Var% .....	986,476.34	
Carroll County 2007 Series A due 02/01/26 Var% .....	548,951.30	
Trimble County 2007 Series A due 03/01/37 Var% .....	407,011.45	
Unamortized Loss on Bonds .....		10,831,379.56
Refinanced and Called Bonds .....	10,831,379.56	
Accumulated Deferred Income Taxes .....		50,537,997.37
Federal .....	42,693,735.59	
State .....	7,844,261.78	
Deferred Regulatory Assets .....		82,657,385.71
Asset Retirement Obligations .....	25,047,520.43	
FERC Jurisdictional Pension Expense .....	2,618,904.77	
SFAS 109 - Deferred Taxes .....	7,156,565.00	
Pension and Postretirement Benefits .....	28,091,683.11	
Ice Storm Expenses .....	857,553.00	
MISO Exit Fee .....	18,885,159.40	
( Deferred Debits .....	59,270,254.84	59,270,254.84
Total Assets and Other Debits .....	3,712,254,126.60	3,712,254,126.60

**Kentucky Utilities Company**  
**Trial Balance**  
**May 31, 2008**

<u>Account - Subsidiary Account</u>	<u>Balance Subsidiary Account</u>	<u>Balance as Shown on Balance Sheets</u>
Common Equity.....		1,520,901,241.73
Common Stock.....	308,139,977.56	
Common Stock Expense.....	(321,288.87)	
Paid-In Capital.....	115,000,000.00	
Retained Earnings.....	1,079,699,580.24	
Unappropriated Undistributed Subsidiary Earnings.....	18,382,972.80	
Bonds.....		303,159,520.00
Pollution Control Bonds - Net of Reacquired Bonds.....	303,159,520.00	
Long-term Notes Payable to Associated Companies.....	1,006,000,000.00	1,006,000,000.00
Short-term Notes Payable to Associated Companies.....		73,147,454.00
Money Pool Payable.....	73,147,454.00	
Accounts Payable.....		161,565,334.01
Regular.....	157,401,304.77	
Salaries and Wages Accrued.....	1,358,713.70	
Employee Withholdings Payable.....	29,273.17	
Tax Collections - Payable.....	2,776,042.37	
Accounts Payable to Associated Companies.....		10,284,864.53
E.ON US Services/Louisville Gas and Electric Company.....	10,284,864.53	
Customers' Deposits.....	19,919,069.31	19,919,069.31
Taxes Accrued.....	19,681,179.97	19,681,179.97
Interest Accrued.....		15,091,998.59
Mercer County 2000 Series A due 05/01/23 Var%.....	28,020.49	
Carroll County 2002 Series A due 02/01/32 Var%.....	51,896.12	
Carroll County 2002 Series B due 02/01/32 Var%.....	5,950.80	
Muhlenburg County 2002 Series A due 02/01/32 Var%.....	5,950.80	
Mercer County 2002 Series A due 02/01/32 Var%.....	18,348.35	
Carroll County 2002 Series C due 10/01/32 Var%.....	35,445.33	
Carroll County 2004 Series A due 10/01/34 Var%.....	212,673.60	
Carroll County 2005 Series A due 06/01/35 Var%.....	3,583.39	
Carroll County 2005 Series B due 06/01/35 Var%.....	3,583.39	
Carroll County 2006 Series A due 06/01/36 Var%.....	18,587.43	
Carroll County 2006 Series C due 06/01/36 Var%.....	(775.42)	
Carroll County 2006 Series B due 10/01/34 Var%.....	11,040.00	
Carroll County 2007 Series A due 02/01/26 Var%.....	87,782.14	
Trimble County 2007 Series A due 03/01/37 Var%.....	168,447.03	
Fidelia.....	14,152,133.81	
Customers' Deposits.....	272,793.63	
Other.....	16,537.70	

**Kentucky Utilities Company**  
**Trial Balance**  
**May 31, 2008**

<u>Account - Subsidiary Account</u>	<u>Balance Subsidiary Account</u>	<u>Balance as Shown on Balance Sheets</u>
Miscellaneous Current and Accrued Liabilities .....		10,347,219.06
Customer Overpayments.....	2,140,032.47	
UK Emission Research Grant.....	250,000.00	
Vacation Pay Accrued.....	5,402,102.33	
Derivative Liabilities - Non-Hedging.....	0.03	
Franchise Fee Payable.....	2,491,305.13	
Other.....	63,779.10	
Accumulated Deferred Income Taxes.....		330,043,757.30
Federal.....	284,866,380.44	
State.....	45,177,376.86	
Investment Tax Credit.....		58,068,150.32
Job Development Credit.....	301,503.32	
Advance Coal Credit.....	57,766,647.00	
Regulatory Liabilities.....		38,533,425.70
Asset Retirement Obligations.....	2,275,941.43	
Deferred Taxes - SFAS 109.....	28,035,897.50	
Spare Parts.....	1,342,033.77	
MISO Schedule 10 Charges.....	6,879,553.00	
Customers' Advances for Construction.....		2,379,947.16
Line Extensions.....	1,726,318.04	
Outdoor Lighting Deposits.....	4,470.00	
Other.....	649,159.12	
Asset Retirement Obligations.....	31,125,405.65	31,125,405.65
Other Deferred Credits.....	21,882,903.78	21,882,903.78
Miscellaneous Long-term Liabilities.....		3,302,374.92
Workers' Compensation.....	3,302,374.92	
Accumulated Provision for Benefits.....		86,820,280.57
Pension Payable.....	20,163,191.00	
Postretirement Benefits - SFAS 106.....	66,930,604.94	
Medicare Subsidy - SFAS 106.....	(5,428,205.51)	
Post Employment Benefits Payable.....	5,349,374.00	
Post Employment Medicare Subsidy.....	(194,683.86)	
Total Liabilities and Other Credits.....	3,712,254,126.60	3,712,254,126.60

**Kentucky Utilities Company**  
**Statement of Cash Flows**  
**May 31, 2008**

	Year to Date	
	2008	2007
<b>Cash Flows from Operating Activities</b>		
Net income.....	60,385,503.03	70,874,872.78
Items not requiring (providing) cash currently:		
Depreciation.....	49,907,561.27	45,572,565.66
Amortization.....	2,045,923.21	2,323,271.18
Deferred income taxes - net.....	(3,037,505.23)	(1,096,124.07)
Investment tax credits deferred - net.....	3,069,038.00	9,628,620.00
Other.....	2,844,966.82	1,759,340.68
Change in receivables.....	36,687,825.67	37,639,795.77
Change in inventory.....	(15,239,595.71)	(3,758,517.02)
Change in allowance inventory.....	191,502.04	(550,050.59)
Change in payables and accrued expenses.....	10,576,132.78	26,268,800.63
Change in other regulatory assets.....	(492,135.09)	(757,669.87)
Change in other regulatory liabilities.....	812,389.62	1,063,534.50
Change in other deferred debits.....	7,745,346.76	(18,585,480.31)
Change in other deferred credits.....	8,446,760.18	892,614.84
Other.....	(2,933,983.95)	3,405,274.69
Less: Allowance for other funds used during construction.....	(3,321,075.42)	(1,348,736.37)
Less: Undistributed earnings of subsidiary company.....	2,824,095.20	(4,608,297.00)
Net cash provided (used) by operating activities.....	<u>160,512,749.18</u>	<u>168,723,815.50</u>
<b>Cash Flows from Investing Activities</b>		
Gross additions to utility plant - construction expenditures.....	(293,196,752.36)	(274,835,681.51)
Less: Allowance for other funds used during construction.....	3,321,075.42	1,348,736.37
Gain on disposal of property.....	1,474.79	-
Change in other long-term debt.....	-	(433,540.00)
Change in long-term investments.....	221,365.11	(2,130,008.12)
Change in restricted cash.....	10,939,533.19	(24,382,665.05)
Net cash provided (used) by investing activities.....	<u>(278,713,303.85)</u>	<u>(300,433,158.31)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of long-term debt.....	74,743,177.18	207,277,874.30
Net increase in short-term debt.....	49,928,000.00	30,004,000.00
Payments for retirement of long-term debt.....	-	(107,000,000.00)
Payments for reacquisition of long-term debt.....	(29,593,620.00)	-
Contributed capital.....	25,000,000.00	-
Net cash provided (used) by financing activities.....	<u>120,077,557.18</u>	<u>130,281,874.30</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	1,877,002.51	(1,427,468.51)
Cash and Cash Equivalents at Beginning of Period.....	<u>388,510.70</u>	<u>5,313,043.20</u>
Cash and Cash Equivalents at End of Period.....	<u><u>2,265,513.21</u></u>	<u><u>3,885,574.69</u></u>

**Kentucky Utilities Company**  
**Analysis of Interest Charges**  
**May 31, 2008**

	Current Month		Year to Date		Year Ended Current Month	
	This Year	Last Year	This Year	Last Year	This Year	Last Year
Interest on Long-term Debt						
First Mortgage Bonds						
Series P 7.92%.....	-	-	-	1,574,100.00	-	4,022,700.00
Loan Agreement - Pollution Control Bonds						
Series 10 (Variable%).....	-	-	-	981,941.93	-	2,168,610.43
Mercer County 2000 Series A due 05/01/23 Var%.....	28,020.49	-	317,061.11	-	317,061.11	279,594.99
Carroll County 2002 Series A due 02/01/32 Var%.....	29,250.53	129,743.07	175,640.92	386,849.50	568,086.90	837,888.16
Carroll County 2002 Series B due 02/01/32 Var%.....	3,354.10	14,877.37	20,140.38	44,359.24	65,141.33	96,078.91
Muhlenburg County 2002 Series A due 02/01/32 Var%.....	3,354.10	14,877.37	20,140.38	44,359.24	65,141.33	96,078.89
Mercer County 2002 Series A due 02/01/32 Var%.....	10,341.81	45,871.89	62,099.52	136,774.29	200,852.51	296,243.28
Carroll County 2002 Series C due 10/01/32 Var%.....	346,197.33	297,920.00	1,692,031.99	1,439,519.99	4,028,506.66	3,576,333.30
Carroll County 2004 Series A due 10/01/34 Var%.....	262,673.61	158,402.78	1,159,618.05	758,923.62	2,340,173.61	1,820,180.53
Carroll County 2005 Series A due 06/01/35 Var%.....	39,493.13	43,360.81	223,526.00	201,583.22	530,670.63	482,534.45
Carroll County 2005 Series B due 06/01/35 Var%.....	39,493.13	43,360.81	222,220.68	201,683.80	521,561.75	482,565.39
Carroll County 2006 Series A due 06/01/36 Var%.....	56,370.65	54,578.86	321,908.18	258,519.26	718,451.22	538,320.56
Carroll County 2006 Series C due 06/01/36 Var%.....	31,558.24	54,819.49	383,511.98	258,280.41	779,758.24	301,173.74
Carroll County 2006 Series B due 10/01/34 Var%.....	178,023.00	175,635.00	983,515.50	537,540.00	2,240,605.50	537,540.00
Carroll County 2007 Series A due 02/01/26 Var%.....	46,122.83	7,548.27	196,495.67	7,548.27	411,217.29	7,548.27
Trimble County 2007 Series A due 03/01/37 Var%.....	88,506.08	15,144.10	386,129.78	15,144.10	816,237.04	15,144.10
Interest Rate Swaps	-	-	-	(86,856.15)	-	(194,981.05)
Marked to Market	-	-	-	(328,589.00)	-	(783,677.00)
Fidelity.....	4,327,762.51	2,660,616.65	21,102,562.55	11,914,971.64	44,010,237.45	24,887,963.29
Hardin Promissory Note.....	-	41,907.09	-	(500,773.42)	307,503.75	(500,773.42)
<b>Total.....</b>	<b>5,490,521.54</b>	<b>3,758,663.56</b>	<b>27,266,602.69</b>	<b>17,845,879.94</b>	<b>57,921,206.32</b>	<b>38,967,066.82</b>
Amortization of Debt Expense - Net						
Amortization of Debt Expense.....	21,901.48	22,269.98	117,168.20	160,767.88	291,334.94	309,367.08
Amortization of Loss on Reacquired Debt.....	39,550.37	45,615.90	186,793.59	263,919.90	441,439.59	640,176.90
<b>Total.....</b>	<b>61,451.85</b>	<b>67,885.88</b>	<b>303,961.79</b>	<b>424,687.78</b>	<b>732,774.53</b>	<b>949,543.98</b>
Other Interest Charges						
Customers' Deposits.....	96,731.98	88,244.46	492,998.18	474,536.79	1,120,474.79	1,047,558.79
Other Tax Deficiencies.....	16,537.70	-	16,537.70	456.08	13,113.70	456.08
Interest on Debt to Associated Companies	194,242.41	1,078,081.29	625,465.94	2,147,503.37	4,899,682.83	3,598,604.44
AFUDC Borrowed Funds	(197,294.31)	(77,218.15)	(844,500.30)	(300,289.92)	(1,500,017.01)	(518,924.19)
Other Interest Expense.....	-	-	8.16	296.70	12.75	106,387.08
<b>Total.....</b>	<b>110,217.78</b>	<b>1,089,107.60</b>	<b>290,509.68</b>	<b>2,322,503.02</b>	<b>4,533,267.06</b>	<b>4,234,082.20</b>
<b>Total Interest.....</b>	<b>5,662,191.17</b>	<b>4,915,657.04</b>	<b>27,861,074.16</b>	<b>20,593,070.74</b>	<b>63,187,247.91</b>	<b>44,150,693.00</b>

**Kentucky Utilities Company**  
**Analysis of Taxes Charged**  
**May 31, 2008**

<u>Kind of Taxes</u>	<u>Current Month</u>		<u>Year to Date</u>	
	<u>This Year</u>	<u>Last Year</u>	<u>This Year</u>	<u>Last Year</u>
Taxes Charged to Accounts 408.1 and 409.1				
Property Taxes.....	1,025,101.01	1,001,000.00	5,125,505.05	4,577,509.00
Unemployment.....	10,752.29	43,343.97	97,575.28	108,644.00
FICA.....	890,665.21	479,886.49	2,676,492.20	2,304,677.54
Public Service Commission Fee.....	149,209.73	138,724.62	746,048.65	693,623.10
Federal Income.....	3,888,005.50	5,340,434.05	25,238,387.89	22,797,764.51
State Income.....	1,137,542.44	1,027,006.54	4,849,433.94	6,086,193.37
Miscellaneous.....	2,558.58	2,430.71	30,619.13	24,127.63
<b>Total Charged to Operating Expense.....</b>	<b>7,103,834.76</b>	<b>8,032,826.38</b>	<b>38,764,062.14</b>	<b>36,592,539.15</b>
Taxes Charged to Other Accounts.....	1,363,984.93	1,599,854.94	7,526,500.55	1,275,529.17
Taxes Accrued on Intercompany Accounts.....	(193,369.10)	(192,256.91)	(917,345.06)	(1,020,150.64)
<b>Total Taxes Charged.....</b>	<b>8,274,450.59</b>	<b>9,440,424.41</b>	<b>45,373,217.63</b>	<b>36,847,917.68</b>

**Analysis of Taxes Accrued - Account 236**

<u>Kind of Taxes</u>	<u>Taxes Accrued At Beginning Of Year</u>	<u>Accruals To Date This Year</u>	<u>Payments To Date This Year</u>	<u>Taxes Accrued At End Of Month</u>
Property Taxes.....	6,455,854.42	5,304,732.63	6,384,115.09	5,376,471.96
Unemployment.....	36,767.25	65,856.78	99,688.89	2,935.14
FICA.....	497,417.13	2,465,436.27	2,550,880.97	411,972.43
Federal Income.....	(5,097,779.62)	32,098,271.84	21,449,065.62	5,551,426.60
State Income.....	1,103,849.76	4,036,550.25	(2,761,014.76)	7,901,414.77
Kentucky Sales and Use Tax.....	618,307.69	1,335,065.13	1,539,949.54	413,423.28
Miscellaneous.....	18,792.54	67,304.73	62,561.48	23,535.79
<b>Totals.....</b>	<b>3,633,209.17</b>	<b>45,373,217.63</b>	<b>29,325,246.83</b>	<b>19,681,179.97</b>

Kentucky Utilities Company  
Summary of Utility Plant  
May 31, 2008

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/Adjustments</u>	<u>Net Additions</u>	<u>Ending Balance</u>
101						
Electric						
Electric Distribution	1,038,231,358.94	43,481,759.74	(70,054.03)	-	43,411,705.71	1,081,643,064.65
Electric General Plant	97,450,353.51	1,555,804.22	(172.34)	-	1,555,631.88	99,005,985.39
Electric Hydro Production	10,974,095.24	62,158.95	(3,022.00)	-	59,136.95	11,033,232.19
Electric Intangible Plant	24,723,054.27	941,198.11	-	-	941,198.11	25,664,252.38
Electric Other Production	497,590,724.76	-	-	-	-	497,590,724.76
Electric Steam Production	1,678,193,956.12	2,256,959.17	(362,322.43)	-	1,894,636.74	1,680,088,592.86
Electric Transmission	520,264,996.06	1,754,253.28	(150,561.43)	-	1,603,691.85	521,868,687.91
Total Electric	<u>3,867,428,538.90</u>	<u>50,052,133.47</u>	<u>(586,132.23)</u>	<u>-</u>	<u>49,466,001.24</u>	<u>3,916,894,540.14</u>
Total 101 Accounts	3,867,428,538.90	50,052,133.47	(586,132.23)	-	49,466,001.24	3,916,894,540.14
101110						
Electric						
Electric General Plant	531,973.50	-	-	(0.06)	(0.06)	531,973.44
Total Electric	<u>531,973.50</u>	<u>-</u>	<u>-</u>	<u>(0.06)</u>	<u>(0.06)</u>	<u>531,973.44</u>
Total 101110	531,973.50	-	-	(0.06)	(0.06)	531,973.44
105001						
Electric						
Electric Distribution	-	-	-	-	-	-
Total Electric	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total 105001	-	-	-	-	-	-
106						
Electric						
Electric Distribution	-	35,709,908.13	-	-	35,709,908.13	35,709,908.13
Electric General Plant	-	3,486,678.62	-	-	3,486,678.62	3,486,678.62
Electric Hydro Production	-	853,825.92	-	-	853,825.92	853,825.92
Electric Intangible Plant	-	510,194.69	-	-	510,194.69	510,194.69
Electric Other Production	-	1,725,398.05	-	-	1,725,398.05	1,725,398.05
Electric Steam Production	-	10,051,738.06	-	-	10,051,738.06	10,051,738.06
Electric Transmission	-	1,253,035.92	-	-	1,253,035.92	1,253,035.92
Total Electric	<u>-</u>	<u>53,590,779.39</u>	<u>-</u>	<u>-</u>	<u>53,590,779.39</u>	<u>53,590,779.39</u>
Total 106 Accounts	-	53,590,779.39	-	-	53,590,779.39	53,590,779.39
121001						
Common						
Non Utility Property	179,120.94	-	-	-	-	179,120.94
Total Common	<u>179,120.94</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,120.94</u>
Total 121001	179,120.94	-	-	-	-	179,120.94
107001						
Construction Work in Progress						
Electric	1,071,388,625.97	166,303,113.99	-	-	166,303,113.99	1,237,691,739.96
Total CWIP	<u>1,071,388,625.97</u>	<u>166,303,113.99</u>	<u>-</u>	<u>-</u>	<u>166,303,113.99</u>	<u>1,237,691,739.96</u>
Total Plant (Non-CWIP)	3,868,139,633.34	103,642,912.86	(586,132.23)	(0.06)	103,056,780.57	3,971,196,413.91
Total Plant + CWIP	4,939,528,259.31	269,946,026.85	(586,132.23)	(0.06)	269,359,894.56	5,208,709,032.93



Kentucky Util. Company  
Summary of Utility Plant  
May 31, 2008

	<u>Beginning Balance</u>	<u>Accruals</u>	<u>Retirements</u>	<u>Transfers/Adjustments</u>	<u>RWIP Transfers Out</u>	<u>Cost of Removal</u>	<u>Salvage</u>	<u>Other Credits</u>	<u>Ending Balance</u>
<b>Life Reserve</b>								56,231.97	369,043,400.30
Electric Distribution	359,033,190.58	10,024,031.78	(70,054.03)	-	-	-	-	-	6,279.86
Electric Distribution - ARO	6,595.17	(315.31)	-	-	-	-	-	-	50,809,535.34
Electric General Plant	48,907,493.20	1,902,214.48	(172.34)	-	-	-	-	-	7,553,304.41
Electric Hydro Production	7,500,880.74	55,445.67	(3,022.00)	-	-	-	-	-	1,781.68
Electric Hydro Production - ARO	1,760.08	21.60	-	-	-	-	-	-	122,454,622.05
Electric Other Production	115,416,383.68	7,038,238.37	-	-	-	-	-	-	30,643.57
Electric Other Production - ARO	29,672.77	970.80	-	-	-	-	-	-	876,103,545.82
Electric Steam Production	858,329,896.41	18,135,971.84	(362,322.43)	-	-	-	-	-	4,443,560.05
Electric Steam Production - ARO	4,283,726.18	159,833.87	-	-	-	-	-	76,966.41	206,421,761.20
Electric Transmission	202,812,741.57	3,682,614.65	(150,561.43)	-	-	-	-	-	4,475.01
Electric Transmission - ARO	4,014.63	460.38	-	-	-	-	-	-	1,636,872,909.29
<b>Life Reserve Total</b>	<b>1,596,326,355.01</b>	<b>40,999,488.13</b>	<b>(586,132.23)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>133,198.38</b>	<b>-</b>
<b>Cost of Removal</b>									
Electric Distribution	183,781,285.19	5,065,042.46	-	-	-	(101,676.68)	-	-	188,744,650.97
Electric General Plant	(122,007.03)	(0.05)	-	-	-	(30,318.48)	-	-	(152,325.56)
Electric Hydro Production	785,169.42	18,729.83	-	-	-	(6,931.47)	-	-	796,967.78
Electric Other Production	1,700,260.79	-	-	-	-	-	-	-	1,700,260.79
Electric Other Production - ARO	-	-	-	-	-	(241,572.95)	-	-	81,000,388.49
Electric Steam Production	78,172,998.47	3,068,962.97	-	-	-	(409,394.88)	-	-	139,481,093.67
Electric Transmission	136,721,262.34	3,169,226.21	-	-	-	(789,894.46)	-	-	411,571,036.14
<b>Cost of Removal Total</b>	<b>401,038,969.18</b>	<b>11,321,961.42</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(789,894.46)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Salvage</b>									
Electric Distribution	(43,281,298.84)	(1,165,922.57)	-	-	-	-	38,132.96	-	(44,409,088.45)
Electric General Plant	(122,217.82)	(10,645.38)	-	-	-	-	-	-	(132,863.20)
Electric Hydro Production	(44,115.00)	(821.22)	-	-	-	-	-	-	(44,936.22)
Electric Other Production	(618,891.61)	-	-	-	-	-	-	-	(618,891.61)
Electric Other Production - ARO	-	-	-	-	-	-	-	-	(13,557,716.75)
Electric Steam Production	(13,073,178.13)	(484,538.62)	-	-	-	-	5,819.89	-	(21,686,926.65)
Electric Transmission	(21,191,803.27)	(500,943.27)	-	-	-	-	-	-	(80,450,422.88)
<b>Salvage Total</b>	<b>(78,331,504.67)</b>	<b>(2,162,871.06)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,952.85</b>	<b>-</b>	<b>-</b>
<b>Total Reserves</b>									
Electric	1,919,033,819.52	50,158,578.49	(586,132.23)	-	-	(789,894.46)	43,952.85	133,198.38	1,967,993,522.55
<b>Total Reserves</b>	<b>1,919,033,819.52</b>	<b>50,158,578.49</b>	<b>(586,132.23)</b>	<b>-</b>	<b>-</b>	<b>(789,894.46)</b>	<b>43,952.85</b>	<b>133,198.38</b>	<b>1,967,993,522.55</b>
<b>Retirement Work in Progress</b>									
Electric	4,401,887.42	-	-	-	(612,743.23)	3,156,494.15	(234,843.31)	(835,213.27)	5,875,581.76
<b>RWIP Total</b>	<b>4,401,887.42</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(612,743.23)</b>	<b>3,156,494.15</b>	<b>(234,843.31)</b>	<b>(835,213.27)</b>	<b>5,875,581.76</b>
<b>YTD Activity</b>	<b>1,914,631,932.10</b>	<b>50,158,578.49</b>	<b>(586,132.23)</b>	<b>-</b>	<b>612,743.23</b>	<b>(3,946,388.61)</b>	<b>278,796.16</b>	<b>968,411.65</b>	<b>1,962,117,940.79</b>
<b>Amortization</b>									
Electric	16,822,592.14	2,045,923.21	-	-	-	-	-	-	18,868,515.35
<b>Amortization Total</b>	<b>16,822,592.14</b>	<b>2,045,923.21</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,868,515.35</b>
<b>Depreciation &amp; Amortization Total</b>	<b>1,931,454,524.24</b>	<b>52,204,501.70</b>	<b>(586,132.23)</b>	<b>-</b>	<b>612,743.23</b>	<b>(3,946,388.61)</b>	<b>278,796.16</b>	<b>968,411.65</b>	<b>1,980,986,456.14</b>
<b>Utility Plant at Original Cost Less</b>									
Reserve for Depreciation and Amortization	3,008,073,735.07								

**KU Financial Reports – June 30, 2008  
Responding Witness – Shannon L. Charnas**

**KENTUCKY UTILITIES COMPANY**

Financial Reports

June 30, 2008

Prepared by Regulatory Accounting and Reporting

**Kentucky Utilities Company**  
**Comparative Statement of Income**  
**June 30, 2008**

	Current Month			
	This Year Amount	Last Year Amount	Increase or Decrease Amount	%
Electric Operating Revenues.....	121,159,678.87	101,904,588.93	19,255,089.94	18.90
Total Operating Revenues.....	121,159,678.87	101,904,588.93	19,255,089.94	18.90
Fuel for Electric Generation.....	46,603,646.90	40,277,348.41	6,326,298.49	15.71
Power Purchased.....	21,141,220.52	14,002,909.52	7,138,311.00	50.98
Other Operation Expenses.....	14,936,631.31	13,769,692.96	1,166,938.35	8.47
Maintenance.....	8,195,374.95	7,455,116.83	740,258.12	9.93
Depreciation.....	10,454,976.28	9,526,307.05	928,669.23	9.75
Amortization Expense.....	435,134.07	485,183.99	(50,049.92)	(10.32)
Regulatory Credits.....	(190,272.25)	(179,631.83)	(10,640.42)	5.92
Taxes				
Federal Income.....	(4,058,999.95)	(1,586,818.83)	(2,472,181.12)	155.79
State Income.....	754,928.74	1,056,693.99	(301,765.25)	(28.56)
Deferred Federal Income - Net.....	(2,302,638.19)	(4,136,142.14)	1,833,503.95	(44.33)
Deferred State Income - Net.....	(785,164.08)	(547,854.04)	(237,310.04)	43.32
Property and Other.....	1,498,971.26	1,642,817.35	(143,846.09)	(8.76)
Investment Tax Credit.....	9,724,999.97	9,875,000.00	(150,000.03)	(1.52)
Loss (Gain) from Disposition of Allowances.....	-	-	-	-
Accretion Expense.....	164,698.58	155,089.06	9,609.52	6.20
Total Operating Expenses.....	106,573,508.11	91,795,712.32	14,777,795.79	16.10
Net Operating Income.....	14,586,170.76	10,108,876.61	4,477,294.15	44.29
Other Income Less Deductions				
Other Income Less Deductions.....	4,109,015.67	3,691,910.85	417,104.82	11.30
AFUDC - Equity.....	519,293.55	206,063.95	313,229.60	152.01
Total Other Income Less Deductions.....	4,628,309.22	3,897,974.80	730,334.42	18.74
Income Before Interest Charges.....	19,214,479.98	14,006,851.41	5,207,628.57	37.18
Interest on Long-term Debt.....	5,542,314.79	3,687,010.31	1,855,304.48	50.32
Amortization of Debt Expense - Net.....	61,568.70	63,683.09	(2,114.39)	(3.32)
Other Interest Expenses.....	243,239.50	990,544.66	(747,305.16)	(75.44)
AFUDC - Borrowed Funds.....	(175,405.14)	(59,065.01)	(116,340.13)	196.97
Total Interest Charges.....	5,671,717.85	4,682,173.05	989,544.80	21.13
Net Income.....	13,542,762.13	9,324,678.36	4,218,083.77	45.24

**Kentucky Utilities Company**  
**Comparative Statement of Income**  
**June 30, 2008**

	Year to Date			
	This Year	Last Year	Increase or Decrease	
	Amount	Amount	Amount	%
Electric Operating Revenues.....	668,496,218.37	617,752,526.48	50,743,691.89	8.21
Total Operating Revenues.....	668,496,218.37	617,752,526.48	50,743,691.89	8.21
Fuel for Electric Generation.....	232,946,182.05	216,487,483.50	16,458,698.55	7.60
Power Purchased.....	110,220,888.91	89,539,788.23	20,681,100.68	23.10
Other Operation Expenses.....	84,657,889.95	75,218,585.18	9,439,304.77	12.55
Maintenance.....	46,939,436.70	37,959,420.60	8,980,016.10	23.66
Depreciation.....	60,362,537.55	55,098,872.71	5,263,664.84	9.55
Amortization Expense.....	2,481,057.28	2,808,455.17	(327,397.89)	(11.66)
Regulatory Credits.....	(1,121,524.73)	(1,022,990.47)	(98,534.26)	9.63
Taxes				
Federal Income.....	21,179,387.94	21,210,945.68	(31,557.74)	(0.15)
State Income.....	5,604,362.68	7,142,887.36	(1,538,524.68)	(21.54)
Deferred Federal Income - Net.....	(6,622,475.69)	(6,608,236.28)	(14,239.41)	0.22
Deferred State Income - Net.....	(1,773,804.06)	(823,550.08)	(950,253.98)	115.39
Property and Other.....	10,175,211.57	9,351,398.62	823,812.95	8.81
Investment Tax Credit.....	12,924,999.97	19,750,000.00	(6,825,000.03)	(34.56)
Loss (Gain) from Disposition of Allowances.....	(583,106.55)	(706,851.51)	123,744.96	(17.51)
Accretion Expense.....	975,044.97	930,828.36	44,216.61	4.75
Total Operating Expenses.....	578,366,088.54	526,337,037.07	52,029,051.47	9.89
Net Operating Income.....	90,130,129.83	91,415,489.41	(1,285,359.58)	(1.41)
Other Income Less Deductions				
Other Income Less Deductions.....	14,335,058.67	12,804,795.12	1,530,263.55	11.95
AFUDC - Equity.....	2,995,868.67	1,254,510.40	1,741,358.27	138.81
Total Other Income Less Deductions.....	17,330,927.34	14,059,305.52	3,271,621.82	23.27
Income Before Interest Charges.....	107,461,057.17	105,474,794.93	1,986,262.24	1.88
Interest on Long-term Debt.....	32,808,917.48	21,532,890.25	11,276,027.23	52.37
Amortization of Debt Expense - Net.....	365,530.49	488,370.87	(122,840.38)	(25.15)
Other Interest Expenses.....	1,378,249.48	3,613,337.60	(2,235,088.12)	(61.86)
AFUDC - Borrowed Funds.....	(1,019,905.44)	(359,354.93)	(660,550.51)	183.82
Total Interest Charges.....	33,532,792.01	25,275,243.79	8,257,548.22	32.67
Net Income.....	73,928,265.16	80,199,551.14	(6,271,285.98)	(7.82)

**Kentucky Utilities Company**  
**Comparative Statement of Income**  
**June 30, 2008**

	Year Ended Current Month			
	This Year	Last Year	Increase or Decrease	
	Amount	Amount	Amount	%
Electric Operating Revenues.....	1,323,292,591.13	1,258,870,947.99	64,421,643.14	5.12
Total Operating Revenues.....	1,323,292,591.13	1,258,870,947.99	64,421,643.14	5.12
Fuel for Electric Generation.....	476,577,383.19	445,128,448.51	31,448,934.68	7.07
Power Purchased.....	189,124,706.32	181,569,692.48	7,555,013.84	4.16
Other Operation Expenses.....	162,362,141.13	151,866,509.55	10,495,631.58	6.91
Maintenance.....	94,222,210.29	73,751,414.87	20,470,795.42	27.76
Depreciation.....	120,527,829.55	110,377,065.71	10,150,763.84	9.20
Amortization Expense.....	5,093,147.07	5,455,660.03	(362,512.96)	(6.64)
Regulatory Credits.....	(2,199,737.60)	(2,045,355.22)	(154,382.38)	7.55
Taxes				
Federal Income.....	27,730,858.05	48,024,346.16	(20,293,488.11)	(42.26)
State Income.....	11,521,693.35	14,318,548.99	(2,796,855.64)	(19.53)
Deferred Federal Income - Net.....	(6,374,402.79)	(8,728,090.47)	2,353,687.68	(26.97)
Deferred State Income - Net.....	(1,438,319.66)	(928,429.36)	(509,890.30)	54.92
Property and Other.....	19,262,889.62	18,670,831.39	592,058.23	3.17
Investment Tax Credit.....	35,741,646.97	31,750,000.00	3,991,646.97	12.57
Loss (Gain) from Disposition of Allowances.....	(583,106.55)	(706,851.51)	123,744.96	(17.51)
Accretion Expense.....	1,905,579.33	1,804,636.68	100,942.65	5.59
Total Operating Expenses.....	1,133,474,518.27	1,070,308,427.81	63,166,090.46	5.90
Net Operating Income.....	189,818,072.86	188,562,520.18	1,255,552.68	0.67
Other Income Less Deductions				
Other Income Less Deductions.....	29,980,945.23	27,451,709.98	2,529,235.25	9.21
AFUDC - Equity.....	5,069,063.12	1,552,379.61	3,516,683.51	226.54
Total Other Income Less Deductions.....	35,050,008.35	29,004,089.59	6,045,918.76	20.85
Income Before Interest Charges.....	224,868,081.21	217,566,609.77	7,301,471.44	3.36
Interest on Long-term Debt.....	59,776,510.80	40,033,730.73	19,742,780.07	49.32
Amortization of Debt Expense - Net.....	730,660.14	939,513.07	(208,852.93)	(22.23)
Other Interest Expenses.....	5,285,978.91	5,291,472.30	(5,493.39)	(0.10)
AFUDC - Borrowed Funds.....	(1,616,357.14)	(563,026.33)	(1,053,330.81)	187.08
Total Interest Charges.....	64,176,792.71	45,701,689.77	18,475,102.94	40.43
Net Income.....	160,691,288.50	171,864,920.00	(11,173,631.50)	(6.50)

**Kentucky Utilities Company**  
**Analysis of Retained Earnings**  
**June 30, 2008**

	Current Month		Year to Date		Year Ended Current Month	
	Total Retained Earnings	Undistributed Subsidiary Earnings	Total Retained Earnings	Undistributed Subsidiary Earnings	Total Retained Earnings	Undistributed Subsidiary Earnings
Retained Earnings and Undistributed Earnings						
Balance at Beginning of Period.....	1,079,699,580.24	18,382,972.80	1,016,489,982.01	21,207,068.00	932,642,917.67	18,283,421.00
Add:						
Net Income for Period.....	13,542,762.13		73,928,265.16		160,691,288.50	
FIN 48 Adjustment.....	-		-		7,688.00	
Deduct:						
Adjust for Equity in Subsidiary Earnings for Year						
-EE Inc.....	(3,450,585.20)	3,450,585.20	(15,626,490.00)	15,626,490.00	(29,250,137.00)	29,250,137.00
Dividends Received Current Year						
-EE Inc.....	-	-	15,000,000.00	(15,000,000.00)	25,700,000.00	(25,700,000.00)
Balance at End of Period.....	<u>1,089,791,757.17</u>	<u>21,833,558.00</u>	<u>1,089,791,757.17</u>	<u>21,833,558.00</u>	<u>1,089,791,757.17</u>	<u>21,833,558.00</u>
Combined Retained Earnings	12 MONTHS 06/30/2008	12 MONTHS 06/30/2007				
Retained Earnings at Beginning of Period.....	950,926,338.67	778,713,945.67				
Net Income.....	160,691,288.50	171,864,920.00				
FIN 48 Adjustment.....	7,688.00	347,473.00				
Retained Earnings at End of Period.....	<u>1,111,625,315.17</u>	<u>950,926,338.67</u>				

**Kentucky Utilities Company**  
**Comparative Balance Sheets as of June 30, 2008 and 2007**

Assets and Other Debits	This Year	Last Year	Liabilities and Other Credits	This Year	Last Year
<b>Utility Plant</b>			<b>Capitalization</b>		
Utility Plant at Original Cost.....	5,294,849,147.14	4,488,335,391.96	Common Stock.....	308,139,977.56	308,139,977.56
Less Reserves for Depreciation and Amortization.....	1,991,981,965.43	1,881,922,139.48	Common Stock Expense.....	(321,288.87)	(321,288.87)
<b>Total.....</b>	<b>3,302,867,181.71</b>	<b>2,606,413,252.48</b>	Paid-In Capital.....	165,000,000.00	15,000,000.00
			Other Comprehensive Income.....	-	-
<b>Investments - at Cost</b>			Retained Earnings.....	1,089,791,757.17	932,642,917.67
Ohio Valley Electric Corporation.....	250,000.00	250,000.00	Unappropriated Undistributed Subsidiary Earnings....	21,833,558.00	18,283,421.00
Nonutility Property-Less Reserve.....	179,120.94	968,957.41	<b>Total Common Equity.....</b>	<b>1,584,444,003.86</b>	<b>1,273,745,027.36</b>
Investments in Subsidiary Companies.....	23,129,358.00	19,579,221.00	Pollution Control Bonds - Net of Reacquired Bonds..	303,159,520.00	332,753,140.00
Special Funds.....	6,113,216.76	5,954,355.79	LT Notes Payable to Associated Companies.....	1,006,000,000.00	661,000,000.00
Other.....	411,140.00	426,140.00	<b>Total Long-term Debt.....</b>	<b>1,309,159,520.00</b>	<b>993,753,140.00</b>
<b>Total.....</b>	<b>30,082,835.70</b>	<b>27,178,674.20</b>	<b>Total Capitalization.....</b>	<b>2,893,603,523.86</b>	<b>2,267,498,167.36</b>
			<b>Current and Accrued Liabilities</b>		
<b>Current and Accrued Assets</b>			Long-term Debt Due in 1 Year.....	-	-
Cash.....	-	5,707,042.51	ST Notes Payable to Associated Companies.....	75,443,454.00	140,309,054.00
Special Deposits.....	46,074.58	45,848,214.79	Notes Payable .....	-	-
Temporary Cash Investments.....	17,747.45	17,068.39	Notes Payable to Associated Companies.....	-	-
Accounts Receivable-Less Reserve.....	161,460,149.35	133,383,177.18	Accounts Payable.....	172,736,038.80	125,307,451.07
Notes Receivable from Associated Companies.....	-	-	Accounts Payable to Associated Companies.....	38,973,508.41	97,587,487.67
Accounts Receivable from Associated Companies.....	344,612.94	32,153,045.10	Customer Deposits.....	20,035,431.39	19,017,426.07
Materials and Supplies-At Average Cost			Taxes Accrued.....	2,085,829.63	(19,762,102.47)
Fuel.....	55,673,865.46	67,016,275.94	Interest Accrued.....	11,957,339.52	8,378,789.23
Plant Materials and Operating Supplies.....	28,419,719.30	25,920,005.56	Dividends Declared.....	-	-
Stores Expense.....	6,360,857.76	6,260,839.26	Miscellaneous Current and Accrued Liabilities.....	11,789,462.11	11,015,174.62
Allowance Inventory.....	153,758.39	1,952,658.12	<b>Total.....</b>	<b>333,021,063.86</b>	<b>381,853,280.19</b>
Prepayments.....	1,997,383.29	2,125,248.50			
Miscellaneous Current and Accrued Assets.....	-	205,875.23	<b>Deferred Credits and Other</b>		
<b>Total.....</b>	<b>254,474,168.52</b>	<b>320,589,450.58</b>	Accumulated Deferred Income Taxes.....	328,624,919.89	331,441,274.25
			Investment Tax Credit.....	67,766,958.27	32,478,119.32
<b>Deferred Debits and Other</b>			Regulatory Liabilities.....	38,137,476.53	36,378,769.24
Unamortized Debt Expense.....	6,576,776.57	6,927,638.90	Customer Advances for Construction.....	2,355,756.02	1,948,325.07
Unamortized Loss on Bonds.....	10,799,583.10	10,391,934.95	Asset Retirement Obligations.....	31,290,104.23	29,412,034.90
Accumulated Deferred Income Taxes.....	49,891,465.49	51,030,685.44	Other Deferred Credits.....	25,359,609.29	12,417,735.11
Deferred Regulatory Assets.....	83,950,111.81	116,145,739.63	Miscellaneous Long-term Liabilities.....	3,061,288.78	47,046,090.92
Other Deferred Debits.....	71,398,858.40	75,727,832.84	Accum Provision for Postretirement Benefits.....	86,820,280.57	73,931,412.66
<b>Total.....</b>	<b>222,616,795.37</b>	<b>260,223,831.76</b>	<b>Total.....</b>	<b>583,416,393.58</b>	<b>565,053,761.47</b>
			<b>Total Liabilities and Other Credits.....</b>	<b>3,810,040,981.30</b>	<b>3,214,405,209.02</b>
<b>Total Assets and Other Debits.....</b>	<b>3,810,040,981.30</b>	<b>3,214,405,209.02</b>			



**Kentucky Utilities Company**  
**Statement of Capitalization and Short-term Debt**  
**June 30, 2008**

	Authorized Shares	Issued and Outstanding Shares	Amount	Percent of Total Capital and ST Debt	Capital
<b>Common Equity</b>					
Common Stock - Without Par.....	80,000,000	37,817,878	308,139,977.56		
Common Stock Expense.....			(321,288.87)		
Paid-in Capital.....			165,000,000.00		
Retained Earnings.....			1,089,791,757.17		
Unappropriated Undistributed Subsidiary Earnings.....			21,833,558.00		
Total Common Equity.....			1,584,444,003.86	53.37	54.75
<b>Long-term Debt</b>					
<b>Pollution Control Bonds</b>					
Mercer County 2000 Series A due 05/01/23 Var%.....			12,900,000.00		
Carroll County 2002 Series A due 02/01/32 Var%.....			20,930,000.00		
Carroll County 2002 Series B due 02/01/32 Var%.....			2,400,000.00		
Muhlenburg County 2002 Series A due 02/01/32 Var%.....			2,400,000.00		
Mercer County 2002 Series A due 02/01/32 Var%.....			7,400,000.00		
Carroll County 2002 Series C due 10/01/32 Var%.....			96,000,000.00		
Carroll County 2004 Series A due 10/01/34 Var%.....			50,000,000.00		
Carroll County 2005 Series A due 06/01/35 Var%.....			13,266,950.00		
Carroll County 2005 Series B due 06/01/35 Var%.....			13,266,950.00		
Carroll County 2006 Series A due 06/01/36 Var%.....			16,693,620.00		
Carroll County 2006 Series C due 06/01/36 Var%.....			16,693,620.00		
Carroll County 2006 Series B due 10/01/34 Var%.....			54,000,000.00		
Carroll County 2007 Series A due 02/01/26 Var%.....			17,875,000.00		
Trimble County 2007 Series A due 03/01/37 Var%.....			8,927,000.00		
			332,753,140.00	11.21	11.50
<b>Less Reacquired Bonds</b>					
Mercer County 2000 Series A due 05/01/23 Var%.....			(12,900,000.00)		
Carroll County 2006 Series C due 06/01/36 Var%.....			(16,693,620.00)		
			(29,593,620.00)	(1.00)	(1.02)
Total Pollution Control Bonds - Net of Reacquired Bonds...			303,159,520.00	10.21	10.48
Long-term Notes Payable to Associated Companies.....			1,006,000,000.00	33.88	34.77
Total Capitalization.....			2,893,603,523.86	97.46	100.00
Short-term Notes Payable to Associated Companies.....			75,443,454.00	2.54	
Total Capitalization and Short-term Debt.....			2,969,046,977.86	100.00	

**Kentucky Utilities Company**  
**Summary Trial Balance**  
**June 30, 2008**

<u>Account - Subsidiary Account</u>	<u>Balance Subsidiary Account</u>	<u>Balance as Shown on Balance Sheets</u>
Utility Plant .....		
At Original Cost .....	5,294,849,147.14	5,294,849,147.14
Reserves for Depreciation and Amortization .....		(1,991,981,965.43)
Depreciation .....	(1,972,678,316.01)	
Amortization of Plant .....	(19,303,649.42)	
Investments - at Cost .....		30,082,835.70
Nonutility Property .....	179,120.94	
Investments in Subsidiary Companies .....	23,129,358.00	
Ohio Valley Electric Corporation .....	250,000.00	
Other .....	411,140.00	
OMU - Interest on Reserve, New .....	1,322,214.34	
OMU - Revenue and Investments on Maintenance Reserve .....	600,000.00	
OMU - Revenue and Investments on Additions and Replacements .....	120,000.00	
OMU - Revenue and Investments on Operations .....	538,067.36	
OMU - Revenue and Investments Interest on Purchase Power .....	402,937.79	
OMU - Purchase Power, Coal Reserve .....	3,129,997.27	
Special Deposits .....		46,074.58
MAN Margin Call .....	46,074.58	
Temporary Cash Investments .....	17,747.45	17,747.45
Accounts Receivable - Less Reserve .....		161,460,149.35
Working Funds .....	34,517.13	
Customers - Active .....	79,524,665.74	
Wholesale Sales .....	4,886,975.15	
Transmission Sales .....	565,583.89	
Unbilled Revenues .....	52,799,000.00	
Employee Computer Loans .....	60,361.56	
Damage Claims .....	176,062.30	
IMEA .....	8,795,093.53	
IMPA .....	9,346,601.07	
Other .....	7,774,456.94	
Reserves for Uncollectible Accounts .....		
Utility Customers .....		
Reserve .....	(755,046.00)	
Accrual .....	(1,231,404.82)	
Charged Off .....	1,662,534.18	
Recoveries .....	(431,131.68)	
A/R Miscellaneous .....	(37,782.00)	
LEM Reserve .....	(1,736,240.50)	
Interest and Dividends Receivable .....	25,902.86	
Accounts Receivable from Associated Companies .....		344,612.94
E.ON US Services/Louisville Gas and Electric Company .....	344,612.94	

**Kentucky Utilities Company**  
**Summary Trial Balance**  
**June 30, 2008**

<u>Account - Subsidiary Account</u>	<u>Balance Subsidiary Account</u>	<u>Balance as Shown on Balance Sheets</u>
Fuel.....		55,673,865.46
Coal 872,633.94 Tons @ \$55.93 MMBtu 20,766,932.89 @ 235.01¢.....	48,803,975.48	
Fuel Oil 2,775,276 Gallons @ 245.01¢.....	6,801,279.86	
Gas Pipeline 4770.90 Mcf @ \$14.38.....	68,610.12	
Plant Materials and Operating Supplies.....		28,419,719.30
Regular Materials and Supplies.....	28,049,701.07	
Limestone 48,777.36 Tons @ \$7.59.....	370,018.23	
Stores Expense Undistributed.....	6,360,857.76	6,360,857.76
Allowance Inventory.....	153,758.39	153,758.39
Prepayments.....		1,997,383.29
Insurance.....	1,253,469.60	
Risk Management and Workers Compensation.....	75,000.00	
Vehicle License.....	64,263.64	
Other.....	604,650.05	
Unamortized Debt Expense.....		6,576,776.57
Carroll County 2002 Series A due 02/01/32 Var%.....	96,708.34	
Carroll County 2002 Series B due 02/01/32 Var%.....	67,225.62	
Muhlenburg County 2002 Series A due 02/01/32 Var%.....	26,978.40	
Mercer County 2002 Series A due 02/01/32 Var%.....	74,837.11	
Carroll County 2002 Series C due 10/01/32 Var%.....	1,765,680.57	
Carroll County 2004 Series A due 10/01/34 Var%.....	1,054,561.93	
Carroll County 2005 Series A due 06/01/35 Var%.....	478,853.94	
Carroll County 2005 Series B due 06/01/35 Var%.....	486,634.59	
Carroll County 2006 Series A due 06/01/36 Var%.....	580,229.18	
Carroll County 2006 Series B due 10/01/34 Var%.....	985,945.42	
Carroll County 2007 Series A due 02/01/26 Var%.....	549,827.08	
Trimble County 2007 Series A due 03/01/37 Var%.....	409,294.39	
Unamortized Loss on Bonds.....		10,799,583.10
Refinanced and Called Bonds.....	10,799,583.10	
Accumulated Deferred Income Taxes.....		49,891,465.49
Federal.....	42,146,925.85	
State.....	7,744,539.64	
Regulatory Assets.....		83,950,111.81
Asset Retirement Obligations.....	25,237,792.68	
FERC Jurisdictional Pension Expense.....	2,644,876.02	
SFAS 109 - Deferred Taxes.....	8,321,200.44	
Pension and Postretirement Benefits.....	28,091,683.11	
Ice Storm Expenses.....	791,586.00	
MISO Exit Fee.....	18,862,973.56	
Other Deferred Debits.....	71,398,858.40	71,398,858.40
al Assets and Other Debits.....	3,810,040,981.30	3,810,040,981.30

**Kentucky Utilities Company  
Summary Trial Balance  
June 30, 2008**

<u>Account - Subsidiary Account</u>	<u>Balance Subsidiary Account</u>	<u>Balance as Shown on Balance Sheets</u>
Common Equity.....		1,584,444,003.86
Common Stock.....	308,139,977.56	
Common Stock Expense.....	(321,288.87)	
Paid-In Capital.....	165,000,000.00	
Retained Earnings.....	1,089,791,757.17	
Unappropriated Undistributed Subsidiary Earnings.....	21,833,558.00	
Bonds.....		303,159,520.00
Pollution Control Bonds - Net of Reacquired Bonds.....	303,159,520.00	
Long-term Notes Payable to Associated Companies.....	1,006,000,000.00	1,006,000,000.00
Short-term Notes Payable to Associated Companies.....	75,443,454.00	75,443,454.00
Accounts Payable.....		172,736,038.80
Regular.....	167,589,941.52	
Salaries and Wages Accrued.....	1,833,177.41	
Tax Collections - Payable.....	3,312,919.87	
Accounts Payable to Associated Companies.....		38,973,508.41
E ON US Services/Louisville Gas and Electric Company.....	38,973,508.41	
Customers' Deposits.....	20,035,431.39	20,035,431.39
Taxes Accrued.....	2,085,829.63	2,085,829.63
Interest Accrued.....		11,957,339.52
Mercer County 2000 Series A due 05/01/23 Var%.....	(17.65)	
Carroll County 2002 Series A due 02/01/32 Var%.....	20,015.04	
Carroll County 2002 Series B due 02/01/32 Var%.....	2,295.06	
Muhlenburg County 2002 Series A due 02/01/32 Var%.....	2,295.06	
Mercer County 2002 Series A due 02/01/32 Var%.....	7,076.49	
Carroll County 2002 Series C due 10/01/32 Var%.....	301,285.33	
Carroll County 2004 Series A due 10/01/34 Var%.....	159,722.21	
Carroll County 2005 Series A due 06/01/35 Var%.....	6,544.49	
Carroll County 2005 Series B due 06/01/35 Var%.....	6,544.49	
Carroll County 2006 Series A due 06/01/36 Var%.....	17,263.99	
Carroll County 2006 Series C due 06/01/36 Var%.....	(775.42)	
Carroll County 2006 Series B due 10/01/34 Var%.....	37,200.00	
Carroll County 2007 Series A due 02/01/26 Var%.....	44,634.97	
Trimble County 2007 Series A due 03/01/37 Var%.....	85,651.02	
Fidelia.....	10,898,958.82	
Customers' Deposits.....	352,107.92	
Other.....	16,537.70	

**Kentucky Utilities Company**  
**Summary Trial Balance**  
**June 30, 2008**

<u>Account - Subsidiary Account</u>	<u>Balance Subsidiary Account</u>	<u>Balance as Shown on Balance Sheets</u>
Miscellaneous Current and Accrued Liabilities.....		11,789,462.11
Customer Overpayments.....	2,247,490.37	
UK Emission Research Grant.....	250,000.00	
Vacation Pay Accrued.....	5,389,706.40	
Franchise Fee Payable.....	3,800,889.97	
Other.....	101,375.37	
Accumulated Deferred Income Taxes.....		328,624,919.89
Federal.....	284,030,942.45	
State.....	44,593,977.44	
Investment Tax Credit.....		67,766,958.27
Job Development Credit.....	275,311.30	
Advance Coal Credit.....	67,491,646.97	
Regulatory Liabilities.....		38,137,476.53
Asset Retirement Obligations.....	2,296,957.45	
Deferred Taxes - SFAS 109.....	27,272,714.41	
Spare Parts.....	1,360,653.67	
MISO Schedule 10 Charges.....	7,207,151.00	
Customers' Advances for Construction.....		2,355,756.02
Line Extensions.....	1,469,520.65	
Outdoor Lighting Deposits.....	4,470.00	
Customer Advances - Arena.....	882,000.00	
Other.....	(234.63)	
Asset Retirement Obligations.....	31,290,104.23	31,290,104.23
Other Deferred Credits.....	25,359,609.29	25,359,609.29
Miscellaneous Long-term Liabilities.....		3,061,288.78
Workers' Compensation.....	3,061,288.78	
Accumulated Provision for Benefits.....		86,820,280.57
Pension Payable.....	20,163,191.00	
Postretirement Benefits - SFAS 106.....	66,930,604.94	
Medicare Subsidy - SFAS 106.....	(5,428,205.51)	
Post Employment Benefits Payable.....	5,349,374.00	
Post Employment Medicare Subsidy.....	(194,683.86)	
<b>Total Liabilities and Other Credits.....</b>	<b>3,810,040,981.30</b>	<b>3,810,040,981.30</b>

**Kentucky Utilities Company**  
**Statement of Cash Flows**  
**June 30, 2008**

	Year to Date	
	2008	2007
<b>Cash Flows from Operating Activities</b>		
Net income.....	73,928,265.16	80,199,551.14
Items not requiring (providing) cash currently:		
Depreciation.....	60,362,537.55	55,098,872.71
Amortization.....	2,481,057.28	2,808,455.17
Deferred income taxes - net.....	(3,809,810.76)	(3,737,227.75)
Investment tax credits deferred - net.....	12,767,845.95	19,454,344.00
Other.....	(6,295,499.15)	2,548,575.80
Change in receivables.....	26,945,545.45	7,679,579.27
Change in inventory.....	(14,858,980.67)	(2,637,673.78)
Change in allowance inventory.....	229,135.72	(282,120.29)
Change in payables and accrued expenses.....	16,753,618.26	(6,457,131.40)
Change in regulatory assets.....	(1,784,861.19)	(1,128,896.69)
Change in regulatory liabilities.....	416,440.45	439,395.76
Change in other deferred debits.....	(2,305,590.76)	(11,616,187.75)
Change in other deferred credits.....	16,822,556.59	5,134,593.15
Other.....	(4,988,617.64)	534,980.20
Less: Allowance for other funds used during construction.....	(4,015,774.11)	(1,613,865.33)
Less: Undistributed earnings of subsidiary company.....	(626,490.00)	(2,035,134.00)
Net cash provided (used) by operating activities.....	<u>172,021,378.13</u>	<u>144,390,110.21</u>
<b>Cash Flows from Investing Activities</b>		
Gross additions to utility plant - construction expenditures.....	(359,829,549.53)	(315,377,978.09)
Less: Allowance for other funds used during construction.....	4,015,774.11	1,613,865.33
Gain on disposal of property.....	1,175.00	-
Change in other long-term debt.....	-	(433,540.00)
Change in long-term investments.....	187,689.89	(249,456.26)
Change in restricted cash.....	10,939,481.20	(23,041,230.88)
Net cash provided (used) by investing activities.....	<u>(344,685,429.33)</u>	<u>(337,488,339.90)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of long-term debt.....	74,712,907.95	257,243,297.39
Net increase in short-term debt.....	52,224,000.00	43,266,000.00
Payments for retirement of long-term debt.....	-	(107,000,000.00)
Payments for reacquisition of long-term debt.....	(29,593,620.00)	-
Contributed capital.....	75,000,000.00	-
Net cash provided (used) by financing activities.....	<u>172,343,287.95</u>	<u>193,509,297.39</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	(320,763.25)	411,067.70
Cash and Cash Equivalents at Beginning of Period.....	<u>338,510.70</u>	<u>5,313,043.20</u>
Cash and Cash Equivalents at End of Period.....	<u><u>17,747.45</u></u>	<u><u>5,724,110.90</u></u>

**Kentucky Utilities Company**  
**Analysis of Interest Charges**  
**June 30, 2008**

	Current Month		Year to Date		Year Ended Current Month	
	This Year	Last Year	This Year	Last Year	This Year	Last Year
Interest on Long-term Debt						
First Mortgage Bonds						
Series P 7.92%.....	-	-	-	1,574,100.00	-	3,672,900.00
Loan Agreement - Pollution Control Bonds						
Series 10 (Variable%).....	-	-	-	981,941.93	-	1,995,292.62
Mercer County 2000 Series A due 05/01/23 Var%.....	(28,020.49)	-	289,040.62	-	289,040.62	240,894.96
Carroll County 2002 Series A due 02/01/32 Var%.....	29,450.68	2,677.89	205,091.60	389,527.39	594,859.69	777,259.97
Carroll County 2002 Series B due 02/01/32 Var%.....	3,377.05	307.06	23,517.43	44,666.30	68,211.32	89,126.79
Muhlenburg County 2002 Series A due 02/01/32 Var%.....	3,377.05	307.06	23,517.43	44,666.30	68,211.32	89,126.77
Mercer County 2002 Series A due 02/01/32 Var%.....	10,412.57	946.80	72,512.09	137,721.09	210,318.28	274,807.62
Carroll County 2002 Series C due 10/01/32 Var%.....	265,840.00	291,680.00	1,957,871.99	1,731,199.99	4,002,666.66	3,593,613.33
Carroll County 2004 Series A due 10/01/34 Var%.....	244,791.67	156,805.56	1,404,409.72	915,729.18	2,428,159.72	1,828,569.46
Carroll County 2005 Series A due 06/01/35 Var%.....	38,767.13	41,411.31	262,293.13	242,994.53	528,026.45	484,223.04
Carroll County 2005 Series B due 06/01/35 Var%.....	38,767.13	41,831.43	260,987.81	243,515.23	518,497.45	484,695.47
Carroll County 2006 Series A due 06/01/36 Var%.....	57,818.35	52,515.35	379,726.53	311,034.61	723,754.22	590,835.91
Carroll County 2006 Series C due 06/01/36 Var%.....	(45,118.40)	52,559.40	338,393.58	310,839.81	682,080.44	353,733.14
Carroll County 2006 Series B due 10/01/34 Var%.....	233,241.00	168,225.00	1,216,756.50	705,765.00	2,305,621.50	705,765.00
Carroll County 2007 Series A due 02/01/26 Var%.....	44,635.00	28,003.50	241,130.67	35,551.77	427,848.79	35,551.77
Trimble County 2007 Series A due 03/01/37 Var%.....	85,651.04	56,410.52	471,780.82	71,554.62	845,477.56	71,554.62
Interest Rate Swaps	-	-	-	(86,856.15)	-	(164,947.72)
Marked to Market	-	-	-	(328,589.00)	-	(656,608.00)
Fidelity.....	4,559,325.01	2,751,977.76	25,661,887.56	14,666,949.40	45,817,584.70	26,026,757.73
Hardin Promissory Note.....	-	41,351.67	-	(459,421.75)	266,152.08	(459,421.75)
<b>Total.....</b>	<b>5,542,314.79</b>	<b>3,687,010.31</b>	<b>32,808,917.48</b>	<b>21,532,890.25</b>	<b>59,776,510.80</b>	<b>40,033,730.73</b>
Amortization of Debt Expense - Net						
Amortization of Debt Expense.....	21,976.57	27,305.09	139,144.77	188,072.97	286,006.42	316,709.17
Amortization of Loss on Recquired Debt.....	39,592.13	36,378.00	226,385.72	300,297.90	444,653.72	622,803.90
<b>Total.....</b>	<b>61,568.70</b>	<b>63,683.09</b>	<b>365,530.49</b>	<b>488,370.87</b>	<b>730,660.14</b>	<b>939,513.07</b>
Other Interest Charges						
Customers' Deposits.....	87,505.86	88,836.12	580,504.04	563,372.91	1,119,144.53	1,036,293.19
Other Tax Deficiencies.....	-	-	16,537.70	456.08	13,113.70	456.08
Interest on Debt to Associated Companies	148,215.56	901,703.95	773,681.50	3,049,207.32	4,146,194.44	4,149,031.36
AFUDC Borrowed Funds	(175,405.14)	(59,065.01)	(1,019,905.44)	(359,354.93)	(1,616,357.14)	(563,026.33)
Other Interest Expense.....	7,518.08	4.59	7,526.24	301.29	7,526.24	105,691.67
<b>Total.....</b>	<b>67,834.36</b>	<b>931,479.65</b>	<b>358,344.04</b>	<b>3,253,982.67</b>	<b>3,669,621.77</b>	<b>4,728,445.97</b>
<b>Total Interest.....</b>	<b>5,671,717.85</b>	<b>4,682,173.05</b>	<b>33,532,792.01</b>	<b>25,275,243.79</b>	<b>64,176,792.71</b>	<b>45,701,689.77</b>

**Kentucky Utilities Company**  
**Analysis of Taxes Charged**  
**June 30, 2008**

<u>Kind of Taxes</u>	<u>Current Month</u>		<u>Year to Date</u>	
	<u>This Year</u>	<u>Last Year</u>	<u>This Year</u>	<u>Last Year</u>
Taxes Charged to Accounts 408.1 and 409.1				
Property Taxes.....	1,025,101.01	1,015,660.05	6,150,606.06	5,593,169.05
Unemployment.....	6,872.72	60,026.62	568,895.48	168,670.62
FICA.....	316,193.69	534,559.25	2,528,238.41	2,839,236.79
Public Service Commission Fee.....	149,209.68	138,724.61	895,258.33	832,347.71
Federal Income.....	(4,058,999.95)	(1,586,818.83)	21,179,387.94	21,210,945.68
State Income.....	754,928.74	1,056,693.99	5,604,362.68	7,142,887.36
Miscellaneous.....	1,594.16	(106,153.18)	32,213.29	(82,025.55)
<b>Total Charged to Operating Expense.....</b>	<b>(1,805,099.95)</b>	<b>1,112,692.51</b>	<b>36,958,962.19</b>	<b>37,705,231.66</b>
Taxes Charged to Other Accounts.....	(1,621,204.73)	(825,755.59)	5,905,295.82	449,773.58
Taxes Accrued on Intercompany Accounts.....	(175,621.68)	(203,841.48)	(1,092,966.74)	(1,223,992.12)
<b>Total Taxes Charged.....</b>	<b>(3,601,926.36)</b>	<b>83,095.44</b>	<b>41,771,291.27</b>	<b>36,931,013.12</b>

**Analysis of Taxes Accrued - Account 236**

<u>Kind of Taxes</u>	<u>Taxes Accrued At Beginning Of Year</u>	<u>Accruals To Date This Year</u>	<u>Payments To Date This Year</u>	<u>Taxes Accrued At End Of Month</u>
Property Taxes.....	6,455,854.42	6,364,815.63	6,453,538.00	6,367,132.05
Unemployment.....	36,767.25	65,096.03	99,688.89	2,174.39
FICA.....	497,417.13	2,733,251.65	2,949,079.57	281,589.21
Federal Income.....	(5,097,779.62)	26,333,953.99	29,495,522.62	(8,259,348.25)
State Income.....	1,103,849.76	4,415,342.98	2,300,601.24	3,218,591.50
Kentucky Sales and Use Tax.....	618,307.69	1,786,271.39	1,953,372.79	451,206.29
Miscellaneous.....	18,792.54	72,559.60	66,867.70	24,484.44
<b>Totals.....</b>	<b>3,633,209.17</b>	<b>41,771,291.27</b>	<b>43,318,670.81</b>	<b>2,085,829.63</b>



Kentucky Utility Company  
Summary of Utility Plant  
June 30, 2008

	Beginning Balance	Additions	Retirements	Transfers/ Adjustments	Net Additions	Ending Balance
<b>101 Utility Plant In Service</b>						
<b>Electric</b>						
Electric Distribution	1,038,231,358.94	43,481,759.74	(70,580.84)		43,411,178.90	1,081,642,537.84
Electric General Plant	97,982,327.01	1,555,804.22	(172.34)	(0.06)	1,555,631.82	99,537,958.83
Electric Hydro Production	10,974,095.24	62,158.95	(3,022.00)		59,136.95	11,033,232.19
Electric Intangible Plant	24,723,054.27	941,198.11			941,198.11	25,664,252.38
Electric Other Production	497,590,724.76					497,590,724.76
Electric Steam Production	1,678,193,956.12	2,256,959.17	(362,322.43)		1,894,636.74	1,680,088,592.86
Electric Transmission	520,264,996.06	1,932,863.27	(150,561.43)		1,782,301.84	522,047,297.90
<b>Total 101 Accounts</b>	<u>3,867,960,512.40</u>	<u>50,230,743.46</u>	<u>(586,659.04)</u>	<u>(0.06)</u>	<u>49,644,084.36</u>	<u>3,917,604,596.76</u>
<b>105 Plant Held for Future Use</b>						
<b>Electric</b>						
Electric Distribution				10,137,561.95	10,137,561.95	10,137,561.95
<b>Total 105001</b>				<u>10,137,561.95</u>	<u>10,137,561.95</u>	<u>10,137,561.95</u>
<b>106 Completed Construction Not Classified</b>						
<b>Electric</b>						
Electric Distribution		35,769,022.84			35,769,022.84	35,769,022.84
Electric General Plant		3,871,444.51			3,871,444.51	3,871,444.51
Electric Hydro Production		853,825.92			853,825.92	853,825.92
Electric Intangible Plant		632,856.08			632,856.08	632,856.08
Electric Other Production		1,725,398.05			1,725,398.05	1,725,398.05
Electric Steam Production		181,966,179.53			181,966,179.53	181,966,179.53
Electric Transmission		1,109,125.93			1,109,125.93	1,109,125.93
<b>Total 106 Accounts</b>		<u>225,927,852.86</u>			<u>225,927,852.86</u>	<u>225,927,852.86</u>
<b>121 Nonutility Property</b>						
<b>Common</b>						
Non Utility Property	179,120.94					179,120.94
<b>Total 121001</b>	<u>179,120.94</u>					<u>179,120.94</u>
<b>107 Construction Work In Progress</b>						
<b>Electric</b>						
Electric	1,071,388,625.97	69,790,509.60			69,790,509.60	1,141,179,135.57
<b>Total 107001</b>	<u>1,071,388,625.97</u>	<u>69,790,509.60</u>			<u>69,790,509.60</u>	<u>1,141,179,135.57</u>
<b>Total Plant (Non-CWIP)</b>	<u>3,868,139,633.34</u>	<u>276,158,596.32</u>	<u>(586,659.04)</u>	<u>10,137,561.89</u>	<u>285,709,499.17</u>	<u>4,153,849,132.51</u>
<b>Total Plant + CWIP</b>	<u>4,939,528,259.31</u>	<u>345,949,105.92</u>	<u>(586,659.04)</u>	<u>10,137,561.89</u>	<u>355,500,008.77</u>	<u>5,295,028,268.08</u>
<b>Total Plant + CWIP - Non Utility (BS)</b>	<u>4,939,349,138.37</u>	<u>345,949,105.92</u>	<u>(586,659.04)</u>	<u>10,137,561.89</u>	<u>355,500,008.77</u>	<u>5,294,849,147.14</u>

Kentucky Utilities Company  
 Summary of Utility Plant - Reserve for Depreciation of Utility Plant  
 June 30, 2008

	Beginning Balance	Accruals	Retirements	Transfers/ Adjustments	RWIP Transfers Out	Cost of Removal	Salvage	Other Credits	Ending Balance
<b>Life Reserve</b>									
Electric Distribution	359,033,190.58	12,047,355.58	(70,580.84)	.	.	.	.	56,231.97	371,066,197.29
Electric Distribution - ARO	6,595.17	(300.09)	.	.	.	.	.	.	6,295.08
Electric General Plant	48,907,493.20	2,252,386.97	(172.34)	.	.	.	.	.	51,159,707.83
Electric Hydro Production	7,500,880.74	67,228.73	(3,022.00)	.	.	.	.	.	7,565,087.47
Electric Hydro Production - ARO	1,760.08	25.92	.	.	.	.	.	.	1,786.00
Electric Other Production	115,416,383.68	8,450,278.91	.	.	.	.	.	.	123,866,662.59
Electric Other Production - ARO	29,672.77	1,174.37	.	.	.	.	.	.	30,847.14
Electric Steam Production	858,329,896.41	22,155,817.21	(362,322.43)	.	.	.	.	.	880,123,391.19
Electric Steam Production - ARO	4,283,726.18	184,344.70	.	.	.	.	.	.	4,468,070.88
Electric Transmission	202,812,741.57	4,441,637.72	(150,561.43)	.	.	.	.	76,966.41	207,180,784.27
Electric Transmission - ARO	4,014.63	475.39	.	.	.	.	.	.	4,490.02
Non Utility Property	.	.	.	.	.	.	.	.	.
	<u>1,596,326,355.01</u>	<u>49,600,425.41</u>	<u>(586,659.04)</u>	.	.	.	.	<u>133,198.38</u>	<u>1,645,473,319.76</u>
<b>Cost of Removal</b>									
Electric Distribution	183,781,285.19	6,122,854.16	.	.	.	(101,676.68)	.	.	189,802,462.67
Electric General Plant	(122,007.03)	(0.05)	.	.	.	(30,318.48)	.	.	(152,325.56)
Electric Hydro Production	785,169.42	22,888.55	.	.	.	(6,931.47)	.	.	801,126.50
Electric Other Production	1,700,260.79	.	.	.	.	.	.	.	1,700,260.79
Electric Steam Production	78,172,998.47	3,752,634.52	.	.	.	(238,647.97)	.	.	81,686,985.02
Electric Transmission	136,721,262.34	3,805,545.34	.	.	.	(415,583.71)	.	.	140,111,223.97
Non Utility Property	.	.	.	.	.	.	.	.	.
	<u>401,038,969.18</u>	<u>13,703,922.52</u>	.	.	.	<u>(793,158.31)</u>	.	.	<u>413,949,733.39</u>
<b>Salvage</b>									
Electric Distribution	(43,281,298.84)	(1,406,884.44)	.	.	.	.	38,132.96	.	(44,650,050.32)
Electric General Plant	(122,217.82)	(12,790.17)	.	.	.	.	.	.	(135,007.99)
Electric Hydro Production	(44,115.00)	(1,019.26)	.	.	.	.	.	.	(45,134.26)
Electric Other Production	(618,891.61)	.	.	.	.	.	.	.	(618,891.61)
Electric Steam Production	(13,073,178.13)	(609,890.78)	.	.	.	.	.	.	(13,683,068.91)
Electric Transmission	(21,191,803.27)	(601,506.24)	.	.	.	.	5,819.89	.	(21,787,489.62)
Non Utility Property	.	.	.	.	.	.	.	.	.
	<u>(78,331,504.67)</u>	<u>(2,632,090.89)</u>	.	.	.	.	<u>43,952.85</u>	.	<u>(80,919,642.71)</u>
<b>Total Reserves</b>									
Electric Distribution	499,533,176.93	16,763,325.30	(70,580.84)	.	.	(101,676.68)	38,132.96	56,231.97	516,218,609.64
Electric Distribution - ARO	6,595.17	(300.09)	.	.	.	.	.	.	6,295.08
Electric General Plant	48,663,268.35	2,239,596.75	(172.34)	.	.	(30,318.48)	.	.	50,872,374.28
Electric Hydro Production	8,241,935.16	89,098.02	(3,022.00)	.	.	(6,931.47)	.	.	8,321,079.71
Electric Hydro Production - ARO	1,760.08	25.92	.	.	.	.	.	.	1,786.00
Electric Other Production	116,497,752.86	8,450,278.91	.	.	.	.	.	.	124,948,031.77
Electric Other Production - ARO	29,672.77	1,174.37	.	.	.	.	.	.	30,847.14
Electric Steam Production	923,429,716.75	25,298,560.95	(362,322.43)	.	.	(238,647.97)	.	.	948,127,307.30
Electric Steam Production - ARO	4,283,726.18	184,344.70	.	.	.	.	.	.	4,468,070.88
Electric Transmission	318,342,200.64	7,645,676.82	(150,561.43)	.	.	(415,583.71)	5,819.89	76,966.41	325,504,518.62
Electric Transmission - ARO	4,014.63	475.39	.	.	.	.	.	.	4,490.02
Non Utility Property	.	.	.	.	.	.	.	.	.
	<u>1,919,033,819.52</u>	<u>60,672,257.04</u>	<u>(586,659.04)</u>	.	.	<u>(793,158.31)</u>	<u>43,952.85</u>	<u>133,198.38</u>	<u>1,978,503,410.44</u>
<b>Retirement Work in Process</b>									
Electric	4,401,887.42	.	.	.	(616,007.08)	3,635,988.88	(528,850.41)	(1,067,924.38)	5,825,094.43
	<u>4,401,887.42</u>	.	.	.	<u>(616,007.08)</u>	<u>3,635,988.88</u>	<u>(528,850.41)</u>	<u>(1,067,924.38)</u>	<u>5,825,094.43</u>
<b>YTD Activity</b>	<u>1,914,631,932.10</u>	<u>60,672,257.04</u>	<u>(586,659.04)</u>	.	<u>616,007.08</u>	<u>(4,429,147.19)</u>	<u>572,803.26</u>	<u>1,201,122.76</u>	<u>1,972,678,316.01</u>
<b>Amortization</b>									
Electric	16,822,592.14	2,481,057.28	.	.	.	.	.	.	19,303,649.42
	<u>16,822,592.14</u>	<u>2,481,057.28</u>	.	.	.	.	.	.	<u>19,303,649.42</u>
<b>Depreciation &amp; Amortization Total</b>	<u>1,931,454,524.24</u>	<u>63,153,314.32</u>	<u>(586,659.04)</u>	.	<u>616,007.08</u>	<u>(4,429,147.19)</u>	<u>572,803.26</u>	<u>1,201,122.76</u>	<u>1,991,981,965.43</u>
<b>Utility Plant at Original Cost Less Reserve for Depreciation &amp; Amortization (Excl nonutility)</b>	<u>3,007,894,614.13</u>								<u>3,302,867,181.71</u>

**KU Financial Reports – July 31, 2008**  
**Responding Witness – Shannon L. Charnas**

**KENTUCKY UTILITIES COMPANY**

Financial Reports

July 31, 2008

Prepared by Regulatory Accounting and Reporting

**Kentucky Utilities Company**  
**Comparative Statement of Income**  
**July 31, 2008**

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

August 21, 2008

**Kentucky Utilities Company**  
**Comparative Statement of Income**  
**July 31, 2008**

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

August 21, 2008

**Kentucky Utilities Company**  
**Comparative Statement of Income**  
**July 31, 2008**

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

August 21, 2008

**Kentucky Utilities Company**  
**Analysis of Retained Earnings**  
**July 31, 2008**

	Current Month		Year to Date		Year Ended Current Month	
	Total Retained Earnings	Undistributed Subsidiary Earnings	Total Retained Earnings	Undistributed Subsidiary Earnings	Total Retained Earnings	Undistributed Subsidiary Earnings
Retained Earnings and Undistributed Earnings						
Balance at Beginning of Period.....	1,089,791,757.17	21,833,558.00	1,016,489,982.01	21,207,068.00	944,668,487.19	21,726,110.60
Add:						
Net Income for Period.....	15,178,715.04		89,106,980.20		160,401,744.42	
FIN 48 Adjustment.....	-		-		7,688.00	
Deduct:						
Adjust for Equity in Subsidiary Earnings for Year						
-EE Inc.....	(5,694,536.80)	5,694,536.80	(21,321,026.80)	21,321,026.80	(31,501,984.20)	31,501,984.20
Dividends Received Current Year						
-EE Inc.....	-	-	15,000,000.00	(15,000,000.00)	25,700,000.00	(25,700,000.00)
Balance at End of Period.....	<u>1,099,275,935.41</u>	<u>27,528,094.80</u>	<u>1,099,275,935.41</u>	<u>27,528,094.80</u>	<u>1,099,275,935.41</u>	<u>27,528,094.80</u>
Combined Retained Earnings	<u>12 MONTHS</u>	<u>12 MONTHS</u>				
	<u>07/31/2008</u>	<u>07/31/2007</u>				
Retained Earnings at Beginning of Period.....	966,394,597.79	794,780,640.23				
Net Income.....	160,401,744.42	171,266,484.56				
FIN 48 Adjustment.....	7,688.00	347,473.00				
Retained Earnings at End of Period.....	<u>1,126,804,030.21</u>	<u>966,394,597.79</u>				

August 21, 2008



**Kentucky Utility Company**  
**Comparative Balance Sheets as of July 31, 2008 and 2007**

	<u>This Year</u>	<u>Last Year</u>		<u>This Year</u>	<u>Last Year</u>
<b>Assets and Other Debits</b>			<b>Liabilities and Other Credits</b>		
Utility Plant			Capitalization		
Utility Plant at Original Cost.....	5,357,770,196.89	4,561,524,977.12	Common Stock.....	308,139,977.56	308,139,977.56
Less Reserves for Depreciation and Amortization.....	2,003,448,189.13	1,891,246,115.75	Common Stock Expense.....	(321,288.87)	(321,288.87)
Total.....	<u>3,354,322,007.76</u>	<u>2,670,278,861.37</u>	Paid-In Capital.....	165,000,000.00	15,000,000.00
Investments - at Cost			Other Comprehensive Income.....	-	-
Ohio Valley Electric Corporation.....	250,000.00	250,000.00	Retained Earnings.....	1,099,275,935.41	944,668,487.19
Nonutility Property-Less Reserve.....	179,120.94	968,923.21	Unappropriated Undistributed Subsidiary Earnings.....	27,528,094.80	21,726,110.60
Investments in Subsidiary Companies.....	28,823,894.80	23,021,910.60	Total Common Equity.....	<u>1,599,622,718.90</u>	<u>1,289,213,286.48</u>
Special Funds.....	6,146,891.95	5,990,080.45	Pollution Control Bonds - Net of Recquired Bonds..	253,159,520.00	332,753,140.00
Other.....	411,140.00	426,140.00	LT Notes Payable to Associated Companies.....	1,056,000,000.00	661,000,000.00
Total.....	<u>35,811,047.69</u>	<u>30,657,054.26</u>	Total Long-term Debt.....	1,309,159,520.00	993,753,140.00
Current and Accrued Assets			Total Capitalization.....	<u>2,908,782,238.90</u>	<u>2,282,966,426.48</u>
Cash.....	1,860,547.82	1,029,701.83	Current and Accrued Liabilities		
Special Deposits.....	557,352.99	43,068,564.99	Long-term Debt Due in 1 Year.....	-	-
Temporary Cash Investments.....	17,780.76	17,141.86	ST Notes Payable to Associated Companies.....	144,957,454.00	191,360,054.00
Accounts Receivable-Less Reserve.....	174,355,416.21	140,486,269.20	Notes Payable.....	-	-
Notes Receivable from Associated Companies.....	-	-	Notes Payable to Associated Companies.....	160,295,044.98	163,198,038.45
Accounts Receivable from Associated Companies.....	71,204.54	89,555,666.02	Accounts Payable.....	18,172,813.24	99,851,780.52
Materials and Supplies-At Average Cost			Accounts Payable to Associated Companies.....	20,151,092.83	18,933,806.92
Fuel.....	46,798,590.89	63,592,591.12	Customer Deposits.....	12,649,986.16	(9,617,653.93)
Plant Materials and Operating Supplies.....	28,921,508.43	26,003,660.24	Taxes Accrued.....	14,383,033.64	9,342,255.91
Stores Expense.....	6,422,212.96	6,294,405.55	Interest Accrued.....	-	-
Allowance Inventory.....	118,231.43	1,687,876.03	Dividends Declared.....	12,885,317.14	12,515,363.48
Prepayments.....	3,082,011.85	3,158,105.55	Miscellaneous Current and Accrued Liabilities.....	-	-
Miscellaneous Current and Accrued Assets.....	13,072.08	418,183.17	Total.....	<u>383,494,741.99</u>	<u>485,583,645.35</u>
Total.....	<u>262,217,929.96</u>	<u>375,312,165.56</u>	Deferred Credits and Other		
Deferred Debits and Other			Accumulated Deferred Income Taxes.....	328,624,919.89	325,903,612.25
Unamortized Debt Expense.....	6,556,602.21	7,005,201.67	Investment Tax Credit.....	67,740,765.27	32,428,843.32
Unamortized Loss on Bonds.....	10,760,489.48	10,355,556.95	Regulatory Liabilities.....	38,486,090.55	36,727,383.26
Accumulated Deferred Income Taxes.....	49,891,465.49	45,493,023.44	Customer Advances for Construction.....	2,366,324.35	1,928,276.63
Deferred Regulatory Assets.....	84,016,828.50	116,289,577.62	Asset Retirement Obligations.....	31,365,724.67	29,567,123.96
Other Deferred Debits.....	72,391,113.33	72,796,516.20	Other Deferred Credits.....	26,214,824.25	12,123,711.18
Total.....	<u>223,616,499.01</u>	<u>251,939,875.88</u>	Miscellaneous Long-term Liabilities.....	3,293,484.89	47,046,090.92
Total Assets and Other Debits.....	<u>3,875,967,484.42</u>	<u>3,328,187,957.07</u>	Accum Provision for Postretirement Benefits.....	85,598,369.66	73,912,843.72
			Total.....	<u>583,690,503.53</u>	<u>559,637,885.24</u>
			Total Liabilities and Other Credits.....	<u>3,875,967,484.42</u>	<u>3,328,187,957.07</u>

August 21, 2008

**Kentucky Utilities Company**  
**Statement of Capitalization and Short-term Debt**  
**July 31, 2008**

	Authorized Shares	Issued and Outstanding Shares	Amount	Percent of Total Capital and ST Debt	Capital
<b>Common Equity</b>					
Common Stock - Without Par.....	80,000,000	37,817,878	308,139,977.56		
Common Stock Expense.....			(321,288.87)		
Paid-In Capital.....			165,000,000.00		
Retained Earnings.....			1,099,275,935.41		
Unappropriated Undistributed Subsidiary Earnings.....			27,528,094.80		
			1,599,622,718.90	52.38	55.00
<b>Total Common Equity.....</b>					
<b>Long-term Debt</b>					
<b>Pollution Control Bonds</b>					
Mercer County 2000 Series A due 05/01/23 Var%.....			12,900,000.00		
Carroll County 2002 Series A due 02/01/32 Var%.....			20,930,000.00		
Carroll County 2002 Series B due 02/01/32 Var%.....			2,400,000.00		
Muhlenburg County 2002 Series A due 02/01/32 Var%....			2,400,000.00		
Mercer County 2002 Series A due 02/01/32 Var%.....			7,400,000.00		
Carroll County 2002 Series C due 10/01/32 Var%.....			96,000,000.00		
Carroll County 2004 Series A due 10/01/34 Var%.....			50,000,000.00		
Carroll County 2005 Series A due 06/01/35 Var%.....			13,266,950.00		
Carroll County 2005 Series B due 06/01/35 Var%.....			13,266,950.00		
Carroll County 2006 Series A due 06/01/36 Var%.....			16,693,620.00		
Carroll County 2006 Series C due 06/01/36 Var%.....			16,693,620.00		
Carroll County 2006 Series B due 10/01/34 Var%.....			54,000,000.00		
Carroll County 2007 Series A due 02/01/26 Var%.....			17,875,000.00		
Trimble County 2007 Series A due 03/01/37 Var%.....			8,927,000.00		
			332,753,140.00	10.90	11.44
<b>Less Reacquired Bonds</b>					
Mercer County 2000 Series A due 05/01/23 Var%.....			(12,900,000.00)		
Carroll County 2004 Series A due 10/01/34 Var%.....			(50,000,000.00)		
Carroll County 2006 Series C due 06/01/36 Var%.....			(16,693,620.00)		
			(79,593,620.00)	(2.61)	(2.74)
<b>Total Pollution Control Bonds - Net of Reacquired Bonds...</b>			253,159,520.00	8.29	8.70
<b>Long-term Notes Payable to Associated Companies.....</b>			1,056,000,000.00	34.58	36.30
<b>Total Capitalization.....</b>			2,908,782,238.90	95.25	100.00
<b>Short-term Notes Payable to Associated Companies.....</b>			144,957,454.00	4.75	
<b>Total Capitalization and Short-term Debt.....</b>			3,053,739,692.90	100.00	

August 21, 2008

**Kentucky Utilities Company  
Summary Trial Balance  
July 31, 2008**

<u>Account - Subsidiary Account</u>	<u>Balance Subsidiary Account</u>	<u>Balance as Shown on Balance Sheets</u>
Utility Plant.....		
At Original Cost.....	5,357,770,196.89	5,357,770,196.89
Reserves for Depreciation and Amortization .....		(2,003,448,189.13)
Depreciation.....	(1,983,698,277.45)	
Amortization of Plant .....	(19,749,911.68)	
Investments - at Cost.....		35,811,047.69
Nonutility Property.....	179,120.94	
Investments in Subsidiary Companies.....	28,823,894.80	
Ohio Valley Electric Corporation.....	250,000.00	
Other.....	411,140.00	
OMU - Interest on Reserve, New.....	1,333,789.53	
OMU - Revenue and Investments on Maintenance Reserve.....	600,000.00	
OMU - Revenue and Investments on Additions and Replacements.....	120,000.00	
OMU - Revenue and Investments on Operations.....	538,067.36	
OMU - Revenue and Investments Interest on Purchase Power.....	425,037.79	
OMU - Purchase Power, Coal Reserve.....	3,129,997.27	
Cash.....	1,860,547.82	1,860,547.82
Special Deposits.....		557,352.99
MAN Margin Call.....	557,352.99	
Temporary Cash Investments.....	17,780.76	17,780.76
Accounts Receivable - Less Reserve.....		174,355,416.21
Working Funds.....	33,773.63	
Customers - Active.....	86,984,406.92	
Wholesale Sales.....	5,718,312.46	
Transmission Sales.....	552,726.63	
Unbilled Revenues.....	59,226,000.00	
Employee Computer Loans.....	59,393.58	
Damage Claims.....	137,964.00	
IMEA.....	8,627,318.02	
IMPA.....	9,168,304.97	
Other.....	6,495,238.21	
Reserves for Uncollectible Accounts		
Utility Customers		
Reserve.....	(875,831.00)	
Accrual.....	(1,866,880.11)	
Charged Off.....	2,366,131.43	
Recoveries.....	(499,253.64)	
A/R Miscellaneous.....	(37,782.00)	
LEM Reserve.....	(1,743,739.74)	
Interest and Dividends Receivable.....	9,332.85	
Accounts Receivable from Associated Companies.....		71,204.54
E.ON US Services/Louisville Gas and Electric Company.....	71,204.54	

**Kentucky Utilities Company**  
**Summary Trial Balance**  
**July 31, 2008**

<u>Account - Subsidiary Account</u>	<u>Balance Subsidiary Account</u>	<u>Balance as Shown on Balance Sheets</u>
Fuel.....		46,798,590.89
Coal 643,473.56 Tons @ \$61.47 MMBtu 15,427,575.61 @ 256.37¢.....	39,551,369.98	
Fuel Oil 2,835,349 Gallons @ 250.05¢.....	7,089,731.04	
Gas Pipeline 13,089.40 Mcf @ \$12.03.....	157,489.87	
Plant Materials and Operating Supplies.....		28,921,508.43
Regular Materials and Supplies.....	28,563,913.20	
Limestone 46,337.36 Tons @ \$7.72.....	357,595.23	
Stores Expense Undistributed.....	6,422,212.96	6,422,212.96
Allowance Inventory.....	118,231.43	118,231.43
Prepayments.....		3,082,011.85
Insurance.....	969,697.37	
Taxes.....	1,643,354.84	
Risk Management and Workers Compensation.....	75,000.00	
Vehicle License.....	57,209.96	
Other.....	336,749.68	
Miscellaneous Current Assets.....		13,072.08
Derivative Asset - Non-Hedging.....	13,072.08	
Unamortized Debt Expense.....		6,556,602.21
Carroll County 2002 Series A due 02/01/32 Var%.....	96,366.34	
Carroll County 2002 Series B due 02/01/32 Var%.....	66,987.62	
Muhlenburg County 2002 Series A due 02/01/32 Var%.....	26,883.40	
Mercer County 2002 Series A due 02/01/32 Var%.....	74,572.11	
Carroll County 2002 Series C due 10/01/32 Var%.....	1,759,612.94	
Carroll County 2004 Series A due 10/01/34 Var%.....	1,051,214.11	
Carroll County 2005 Series A due 06/01/35 Var%.....	477,371.42	
Carroll County 2005 Series B due 06/01/35 Var%.....	485,127.98	
Carroll County 2006 Series A due 06/01/36 Var%.....	578,497.15	
Carroll County 2006 Series B due 10/01/34 Var%.....	982,825.34	
Carroll County 2007 Series A due 02/01/26 Var%.....	548,133.84	
Trimble County 2007 Series A due 03/01/37 Var%.....	409,009.96	
Unamortized Loss on Bonds.....		10,760,489.48
Refinanced and Called Bonds.....	10,760,489.48	
Accumulated Deferred Income Taxes.....		49,891,465.49
Federal.....	42,146,925.85	
State.....	7,744,539.64	
Regulatory Assets.....		84,016,828.50
Asset Retirement Obligations.....	25,428,105.86	
FERC Jurisdictional Pension Expense.....	2,670,174.65	
SFAS 109 - Deferred Taxes.....	8,321,200.44	
Pension and Postretirement Benefits.....	28,091,683.11	
Ice Storm Expenses.....	725,619.00	
MISO Exit Fee.....	18,780,045.44	
Deferred Debits.....	72,391,113.33	72,391,113.33
Total Assets and Other Debits.....	3,875,967,484.42	3,875,967,484.42

**Kentucky Utilities Company**  
**Summary Trial Balance**  
**July 31, 2008**

<u>Account - Subsidiary Account</u>	<u>Balance</u> <u>Subsidiary Account</u>	<u>Balance as Shown</u> <u>on Balance Sheets</u>
Common Equity .....		1,599,622,718.90
Common Stock .....	308,139,977.56	
Common Stock Expense .....	(321,288.87)	
Paid-In Capital .....	165,000,000.00	
Retained Earnings .....	1,099,275,935.41	
Unappropriated Undistributed Subsidiary Earnings .....	27,528,094.80	
Bonds .....		253,159,520.00
Pollution Control Bonds - Net of Recquired Bonds .....	253,159,520.00	
Long-term Notes Payable to Associated Companies .....	1,056,000,000.00	1,056,000,000.00
Short-term Notes Payable to Associated Companies .....	144,957,454.00	144,957,454.00
Accounts Payable .....		160,295,044.98
Regular .....	154,344,697.69	
Salaries and Wages Accrued .....	2,235,301.93	
Employee Withholdings Payable .....	26,606.82	
Tax Collections - Payable .....	3,688,438.54	
Accounts Payable to Associated Companies .....		18,172,813.24
E.ON US Services/Louisville Gas and Electric Company .....	18,172,813.24	
Customers' Deposits .....	20,151,092.83	20,151,092.83
es Accrued .....	12,649,986.16	12,649,986.16
Interest Accrued .....		14,383,033.64
Mercer County 2000 Series A due 05/01/23 Var% .....	775.38	
Carroll County 2002 Series A due 02/01/32 Var% .....	51,038.33	
Carroll County 2002 Series B due 02/01/32 Var% .....	5,852.44	
Muhlenburg County 2002 Series A due 02/01/32 Var% .....	5,852.44	
Mercer County 2002 Series A due 02/01/32 Var% .....	18,045.07	
Carroll County 2002 Series C due 10/01/32 Var% .....	285,039.99	
Carroll County 2004 Series A due 10/01/34 Var% .....	0.01	
Carroll County 2005 Series A due 06/01/35 Var% .....	1,301.99	
Carroll County 2005 Series B due 06/01/35 Var% .....	1,301.99	
Carroll County 2006 Series A due 06/01/36 Var% .....	5,711.08	
Carroll County 2006 Series C due 06/01/36 Var% .....	(775.42)	
Carroll County 2006 Series B due 10/01/34 Var% .....	64,575.00	
Carroll County 2007 Series A due 02/01/26 Var% .....	174,157.10	
Trimble County 2007 Series A due 03/01/37 Var% .....	90,757.80	
Fidelia .....	13,228,367.15	
Customers' Deposits .....	434,495.59	
Other .....	16,537.70	

August 21, 2008

**Kentucky Utilities Company**  
**Summary Trial Balance**  
**July 31, 2008**

<u>Account - Subsidiary Account</u>	<u>Balance Subsidiary Account</u>	<u>Balance as Shown on Balance Sheets</u>
Miscellaneous Current and Accrued Liabilities .....		12,885,317.14
Customer Overpayments .....	1,727,207.30	
UK Emission Research Grant .....	250,000.00	
Vacation Pay Accrued .....	5,389,706.40	
Derivative Liabilities - Non-Hedging .....	122,366.66	
Franchise Fee Payable .....	5,323,358.36	
Other .....	72,678.42	
Accumulated Deferred Income Taxes .....		328,624,919.89
Federal .....	284,030,942.45	
State .....	44,593,977.44	
Investment Tax Credit .....		67,740,765.27
Job Development Credit .....	249,118.30	
Advance Coal Credit .....	67,491,646.97	
Regulatory Liabilities .....		38,486,090.55
Asset Retirement Obligations .....	2,317,973.47	
Deferred Taxes - SFAS 109 .....	27,272,714.41	
Spare Parts .....	1,360,653.67	
MISO Schedule 10 Charges .....	7,534,749.00	
Customers' Advances for Construction .....		2,366,324.35
Line Extensions .....	1,479,941.98	
Outdoor Lighting Deposits .....	4,470.00	
Customer Advances - Arena .....	881,912.37	
Asset Retirement Obligations .....	31,365,724.67	31,365,724.67
Other Deferred Credits .....	26,214,824.25	26,214,824.25
Miscellaneous Long-term Liabilities .....		3,293,484.89
Workers' Compensation .....	3,293,484.89	
Accumulated Provision for Benefits .....		85,598,369.66
Pension Payable .....	20,163,191.00	
Postretirement Benefits - SFAS 106 .....	65,708,694.03	
Medicare Subsidy - SFAS 106 .....	(5,428,205.51)	
Post Employment Benefits Payable .....	5,349,374.00	
Post Employment Medicare Subsidy .....	(194,683.86)	
<b>Total Liabilities and Other Credits .....</b>	<b>3,875,967,484.42</b>	<b>3,875,967,484.42</b>

August 21, 2008

**Kentucky Utilities Company**  
**Statement of Cash Flows**  
**July 31, 2008**

	Year to Date	
	2008	2007
<b>Cash Flows from Operating Activities</b>		
Net income.....	89,106,980.20	95,667,810.26
Items not requiring (providing) cash currently:		
Depreciation.....	71,612,267.90	65,054,691.69
Amortization.....	2,927,319.54	3,288,030.05
Deferred income taxes - net.....	(3,809,810.76)	(3,737,227.75)
Investment tax credits deferred - net.....	12,741,652.95	19,405,068.00
Other.....	1,741,222.69	1,761,134.10
Change in receivables.....	14,323,686.99	(56,826,133.67)
Change in inventory.....	(6,546,850.43)	668,790.07
Change in allowance inventory.....	264,662.68	(17,338.20)
Change in payables and accrued expenses.....	(2,176,874.16)	46,222,233.76
Change in regulatory assets.....	(1,851,577.88)	(1,272,734.68)
Change in regulatory liabilities.....	765,054.47	788,009.78
Change in other deferred debits.....	(3,969,344.19)	(9,924,821.01)
Change in other deferred credits.....	17,677,771.55	4,840,569.22
Other.....	(4,582,928.22)	818,477.42
Less: Allowance for other funds used during construction.....	(4,629,944.56)	(1,943,798.73)
Less: Undistributed earnings of subsidiary company.....	(6,321,026.80)	(5,477,823.60)
Net cash provided (used) by operating activities.....	<u>177,272,261.97</u>	<u>159,314,936.71</u>
<b>Cash Flows from Investing Activities</b>		
Gross additions to utility plant - construction expenditures.....	(432,910,054.57)	(389,004,695.14)
Less: Allowance for other funds used during construction.....	4,629,944.56	1,943,798.73
Gain on disposal of property.....	1,175.00	-
Change in other long-term debt.....	-	(433,540.00)
Change in long-term investments.....	263,309.28	(285,146.72)
Change in restricted cash.....	10,428,202.79	(20,261,581.08)
Net cash provided (used) by investing activities.....	<u>(417,587,422.94)</u>	<u>(408,041,164.21)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of long-term debt.....	124,710,598.85	257,143,027.99
Net increase in short-term debt.....	121,738,000.00	94,317,000.00
Payments for retirement of long-term debt.....	-	(107,000,000.00)
Payments for reacquisition of long-term debt.....	(79,593,620.00)	-
Contributed capital.....	75,000,000.00	-
Net cash provided (used) by financing activities.....	<u>241,854,978.85</u>	<u>244,460,027.99</u>
Net Increase (Decrease) in Cash and Cash Equivalents.....	1,539,817.88	(4,266,199.51)
Cash and Cash Equivalents at Beginning of Period.....	<u>338,510.70</u>	<u>5,313,043.20</u>
Cash and Cash Equivalents at End of Period.....	<u><u>1,878,328.58</u></u>	<u><u>1,046,843.69</u></u>

August 21, 2008

**Kentucky Utilities Company**  
**Analysis of Interest Charges**  
**July 31, 2008**

	Current Month		Year to Date		Year Ended Current Month	
	This Year	Last Year	This Year	Last Year	This Year	Last Year
Interest on Long-term Debt						
First Mortgage Bonds						
Series P 7.92%.....	-	-	-	1,574,100.00	-	3,323,100.00
Loan Agreement - Pollution Control Bonds						
Series 10 (Variable%) .....	-	-	-	981,941.93	-	1,826,206.04
Mercer County 2000 Series A due 05/01/23 Var%.....	-	-	289,040.62	-	289,040.62	199,041.63
Carroll County 2002 Series A due 02/01/32 Var%.....	31,023.29	67,549.43	236,114.89	457,076.82	558,333.55	779,393.12
Carroll County 2002 Series B due 02/01/32 Var%.....	3,557.38	7,745.75	27,074.81	52,412.05	64,022.95	89,371.39
Muhlenburg County 2002 Series A due 02/01/32 Var%.....	3,557.38	7,745.75	27,074.81	52,412.05	64,022.95	89,371.37
Mercer County 2002 Series A due 02/01/32 Var%.....	10,968.58	23,882.74	83,480.67	161,603.83	197,404.12	275,561.81
Carroll County 2002 Series C due 10/01/32 Var%.....	293,901.33	300,800.00	2,251,773.32	2,031,999.99	3,995,767.99	3,588,546.66
Carroll County 2004 Series A due 10/01/34 Var%.....	119,791.69	165,763.89	1,524,201.41	1,081,493.07	2,382,187.52	1,837,083.35
Carroll County 2005 Series A due 06/01/35 Var%.....	39,785.37	42,398.96	302,078.50	285,393.49	525,412.86	484,794.99
Carroll County 2005 Series B due 06/01/35 Var%.....	40,133.63	43,043.88	301,121.44	286,559.11	515,587.20	484,828.50
Carroll County 2006 Series A due 06/01/36 Var%.....	89,153.67	54,486.12	468,880.20	365,520.73	758,421.77	624,733.23
Carroll County 2006 Series C due 06/01/36 Var%.....	-	54,476.38	338,393.58	365,316.19	627,604.06	408,209.52
Carroll County 2006 Series B due 10/01/34 Var%.....	286,215.00	172,695.00	1,502,971.50	878,460.00	2,419,141.50	878,460.00
Carroll County 2007 Series A due 02/01/26 Var%.....	88,506.08	57,095.73	560,286.90	128,650.35	876,887.91	128,650.35
Trimble County 2007 Series A due 03/01/37 Var%.....	46,122.83	28,454.81	287,253.50	64,006.58	445,516.81	64,006.58
Interest Rate Swaps .....	-	-	-	(86,856.15)	-	(145,573.28)
Marked to Market .....	-	-	-	(328,589.00)	-	(586,634.00)
Fidelia.....	4,610,658.33	2,909,783.32	30,272,545.89	17,576,732.72	47,518,459.71	27,129,941.05
Hardin Promissory Note.....	-	42,570.00	-	(416,851.75)	223,582.08	(416,851.75)
<b>Total.....</b>	<b>5,663,374.56</b>	<b>3,978,491.76</b>	<b>38,472,292.04</b>	<b>25,511,382.01</b>	<b>61,461,393.60</b>	<b>41,062,240.56</b>
Amortization of Debt Expense - Net						
Amortization of Debt Expense.....	21,983.46	22,706.63	161,128.23	210,779.60	285,283.25	318,621.80
Amortization of Loss on Reacquired Debt.....	39,593.62	36,378.00	265,979.34	336,675.90	447,869.34	605,430.90
<b>Total.....</b>	<b>61,577.08</b>	<b>59,084.63</b>	<b>427,107.57</b>	<b>547,455.50</b>	<b>733,152.59</b>	<b>924,052.70</b>
Other Interest Charges						
Customers' Deposits.....	93,385.65	90,252.73	673,889.69	653,625.64	1,122,277.45	1,015,463.83
Other Tax Deficiencies.....	-	-	16,537.70	456.08	13,113.70	456.08
Interest on Debt to Associated Companies .....	217,627.16	724,720.79	991,308.66	3,773,928.11	3,639,100.81	4,683,747.81
AFUDC Borrowed Funds .....	(155,072.46)	(73,688.34)	(1,174,977.90)	(433,043.27)	(1,697,741.26)	(619,870.11)
Other Interest Expense.....	-	-	7,526.24	301.29	7,526.24	105,291.67
<b>Total.....</b>	<b>155,940.35</b>	<b>741,285.18</b>	<b>514,284.39</b>	<b>3,995,267.85</b>	<b>3,084,276.94</b>	<b>5,185,089.28</b>
<b>Total Interest.....</b>	<b>5,880,891.99</b>	<b>4,778,861.57</b>	<b>39,413,684.00</b>	<b>30,054,105.36</b>	<b>65,278,823.13</b>	<b>47,171,382.54</b>

August 21, 2008



**Kentucky Utilities Company**  
**Analysis of Taxes Charged**  
**July 31, 2008**

<u>Kind of Taxes</u>	<u>Current Month</u>		<u>Year to Date</u>	
	<u>This Year</u>	<u>Last Year</u>	<u>This Year</u>	<u>Last Year</u>
Taxes Charged to Accounts 408.1 and 409.1				
Property Taxes.....	1,160,101.01	1,067,735.01	7,310,707.07	6,660,904.06
Unemployment.....	9,075.97	14,422.68	577,971.45	183,093.30
FICA.....	488,116.80	484,126.20	3,016,355.21	3,323,362.99
Public Service Commission Fee.....	149,395.89	149,209.73	1,044,654.22	981,557.44
Federal Income.....	5,920,581.93	6,475,422.27	27,099,969.87	27,686,367.95
State Income.....	1,138,573.45	1,245,273.51	6,742,936.13	8,388,160.87
Miscellaneous.....	22,677.13	15,295.53	54,890.42	(66,730.02)
<b>Total Charged to Operating Expense.....</b>	<b>8,888,522.18</b>	<b>9,451,484.93</b>	<b>45,847,484.37</b>	<b>47,156,716.59</b>
Taxes Charged to Other Accounts.....	2,477,486.28	1,593,062.31	8,378,464.47	2,042,835.89
Taxes Accrued on Intercompany Accounts.....	(182,986.19)	(183,106.24)	(1,275,952.93)	(1,407,098.36)
<b>Total Taxes Charged.....</b>	<b><u>11,183,022.27</u></b>	<b><u>10,861,441.00</u></b>	<b><u>52,949,995.91</u></b>	<b><u>47,792,454.12</u></b>

**Analysis of Taxes Accrued - Account 236**

<u>Kind of Taxes</u>	<u>Taxes Accrued At Beginning Of Year</u>	<u>Accruals To Date This Year</u>	<u>Payments To Date This Year</u>	<u>Taxes Accrued At End Of Month</u>
Property Taxes.....	6,455,854.42	7,555,711.57	6,451,445.56	7,560,120.43
Unemployment.....	36,767.25	66,136.39	102,165.99	737.65
FICA.....	497,417.13	3,204,871.60	3,327,239.62	375,049.11
Federal Income.....	(5,097,779.62)	34,050,867.05	29,495,522.62	(542,435.19)
State Income.....	1,103,849.76	5,899,364.72	2,300,601.24	4,702,613.24
Kentucky Sales and Use Tax.....	618,307.69	2,099,463.33	2,189,303.19	528,467.83
Miscellaneous.....	18,792.54	73,581.25	66,940.70	25,433.09
<b>Totals.....</b>	<b><u>3,633,209.17</u></b>	<b><u>52,949,995.91</u></b>	<b><u>43,933,218.92</u></b>	<b><u>12,649,986.16</u></b>

August 21, 2008

Kentucky L Company  
Summary of Utility Plant  
July 31, 2008

	Beginning Balance	Additions	Retirements	Transfers/ Adjustments	Net Additions	Ending Balance
<b>101 Utility Plant In Service</b>						
<b>Electric</b>						
Electric Distribution	1,038,231,358.94	43,526,766.08	(70,580.84)		43,456,185.24	1,081,687,544.18
Electric General Plant	97,982,327.01	2,609,933.21	(172.34)	(0.06)	2,609,760.81	100,592,087.82
Electric Hydro Production	10,974,095.24	62,158.95	(3,022.00)		59,136.95	11,033,232.19
Electric Intangible Plant	24,723,054.27	1,721,652.56			1,721,652.56	26,444,706.83
Electric Other Production	497,590,724.76					497,590,724.76
Electric Steam Production	1,678,193,956.12	22,173,508.32	(369,034.11)		21,804,474.21	1,699,998,430.33
Electric Transmission	520,264,996.06	2,311,738.13	(165,743.15)		2,145,994.98	522,410,991.04
<b>Total 101 Accounts</b>	<u>3,867,960,512.40</u>	<u>72,405,757.25</u>	<u>(608,552.44)</u>	<u>(0.06)</u>	<u>71,797,204.75</u>	<u>3,939,757,717.15</u>
<b>105 Plant Held for Future Use</b>						
<b>Electric</b>						
Electric Distribution				10,137,561.95	10,137,561.95	10,137,561.95
<b>Total 105001</b>				<u>10,137,561.95</u>	<u>10,137,561.95</u>	<u>10,137,561.95</u>
<b>106 Completed Construction Not Classified</b>						
<b>Electric</b>						
Electric Distribution		91,637,423.55			91,637,423.55	91,637,423.55
Electric General Plant		3,062,836.98			3,062,836.98	3,062,836.98
Electric Hydro Production		853,825.92			853,825.92	853,825.92
Electric Intangible Plant		1,065,122.76			1,065,122.76	1,065,122.76
Electric Other Production		1,734,214.93			1,734,214.93	1,734,214.93
Electric Steam Production		306,281,896.29			306,281,896.29	306,281,896.29
Electric Transmission		1,022,148.49			1,022,148.49	1,022,148.49
<b>Total 106 Accounts</b>		<u>405,657,468.92</u>			<u>405,657,468.92</u>	<u>405,657,468.92</u>
<b>121 Nonutility Property</b>						
<b>Common</b>						
Non Utility Property	179,120.94					179,120.94
<b>Total 121001</b>	<u>179,120.94</u>					<u>179,120.94</u>
<b>107 Construction Work In Progress</b>						
<b>Electric</b>						
Electric	1,071,388,625.97	(69,171,177.10)			(69,171,177.10)	1,002,217,448.87
<b>Total 107001</b>	<u>1,071,388,625.97</u>	<u>(69,171,177.10)</u>			<u>(69,171,177.10)</u>	<u>1,002,217,448.87</u>
<b>Total Plant (Non-CWIP)</b>	<u>3,868,139,633.34</u>	<u>478,063,226.17</u>	<u>(608,552.44)</u>	<u>10,137,561.89</u>	<u>487,592,235.62</u>	<u>4,355,731,868.96</u>
<b>Total Plant + CWIP</b>	<u>4,939,528,259.31</u>	<u>408,892,049.07</u>	<u>(608,552.44)</u>	<u>10,137,561.89</u>	<u>418,421,058.52</u>	<u>5,357,949,317.83</u>
<b>Total Plant + CWIP - Non Utility (BS)</b>	<u>4,939,349,138.37</u>	<u>408,892,049.07</u>	<u>(608,552.44)</u>	<u>10,137,561.89</u>	<u>418,421,058.52</u>	<u>5,357,770,196.89</u>

August 21, 2008

Kentucky Utilities Company  
 Summary of Utility Plant - Reserve for Depreciation of Utility Plant  
 July 31, 2008

	Beginning Balance	Accruals	Retirements	Transfers/ Adjustments	RWIP Transfers Out	Cost of Removal	Salvage	Other Credits	Ending Balance
<b>Life Reserve</b>									
Electric Distribution	359,033,190.58	14,125,999.17	(70,580.84)					56,231.97	373,144,840.88
Electric Distribution - ARO	6,595.17	(284.87)							6,310.30
Electric General Plant	48,907,493.20	2,603,332.64	(172.34)						51,510,653.50
Electric Hydro Production	7,500,880.74	79,011.79	(3,022.00)						7,576,870.53
Electric Hydro Production - ARO	1,760.08	30.24							1,790.32
Electric Other Production	115,416,383.68	9,862,332.06							125,278,715.74
Electric Other Production - ARO	29,672.77	1,377.94							31,050.71
Electric Steam Production	858,329,896.41	26,823,831.53	(369,034.11)						884,784,693.83
Electric Steam Production - ARO	4,283,726.18	208,855.51							4,492,581.69
Electric Transmission	202,812,741.57	5,200,902.17	(165,743.15)					76,966.41	207,924,867.00
Electric Transmission - ARO	4,014.63	490.40							4,505.03
Non Utility Property									
	1,596,326,355.01	58,905,878.58	(608,552.44)					133,198.38	1,654,756,879.53
<b>Cost of Removal</b>									
Electric Distribution	183,781,285.19	7,212,975.42				(101,676.68)			190,892,583.93
Electric General Plant	(122,007.03)	(0.05)				(30,318.48)			(152,325.56)
Electric Hydro Production	785,169.42	27,047.27				(6,931.47)			805,285.22
Electric Other Production	1,700,260.79								1,700,260.79
Electric Steam Production	78,172,998.47	4,518,820.02				(253,123.73)			82,438,694.76
Electric Transmission	136,721,262.34	4,442,028.87				(433,785.64)			140,729,505.57
Non Utility Property									
	401,038,969.18	16,200,871.53				(825,836.00)			416,414,004.71
<b>Salvage</b>									
Electric Distribution	(43,281,298.84)	(1,652,161.59)					38,132.96		(44,895,327.47)
Electric General Plant	(122,217.82)	(14,930.82)							(137,148.64)
Electric Hydro Production	(44,115.00)	(1,217.30)							(45,332.30)
Electric Other Production	(618,891.61)								(618,891.61)
Electric Steam Production	(13,073,178.13)	(745,866.78)							(13,819,044.91)
Electric Transmission	(21,191,801.27)	(702,084.33)					5,819.89		(21,888,067.71)
Non Utility Property									
	(78,331,504.67)	(3,116,260.82)					43,952.85		(81,403,812.64)
<b>Total Reserves</b>									
Electric Distribution	499,533,176.93	19,686,813.00	(70,580.84)			(101,676.68)	38,132.96	56,231.97	519,142,097.34
Electric Distribution - ARO	6,595.17	(284.87)							6,310.30
Electric General Plant	48,663,268.35	2,588,401.77	(172.34)			(30,318.48)			51,221,179.30
Electric Hydro Production	8,241,935.16	104,841.76	(3,022.00)			(6,931.47)			8,336,823.45
Electric Hydro Production - ARO	1,760.08	30.24							1,790.32
Electric Other Production	116,497,752.86	9,862,332.06							126,360,084.92
Electric Other Production - ARO	29,672.77	1,377.94							31,050.71
Electric Steam Production	923,429,716.75	30,596,784.77	(369,034.11)			(253,123.73)			953,404,343.68
Electric Steam Production - ARO	4,283,726.18	208,855.51							4,492,581.69
Electric Transmission	318,342,200.64	8,940,846.71	(165,743.15)			(433,785.64)	5,819.89	76,966.41	326,766,304.86
Electric Transmission - ARO	4,014.63	490.40							4,505.03
Non Utility Property									
	1,919,033,819.52	71,990,489.29	(608,552.44)			(825,836.00)	43,952.85	133,198.38	1,989,767,071.60
<b>Retirement Work in Process</b>									
Electric	4,401,887.42				(648,684.77)	4,161,254.17	(606,666.12)	(1,238,996.55)	6,068,794.15
	4,401,887.42				(648,684.77)	4,161,254.17	(606,666.12)	(1,238,996.55)	6,068,794.15
<b>YTD Activity</b>	1,914,631,932.10	71,990,489.29	(608,552.44)		648,684.77	(4,987,090.17)	650,618.97	1,372,194.93	1,983,698,277.45
<b>Amortization</b>									
Electric	16,822,592.14	2,927,319.54							19,749,911.68
	16,822,592.14	2,927,319.54							19,749,911.68
<b>Depreciation &amp; Amortization Total</b>	1,931,454,524.24	74,917,808.83	(608,552.44)		648,684.77	(4,987,090.17)	650,618.97	1,372,194.93	2,003,448,189.13
<b>Utility Plant at Original Cost Less Reserve for Depreciation &amp; Amortization (Excl nonutility)</b>	3,007,894,614.13								1,354,322,067.76

August 21, 2008



**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

**CASE NO. 2007-00565**

**Response to First Data Request of the Kentucky Industrial Utility Customers, Inc.  
Dated August 27, 2008**

**Question No. 3**

**Responding Witness: S. Bradford Rives**

- Q-3. Please provide the Company's bond ratings for each type of security and by each major rating agency.
- A-3. Please refer to the response to PSC-2 Question No. 5.



**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

**CASE NO. 2007-00565**

**Response to First Data Request of the Kentucky Industrial Utility Customers, Inc.  
Dated August 27, 2008**

**Question No. 4**

**Responding Witness: Valerie L. Scott**

- Q-4. Please provide a copy of all intercompany agreements, including, but not limited to, affiliate transactions between the Company and service companies, between the Company and other affiliate utilities for capacity and energy, and intercompany tax allocations.
- A-4. The requested information is be provided on CD. The response contains the following documents:

See Attachment to KU KIUC Q-4 Tax Allocation  
See Attachment to KU KIUC Q-4 KU & Servco Service Agreement  
See Attachment to KU KIUC Q-4 Power Supply System Agreement  
See Attachment to KU KIUC Q-4 Intercompany Power Agreement  
See Attachment to KU KIUC Q-4 Gas Contract  
See Attachment to KU KIUC Q-4 Utility Money Pool Agreement  
See Attachment to KU KIUC Q-4 Fidelia Notes

# Electronic Attachment on CD





**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

**CASE NO. 2007-00565**

**Response to First Data Request of the Kentucky Industrial Utility Customers, Inc.  
Dated August 27, 2008**

**Question No. 5**

**Responding Witness: Valerie L. Scott**

Q-5. Please provide a copy of the Company's most recent FERC Form 60.

A-5. See attached.

THIS FILING IS

Item 1:  An Initial (Original) Submission OR  Resubmission No. \_\_\_\_\_

Form 60 Approved  
OMB No. 1902-0215  
Expires 02/28/2010



# FERC FINANCIAL REPORT

## FERC FORM No. 60: Annual Report of Centralized Service Companies

This report is mandatory under the Public Utility Holding Company Act of 2005, Section 1270, Section 309 of the Federal Power Act and 18 C.F.R. § 366.23. Failure to report may result in criminal fines, civil penalties, and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

Exact Legal Name of Respondent (Company)

E. ON U.S. Services Inc.

Year of Report

Dec 31, 2007

## GENERAL INSTRUCTIONS FOR FILING FERC FORM NO. 60

### I. Purpose

Form No. 60 is an annual regulatory support requirement under 18 CFR 366.23 for centralized service companies. The report is designed to collect financial information from centralized service companies subject to the jurisdiction of the Federal Energy Regulatory Commission. The report is considered to be a non-confidential public use form.

### II. Who Must Submit

Unless the holding company system is exempted or granted a waiver by Commission rule or order pursuant to §§ 18 CFR 366.3 and 366.4 of this chapter, every centralized service company in a holding company system must prepare and file electronically with the Commission the FERC Form No. 60 then in effect pursuant to the General Instructions set out in this form.

### III. How to Submit

Submit FERC Form No. 60 electronically through the Form No. 60 Submission Software. Retain one copy of each report for your files. For any resubmissions, submit the filing using the Form No. 60 Submission Software including a justification.

### IV. When to Submit

Submit FERC Form No. 60 according to the filing date contained § 18 CFR 366.23 of the Commission's regulations.

### V. Preparation

Prepare this report in conformity with the Uniform System of Accounts (18 CFR 101 and/or 17 CFR 256) (USof A). Interpret all accounting words and phrases in accordance with the USof A.

### VI. Time Period

This report covers the entire calendar year.

### VII. Whole Dollar Usage

Enter in whole numbers (dollars) only, except where otherwise noted. The amounts shown on all supporting pages must agree with the amounts entered on the statements that they support. When applying thresholds to determine significance for reporting purposes, use for balance sheet accounts the balances at the end of the current reporting period, and use for statement of income accounts the current year's amounts.

### VIII. Accurateness

Complete each question fully and accurately, even if it has been answered in a previous report. Enter the word "None" where it truly and completely states the fact.

### IX. Applicability

For any page(s) that is not applicable to the respondent, omit the page(s) and enter "NONE," or "Not Applicable" in column (c) on the List of Schedules, page 2.

**X. Date Format**

Enter the month, day, and year for all dates. Use customary abbreviations. The "Resubmission Date" included in the header of each page is to be completed only for resubmissions (see III above).

**XI. Number Format**

Generally, except for certain schedules, all numbers, whether they are expected to be debits or credits, must be reported as positive. Numbers having a sign that is different from the expected sign must be reported by use of a minus sign.

**XII. Required Entries**

Do not make references to reports of previous years or to other reports instead of required entries, except as specifically authorized.

**XIII. Prior Year References**

Wherever (schedule) pages refer to figures from a previous year, the figures reported must be based upon those shown by the report of the previous year, or an appropriate explanation given as to why the different figures were used.

**XIV. Where to Send Comments on Public Reporting Burden**

The public reporting burden for the Form No. 60 collection of information is estimated to average 75 hours per response, including

- the time for reviewing instructions, searching existing data sources,
- gathering and maintaining the data needed, and
- completing and reviewing the collection of information.

Send comments regarding these burden estimates or any aspect of this collection of information, including suggestions for reducing burden, to:

Federal Energy Regulatory Commission,  
888 First Street NE  
Washington, DC 20426  
(Attention: Mr. Michael Miller, ED-33);

And to:

Office of Information and Regulatory Affairs,  
Office of Management and Budget, Washington, DC 20503 (Attention: Desk Officer for the Federal Energy Regulatory Commission).

No person shall be subject to any penalty if any collection of information does not display a valid control number (44 U.S.C. 3512(a)).

<b>DEFINITIONS</b>
I. Respondent -- The person, corporation, or other legal entity in whose behalf the report is made.

**FERC FORM NO. 60  
ANNUAL REPORT FOR SERVICE COMPANIES**

IDENTIFICATION		
01 Exact Legal Name of Respondent E ON U.S. Services Inc.		02 Year of Report Dec 31. <u>2007</u>
03 Previous Name (If name changed during the year)		04 Date of Name Change  //
05 Address of Principal Office at End of Year (Street, City, State, Zip Code) 220 West Main Street, Louisville, KY 40202		
06 Name of Contact Person Mimi Kelly		07 Title of Contact Person Manager Regulatory Accounting and Reporting
08 Address of Contact Person 220 West Main Street, Louisville, KY 40202		09 Telephone Number of Contact Person (502) 627-2482
10 This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission		11 Date of Report (Month, Day, Year)  //
12 Date of Incorporation 06/02/2000	13 If Not Incorporated, Date of Organization  //	
14 State or Sovereign Power Under Which Incorporated or Organized KENTUCKY		
15 Name of Principal Holding Company Under Which Reporting Company is Organized: E ON		
Signature Clause		
Pursuant to the requirements of the Public Utility Holding Company Act of 2005 and the rules and regulations of the Federal Energy Regulatory Commission issued thereunder, the undersigned company has duly caused this report to be signed on its behalf by the undersigned officer thereunto duly authorized.		
16 Name of Signing Officer <i>/s/ S Bradford Rives</i>	18 Signature of Signing Officer  <i>/s/ S Bradford Rives</i>	19 Date Signed (Month, Day, Year) 04/24/2008
17 Title of Signing Officer Chief Financial Officer		

Name of Respondent E ON U.S. Services Inc	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo. Da. Yr) / /	Year/Period of Report Dec 31, 2007
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**List of Schedules and Accounts**

1. Enter in Column (c) the terms "None" or "Not Applicable" as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "None" or "Not Applicable."

Line No.	Description (a)	Page Reference (b)	Remarks (c)
1	Schedule I - Comparative Balance Sheet	101-102	
2	Schedule II - Service Company Property	103	
3	Schedule III - Accumulated Provision for Depreciation and Amortization of Service Company Property	104	
4	Schedule IV - Investments	105	None
5	Schedule V - Accounts Receivable from Associate Companies	106	
6	Schedule VI - Fuel Stock Expenses Undistributed	107	None
7	Schedule VII - Stores Expense Undistributed	108	
8	Schedule VIII - Miscellaneous Current and Accrued Assets	109	None
9	Schedule IX - Miscellaneous Deferred Debits	110	None
10	Schedule X - Research, Development, or Demonstration Expenditures	111	None
11	Schedule XI - Proprietary Capital	201	
12	Schedule XII - Long-Term Debt	202	None
13	Schedule XIII - Current and Accrued Liabilities	203	
14	Schedule XIV - Notes to Financial Statements	204	
15	Schedule XV - Comparative Income Statement	301	
16	Account 457 - Analysis of Billing - Associate Companies	302	
17	Account 458 - Analysis of Billing - Nonassociate Companies	303	None
18	Schedule XVI - Analysis of Charges for Service - Associate and Nonassociate Companies	304	
19	Schedule XVII - Schedule of Expense Distribution by Department or Service Function	305	
20	Account 920 - Departmental Analysis of Salaries	306	
21	Account 930.2 - Miscellaneous General Expenses	307	
22	Schedule XVIII - Notes to Statement of Income	308	
23	Organization Chart	401	
24	Methods of Allocation	402	
25	Annual Statement of Compensation for Use of Capital Billed	403	Not Applicable

**Schedule I - Comparative Balance Sheet**

- 1 Give balance sheet of the Company as of December 31 of the current and prior year
2. If additional accounts are needed, provide them in a footnote on the appropriate line

Line No	Account Number (a)	Description (b)	Reference Page No (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
1		<b>Service Company Property</b>			
2	101	Service Company Property	103	3,466,819	2,938,838
3	107	Construction Work In Progress	103	177,483	751,028
4		Other Accounts (provide details in a footnote)	103		
5		<b>Total Property (Total of Lines 2-4)</b>		3,644,302	3,689,866
6	108	Less: Accumulated Provision for Depreciation and Amortization of Service Company Property	104	1,855,535	1,673,447
7		Less: Other Accounts (provide details in a footnote)			
8		<b>Net Service Company Property (Total of Lines 5-7)</b>		1,788,767	2,016,419
9		<b>Investments</b>			
10	123	Investments In Associate Companies	105		
11	124	Other Investments	105		
12		Other Accounts (provide details in a footnote)			
13		<b>Total Investments (Total of Lines 10-12)</b>			
14		<b>Current and Accrued Assets</b>			
15	131	Cash			
16	134	Other Special Deposits			
17	135	Working Funds			
18	136	Temporary Cash Investments	105		
19	141	Notes Receivable			
20	143	Accounts Receivable		223,603	319,663
21	144	Less: Accumulated Provision For Uncollectible Accounts			
22	146	Accounts Receivable From Associate Companies	106	101,666,607	129,242,205
23	152	Fuel Stock Expenses Undistributed	107		
24	154	Materials and Supplies			
25	163	Stores Expense Undistributed	108		
26	165	Prepayments		2,378,505	183,824
27	174	Miscellaneous Current and Accrued Assets	109		
28		Other Accounts (provide details in a footnote)			
29		<b>Total Current and Accrued Assets (Total of Lines 15-28)</b>		104,268,715	129,745,692
30		<b>Deferred Debits</b>			
31	181	Unamortized Debt Expense			
32	184	Clearing Accounts		196	1,175
33	186	Miscellaneous Deferred Debits	110		
34	188	Research, Development, or Demonstration Expenditures	111		
35	190	Accumulated Deferred Income Taxes		48,552,066	26,928,180
36		Other Accounts (provide details in a footnote)			
37		<b>Total Deferred Debits (Total of Lines 31-36)</b>		48,552,262	26,929,355
38		<b>TOTAL ASSETS AND OTHER DEBITS (TOTAL OF LINES 8, 13, 29 and 37)</b>		154,609,744	158,691,466



**Schedule I - Comparative Balance Sheet (continued)**

Line No	Account Number (a)	Description (b)	Reference Page No (c)	As of Dec 31 Current (d)	As of Dec 31 Prior (e)
39		<b>Proprietary Capital</b>			
40	201	Common Stock Issued	201	100	100
41	211	Miscellaneous Paid-In-Capital	201	900	900
42	215	Appropriated Retained Earnings	201		
43	216	Unappropriated Retained Earnings	201		
44		Other Accounts (provide details in a footnote)		( 36,990,128)	( 46,105,021)
45		<b>Total Proprietary Capital (Total of Lines 40-44)</b>		( 36,989,128)	( 46,104,021)
46		<b>Long-Term Debt</b>			
47	223	Advances From Associate Companies	202		
48	224	Other Long-Term Debt	202		
49	225	Unamortized Premium on Long-Term Debt			
50	226	Less: Unamortized Discount on Long-Term Debt-Debit			
51		Other Accounts (provide details in a footnote)			
52		<b>Total Long-Term Debt (Total of Lines 47-51)</b>			
53		<b>Current and Accrued Liabilities</b>			
54	228	Accumulated Provision For Pensions and Benefits		101,113,788	14,384,009
55	231	Notes Payable			
56	232	Accounts Payable		47,269,021	174,777,719
57	233	Notes Payable to Associate Companies	203		
58	234	Accounts payable to Associate Companies	203	457,985	22,412,651
59	236	Taxes Accrued		8,637,349	( 4,454,216)
60	237	Interest Accrued			
61	241	Tax Collections Payable		174,937	336,028
62	242	Miscellaneous Current and Accrued Liabilities	203	14,579,959	9,942,611
63	243	Obligations Under Capital Leases - Current			
64		Other Accounts (provide details in a footnote)			
65		<b>Total Current and Accrued Liabilities (Total of Lines 54-64)</b>		172,233,039	217,398,802
66		<b>Deferred Credits</b>			
67	253	Other Deferred Credits		19,365,833	5,408,969
68	255	Accumulated Deferred Investment Tax Credits			
69		Other Accounts (provide details in a footnote)			
70		<b>Total Deferred Credits (Total of Lines 67-69)</b>		19,365,833	5,408,969
71	282	Accumulated Deferred Income Taxes			
72		Other Accounts (provide details in a footnote)		0	( 18,012,284)
73		<b>TOTAL LIABILITIES AND PROPRIETARY CAPITAL (TOTAL OF LINES 45, 52, 65, 70, 71 AND 72)</b>		154,609,744	158,691,466

Name of Respondent E. ON U.S. Services Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2007
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FOOTNOTE DATA

**Schedule Page: 101 Line No.: 44 Column: d**

Other Accounts Include:

	As of Dec 31 <u>Current</u>	As of Dec 31 <u>Prior</u>
219 Accumulated Other Comprehensive Income	(36,990,128)	(46,105,021)

Change in Accumulated Other Comprehensive Income is due to change in funded status of pension and postretirement plans.

**Schedule Page: 101 Line No.: 72 Column: d**

Other Accounts Include:

	As of Dec 31 <u>Current</u>	As of Dec 31 <u>Prior</u>
283 Accumulated Deferred Income Tax - Other	-	(18,012,284)

Name of Respondent E ON U S Services Inc	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo. Da. Yr) / /	Year/Period of Report Dec 31, 2007
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**Schedule II - Service Company Property**

1. Provide an explanation of Other Changes recorded in Column (f) considered material in a footnote
2. Subaccounts are required for each class of equipment owned. The service company shall provide a listing by subaccount of equipment additions during the year and balance at the close of the year
3. Describe other property (Account 311) in a footnote
4. Describe each construction work in progress on lines 14 through 30 in Column (b)

Line No	Acct # (a)	Title of Account (b)	Balance at Beginning of Year (c)	Additions (d)	Retirements or Sales (e)	Other Changes (f)	Balance at End of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	304	Land and Land Rights					
4	305	Structures and Improvements					
5	306	Leasehold Improvements					
6	307	Equipment					
7	308	Office Furniture and Equipment	2,938,838	1,235,135	707,154		3,466,819
8	309	Automobiles, Other Vehicles and Related Garage Equipment					
9	310	Aircraft and Airport Equipment					
10	311	Other Property					
11		Other Accounts (provide details in a footnote)					
12		<b>Total Service Company Property (Total of Lines 1-11)</b>	<b>2,938,838</b>	<b>1,235,135</b>	<b>707,154</b>		<b>3,466,819</b>
13	107	<b>Construction Work in Progress:</b>					
14		Computer Equipment		661,589			177,483
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31		<b>Total Account 107 (Total of Lines 14-30)</b>		<b>661,589</b>			<b>177,483</b>
32		<b>Total (Lines 12 and Line 31)</b>		<b>1,896,724</b>			<b>3,644,302</b>

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2007
E. ON U.S. Services Inc.			
FOOTNOTE DATA			

Schedule Page: 103 Line No.: 12 Column: d

<u>Subaccount Description</u>	<u>Additions</u>	<u>Balance at Close of Year</u>
339110 Office Furniture	\$ -	\$ 423,199
339120 Office Equipment	-	48,013
339131 Personal Computer Equipment	1,235,135	2,995,607
Total	\$ 1,235,135	\$ 3,466,819

Name of Respondent E ON U S Services Inc	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year/Period of Report Dec 31, 2007
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**Schedule III – Accumulated Provision for Depreciation and Amortization of Service Company Property**

- 1 Provide an explanation of Other Charges in Column (f) considered material in a footnote
- 2 Describe other property (Account 311) in a footnote

Line No	Account Number (a)	Description (b)	Balance at Beginning of Year (c)	Additions Charged To Account 403 (d)	Retirements (e)	Other Changes Additions (Deductions) (f)	Balance at Close of Year (g)
1	301	Organization					
2	303	Miscellaneous Intangible Plant					
3	304	Land and Rights					
4	305	Structures and Improvements					
5	306	Leasehold Improvements					
6	307	Equipment					
7	308	Office Furniture and Equipment	1,673,447	916,772	707,153	( 27,531)	1,855,535
8	309	Automobiles, Other Vehicles and Related Garage Equipment					
9	310	Aircraft and Airport Equipment					
10	311	Other Property					
11		Other Accounts (provide details in a footnote)					
12		(Total of Lines 1-10)	1,673,447	916,772	707,153	( 27,531)	1,855,535

Name of Respondent	This Report is:	Resubmission Date	Year of Report
E. ON U.S. Services Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2007
FOOTNOTE DATA			

**Schedule Page: 104 Line No.: 12 Column: f**  
(\$27,531) represents Removal Work In Progress (RWIP) for assets to be retired.



**Schedule V – Accounts Receivable from Associate Companies**

1. List the accounts receivable from each associate company  
 2. If the service company has provided accommodation or convenience payments for associate companies, provide in a separate footnote a listing of total payments for each associate company by subaccount.

Line No	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	146	Accounts Receivable From Associate Companies		
2		Associate Company:		
3		Kentucky Utilities Company	47,594,015	25,326,928
4		Louisville Gas and Electric Company	18,010,887	18,960,320
5		E ON U S Capital Corp	53,821,526	44,885,944
6		E ON U S LLC	7,261,014	2,287,471
7		Western Kentucky Energy Corp	1,539,018	2,350,221
8		LG&E International Inc	478,307	307,169
9		LG&E Power Inc	47,088	25,704
10		LG&E Energy Marketing	159,474	7,027,311
11		LG&E Power Development Inc		17,666
12		E ON AG	192,649	347,901
13		E ON Energie AG	10,307	6,705
14		E ON Kraftwerke GmbH		24,104
15		E ON Ruhrgas AG	109,800	14,206
16		E ON Sverige AB	66	3,196
17		E ON U S Natural Gas Trading Inc		22,984
18		E ON UK plc	17,395	58,777
19		FCD LLC	477	
20		FSF Minerals Inc	182	
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39		Analysis of Convenience or Accomodation Payments - see footnote		
40	<b>Total</b>		<b>129,242,205</b>	<b>101,666,607</b>



Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2007
E. ON U.S. Services Inc.			
FOOTNOTE DATA			

**Schedule Page: 106 Line No.: 39 Column: b**

Analysis of convenience or accommodation payments:

	Amount
E ON U.S. Capital Corp.	\$ 282,656
Kentucky Utilities Company	406,654,809
LG&E Energy Marketing Inc.	430
LG&E International Inc.	25,626
LG&E Power Inc.	928
Louisville Gas and Electric Company	319,062,731
Western Kentucky Energy Corp.	13,691,577
TOTAL	<u>\$739,718,757</u>

Convenience payments result primarily from the following items:

401(k) Plan	\$ 4,241,025
401(h) Plan	1,571,566
Coal, Fuel Oil, and Limestone Purchases	670,900,360
Dental Claims	1,636,883
General Claims	10,877
General Liability Insurance	1,072,493
HR Consulting Services	470,789
Life Insurance	1,230,756
Life Insurance - Retirees	471,969
Long-term Disability Insurance	928,002
Medical Claims	21,755,052
Medical Claims - Retirees	11,583,108
Miscellaneous Expenses	16,599
Other Benefits	464,077
Pension Benefit Guarantee	219,968
Pension Contribution	6,200,000
Prepaid Emission Fees	755,041
Prepaid Maintenance Costs	706,379
Prepaid Transmission Fees	4,779,000
Property Insurance	8,842,038
Retirement Income	17,228
Workers Comp Claims	1,237,386
Workers Comp Insurance	608,161
TOTAL	<u>\$739,718,757</u>

Name of Respondent E. ON U S Services Inc	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo. Da. Yr) / /	Year/Period of Report Dec 31, 2007
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**Schedule VI – Fuel Stock Expenses Undistributed**

- List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to fuel stock expenses during the year and indicate amount attributable to each associate company
- In a separate footnote, describe in a narrative the fuel functions performed by the service company

Line No	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	152	Fuel Stock Expenses Undistributed			
2		Associate Company:			
3		None		0	
4					
5					
6					
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40	<b>Total</b>				

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2007
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**Schedule Page: 107 Line No.: 3 Column: d**

Fuel functions provided by the service company include:

- Procurement of coal, fuel oil, scrubber reagent, and SO3 mitigation chemicals
- Transportation service to move these commodities from the loading point to the power plant
- Monitoring of quality, inventory level, and forecasted requirements
- Making purchases as needed on a timely basis
- Preparing bid solicitation for coal, fuel oil, and scrubber reagent, and evaluating those bids
- Negotiating and writing the contracts and purchase orders
- Contract administration

Fuel Procurement department expenses for 2007 were \$2,525,149.

**Schedule VII – Stores Expense Undistributed**

1 List the amount of labor in Column (c) and expenses in Column (d) incurred with respect to stores expense during the year and indicate amount attributable to each associate company

Line No.	Account Number (a)	Title of Account (b)	Labor (c)	Expenses (d)	Total (e)
1	163	Stores Expense Undistributed			
2		Associate Company:			
3				0	
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
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40	<b>Total</b>				

Name of Respondent E. ON U.S. Services Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2007
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**Schedule Page: 108 Line No.: 3 Column: d**  
Stores Expense was fully distributed for 2007

2007 Expenses Distributed to Associate Company

Associate Company:	Expenses
E ON U.S. Capital Corp.	\$ 1,640
Kentucky Utilities Company	16,628
Louisville Gas and Electric Company	14,745
LG&E International Inc.	21
Western Kentucky Energy Corp.	410
	\$ 33,444

**Schedule VIII - Miscellaneous Current and Accrued Assets**

1 Provide detail of items in this account Items less than \$10,000 may be grouped, showing the number of items in each group

Line No.	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	174	Miscellaneous Current and Accrued Assets		
2		Item List:		
3		None		
4				
5				
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37				
38				
39				
40	Total			

**Schedule IX - Miscellaneous Deferred Debits**

1. Provide detail of items in this account. Items less than \$10,000 may be grouped, showing the number of items in each group

Line No	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	186	Miscellaneous Deferred Debits		
2		Items List:		
3		None		
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
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40	Total			

Name of Respondent E ON U S Services Inc	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo. Da. Yr) / /	Year/Period of Report Dec 31, 2007
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**Schedule X - Research, Development, or Demonstration Expenditures**

1. Describe each material research, development, or demonstration project that incurred costs by the service corporation during the year.

Line No	Account Number (a)	Title of Account (b)	Amount (c)
1	188	Research, Development, or Demonstration Expenditures	
2		Project List:	
3		None	
4			
5			
6			
7			
8			
9			
10			
11			
12			
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40	<b>Total</b>		



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**Schedule XI - Proprietary Capital**

1. For miscellaneous paid-in capital (Account 211) and appropriate retained earnings (Account 215), classify amounts in each account, with a brief explanation, disclosing the general nature of transactions which give rise to the reported amounts.

2. For the unappropriated retained earnings (Account 216), in a footnote, give particulars concerning net income or (loss) during the year, distinguishing between compensation for the use of capital owed or net loss remaining from servicing nonassociates per the General Instructions of the Uniform System of Accounts. For dividends paid during the year in cash or otherwise, provide rate percentages, amount of dividend, date declared and date paid.

Line No	Account Number (a)	Title of Account (b)	Description (c)	Amount (d)
1	201	Common Stock Issued	Number of Shares Authorized	1,000 # shares
2			Par or Stated Value per Share	dollars
3			Outstanding Number of Shares	100 # shares
4			Close of Period Amount	100 dollars
5	211	Miscellaneous Paid-in Capital		900 dollars
6	215	Appropriated Retained Earnings		dollars
7	216	Unappropriated Retained Earnings	Balance at Beginning of Year	dollars
8			Net Income or (Loss)	dollars
9			Dividend Paid	dollars
10			Balance at Close of Year	dollars

Name of Respondent E. ON U S Services Inc	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo. Da. Yr) / /	Year/Period of Report Dec 31, 2007
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**Schedule XII – Long Term Debt**

- For the advances from associate companies (Account 223), describe in a footnote the advances on notes and advances on open accounts. Names of associate companies from which advances were received shall be shown under the class and series of obligation in Column (c).
- For the deductions in Column (h), please give an explanation in a footnote
- For other long-term debt (Account 224), list the name of the creditor company or organization in Column (b).

Line No.	Account Number	Title of Account	Term of Obligation Class & Series of Obligation (c)	Date of Maturity (d)	Interest Rate (e)	Amount Authorized (f)	Balance at Beginning of Year (g)	Additions Deductions (h)	Balance at Close of Year (i)
	(a)	(b)							
1	223	Advances from Associate Companies							
2		Associate Company:							
3		None							
4									
5									
6									
7									
8									
9									
10									
11									
12									
13		<b>TOTAL</b>							
14	224	Other Long-Term Debt							
15		List Creditor:							
16		None							
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28		<b>TOTAL</b>							

Name of Respondent E ON U S Services Inc	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo. Da. Yr) / /	Year/Period of Report Dec 31, 2007
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**Schedule XIII – Current and Accrued Liabilities**

1. Describe in a footnote the balance of notes and accounts payable to each associate company (Accounts 233 and 234)
2. In a footnote, give description and amount of miscellaneous current and accrued liabilities (Account 242). Items less than \$10,000 may be grouped, showing the number of items in each group

Line No	Account Number (a)	Title of Account (b)	Balance at Beginning of Year (c)	Balance at Close of Year (d)
1	233	Notes Payable to Associates Companies		
2	234	Accounts Payable to Associate Companies	22,412,651	457,985
3	242	Miscellaneous Current and Accrued Liabilities	9,942,611	14,579,959
4		(Total)	32,355,262	15,037,944

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**Schedule Page: 203 Line No.: 2 Column: c**

Description	Balance at Beginning of Year	Balance at Close of Year
Account 234 - Accounts Payable to Associate Companies		
Kentucky Utilities Company	\$ 18,677,663	\$ -
Louisville Gas and Electric Company	2,682,772	-
E.ON U.S. Capital Corp.	720,042	-
Western Kentucky Energy Corp.	102,982	-
LG&E International Inc.	150,423	-
LG&E Energy Marketing	1,551	-
LG&E Power Development Inc.	2,089	-
E.ON AG	-	192,206
E.ON Energie AG	-	95,603
E.ON Ruhrgas AG	-	92,282
E.ON Sverige AB	74,876	76,394
E.ON UK plc	-	1,500
FCD LLC	253	-
<b>TOTAL</b>	<b>\$ 22,412,651</b>	<b>\$ 457,985</b>

**Schedule Page: 203 Line No.: 3 Column: c**

Description	Balance at Beginning of Year	Balance at Close of Year
Account 242 - Miscellaneous Current and Accrued Liabilities		
Miscellaneous Liability - Vested Vacation	\$ 6,230,439	\$ 6,905,677
Accrued Officer Long Term Incentive (current portion)	3,675,172	3,555,483
Retirement Income Liability	37,000	130,757
Accrued Short Term Incentive	-	2,224,690
Pension Payable SERP Current	-	1,761,239
Escheated Checks	-	2,113
<b>TOTAL</b>	<b>\$ 9,942,611</b>	<b>\$ 14,579,959</b>

Name of Respondent E. ON U.S. Services Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2007
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**Schedule XIV- Notes to Financial Statements**

- 1 Use the space below for important notes regarding the financial statements or any account thereof  
2 Furnish particulars as to any significant contingent assets or liabilities existing at the end of the year  
3. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.

**Note 1 – Organization of SERVCO**

E.ON U.S. Services Inc (SERVCO), a Kentucky corporation, is a wholly-owned subsidiary of E.ON U.S. LLC (E.ON U.S.), and a centralized service company under the Public Utility Holding Company Act of 2005 (PUHCA 2005). E.ON U.S. is an indirect wholly-owned subsidiary of E.ON AG (E.ON). On June 15, 2006 E.ON U.S. and E.ON registered as public utility holding companies under PUHCA 2005. SERVCO was authorized to conduct business as a service company for E.ON U.S. (formerly LG&E Energy LLC) and its various subsidiaries and affiliates by order of the Securities and Exchange Commission (SEC) dated December 6, 2000, and commenced operations January 1, 2001.

SERVCO provides certain services to affiliated entities, including E.ON U.S., E.ON U.S. Capital Corp., LG&E Energy Marketing Inc. (LEM), Louisville Gas and Electric Company (LG&E), Kentucky Utilities Company (KU), at cost as permitted under PUHCA 2005. SERVCO is organized along functional lines to accomplish its purpose of providing management, administrative, and technical services. These services are priced so that SERVCO operates on a break-even basis.

SERVCO currently follows the Uniform System of Accounts prescribed by the SEC for this filing, but has transitioned to the FERC Uniform System of Accounts as of January 1, 2008 as required under the final ruling of PUHCA 2005. It maintains its accounts in accordance with PUHCA 2005. The accounting policies of SERVCO conform to U.S. generally accepted accounting principles (GAAP).

**Note 2 – Summary of Significant Accounting Policies**

**Property.** Property, plant and equipment includes property that is in use and under construction, and is reported at cost.

**Depreciation and Amortization.** Depreciation is computed on a straight-line basis. Office furniture is depreciated over 30 years and personal computers are depreciated over 3 years.

**Income taxes.** Income taxes are accounted for under Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes* and Financial Accounting Standards Board (FASB) Interpretation Number (FIN) 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of SFAS No. 109*. In accordance with these statements, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as measured by enacted tax rates that are expected to be in effect in the periods when the deferred tax assets and liabilities are expected to be settled or realized. Significant judgment is required in determining the provision for income taxes, and there are transactions for which the ultimate tax outcome is uncertain. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Uncertain tax positions are analyzed periodically and adjustments are made when events occur to warrant a change. Tax contingencies are analyzed periodically and adjustments are made when events occur to warrant a change. See Note 6, Income Taxes.

**Accumulated Deferred Income Taxes.** Deferred income taxes are recognized at currently enacted tax rates for all material temporary differences between the financial reporting and income tax bases of assets and liabilities. See Note 6, Income Taxes.

**Management's Use of Estimates.** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accrued liabilities, including legal and environmental, are recorded when they are reasonable and estimable. Actual results could differ from those estimates.

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<b>Schedule XIV- Notes to Financial Statements</b>			

**Recent Accounting Pronouncements** The following are recent accounting pronouncements affecting SERVCO:

SFAS No. 160

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, which is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The objective of this statement is to improve the relevance, comparability and transparency of financial information in a reporting entity's consolidated financial statements. SERVCO expects the adoption of SFAS No. 160 to have no impact on its statements of operations, financial position and cash flows.

SFAS No. 159

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (the fair value option). Unrealized gains and losses on items for which the fair value option has been elected are to be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. SFAS No. 159 was adopted effective January 1, 2008 and had no impact on the statements of operations, financial position and cash flows.

SFAS No. 157

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which, except as described below, is effective for fiscal years beginning after November 15, 2007. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 does not expand the application of fair value accounting to new circumstances. In February 2008, the FASB issued FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157*, which delays the effective date of SFAS No. 157 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. SFAS No. 157 was adopted effective January 1, 2008, except as it applies to those nonfinancial assets and liabilities, and had no impact on the statements of operations, financial position and cash flows, however, SERVCO will provide additional disclosures relating to its pension assets as required in 2008.

FIN 48

In July 2006, the FASB issued FIN 48, which clarifies the accounting for the uncertainty of income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

The evaluation of a tax position in accordance with FIN 48 is a two-step process. The first step is recognition based on the determination of whether it is "more likely than not" that a tax position will be sustained upon examination. The second step is to measure a tax position that meets the "more likely than not" threshold. The tax position will be measured as the amount of potential benefit that exceeds 50% likelihood of being realized.

FIN 48 is effective for fiscal years beginning after December 15, 2006. FIN 48 was adopted by SERVCO effective January 1, 2007. The impact of FIN 48 on the statements of operations, financial position, and cash flows was not material.

**Note 3 – Common Stock**

SERVCO is authorized to issue 1,000 shares of common stock, no par value per share. At December 31, 2007, there were 1,000 shares authorized and 100 shares issued and outstanding. E.ON U.S. holds all of SERVCO's common stock.

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#### Note 4 – Related Party Transactions

##### Provision of Services

SERVCO engages in transactions in the normal course of business with other E.ON U.S. subsidiaries. These transactions are primarily composed of services received and/or rendered.

SERVCO provides the subsidiaries of E.ON U.S. with a variety of centralized administrative, management and support services. Charges for these services include labor and burdens of SERVCO employees performing services for the subsidiaries of E.ON U.S. and vouchers paid by SERVCO on behalf of the subsidiaries of E.ON U.S. The cost of these services are directly charged and/or for general costs which cannot be directly attributed, charged based on predetermined allocation factors, including the ratios discussed in Methods of Allocations on pages 402.1 – 402.3.

Intercompany billings from SERVCO are listed on page 302, Account 457-Analysis of Billing. These billings do not include convenience or accommodation payments which are shown as a footnote to page 106, line 39, column b.

##### Money Pool

SERVCO operates the Utility Money Pool and the Non-Utility Money Pool, including recordkeeping and coordination of loans, to more effectively utilize cash resources and to reduce outside short-term borrowings.

#### Note 5 – Pension and Other Postretirement Benefit Plans

SERVCO has both funded and unfunded non-contributory defined benefit pension plans that together cover substantially all of its employees. SERVCO also offers other postretirement benefit plans to eligible employees. The postretirement health care plan is contributory with participants' contributions adjusted annually. Postretirement life insurance is also offered and is noncontributory. SERVCO uses December 31 as the measurement date for its plans.

**Obligations and Funded Status.** The following table provides a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ending December 31, and a statement of the funded status as of December 31:

	<u>Pension Plans</u>		<u>Other Benefits</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
(in millions)				
Benefit obligation at beginning of year	\$218	\$212	\$20	\$18
Service cost	10	10	1	1
Interest cost	14	12	1	1
Benefits paid	(3)	(3)	-	-
Actuarial gain and other	(7)	(13)	(3)	-
Benefit obligation at end of year	<u>\$232</u>	<u>\$218</u>	<u>\$19</u>	<u>\$20</u>
Change in plan assets				
Fair value of plan assets at beginning of year	\$100	\$84	\$6	\$3
Actual return on plan assets	9	10	-	-
Employer contributions	35	8	2	3
Benefits paid	(3)	(3)	-	-
Administrative expenses and other	-	1	-	-
Fair value of plan assets at end of year	<u>\$141</u>	<u>\$100</u>	<u>\$8</u>	<u>\$6</u>
Funded status at end of year	<u>\$ (91)</u>	<u>\$ (118)</u>	<u>\$ (11)</u>	<u>\$ (14)</u>

**Amounts Recognized in the Statement of Financial Position.** The following table provides the amounts recognized in the balance

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sheet and information for plans with benefit obligations in excess of plan assets as of December 31:

	<u>Pension Plans</u>		<u>Other Benefits</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
(in millions)				
Accrued benefit liability – current	\$ (1)	\$ (2)	\$ -	\$ -
Accrued benefit liability – non-current	(90)	(116)	(11)	(14)
Accumulated Other Comprehensive Income	58	69	2	6

Additional year-end information for plans with benefit obligations in excess of plan assets:

Benefit obligation	\$232	\$218	\$ 19	\$ 20
Accumulated benefit obligation	162	160	-	-
Fair value of plan assets	141	100	8	6

**Components of Net Periodic Benefit Costs.** The following table provides the components of net periodic benefit cost for the plans for the twelve months ended December 31:

	<u>Pension Plans</u>		<u>Other Benefits</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
(in millions)				
Service cost	\$10	\$10	\$1	\$1
Interest cost	14	12	1	1
Expected return on plan assets	(11)	(7)	-	-
Amortization of prior service cost	3	1	-	1
Amortization of actuarial gain	3	4	-	-
Net periodic benefit cost	<u>\$19</u>	<u>\$20</u>	<u>\$2</u>	<u>\$3</u>

The assumptions used in the measurement of SERVCO's pension benefit obligations are shown in the following table:

	<u>2007</u>	<u>2006</u>
Weighted-average assumptions as of December 31:		
Discount rate – Non-union plan	6.66%	5.96%
Discount rate – SERP plan	6.41%	5.85%
Discount rate - Officer SERP plan	6.65%	5.96%
Discount rate - Restoration plan	6.77%	5.99%
Rate of compensation increase	5.25%	5.25%

The discount rate is based on the November Mercer Pension Discount Yield Curve, adjusted by the basis point change in the Moody's Corporate Aa Bond Rate in December.

The assumptions used in the measurement of SERVCO's net periodic benefit cost are shown in the following table:



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	<u>2007</u>	<u>2006</u>
Discount rate	5.90%	5.90%
Expected long-term rate of return on plan assets	8.25%	8.25%
Rate of compensation increase	5.25%	5.25%

To develop the expected long-term rate of return on assets assumption, SERVCO considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The following describes the effects on pension benefits by changing the major actuarial assumptions discussed above:

- A 1% change in the assumed discount rate could have an approximate \$27 million positive or negative impact on the 2007 accumulated benefit obligation and an approximate \$44 million positive or negative impact to the 2007 projected benefit obligation.
- A 25 basis point change in the expected rate of return on assets would have less than \$1 million positive or negative impact on 2007 pension expense.

**Assumed Health Care Cost Trend Rates.** For measurement purposes, a 9% annual increase in the per capita cost of covered health care benefits was assumed for 2007. The rate was assumed to decrease gradually to 5% by 2015 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1% change in assumed health care cost trend rates would have resulted in an increase or decrease of less than \$1 million on the 2007 total of service and interest cost components and an increase or decrease of less than \$1 million on the year-end 2007 postretirement benefit obligations.

**Expected Future Benefit Payments.** The following table provides the amount of expected future benefit payments, which reflect expected future service:

(in millions)	<u>Pension Plans</u>	<u>Other Benefits</u>
2008	\$4	\$1
2009	4	1
2010	5	1
2011	6	1
2012	7	1
2013 - 2017	59	9

**Plan Assets.** The following table shows SERVCO's weighted-average asset allocations by asset category at December 31:

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<u>Pension Plans</u>	<u>Target Range</u>	<u>2007</u>	<u>2006</u>
Equity securities	45% - 75%	57%	61%
Debt securities	30% - 50%	43%	39%
Totals		100%	100%

The investment policy of the pension plans was developed in conjunction with financial consultants, investment advisors and legal counsel. The goal of the investment policy is to preserve the capital of the fund and maximize investment earnings. The return objective is to exceed the benchmark return for the policy index comprised of the following: Russell 3000 Index, the MSCI-EAFE Index, Lehman Aggregate and Lehman U.S. Long Government/Credit Bond Index in proportions equal to the targeted asset allocation.

Evaluation of performance focuses on a long-term investment time horizon of at least three to five years or a complete market cycle. The assets of the pension plans are broadly diversified within different asset classes (equities, fixed income securities and cash equivalents).

To minimize the risk of large losses in a single asset class, no more than 5% of the portfolio will be invested in the securities of any one issuer with the exclusion of the U.S. government and its agencies. The equity portion of the fund is diversified among the market's various subsections to diversify risk, maximize returns and avoid undue exposure to any single economic sector, industry group or individual security. The equity sub sectors include, but are not limited to growth, value, small capitalization and international.

In addition, the overall fixed income portfolio holdings may have an average weighted duration, or interest rate sensitivity which is within +/- 20% of the duration of overall fixed income benchmark. Foreign bonds in the aggregate shall not exceed 10% of the total fund. The portfolio may make a limited investment of up to 20% in below investment grade securities provided that the overall average portfolio quality remains "AA" or better. The below investment grade investments include, but are not limited to, medium-term notes, corporate debt, non-dollar and emerging market debt and asset backed securities. The cash investments should be in securities that either are of short maturities (not to exceed 180 days) or readily marketable with modest risk.

Derivative securities are permitted only to improve the portfolio's risk/return profile, modify the portfolio's duration or to reduce transaction costs and must be used in conjunction with underlying physical assets in the portfolio. Derivative securities that involve speculation, leverage, interest rate anticipation, or any undue risk whatsoever are not deemed appropriate investments.

The investment objective for the postretirement benefit plan is to provide current income consistent with stability of principal and liquidity while maintaining a stable net asset value of \$1.00 per share. The postretirement funds held in Voluntary Employee Beneficiary Association (VEBA) trusts are invested in a prime cash money market fund that invests primarily in a portfolio of short-term, high-quality fixed income securities issued by banks, corporations and the U.S. government. The 401(h) plan provides for the payment of health benefits for covered individuals and is invested within the pension allocation.

**Contributions.** SERVCO made a discretionary contribution to the pension plan of \$33 million in January 2007. SERVCO made a \$2 million contribution in April 2008. See Note 9, Subsequent Events. Contributions in 2007 totaled \$33 million to the plan assets and \$2 million in Supplemental Executive Retirement Plan (SERP) payments. Contributions in 2006 totaled \$6 million to the plan assets and \$2 million in SERP payments.

SERVCO made contributions to its other postretirement benefit plans of \$2 million in 2007 and \$3 million in 2006. In 2008, SERVCO plans on making voluntary contributions to fund the VEBA trusts to match the annual postretirement expense and funding the 401(h) plan up to the maximum amount allowed by law.

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**Pension Legislation.** The Pension Protection Act of 2006 was enacted in August 2006. The new rules are generally effective for plan years beginning after 2008. Among other matters, this comprehensive legislation contains provisions applicable to defined benefit plans which generally (i) mandate 100% funding of current liabilities within seven years; (ii) increase tax-deduction levels regarding contributions; (iii) revise certain actuarial assumptions, such as mortality tables and discount rates; and (iv) raise federal insurance premiums and other fees for under-funded and distressed plans. The legislation also contains similar provisions relating to defined-contribution plans and qualified and non-qualified executive pension plans and other matters.

**Thrift Savings Plan.** SERVCO has a thrift savings plan under section 401(k) of the Internal Revenue Code. Under this plan, eligible employees may defer and contribute to the plan a portion of current compensation in order to provide future retirement benefits. SERVCO makes contributions to the plan by matching a portion of the employee's contributions. The costs of this matching were approximately \$3 million for 2007 and 2006.

#### Note 6 - Income Taxes

A United States consolidated income tax return is filed by E.ON U.S.'s direct parent company, E.ON US Investments Corp., for each tax period. Each subsidiary of the consolidated tax group, including SERVCO, will calculate its separate income tax for the tax period. The resulting separate-return tax cost or benefit will be paid to or received from the parent company or its designee. With few exceptions, SERVCO is no longer subject to U.S. federal income tax examinations for years before 2004. Statutes of limitations related to 2004 and later returns are still open. Tax years 2005, 2006 and 2007 are under audit by the Internal Revenue Service (IRS) with the 2007 return being examined under an IRS pilot program named "Compliance Assurance Process". This program accelerates the IRS's review to the actual calendar year applicable to the return and ends 90 days after the return is filed. E.ON U.S. adopted the provisions of FIN 48 effective January 1, 2007. SERVCO had no unrecognized tax benefits at the time of adoption or throughout 2007.

Components of income tax expense are shown in the table below:

(in millions)	<u>2007</u>	<u>2006</u>
Current - federal	\$8	\$(8)
Current - state	1	(1)
Deferred - federal - net	(8)	8
Deferred - state - net	(1)	1
Total income tax expense	<u>\$0</u>	<u>\$0</u>

The increase/decrease in current federal income tax expense and decrease/increase in deferred federal income tax expense in 2007 and 2006, respectively, resulted from the timing of the deduction of pension related expenses. Total income tax expense for 2007 and 2006 was \$0 and pretax income for the two periods was also \$0.

Deferred tax assets, which are mainly of a long-term nature, are summarized below as of December 31:

(in millions)	<u>2007</u>	<u>2006</u>
FERC FORM 60 (NEW 12-05)	204.7	204.7

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**Schedule XIV- Notes to Financial Statements**

Pensions and similar obligations	\$45	\$42
Liabilities and other	4	3
Net deferred income tax asset	<u>\$49</u>	<u>\$45</u>

**Note 7 - Accumulated Other Comprehensive Income**

Accumulated other comprehensive income consisted of the following:

	Minimum Pension Liability Adjustment		Funded Status Of Pension and Postretirement Plans		Totals		
	Pretax	Tax	Pretax	Tax	Pretax	Tax	Net
(in millions)							
Balance at December 31, 2005	\$(21)	\$8	\$ -	\$ -	\$(21)	\$8	\$(13)
Minimum pension liability adjustment	21	(8)	-	-	21	(8)	13
Change in funded status of pension and postretirement plans			(75)	29	(75)	29	-
Balance at December 31, 2006	\$ -	\$ -	\$(75)	\$29	\$(75)	\$29	\$(46)
Change in funded status of pension and postretirement plans			(15)	(6)	(15)	(6)	9
Balance at December 31, 2007	\$ -	\$ -	\$(60)	\$23	\$(60)	\$23	\$(37)

**Note 8 - Stock Appreciation Rights and Share Performance Plan**

Certain officers and employees of E.ON U.S. participated in the E.ON Stock Appreciation Rights (SAR) program, a stock-based compensation plan based on E.ON's shares. The table below shows the number of SARs issued, exercised, and outstanding under the program relating to E.ON U.S.'s officers and employees:

Balance at December 31, 2005	<u>114,453</u>
Exercised	<u>(69,886)</u>
Balance at December 31, 2006	44,567
Exercised	<u>(44,567)</u>
Balance at December 31, 2007	<u>-</u>

E.ON stopped issuing SARs to officers and employees of E.ON U.S. after the 2005 grant, and there were no SARs outstanding at December 31, 2007.

Following the expiration of a two-year blackout period following issuance, qualified executives could exercise all or a portion of the SARs issued to them within predetermined annual exercise windows. The terms of the SARs were limited to seven years.

The amount paid to executives when they exercised their SARs represented the difference between the E.ON stock price at the time of exercise and the underlying stock price at issuance multiplied by the numbers of SARs exercised. In accordance with SFAS No 123(R), *Share-Based Payment*, the SARs were measured at fair value for the first time in 2006. SERVCO recorded SARs expense of less than \$1 million and \$2 million in 2007 and 2006, respectively.

In 2006, a new stock-based compensation system, the E.ON Share Performance Plan (Plan), was introduced, and virtual shares were granted under the Plan to certain officers of E.ON U.S. for the first time. The Plan is a stock-based compensation plan based on E.ON's shares, and it entitles each participant to receive a payment at the end of a three-year period equal to a target value per share times the number of virtual shares granted. The number of virtual shares cannot change during the three-year period, but the target value per share can change based on the change in the price of E.ON's stock during the three-year period compared to the change in the

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Dow Jones STOXX Utilities Index (Total Return EUR) SERVCO uses the fair-value method to account for the Plan.

The table below shows the number of virtual shares issued and outstanding under the Plan. No virtual shares have been eligible for exercise since the inception of the plan.

Balance at December 31, 2005	-
Issued	<u>8,725</u>
Balance at December 31, 2006	8,725
Issued	<u>6,820</u>
Balance at December 31, 2007	<u>15,545</u>

Target values per virtual share issued equaled €96.52 and €79.22 in 2007 and 2006. These amounts represent values of the virtual shares when issued.

SERVCO recorded expense related to the Plan of \$2 million and less than \$1 million in 2007 and 2006, respectively

**Note 9 – Subsequent Events**

On April 9, 2008, SERVCO made a discretionary contribution totaling \$2 million to its pension plan.

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**Schedule XV- Comparative Income Statement**

Line No	Account Number (a)	Title of Account (b)	Current Year (c)	Prior Year (d)
1		<b>INCOME</b>		
2	457	Services Rendered to Associate Companies	292,507,408	243,109,032
3	458	Services Rendered to Non-Associate Companies		
4	421	Miscellaneous Income or Loss		
5		<b>TOTAL (Income)</b>	292,507,408	243,109,032
6		<b>EXPENSE</b>		
7	920	Salaries and Wages	90,206,844	85,797,720
8	921	Office Supplies and Expense	63,311,237	43,689,293
9	922	Administrative Expense Transferred – Credit		
10	923	Outside Services Employed	72,556,863	48,682,445
11	924	Property Insurance	333,936	
12	925	Injuries and Damages	1,183,959	132,188
13	926	Employee Pensions and Benefits	31,089,673	32,943,120
14	928	Regulatory Commission Expense	440,866	
15	930 1	General Advertising Expense	1,186,373	1,670,070
16	930 2	Miscellaneous General Expenses	2,340,355	2,453,559
17	931	Rents	45,379	
18	403	Depreciation and Amortization Expense	916,772	854,551
19	408	Taxes Other Than Income Taxes	6,430,023	6,145,591
20	409	Income Taxes	9,414,701	( 9,014,594)
21	410	Provision for Deferred Income Taxes	( 9,414,701)	9,014,594
22	411	Provision for Deferred Income Taxes – Credit		
23	411 5	Investment Tax Credit		
24	426 1	Donations	2,521,928	2,717,495
25	426 5	Other Deductions	12,631,979	12,317,611
26	427	Interest on Long-Term Debt		
27	430	Interest on Debt to Associate Companies		
28	431	Other Interest Expense		
29		Other Expenses:	7,311,221	5,705,389
30		<b>TOTAL (Expense)</b>	292,507,408	243,109,032
31		<b>NET INCOME OR (LOSS)</b>		

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**Schedule Page: 301 Line No.: 29 Column: c**  
Other Expenses Include:

<u>Account</u>	<u>Current Year</u>	<u>Prior Year</u>
426.3 Penalties	\$ 994	\$ -
426.4 Civic, Political and Related Activities	1,203,481	848,051
935 Maintenance of General Plant	6,106,746	4,857,338
	<u>\$7,311,221</u>	<u>\$5,705,389</u>

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**Account 457 – Analysis of Billing – Associate Companies**

1. For services rendered to associate companies (Account 457), list all of the associate companies

Line No	Account Number (a)	Description (b)	Direct Costs Charged (c)	Indirect Costs Charged (d)	Compensation For Use of Capital (e)	Total Amount Billed (f)
1	457	Name of Associate Companies:				
2		Kentucky Utilities Company	81,083,060	43,188,675		124,271,735
3		Louisville Gas and Electric Company	79,083,926	42,247,569		121,331,495
4		E ON U S Capital Corp	24,332,047	7,204,590		31,536,637
5		E ON U S LLC	2,920			2,920
6		Western Kentucky Energy Corp	8,085,918	2,952,554		11,038,472
7		LG&E International Inc	1,469,700	18,353		1,488,053
8		LG&E Power Inc	143,437	26,803		170,240
9		LG&E Energy Marketing	697,288	881,844		1,579,132
10		LG&E Power Development	562,104	200,372		762,476
11		E ON AG	5,387			5,387
12		E ON Energie AG	( 91)			( 91)
13		E ON Ruhrgas AG	37,470			37,470
14		E On Sverige AB	6,579			6,579
15		E ON U S Natural Gas Trading Inc	274,361	14		274,375
16		E ON UK plc	2,170			2,170
17		KU Solutions	358			358
18						
19						
20						
21						
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37						
38						
39						
40		<b>Total</b>	<b>195,786,634</b>	<b>96,720,774</b>		<b>292,507,408</b>



**Account 458 – Analysis of Billing – Non-Associate Companies**

1. For services rendered to nonassociate companies (Account 458), list all of the nonassociate companies. In a footnote, describe the services rendered to each respective nonassociate company

Line No.	Account Number (a)	Description (b)	Direct Costs Charged (c)	Indirect Costs Charged (d)	Compensation For Use of Capital (e)	Total Amount Billed (f)
1	458	Name of Non-associate Companies:				
2		None				
3						
4						
5						
6						
7						
8						
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10						
11						
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38						
39						
40		<b>Total</b>				

**Schedule XVI- Analysis of Charges for Service- Associate and Non-Associate Companies**

1. Total cost of service will equal for associate and nonassociate companies the total amount billed under their separate analysis of billing schedules

Line No	Account Number (a)	Title of Account (b)	Associate Company Direct Cost (c)	Associate Company Indirect Cost (d)	Associate Company Total Cost (e)	Nonassociate Company Direct Cost (f)	Nonassociate Company Indirect Cost (g)	Nonassociate Company Total Cost (h)
1	920	Salaries and Wages	44,529,108	45,677,736	90,206,844			
2	921	Office Supplies and Expenses	50,706,405	12,604,832	63,311,237			
3	922	Administrative Expense Transferred - Credit						
4	923	Outside Services Employed	61,591,899	10,964,964	72,556,863			
5	924	Property Insurance	333,936		333,936			
6	925	Injuries and Damages	1,150,122	33,837	1,183,959			
7	926	Employee Pensions and Benefits	12,574,791	18,514,882	31,089,673			
8	928	Regulatory Commission Expense	440,866		440,866			
9	930.1	General Advertising Expenses	1,157,784	28,589	1,186,373			
10	930.2	Miscellaneous General Expenses	193,747	2,146,608	2,340,355			
11	931	Rents	45,379		45,379			
12		Other Accounts (provide details in a footnote)	6,106,746		6,106,746			
13	403	Depreciation and Amortization Expense	916,772		916,772			
14	408	Taxes Other Than Income Taxes	626,260	5,803,763	6,430,023			
15	409	Income Taxes	9,414,701		9,414,701			
16	410	Provision For Deferred Income Taxes	( 9,414,701)		( 9,414,701)			
17	411	Provision For Deferred Income Taxes - Credit						
18	411.5	Investment Tax Credit						
19	426.1	Donations	2,166,568	355,360	2,521,928			
20	426.5	Other Deductions	12,264,993	366,986	12,631,979			
21	427	Interest on Long-Term Debt						
22	430	Interest on Debt to Associate Companies						
23	431	Other Interest Expense						
24		Other Accounts (provide details in a footnote)	981,258	223,217	1,204,475			
25		<b>TOTAL EXPENSE</b>	<b>195,786,634</b>	<b>96,720,774</b>	<b>292,507,408</b>			
26								
27		Compensation for Use of Equity Capital						
28		Interest on Debt to Associate Companies						
29		Other Accounts (provide details in a footnote)						
30		<b>TOTAL COST OF SERVICE</b>	<b>195,786,634</b>	<b>96,720,774</b>	<b>292,507,408</b>			



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**Schedule Page: 304 Line No.: 12 Column: e**

Other Accounts Include:

Account Number	Associate Company Direct Cost	Associate Company Indirect Cost	Total
935 Maintenance of General Plant	\$ 6,106,746	-	\$ 6,106,746

**Schedule Page: 304 Line No.: 24 Column: e**

Other Accounts Include:

Account Number	Associate Company Direct Cost	Associate Company Indirect Cost	Total
426.3 Penalties	\$ 994	-	\$ 994
426.4 Civic, Political and Related Activities	980,264	223,217	1,203,481
TOTAL	\$ 981,258	223,217	\$ 1,204,475

**Schedule XVII – Schedule of Expense Distribution by Department or Service Function**

1 List each department or service function according to the Uniform System of Accounts

Line No	Description/Department or Service (a)	Salaries and Wages (920) (b)	Office Supplies and Expenses (921) (c)	Administrative Expense Transferred – Credit (922) (d)	Outside Services Employed (923) (e)	Property Insurance (924) (f)	Injuries and Damages (925) (g)
1	List Each Department/Service						
2	Accounting and Financial Reporting	3,241,417	274,949		875,937		
3	Building Operations and Maintenance Services	752,702	2,392,105		4,809,907		
4	Cash Management and Investment Services	165,940	2,648,701				
5	Corporate Finance Services	382,916	559,338		282,737		
6	Corporate Human Resources	2,831,574	827,655		708,459		
7	Corporate Tax	747,945	100,175		59,274		
8	Customer Service	3,996,573	849,323		1,469,411		779
9	Distribution Operations	4,749,150	814,958		1,194,049		1,105,826
10	Document Services	81,264	5,800,569		2,207,161		
11	Environmental Affairs Management	952,370	841,846		545,420		
12	Executive Management Services	4,706,102	2,760,529		3,344,550		
13	External and Brand Communication	1,441,531	1,592,071		1,275,810		
14	Financial and Contract Auditing	829,245	98,553		10,637		
15	Financial Planning and Budgeting	1,423,587	111,219		43,932		
16	Financial Systems	250,995	6,649		57,890		
17	Fuel Procurement	1,054,592	1,137,290		253,102		
18	Industrial Relations	332,801	28,724		4,124		
19	Information Technology	14,754,041	31,864,204		26,253,081		
20	Legal and Compliance Services	2,166,824	1,377,958		13,836,608		
21	Materials Logistics	561,735	137,054		53,430		
22	Metering	274,190	847,443				4,000
23	Payroll	275,890	28,909		57,057		
24	Power Generation	4,619,641	2,060,807		1,494,224		
25	Procurement and Major Contracts	179,700	43,346		8,332		
26	Regulatory Affairs management	985,793	77,943		71,028		
27	Regulatory Marketing	4,422,732	760,041		575,212		
28	Revenue Collection	709,335	217,527		148,087		
29	Right of Way Services	238,812	29,377		154,372		
30	Risk Management		450		620,203	333,936	44,645
31	Sales and Marketing	2,448,688	2,564,703		7,812,902		
32	Security Services	222,455	135,347		2,125,043		
33	Strategic Planning	338,823	14,184		21,448		
34	Strategic Sourcing and Support	877,576	75,894		133,195		
35	Technical and Safety Training	1,147,524	478,494		202,161		27,391
36	Trading Controls/Energy Marketing Accounting	424,089	37,164		8,273		
37	Transmission	6,097,175	1,767,776		1,598,456		7,989
38	Transportation Services	162,657	6,195		80,626		
39	Overheads/Corporate Allocated	21,358,456	( 58,235)		160,725		( 6,671)
40	<b>Total</b>	90,206,844	63,311,237		72,556,863	333,936	1,183,959

**Schedule XVII – Schedule of Expense Distribution by Department or Service Function (continued)**

1. List each department or service function according to the Uniform System of Accounts

Line No	Description/Department or Service (a)	Employee Pensions and Benefits (926) (h)	Regulatory Commission Expense (928) (i)	General Advertising Expenses (930 1) (j)	Miscellaneous General Expenses (930 2) (k)	Rents (931) (l)	Depreciation and Amortization Expense (403) (m)
1	List Each Department/Service						
2	Accounting and Financial Reporting				( 52)		
3	Building Operations and Maintenance Services					( 28,302)	
4	Cash Management and Investment Services						
5	Corporate Finance Services					73,524	
6	Corporate Human Resources						
7	Corporate Tax				613		
8	Customer Service						
9	Distribution Operations						
10	Document Services						
11	Environmental Affairs Management				812,067		
12	Executive Management Services				962,656		
13	External and Brand Communication			1,186,373			
14	Financial and Contract Auditing						
15	Financial Planning and Budgeting						
16	Financial Systems						
17	Fuel Procurement						
18	Industrial Relations						
19	Information Technology				5,432	157	
20	Legal and Compliance Services				12,235		
21	Materials Logistics						
22	Metering						
23	Payroll						
24	Power Generation				477,284		
25	Procurement and Major Contracts						
26	Regulatory Affairs management		440,866				
27	Regulatory Marketing						
28	Revenue Collection						
29	Right of Way Services						
30	Risk Management						
31	Sales and Marketing				71,345		
32	Security Services						
33	Strategic Planning						
34	Strategic Sourcing and Support						
35	Technical and Safety Training						
36	Trading Controls/Energy Marketing Accounting						
37	Transmission						
38	Transportation Services						
39	Overheads/Corporate Allocated	31,089,673			( 1,225)		916,772
40	<b>Total</b>	31,089,673	440,866	1,186,373	2,340,355	45,379	916,772

**Schedule XVII – Schedule of Expense Distribution by Department or Service Function (continued)**

1. List each department or service function according to the Uniform System of Accounts

Line No	Description/Department or Service (a)	Taxes Other Than Income Taxes (408) (n)	Income Taxes (409) (o)	Provision For Deferred Income Taxes (410) (p)	Provision For Deferred Income Taxes - Credit (411) (q)	Investment Tax Credit (411.5) (r)	Donations (426.1) (s)
1	List Each Department/Service						
2	Accounting and Financial Reporting						1,000
3	Building Operations and Maintenance Services						1,500
4	Cash Management and Investment Services						
5	Corporate Finance Services						2,500
6	Corporate Human Resources						4,363
7	Corporate Tax						
8	Customer Service						8,155
9	Distribution Operations						36,728
10	Document Services						
11	Environmental Affairs Management						10,000
12	Executive Management Services						924,303
13	External and Brand Communication						1,418,872
14	Financial and Contract Auditing						
15	Financial Planning and Budgeting						
16	Financial Systems						
17	Fuel Procurement						4,500
18	Industrial Relations						1,797
19	Information Technology						5,200
20	Legal and Compliance Services						10,000
21	Materials Logistics						300
22	Metering						
23	Payroll						
24	Power Generation						9,577
25	Procurement and Major Contracts						
26	Regulatory Affairs management						
27	Regulatory Marketing						500
28	Revenue Collection						150
29	Right of Way Services						
30	Risk Management						
31	Sales and Marketing						52,233
32	Security Services						
33	Strategic Planning						5,800
34	Strategic Sourcing and Support						24,200
35	Technical and Safety Training						
36	Trading Controls/Energy Marketing Accounting						
37	Transmission						250
38	Transportation Services						
39	Overheads/Corporate Allocated	6,430,023	9,414,701	( 9,414,701)			
40	<b>Total</b>	6,430,023	9,414,701	( 9,414,701)			2,521,928

Name of Respondent E ON U S Services Inc	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo. Da. Yr) / /	Year/Period of Report Dec 31, 2007
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**Schedule XVII – Schedule of Expense Distribution by Department or Service Function (continued)**

1 List each department or service function according to the Uniform System of Accounts.

Line No.	Description/Department or Service (a)	Other Deductions (426.5) (t)	Interest on Long-Term Debt (427) (u)	Interest on Debt to Associate Companies (430) (v)	Other Interest Expense (431) (w)	Overhead (x)	Other Accounts (y)	Total Expense (z)
1	List Each Department/Service							
2	Accounting and Financial Reporting	877				0		4,394,128
3	Building Operations and Maintenance Services	2,397					1,587	7,931,896
4	Cash Management and Investment Services							2,814,641
5	Corporate Finance Services	5,787						1,306,802
6	Corporate Human Resources	81,692					1,394	4,455,137
7	Corporate Tax	7,733					994	916,734
8	Customer Service	32,424					1,928	6,358,593
9	Distribution Operations	136,240					2,194	8,039,145
10	Document Services							8,088,994
11	Environmental Affairs Management	1,291						3,162,994
12	Executive Management Services	215,509					413,739	13,327,388
13	External and Brand Communication	65,553					780,882	7,761,092
14	Financial and Contract Auditing	878						939,313
15	Financial Planning and Budgeting	536						1,579,274
16	Financial Systems							315,534
17	Fuel Procurement	75,665						2,525,149
18	Industrial Relations						380	367,826
19	Information Technology						6,123,690	79,005,805
20	Legal and Compliance Services	46,414						17,450,039
21	Materials Logistics	433						752,952
22	Metering							1,125,633
23	Payroll							361,856
24	Power Generation	361,865						9,023,398
25	Procurement and Major Contracts	9,135						240,513
26	Regulatory Affairs management	68,862					4,001	1,648,493
27	Regulatory Marketing	3,095					401	5,761,981
28	Revenue Collection	9,029						1,084,129
29	Right of Way Services							422,561
30	Risk Management							999,234
31	Sales and Marketing	108,156						13,058,027
32	Security Services							2,482,846
33	Strategic Planning							380,255
34	Strategic Sourcing and Support							1,110,867
35	Technical and Safety Training	713						1,856,283
36	Trading Controls/Energy Marketing Accounting	1,149						470,675
37	Transmission	31,621						9,503,269
38	Transportation Services							249,478
39	Overheads/Corporate Allocated	11,364,925					( 19,969)	71,234,474
40	<b>Total</b>	12,631,979					7,311,221	292,507,408



Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2007
E. ON U.S. Services Inc.			
FOOTNOTE DATA			

**Schedule Page: 305 Line No.: 2 Column: x**

Summary of Overhead Expenses by Department or Service Function

Accounting and Financial Reporting	\$ 2,541,970
Building Operations and Maintenance Services	608,944
Cash Management and Investment Services	131,904
Corporate Finance Services	348,476
Corporate Human Resources	2,375,233
Corporate Tax	599,861
Customer Service	3,118,004
Distribution Operations	3,817,101
Document Services	65,162
Environmental Affairs Management	761,068
Executive Management Services	3,321,188
External and Brand Communication	1,154,477
Financial and Contract Auditing	667,812
Financial Planning and Budgeting	1,162,200
Financial Systems	203,222
Fuel Procurement	841,394
Industrial Relations Management	369,174
Information Technology	11,874,857
Legal and Compliance Services	1,692,494
Materials Logistics	448,174
Metering	219,199
Payroll	221,833
Power Generation	3,662,923
Procurement and Major Contracts	148,106
Regulatory Marketing	3,567,125
Regulatory Affairs Management	765,039
Revenue Collection	564,563
Right of Way Services	190,764
Sales and marketing	1,982,399
Security Services	180,521
Strategic Planning	278,536
Strategic Sourcing and Support	697,116
Technical and Safety Training	919,129
Trading Controls/Energy Marketing Accounting	386,089
Transmission	4,922,705
Transportation Services	130,460
Corporate Allocated	<u>15,236,217</u>
TOTAL	<u>\$70,175,439</u>

Name of Respondent	This Report is:	Resubmission Date	Year of Report
E. ON U.S. Services Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2007
FOOTNOTE DATA			

**Schedule Page: 305 Line No.: 39 Column: a**

Overheads/Corporate Allocated Breakdown

Overheads	\$70,175,439
Corporate Allocated	<u>1,059,035</u>
<b>Total</b>	<b>\$71,234,474</b>

**Schedule Page: 305 Line No.: 40 Column: y**

Other Accounts Include:

Description/Department or Service	Maintenance of General Plant	Penalties	Civic, Political, and Related Activities	Other Accounts
	(935)	(426 3)	(426 4)	Total Expense
Building Operations and Maintenance Expense	\$ 1,587	\$ -	\$ -	\$ 1,587
Corporate Human Resources			1,394	1,394
Corporate Tax		994		994
Customer Service			1,928	1,928
Distribution Operations			2,194	2,194
Executive Management Services	1,437		412,302	413,739
External and Brand Communication			780,882	780,882
Industrial Relations Management			380	380
Information Technology	6,123,690			6,123,690
Regulatory Affairs Management			4,001	4,001
Regulatory Marketing			401	401
Overheads/Corporate Allocated	(19,969)			(19,969)
<b>Total</b>	<b>\$ 6,106,745</b>	<b>\$ 994</b>	<b>\$ 1,203,482</b>	<b>\$ 7,311,221</b>

**Account 920 – Departmental Analysis of Salaries (continued)**

1 For the name of department (Column A), list each department or service function.

Line No	Name of Department  (a)	Dept Salary Expense Included in Amounts Bill to Others	Dept Salary Expense Included in Amounts Bill to Others	Dept Salary Expense Included in Amounts Bill to Others	Dept Salary Expense Included in Amounts Bill to Others	Number of Personnel End of Year  (f)
		Total Amount (b)	Parent Company (c)	Other Associates (d)	Nonassociates (e)	
1	Accounting and Financial Reporting	4,237,737		4,237,737		56
2	Building Operation and Maintenance Services	990,462		990,462		13
3	Cash management and Investment Services	218,239		218,239		3
4	Corporate	74,019		74,019		1
5	Corporate Finance Services	502,710		502,710		9
6	Corporate Human Resources	3,710,839		3,710,839		50
7	Corporate Tax	982,615		982,615		12
8	Customer Service	5,215,369		5,215,369		120
9	Distribution Operation	6,242,245		6,242,245		61
10	Document Services	106,851		106,851		1
11	Environmental Affairs Management	1,251,638		1,251,638		13
12	Executive Management Services	5,961,751		5,961,751		29
13	External and Brand Communications	1,891,865		1,891,865		18
14	Financial and Contract Auditing	1,090,236		1,090,236		14
15	Financial Planning and Budgeting	1,871,948		1,871,948		23
16	Financial Systems	329,582		329,582		4
17	Fuel Procurement	1,386,405		1,386,405		14
18	Industrial Relations Management	437,306		437,306		3
19	Information Technology	19,369,255		19,369,255		222
20	Legal Services	2,837,623		2,837,623		28
21	Materials Logistics	739,171		739,171		8
22	Metering	360,466		360,466		4
23	Payroll	362,552		362,552		6
24	Power Generation	6,063,762		6,063,762		82
25	Procurement and Major Contracts	236,287		236,287		2
26	Regulatory Affairs Management	1,285,456		1,285,456		11
27	Regulatory Marketing	5,797,505		5,797,505		66
28	Revenue Collection	932,953		932,953		15
29	Right of Way Services	313,887		313,887		4
30	Sales and Marketing	3,215,789		3,215,789		34
31	Security Services	292,505		292,505		4
32	Sourcing Support	616,551		616,551		11
33	Strategic Planning	445,313		445,313		4
34	Strategic Sourcing	531,983		531,983		7
35	Technical and Safety Training	1,508,549		1,508,549		12
36	Trading Controls/Energy Marketing Accounting	548,981		548,981		11
37	Transmission	8,032,600		8,032,600		91
38	Transportation Services	213,839		213,839		2
39						
40	<b>Total</b>	<b>90,206,844</b>		<b>90,206,844</b>		<b>1,068</b>

Name of Respondent E. ON U.S. Services Inc	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo. Da. Yr) / /	Year/Period of Report Dec 31. 2007
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**Account 930.2 Miscellaneous General Expenses**

1. Provide a listing of the amount included in miscellaneous general expenses (Account 930.2), classifying such expenses according to their nature. Payments and expenses permitted by Section 321(b)(2) of the Federal Election Campaign Act, as amended by Public Law 94-283 in 1976 (2 U.S.C. 441(b)(2)) shall be separately classified

Line No	Title of Account (a)	Amount (b)
1	Telecommunications	5,432
2	Business License Fees	613
3	Association Dues	30,445
4	Other Miscellaneous General Expense - Meals	5,645
5	Other Miscellaneous General Expense - Business License Fees	159,317
6	Other Miscellaneous General Expense - Travel	413
7	Other Miscellaneous General Expense - Misc	( 18,115)
8	Nondeductible Penalties	9,997
9	Association Dues - Indirect Dues and Subscriptions - EEI	632,512
10	Research Work Indirect - Computer Software Upgrades/Licenses	647
11	Research Work Indirect - Computer Software Maintenance	40,253
12	Research and Development Expenses - Dues and Subscriptions - EPRI	1,443,995
13	Research and Development Expenses - Business License Fees	4,568
14	Other Miscellaneous General Expense Indirect - Dues and Subscriptions	1,000
15	Other Miscellaneous General Expense Indirect - Business License Fees	4,170
16	Other Miscellaneous General Expense Indirect - Miscellaneous	19,463
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40	<b>Total</b>	<b>2,340,355</b>

Name of Respondent E. ON U.S. Services Inc.	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2007
<b>Schedule XVIII Notes to Statement of Income</b>			

- 1 Use the space below for important notes regarding the statement of income or any account thereof.
- 2 Furnish particulars as to any significant increase in services rendered or expenses incurred at the end of the year
- 3 Notes relating to financial statements shown elsewhere in this report may be indicated here by reference

See Notes to Financial Statements on Schedule XIV, beginning on page 204.1.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report
E. ON U.S. Services Inc.	Organization Chart		2007

1. Attach a copy of service company's current organization chart.

The following are officers of E ON U.S. Services Inc. as of December 31, 2007:

Victor A. Staffieri <i>Chairman of the Board, President and Chief Executive Officer</i>	
John R. McCall <i>Vice President and Secretary</i>	S Bradford Rives <i>Chief Financial Officer</i>
	Daniel K. Arbough <i>Treasurer</i>

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2007
E. ON U.S. Services Inc.			
Methods of Allocation			

1. List the currently effective methods of allocation being used by the service company.

## METHODS OF ALLOCATION

Information Systems Chargeback Rates – Rates for services, including but not limited to software, consulting, mainframe and personal computer services, are based on the costs of labor, materials and information services overheads related to the provision of each service. Such rates are applied based on the specific equipment employed and the measured usage of services by Client entities. These rates will be determined annually based on actual experience and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes.

Number of Customers Ratio - A ratio based on the number of retail electric and/or gas customers. This ratio will be determined annually based on the actual number of customers at the end of the previous calendar year and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes. In some cases, the ratio may be calculated based on the type of customer class being served (i.e. Residential, Commercial or Industrial).

Number of Employees Ratio – A ratio based on the number of employees benefiting from the performance of a service. This ratio will be determined annually based on actual counts of applicable employees at the end of the previous calendar year and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes. In some cases, a two-step assignment methodology is utilized to properly allocate SERVCO employee costs to the proper legal entity.

Departmental Charge Ratio – A specific SERVCO department ratio based upon various factors such as labor hours, labor dollars, departmental or Client entity headcount, etc. The departmental charge ratio typically applies to indirectly attributable costs such as departmental administrative, support, and/or material and supply costs that benefit more than one affiliate and that require allocation using general measures of cost causation. Methods for assignment are department-specific depending on the type of product or service being performed and are documented by the PUHCA compliance function on an annual basis to ensure consistent and proper application and periodic true-up, where necessary, for SERVCO billing purposes.

Electric Peak Load Ratio – Based on the sum of the monthly electric maximum system demands for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company and the denominator of which is for all operating companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

Revenue Ratio – Based on the sum of the revenue at the end of each month for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies. This ratio will be determined annually, or at such time as may be required due to significant changes.

Payroll Ratio – Based on the sum of the payroll at the end of each month for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies. This ratio will be determined annually, or at such time as may be required due to significant changes.

Total Assets Ratio – Based on the total assets at year-end for the preceding year, the numerator of which is for an operating company or affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies. This ratio will be determined annually, or at such time as may be required due to significant changes. In the event of joint ownership of a specific asset, asset ownership percentages will be utilized to assign costs.

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2007
E. ON U.S. Services Inc.	Methods of Allocation		

Contract Ratio – Based on the sum of the physical amount (i.e. tons of coal, cubic feet of natural gas) of the contract for both coal and natural gas at the end of each month for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies. This ratio will be determined annually, or at such time as may be required due to significant changes.

Number of Meters Ratio – Ratio based on the number or types of meters being utilized by all levels of customer classes within the system for the immediately preceding twelve consecutive calendar months. The numerator is equal to the number of meters for a specific Client entity and the denominator is equal to such expenditures for all applicable client entities. This ratio will be determined annually, or at such time as may be required due to significant change.

Number of Transactions Ratio – Based on the sum of transactions occurring in the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies. This ratio will be determined on a monthly basis, or at such time as may be required due to significant changes. For example, services with regard to Procurement and Major Contracts define a transaction as the number of contracts negotiated. Services pertaining to Materials Logistics would define the transaction as the number of items ordered, picked and disbursed out of the warehouse. Services pertaining to Accounts Payable would define the transaction as the number of invoices processed. Similar to the Departmental Charge Ratio, defined previously, the PUHCA compliance function is responsible for maintaining and monitoring specific product/service methodology documentation and periodic true-up requirements for actual transactions related to SERVCO billings.

Retail Revenue Ratio – Based on utility revenues, excluding energy marketing revenues, for the immediate preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affiliate and the denominator of which is for all operating companies and affected affiliate companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

Energy Marketing Ratio – Based on the absolute value of equivalent megawatt hours purchased or sold for the immediate preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affiliate and the denominator of which is for all operating companies and affected affiliate companies. This ratio will be determined annually, or at such time as may be required due to a significant change.

Regulatory Mandate Ratios – Based on Federal or state mandated percentage allocations based on regulatory proceedings and requirements. These ratios are typically developed in concert with regulatory authorities representing the results of merger or joint asset ownership negotiations and are supported by specific contracts regarding legal entity allocation requirements. Contract terms and periodic updates, if necessary, are maintained and monitored by the PUHCA compliance function and SERVCO departmental management.

Project Ratio – Based on the total costs for any departmental or affiliate project at the end of each month for the immediately preceding twelve consecutive calendar months, the numerator of which is for an operating company or an affected affiliate company and the denominator of which is for all operating companies and affected affiliate companies. This ratio will be determined on a monthly basis, or at such time as may be required due to significant changes.

Transportation Resource Management System Chargeback Rate – Rates for use of transportation equipment are based on the costs associated with providing and operating transportation fleet for all affiliated companies including developing fleet policy, administering regulatory compliance programs, managing repair and maintenance of vehicles and procuring vehicles. Such rates are applied based on the specific equipment employment and the measured usage of services by Client entities. These rates will be determined annually based on actual experience and may be adjusted for any known and reasonably



Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Resubmission Date (Mo, Da, Yr) / /	Year of Report 2007
E. ON U.S. Services Inc.			
Methods of Allocation			

quantifiable events, or at such time as may be required due to significant changes.

Non-Fuel Material and Services Expenditures – A ratio based on non-fuel material and services expenditures, net of reimbursements, for the immediately preceding twelve consecutive calendar months. The numerator is equal to such expenditures for a specific Client entity and/or line-of-business as appropriate and the denominator is equal to such expenditures for all applicable Client entities. This ratio will be determined annually, or at such time as may be required due to a significant change.

Name of Respondent	This Report is:	Resubmission Date	Year of Report
E. ON U.S. Services Inc.	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2007
<b>Annual Statement of Compensation for Use of Capital Billed</b>			

1. Attach a copy of the annual statement supplied to each associate service company in support of the amount of compensation for use of capital billed during the calendar year.

Not Applicable



**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

**CASE NO. 2007-00565**

**Response to First Data Request of the Kentucky Industrial Utility Customers, Inc.  
Dated August 27, 2008**

**Question No. 6**

**Responding Witness: Shannon L. Charnas**

Q-6. Please provide a copy of the Company's two most recent FERC Form 3Qs.

A-6. See attached.

**KU FERRC Form 3Q – 2008/Q2  
Responding Witness – Shannon L. Charnas**

THIS FILING IS

Item 1:  An Initial (Original) Submission OR  Resubmission No. \_\_\_\_\_

Form 1 Approved  
OMB No. 1902-0021  
(Expires 7/31/2008)  
Form 1-F Approved  
OMB No. 1902-0029  
(Expires 6/30/2007)  
Form 3-Q Approved  
OMB No. 1902-0205  
(Expires 6/30/2007)



# FERC FINANCIAL REPORT

## FERC FORM No. 1: Annual Report of Major Electric Utilities, Licensees and Others and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature.

Exact Legal Name of Respondent (Company)

Kentucky Utilities Company

Year/Period of Report

End of 2008/Q2

**FERC FORM NO. 1/3-Q:  
REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER**

**IDENTIFICATION**

01 Exact Legal Name of Respondent Kentucky Utilities Company		02 Year/Period of Report End of 2008/Q2
03 Previous Name and Date of Change (if name changed during year) / /		
04 Address of Principal Office at End of Period (Street, City, State, Zip Code) 220 West Main Street, P.O. Box 32010, Louisville, KY 40232		
05 Name of Contact Person Mimi Kelly		06 Title of Contact Person Mgr - Regulatory Acct & Reprt
07 Address of Contact Person (Street, City, State, Zip Code) P.O. Box 32010, Louisville, KY 40232		
08 Telephone of Contact Person, including Area Code (502) 627-2482	09 This Report Is (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	10 Date of Report (Mo, Da, Yr) / /

**QUARTERLY CORPORATE OFFICER CERTIFICATION**

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report, conform in all material respects to the Uniform System of Accounts.

01 Name S. Bradford Rives	03 Signature  S. Bradford Rives	04 Date Signed (Mo, Da, Yr) 08/15/2008
02 Title Chief Financial Officer		

Title 18, U.S.C. 1001 makes it a crime for any person to knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.





Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report / /	Year/Period of Report End of 2008/Q2
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IMPORTANT CHANGES DURING THE QUARTER/YEAR

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none," "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other condition. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on Page 106, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. (Reserved )
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by Instructions 1 to 11 above, such notes may be included on this page.
13. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
14. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

PAGE 108 INTENTIONALLY LEFT BLANK  
SEE PAGE 109 FOR REQUIRED INFORMATION.

Name of Respondent Kentucky Utilities Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2008/Q2
IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)			

1. None.
2. None.
3. None.
4. None of a material nature.
5. None of a material nature.
6. The Company had obtained authorization from the SEC under the Public Utility Holding Company Act of 1935 (PUHCA 1935) SEC File No. 70-10282 for the issuance of short-term debt up to \$400 million through May 31, 2008. The Federal Power Act contained an exemption from FERC approval for securities issuances approved by the SEC under PUHCA 2005. In connection with the repeal of the PUHCA of 1935, the Company also received FERC authorization under the FPA Docket No. ES07-60-000 for up to \$400 million in short-term debt through November 30, 2009. The Company's money pool balance increased from \$50 million at March 31, 2008 to \$75 million at June 30, 2008. During the second quarter of 2008, the Company entered into a new \$75 million long-term loan agreement with an affiliate which matures in 2023, as authorized by the Kentucky Public Service Commission in its February 13, 2008 Order in Case No. 2007-00548, the Commonwealth of Virginia State Corporation Commission in its January 16, 2008 Order in Case No. PUE-2007-00118, and the Tennessee Regulatory Authority in its February 22, 2008 Order in Case No. 08-00009.
7. None.
8. None of a material nature.
9. See Notes 2 and 7 of Notes to Financial Statements.
10. None.
11. N/A
12. N/A
13. Martyn Gallus, formerly Senior Vice President, Energy Marketing, is serving in a position with an international affiliate, effective January 2008. Effective during January 2008, David S. Sinclair was appointed Vice President – Energy Marketing. Effective during June 2008, John N. Voyles, Jr. was appointed Vice President – Transmission and Generation Services. Additionally, during June 2008, D. Ralph Bowling was appointed Vice President – Power Production.
14. The Company is a participant in a cash pooling arrangement, but its proprietary capital ratio is above 30 percent.

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q2
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**COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)**

Line No.	Title of Account (a)	Ref Page No (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	<b>UTILITY PLANT</b>			
2	Utility Plant (101-106, 114)	200-201	4,153,670,012	3,867,960,512
3	Construction Work in Progress (107)	200-201	1,141,179,136	1,071,388,626
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		5,294,849,148	4,939,349,138
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	1,991,981,965	1,931,454,524
6	Net Utility Plant (Enter Total of line 4 less 5)		3,302,867,183	3,007,894,614
7	Nuclear Fuel in Process of Ref., Conv., Enrich., and Fab. (120.1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		0	0
10	Spent Nuclear Fuel (120.4)		0	0
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		0	0
14	Net Utility Plant (Enter Total of lines 6 and 13)		3,302,867,183	3,007,894,614
15	Utility Plant Adjustments (116)	122	0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	<b>OTHER PROPERTY AND INVESTMENTS</b>			
18	Nonutility Property (121)		179,121	180,296
19	(Less) Accum. Prov. for Depr. and Amort. (122)		0	0
20	Investments in Associated Companies (123)		23,129,358	22,502,868
21	Investment in Subsidiary Companies (123.1)	224-225	0	0
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		661,140	661,140
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		6,113,217	5,915,884
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		0	0
31	Long-Term Portion of Derivative Assets - Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		30,082,836	29,260,188
33	<b>CURRENT AND ACCRUED ASSETS</b>			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		0	321,021
36	Special Deposits (132-134)		46,075	10,985,556
37	Working Fund (135)		34,517	38,680
38	Temporary Cash Investments (136)		17,747	17,490
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		84,977,225	93,443,216
41	Other Accounts Receivable (143)		26,152,575	21,261,831
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		2,529,071	1,939,209
43	Notes Receivable from Associated Companies (145)		0	0
44	Accounts Receivable from Assoc. Companies (146)		344,613	16,983,062
45	Fuel Stock (151)	227	55,673,865	41,770,628
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	28,419,719	27,370,026
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	153,758	382,894

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q2
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**COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)**(Continued)

Line No.	Title of Account (a)	Ref. Page No (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	6,360,858	6,454,808
55	Gas Stored Underground - Current (164.1)		0	0
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		1,997,383	5,293,879
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		25,903	95,727
60	Rents Receivable (172)		0	0
61	Accrued Utility Revenues (173)		52,799,000	58,867,000
62	Miscellaneous Current and Accrued Assets (174)		0	16,145
63	Derivative Instrument Assets (175)		0	537,979
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		0	0
65	Derivative Instrument Assets - Hedges (176)		0	0
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176)		0	0
67	Total Current and Accrued Assets (Lines 34 through 66)		254,474,167	281,900,733
68	<b>DEFERRED DEBITS</b>			
69	Unamortized Debt Expenses (181)		6,576,777	7,281,131
70	Extraordinary Property Losses (182.1)	230	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230	0	0
72	Other Regulatory Assets (182.3)	232	83,950,112	82,165,251
73	Prelim. Survey and Investigation Charges (Electric) (183)		1,817,188	1,667,653
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		0	2,368,433
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	69,581,670	67,276,079
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		10,799,583	10,173,667
82	Accumulated Deferred Income Taxes (190)	234	49,891,465	50,753,516
83	Unrecovered Purchased Gas Costs (191)		0	0
84	Total Deferred Debits (lines 69 through 83)		222,616,795	216,948,864
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		3,810,040,981	3,536,004,399

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FOOTNOTE DATA			

**Schedule Page: 110 Line No.: 76 Column:**  
 The negative balance resulted from a higher level of capital additions in 2007.

Name of Respondent Kentucky Utilities Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Rresubmission	Date of Report (mo, da, yr) / /	Year/Period of Report end of 2008/Q2
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**COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)**

Line No.	Title of Account (a)	Ref. Page No (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	308,139,978	308,139,978
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)	252	0	0
5	Stock Liability for Conversion (203, 206)	252	0	0
6	Premium on Capital Stock (207)	252	0	0
7	Other Paid-In Capital (208-211)	253	165,000,000	90,000,000
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254	321,289	321,289
11	Retained Earnings (215, 215.1, 216)	118-119	1,105,418,247	1,016,489,982
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	6,207,068	21,207,068
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	0	0
16	Total Proprietary Capital (lines 2 through 15)		1,584,444,004	1,435,515,739
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	332,753,140	332,753,140
19	(Less) Reaquired Bonds (222)	256-257	29,593,620	0
20	Advances from Associated Companies (223)	256-257	1,006,000,000	931,000,000
21	Other Long-Term Debt (224)	256-257	0	0
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		0	0
24	Total Long-Term Debt (lines 18 through 23)		1,309,159,520	1,263,753,140
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		0	0
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		3,061,289	3,098,519
29	Accumulated Provision for Pensions and Benefits (228.3)		86,820,281	87,925,008
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
31	Accumulated Provision for Rate Refunds (229)		0	0
32	Long-Term Portion of Derivative Instrument Liabilities		0	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		31,290,104	30,315,059
35	Total Other Noncurrent Liabilities (lines 26 through 34)		121,171,674	121,338,586
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		0	0
38	Accounts Payable (232)		169,448,317	161,858,433
39	Notes Payable to Associated Companies (233)		75,443,454	23,219,454
40	Accounts Payable to Associated Companies (234)		49,872,467	48,442,227
41	Customer Deposits (235)		20,035,431	19,573,318
42	Taxes Accrued (236)	262-263	2,085,830	4,089,209
43	Interest Accrued (237)		1,058,381	1,532,755
44	Dividends Declared (238)		0	0
45	Matured Long-Term Debt (239)		0	0



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FOOTNOTE DATA			

**Schedule Page: 112 Line No.: 7 Column:**

The increase in Other Paid-In Capital was the result of equity contributions from E.ON U.S. LLC for \$25,000,000 in March 2008 and \$50,000,000 in June 2008.

**Schedule Page: 112 Line No.: 19 Column:**

In February 2008, Kentucky Utilities Company (KU) issued a notice to bondholders of its intention to convert the Carroll County 2007 Series A bond and the Trimble County 2007 Series A bond from the auction rate mode to a fixed interest rate mode, as permitted under the loan documents. These conversions were completed in April 2008, and the new rates on the bonds are 5.75% and 6.00%, respectively.

In March 2008, KU issued notices to bondholders of its intention to convert the Carroll County 2006 Series C bond and the Mercer County 2000 Series A bond from the auction rate mode to a weekly interest rate mode, as permitted under the loan documents. The Carroll County conversion was completed in April 2008, and the Mercer County conversion was completed in May 2008. In connection with these conversions, KU purchased the bonds from the remarketing agent.



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STATEMENT OF INCOME

Quarterly

1. Enter in column (d) the balance for the reporting quarter and in column (e) the balance for the same three month period for the prior year
2. Report in column (f) the quarter to date amounts for electric utility function; in column (h) the quarter to date amounts for gas utility, and in (j) the quarter to date amounts for other utility function for the current year quarter.
3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in (k) the quarter to date amounts for other utility function for the prior year quarter.
4. If additional columns are needed place them in a footnote.

Annual or Quarterly if applicable

5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others. in another utility column in a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.
8. Report data for lines 8, 10 and 11 for Natural Gas companies using accounts 404 1, 404 2, 404 3, 407 1 and 407 2.

Line No.	Title of Account (a)	(Ref.) Page No. (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	668,496,218	617,752,527	316,299,572	300,919,966
3	Operating Expenses					
4	Operation Expenses (401)	320-323	427,824,961	381,245,856	207,792,887	190,166,053
5	Maintenance Expenses (402)	320-323	46,939,437	37,959,421	25,603,393	19,970,426
6	Depreciation Expense (403)	336-337	60,176,817	55,047,123	29,913,137	27,886,216
7	Depreciation Expense for Asset Retirement Costs (403 1)	336-337	185,720	51,750	111,987	73,628
8	Amort & Depl of Utility Plant (404-405)	336-337	2,481,057	2,808,455	1,294,122	1,410,280
9	Amort of Utility Plant Acq Adj (406)	336-337				
10	Amort Property Losses, Unrecov Plant and Regulatory Study Costs (407)					
11	Amort of Conversion Expenses (407)					
12	Regulatory Debits (407 3)					
13	(Less) Regulatory Credits (407 4)		1,121,525	1,022,990	552,317	538,895
14	Taxes Other Than Income Taxes (408 1)	262-263	10,175,212	9,351,399	5,232,356	4,829,925
15	Income Taxes - Federal (409 1)	262-263	21,179,388	21,210,946	2,601,944	8,349,790
16	- Other (409 1)	262-263	5,604,363	7,142,888	2,425,729	3,166,253
17	Provision for Deferred Income Taxes (410 1)	234, 272-277	15,690,199	12,908,890	8,615,388	6,368,594
18	(Less) Provision for Deferred Income Taxes-Cr (411 1)	234, 272-277	24,086,478	20,340,676	13,094,400	11,052,590
19	Investment Tax Credit Adj - Net (411 4)	266	12,925,000	19,750,000	9,725,000	9,875,000
20	(Less) Gains from Disp. of Utility Plant (411 6)					
21	Losses from Disp. of Utility Plant (411 7)					
22	(Less) Gains from Disposition of Allowances (411 8)		583,107	706,851	57	81
23	Losses from Disposition of Allowances (411 9)					
24	Accretion Expense (411 10)		975,045	930,828	479,571	465,267
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		578,366,089	526,337,039	280,148,740	260,969,866
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117, line 27		90,130,129	91,415,488	36,150,832	39,950,100



STATEMENT OF INCOME FOR THE YEAR (continued)

Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL		Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
			Current Year (c)	Previous Year (d)		
27	Net Utility Operating Income (Carried forward from page 114)		90,130,129	91,415,488	36,150,832	39,950,100
28	Other Income and Deductions					
29	Other Income					
30	Nonutility Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)					
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)					
33	Revenues From Nonutility Operations (417)		790,999	461,236	421,508	327,348
34	(Less) Expenses of Nonutility Operations (417.1)					
35	Nonoperating Rental Income (418)			-206		-103
36	Equity in Earnings of Subsidiary Companies (418.1)	119	15,626,490	12,735,134	8,144,299	6,427,063
37	Interest and Dividend Income (419)		534,477	1,611,484	168,555	858,960
38	Allowance for Other Funds Used During Construction (419.1)		2,995,869	1,254,511	1,626,948	719,846
39	Miscellaneous Nonoperating Income (421)		75,929	682,973	-617,776	-530,200
40	Gain on Disposition of Property (421.1)		-8,784	1,192,909	-8,704	1,192,909
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		20,014,980	17,938,041	9,734,830	8,995,823
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)			480,236		480,236
44	Miscellaneous Amortization (425)	340				
45	Donations (426.1)	340	245,133	407,887	96,190	124,218
46	Life Insurance (426.2)		-927,380	353,592	-1,103,787	176,796
47	Penalties (426.3)		1,363,372		1,363,372	
48	Exp. for Certain Civic, Political & Related Activities (426.4)		377,263	547,471	189,554	268,584
49	Other Deductions (426.5)		756,877	614,857	172,175	-1,313,592
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		1,815,265	2,404,043	717,504	-263,758
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263	5,250	5,502	2,625	2,751
53	Income Taxes-Federal (409.2)	262-263	56,786	191,227	53,988	563,717
54	Income Taxes-Other (409.2)	262-263	-85,170	-67,572	-37,808	34,508
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	1,080,069	1,650,917	413,810	825,458
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	30,994	9,726	26,131	4,863
57	Investment Tax Credit Adj.-Net (411.5)					
58	(Less) Investment Tax Credits (420)		157,154	295,656	78,578	147,828
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		868,787	1,474,692	327,906	1,273,743
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		17,330,928	14,059,306	8,689,420	7,985,838
61	Interest Charges					
62	Interest on Long-Term Debt (427)		7,147,030	6,865,941	3,367,399	2,250,797
63	Amort. of Debt Disc. and Expense (428)		139,145	188,073	66,967	70,026
64	Amortization of Loss on Required Debt (428.1)		226,386	300,298	117,252	136,845
65	(Less) Amort. of Premium on Debt-Credit (429)					
66	(Less) Amortization of Gain on Required Debt-Credit (429.1)					
67	Interest on Debt to Assoc. Companies (430)	340	26,435,569	17,716,156	13,537,245	10,203,939
68	Other Interest Expense (431)	340	604,568	564,130	297,894	300,290
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		1,019,906	359,355	550,016	206,785
70	Net Interest Charges (Total of lines 62 thru 69)		33,532,792	25,275,243	16,836,741	12,755,112
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		73,928,265	80,199,551	28,003,511	35,180,826
72	Extraordinary Items					
73	Extraordinary Income (434)					
74	(Less) Extraordinary Deductions (435)					
75	Net Extraordinary Items (Total of line 73 less line 74)					
76	Income Taxes-Federal and Other (409.3)	262-263				
77	Extraordinary Items After Taxes (line 75 less line 76)					
78	Net Income (Total of line 71 and 77)		73,928,265	80,199,551	28,003,511	35,180,826

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da. Yr) / /	Year/Period of Report End of 2008/Q2
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**STATEMENT OF RETAINED EARNINGS**

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
	<b>UNAPPROPRIATED RETAINED EARNINGS (Account 216)</b>			
1	Balance-Beginning of Period		1,016,489,982	854,131,028
2	Changes			
3	Adjustments to Retained Earnings (Account 439)			
4	FIN 48 Adjustment			347,473
5				
6				
7				
8				
9	TOTAL Credits to Retained Earnings (Acct. 439)			347,473
10				
11				
12				
13				
14				
15	TOTAL Debits to Retained Earnings (Acct. 439)			
16	Balance Transferred from Income (Account 433 less Account 418.1)		58,301,775	67,464,417
17	Appropriations of Retained Earnings (Acct. 436)			
18				
19				
20				
21				
22	TOTAL Appropriations of Retained Earnings (Acct. 436)			
23	Dividends Declared-Preferred Stock (Account 437)			
24				
25				
26				
27				
28				
29	TOTAL Dividends Declared-Preferred Stock (Acct. 437)			
30	Dividends Declared-Common Stock (Account 438)			
31				
32				
33				
34				
35				
36	TOTAL Dividends Declared-Common Stock (Acct. 438)			
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings		36,833,558	28,983,421
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		1,111,625,315	950,926,339
	<b>APPROPRIATED RETAINED EARNINGS (Account 215)</b>			

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**STATEMENT OF RETAINED EARNINGS**

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
39				
40				
41				
42				
43				
44				
45	TOTAL Appropriated Retained Earnings (Account 215)			
	APPROP. RETAINED EARNINGS - AMORT. Reserve, Federal (Account 215.1)			
46	TOTAL Approp. Retained Earnings-Amort. Reserve, Federal (Acct. 215.1)			
47	TOTAL Approp. Retained Earnings (Acct. 215, 215.1) (Total 45,46)			
48	TOTAL Retained Earnings (Acct. 215, 215.1, 216) (Total 38, 47) (216.1)		1,111,625,315	950,926,339
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account			
	Report only on an Annual Basis, no Quarterly			
49	Balance-Beginning of Year (Debit or Credit)			
50	Equity in Earnings for Year (Credit) (Account 418.1)			
51	(Less) Dividends Received (Debit)			
52				
53	Balance-End of Year (Total lines 49 thru 52)			

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q2
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**STATEMENT OF CASH FLOWS**

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc  
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet  
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid  
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
1	Net Cash Flow from Operating Activities:		
2	Net Income (Line 78(c) on page 117)	73,928,265	80,199,551
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	60,362,537	55,098,873
5	Amortization of Plant	2,481,057	2,808,455
6			
7			
8	Deferred Income Taxes (Net)	-3,809,810	-3,737,228
9	Investment Tax Credit Adjustment (Net)	12,767,846	19,454,344
10	Net (Increase) Decrease in Receivables	26,945,545	7,679,579
11	Net (Increase) Decrease in Inventory	-14,858,980	-2,637,674
12	Net (Increase) Decrease in Allowances Inventory	229,136	-282,120
13	Net Increase (Decrease) in Payables and Accrued Expenses	16,753,619	6,457,131
14	Net (Increase) Decrease in Other Regulatory Assets	-1,784,861	-1,128,897
15	Net Increase (Decrease) in Other Regulatory Liabilities	416,440	439,396
16	(Less) Allowance for Other Funds Used During Construction	4,015,774	1,613,865
17	(Less) Undistributed Earnings from Subsidiary Companies	626,490	2,035,134
18	Other (provide details in footnote):	1,146,556	3,083,556
19	Change in Other Deferred Debits	-2,305,591	-11,616,188
20	Change in Other Deferred Credits	16,822,556	5,134,593
21			
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	182,158,939	144,390,110
23			
24	Cash Flows from Investment Activities:		
25	Construction and Acquisition of Plant (including land):		
26	Gross Additions to Utility Plant (less nuclear fuel)	-369,967,111	-315,377,978
27	Gross Additions to Nuclear Fuel		
28	Gross Additions to Common Utility Plant		
29	Gross Additions to Nonutility Plant		
30	(Less) Allowance for Other Funds Used During Construction	-4,015,774	-1,613,865
31	Other (provide details in footnote):		433,540
32	Gain on Disposal of Property	1,175	
33			
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-365,950,162	-314,197,653
35			
36	Acquisition of Other Noncurrent Assets (d)		
37	Proceeds from Disposal of Noncurrent Assets (d)		
38			
39	Investments in and Advances to Assoc. and Subsidiary Companies		
40	Contributions and Advances from Assoc. and Subsidiary Companies		
41	Disposition of Investments in (and Advances to)		
42	Associated and Subsidiary Companies		
43			
44	Purchase of Investment Securities (a)		
45	Proceeds from Sales of Investment Securities (a)		

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q2
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**STATEMENT OF CASH FLOWS**

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc  
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet  
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid  
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
46	Loans Made or Purchased		
47	Collections on Loans		
48	Change in Long-term Investments	187,690	-249,456
49	Net (Increase) Decrease in Receivables		
50	Net (Increase ) Decrease in Inventory		
51	Net (Increase) Decrease in Allowances Held for Speculation		
52	Net Increase (Decrease) in Payables and Accrued Expenses		
53	Other (provide details in footnote):		
54	Change in Restricted Cash	10,939,481	-23,041,230
55			
56	Net Cash Provided by (Used in) Investing Activities		
57	Total of lines 34 thru 55)	-354,822,991	-337,488,339
58			
59	Cash Flows from Financing Activities:		
60	Proceeds from Issuance of:		
61	Long-Term Debt (b)	74,712,908	257,243,297
62	Preferred Stock		
63	Common Stock		
64	Other (provide details in footnote):		
65			
66	Net Increase in Short-Term Debt (c)	52,224,000	43,266,000
67	Other (provide details in footnote):		
68			
69			
70	Cash Provided by Outside Sources (Total 61 thru 69)	126,936,908	300,509,297
71			
72	Payments for Retirement of:		
73	Long-term Debt (b)		-107,000,000
74	Preferred Stock		
75	Common Stock		
76	Other (provide details in footnote):		
77	Contributed Capital	75,000,000	
78	Net Decrease in Short-Term Debt (c)		
79	Payment for Reacquisition of Long-term Debt	-29,593,620	
80	Dividends on Preferred Stock		
81	Dividends on Common Stock		
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	172,343,288	193,509,297
84			
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)	-320,764	411,068
87			
88	Cash and Cash Equivalents at Beginning of Period	338,511	5,313,043
89			
90	Cash and Cash Equivalents at End of period	17,747	5,724,111

Name of Respondent Kentucky Utilities Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2008/Q2
FOOTNOTE DATA			

**Schedule Page: 120 Line No.: 13 Column:**

Restatement due to account reclassifications:

Previous Year to Date, as originally filed	\$ (9,182,991)
Plus: Adjustment for Capital Expenditure Accrual	2,725,860
	-----
Restated Previous Year to Date	\$ (6,457,131)

**Schedule Page: 120 Line No.: 18 Column: b**

Other operating cash flows:

Net salvage and cost of removal	\$ (2,039,214)
Depreciation charged to balance sheet accounts	299,920
Amortization of Debt Expenses	139,145
Amortization of Loss on Bonds	226,386
Net decrease in Prepayments	3,296,495
Net decrease in Miscellaneous Current and Accrued Assets	16,145
Net increase in Preliminary Survey	(149,535)
Net increase in Clearing Accounts	(2,368,433)
Net decrease in Customer Advances for Construction	(447,581)
Net increase in Asset Retirement Obligations	975,045
Net decrease in Provision for Postretirement Benefits	(1,104,728)
Depreciation on Plant Held for Future Use	9,800
Rounding	(1)
	-----
Total	\$ (1,146,556)

**Schedule Page: 120 Line No.: 18 Column:**

Other operating cash flows:

Net salvage and cost of removal	\$ (3,152,540)
Depreciation charged to balance sheet accounts	302,302
Other changes in Net Utility Plant	(708,134)
Amortization of Debt Expenses	141,241
Amortization on Loss on Bonds	300,298
Net decrease in Prepayments	3,753,239
Net decrease in Derivative assets	689,751
Net decrease in Preliminary Survey	269,663
Net decrease in Clearing Accounts	2,752,647
Net decrease in Customer Advances for Construction	(24,541)
Net increase in Asset Retirement Obligations	930,828
Net decrease in Provision for Postretirement Benefits	(2,518,671)
Net adjustment to Retained Earnings (Effect of FIN 48)	347,473
	-----
Total	\$ 3,083,556

**Schedule Page: 120 Line No.: 26 Column:**

Restatement due to account reclassifications:

Previous Year to Date, as originally filed	\$ (312,652,118)
Plus: Adjustment for Capital Expenditure Accrual	(2,725,860)
	-----
Restated Previous Year to Date	\$ (315,377,978)

**Schedule Page: 120 Line No.: 31 Column:**

Long Term Debt Mark-to-Market	\$ (433,540)
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FOOTNOTE DATA			

In 2007, \$53 million of bonds were extinguished. This amount represents the fair value hedge adjustments on those bonds, as prescribed by SFAS No. 133, as amended.

**Schedule Page: 120 Line No.: 90 Column: b**

Cash and cash equivalents is comprised of the following amounts:

Cash (Acct 131)	\$	-
Temporary Cash Investments (Acct 136)		17,747
		-----
Total Cash and Cash Equivalents at End of Period	\$	17,747

**Schedule Page: 120 Line No.: 90 Column:**

Cash and cash equivalents is comprised of the following amounts:

Cash (Acct 131)	\$	5,707,043
Temporary Cash Investments (Acct 136)		17,068
		-----
Total Cash and Cash Equivalents at End of Period	\$	5,724,111

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report / /	Year/Period of Report End of <u>2008/Q2</u>
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NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, providing a subheading for each statement except where a note is applicable to more than one statement
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK  
SEE PAGE 123 FOR REQUIRED INFORMATION.

Name of Respondent Kentucky Utilities Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2008/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

## INDEX OF ABBREVIATIONS

ARO	Asset Retirement Obligation
BART	Best Available Retrofit Technology
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
CAVR	Clean Air Visibility Rule
CCN	Certificate of Public Convenience and Necessity
Clean Air Act Company	The Clean Air Act, as amended in 1990 Kentucky Utilities Company
DSM	Demand Side Management
ECR	Environmental Cost Recovery
EEI	Electric Energy, Inc.
E.ON	E.ON AG
E.ON U.S.	E.ON U.S. LLC. (formerly LG&E Energy LLC and LG&E Energy Corp.)
E.ON U.S. Services	E.ON U.S. Services Inc. (formerly LG&E Energy Services Inc.)
EPA	U.S. Environmental Protection Agency
EPAct 2005	Energy Policy Act of 2005
EUSIC	E.ON US Investments Corp.
FAC	Fuel Adjustment Clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FGD	Flue Gas Desulfurization
Fidelia	Fidelia Corporation (an E.ON affiliate)
FIN	FASB Interpretation
GHG	Greenhouse Gas
IRS	Internal Revenue Service
Kentucky Commission	Kentucky Public Service Commission
KU	Kentucky Utilities Company
kWh	Kilowatt Hours
LG&E	Louisville Gas and Electric Company
MISO	Midwest Independent Transmission System Operator, Inc.
MMBtu	Million British Thermal Units
Moody's	Moody's Investor Services, Inc.
mWh	Megawatt Hours
NAAQS	National Ambient Air Quality Standards
NOV	Notice of Violation
NOx	Nitrogen Oxide
OMU	Owensboro Municipal Utilities
PUHCA 2005	Public Utility Holding Company Act of 2005
RRO	Regional Reliability Organization
S&P	Standard & Poor's Rating Service
SCR	Selective Catalytic Reduction
SERC	SERC Reliability Corporation
SFAS	Statement of Financial Accounting Standards
SIP	State Implementation Plan
SO <sub>2</sub>	Sulfur Dioxide
TC2	Trimble County Unit 2
VDT	Value Delivery Team Process
Virginia Commission	Virginia State Corporation Commission

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
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NOTES TO FINANCIAL STATEMENTS (Continued)			

Kentucky Utilities Company  
Notes to Financial Statements  
(Unaudited)

**Note 1 - General**

The unaudited financial statements include the accounts of the Company. KU's common stock is wholly-owned by E.ON U.S., an indirect wholly-owned subsidiary of E.ON. In the opinion of management, the unaudited interim financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of financial position, results of operations, retained earnings and cash flows for the periods indicated. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, although the Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited financial statements and notes should be read in conjunction with the Company's annual report for the year ended December 31, 2007, including management's discussion and analysis and the audited financial statements and notes therein.

Certain reclassification entries have been made to the previous years' financial statements to conform to the 2008 presentation with no impact on net assets, liabilities and capitalization or previously reported net income and cash flows.

**Presentation.** The accompanying financial statements are prepared on the regulatory basis of accounting in accordance with the requirements of the FERC, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles ("GAAP"). The significant differences between GAAP and FERC reporting are as follows:

- Restricted cash is recorded in cash on the balance sheet for FERC reporting and presented as a separate line item for GAAP statements;
- Certain costs of removal obligations are recorded in accumulated depreciation for FERC reporting and recorded in regulatory liabilities for GAAP reporting;
- Long-term and short-term bonds are recorded in total in the long-term debt section for FERC reporting and are presented separately in current liabilities for the short-term portion and in long-term debt for the long-term portion for GAAP reporting; and
- Deferred taxes are shown gross for FERC reporting in the balance sheet (a deferred asset and a deferred liability are recorded), for GAAP reporting the deferred taxes are netted together and recorded as a liability.

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NOTES TO FINANCIAL STATEMENTS (Continued)			

## RECENT ACCOUNTING PRONOUNCEMENTS

### SFAS No. 161

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*, which is effective for fiscal years, and interim periods within those fiscal years, beginning on or after November 15, 2008. The objective of this statement is to enhance the current disclosure framework in SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended*. The Company is currently evaluating the impact of adoption of SFAS No. 161 on its statements of operations, financial position and cash flows.

### SFAS No. 160

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, which is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The objective of this statement is to improve the relevance, comparability and transparency of financial information in a reporting entity's consolidated financial statements. The Company expects the adoption of SFAS No. 160 to have no impact on its statements of operations, financial position and cash flows.

### SFAS No. 159

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (the fair value option). Unrealized gains and losses on items for which the fair value option has been elected are to be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. SFAS No. 159 was adopted effective January 1, 2008 and had no impact on the statements of operations, financial position and cash flows.

### SFAS No. 157

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which, except as described below, is effective for fiscal years beginning after November 15, 2007. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 does not expand the application of fair value accounting to new circumstances. In February 2008, the FASB issued FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157*, which delays the effective date of SFAS No. 157 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. SFAS No. 157 was adopted effective January 1, 2008, except as it applies to those nonfinancial assets and liabilities, and had no impact on the statements of operations, financial position and cash flows, however, additional disclosures relating to its financial

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Kentucky Utilities Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2008/Q2
NOTES TO FINANCIAL STATEMENTS (Continued)			

derivatives, AROs and pension assets, as required, are now provided.

## Note 2 - Rates and Regulatory Matters

For a description of each line item of regulatory assets and liabilities, reference is made to KU's Annual Report, Note 2 of the financial statements, for the year ended December 31, 2007.

The following regulatory assets and liabilities were included in KU's Balance Sheets:

Kentucky Utilities Company (unaudited)			
(in millions)	June 30,	December 31,	
	<u>2008</u>	<u>2007</u>	
ARO	\$ 25	\$ 24	
Unamortized loss on bonds	11	10	
MISO exit	19	20	
FAC	11	17	
ECR	18	11	
Other	<u>4</u>	<u>4</u>	
Subtotal	88	86	
Pension and postretirement benefits	<u>28</u>	<u>28</u>	
Total regulatory assets	<u>\$ 116</u>	<u>\$ 114</u>	
Accumulated cost of removal of utility plant	\$ 318	\$ 310	
Deferred income taxes – net	19	22	
Other	<u>15</u>	<u>10</u>	
Total regulatory liabilities	<u>\$ 352</u>	<u>\$ 342</u>	

KU does not currently earn a rate of return on the FAC regulatory asset, which is a separate recovery mechanism with recovery within twelve months. No return is earned on the pension and postretirement benefits regulatory asset that represents the changes in funded status of the plans. The Company will seek recovery of this asset in future proceedings with the Kentucky and Virginia Commissions. No return is currently earned on the ARO asset. This regulatory asset will be offset against the associated regulatory liability, ARO asset and ARO liability at the time the underlying asset is retired. The MISO exit amount represents the costs relating to the withdrawal from MISO membership. KU will seek recovery of this asset in future proceedings with the Kentucky and Virginia Commissions. KU currently earns a rate of return on the remaining regulatory assets. Other regulatory assets include the merger surcredit and deferred storm costs. Other regulatory liabilities include DSM and MISO costs currently included in base rates that will be netted against costs of withdrawing from the MISO in the next base rate case.

**MISO Exit.** KU and the MISO have agreed upon overall calculation methods for the contractual exit fee to be paid by the Company following its withdrawal. In October 2006, KU paid approximately \$20 million

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NOTES TO FINANCIAL STATEMENTS (Continued)			

to the MISO pursuant to an invoice regarding the exit fee and made related FERC compliance filings. The Company's payment of this exit fee amount was with reservation of its rights to contest the amount, or components thereof, following a continuing review of its calculation and supporting documentation. KU and the MISO resolved their dispute regarding the calculation of the exit fee and, in November 2007, filed an application with the FERC for approval of a recalculation agreement. In March 2008, the FERC approved the parties' recalculation of the exit fee, and the approved agreement provided KU with an immediate recovery of \$1 million and will provide an estimated \$3 million over the next eight years for credits realized from other payments the MISO will receive, plus interest. Orders of the Kentucky Commission approving the Company's exit from the MISO have authorized the establishment of a regulatory asset for the exit fee, subject to adjustment for possible future MISO credits, and a regulatory liability for certain revenues associated with former MISO administrative charges, which continue to be collected via base rates. The treatment of the regulatory asset and liability will be determined in KU's next base rate case, however, the Company historically has received approval to recover and refund regulatory assets and liabilities.

**FAC.** In January 2008, the Kentucky Commission initiated a routine examination of KU's FAC for the six-month period May 1, 2007 through October 31, 2007. The Kentucky Commission issued an Order in June 2008, approving the charges and credits billed through the FAC during the review period.

In August 2007, the Kentucky Commission initiated a routine examination of KU's FAC for the six-month period of November 1, 2006 through April 30, 2007. The Kentucky Commission issued an Order in January 2008, approving the charges and credits billed through the FAC during the review period.

KU also employs an FAC mechanism for Virginia customers using an average fuel cost factor based primarily on projected fuel costs. The factor may be adjusted annually for over- or under-collections of fuel costs from the prior year. In February 2008, KU filed an application with the Virginia Commission seeking approval of a decrease in its fuel cost factor applicable during the billing period, April 2008 through March 2009. The Virginia Commission allowed the new rates to be in effect for the April 2008, customer billings. In April 2008, the Virginia Commission Staff recommended a change to the fuel factor KU filed in its application, to which KU has agreed. Following a public hearing and an Order in May 2008, the recommended change became effective in June 2008, resulting in a decrease of 0.482 cents/kWh from the factor in effect for the April 2007 through March 2008 period.

**ECR.** In June 2008, the Kentucky Commission initiated two six-month reviews for periods ending October 31, 2007 and April 30, 2008, of KU's environmental surcharge. An order is anticipated by the end of the year.

In September 2007, the Kentucky Commission initiated six-month and two-year reviews for periods ending October 31, 2006 and April 30, 2007, respectively, of KU's environmental surcharge. The Kentucky Commission issued final Orders in March 2008, approving the charges and credits billed through the ECR during the review periods, as well as approving billing adjustments, roll-in adjustments to base rates, revisions to the monthly surcharge filing and the rates of return on capital.

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NOTES TO FINANCIAL STATEMENTS (Continued)			

### Other Regulatory Matters

**Base Rate Case.** In July 2008, KU filed an application with the Kentucky Commission for an increase in base rates. See Note 9, Subsequent Events.

**TC2 CCN Application and Transmission Matters.** A CCN application for construction of the new base-load, coal fired unit known as TC2, which will be jointly owned by KU and LG&E, together with the Illinois Municipal Electric Agency and the Indiana Municipal Power Agency, was approved by the Kentucky Commission in November 2005.

Initial CCN applications for two transmission lines associated with the TC2 unit were approved by the Kentucky Commission in September 2005 and May 2006. One of those CCNs, for a line running from Jefferson County into Hardin County, was brought up for review to the Franklin Circuit Court by a group of landowners. In August 2006, KU, LG&E and the Kentucky Commission obtained dismissal of that action, on grounds that the landowners had failed to comply with the statutory procedures governing the action for review. That dismissal was appealed by the landowners to the Kentucky Court of Appeals, and in December 2007, that Court reversed the lower court's dismissal and remanded the challenge of the CCN to the Franklin Circuit Court for further proceedings. KU, LG&E and the Kentucky Commission filed for reconsideration of the appellate court's ruling, but those requests were denied in April 2008. KU and LG&E filed a motion for discretionary review with the Kentucky Supreme Court in May 2008, asking that Court to hear the matter and, ultimately, to reverse the Court of Appeals and uphold the Franklin Circuit Court's dismissal, which motion has been opposed by the counter-parties.

The referenced transmission lines are also subject to routine regulatory filings and require the acquisition of easements. All rights of way for one transmission line have been acquired. In April 2008, in proceedings involving the condemnation of an easement for a portion of the Jefferson County to Hardin County transmission line, a Meade County, Kentucky circuit court judge issued a ruling upholding the objections of two co-owners of the property crossed by the easement and dismissed that eminent domain proceeding pending the completion of the CCN appeal described above. KU and LG&E have filed responsive pleadings, including a motion to vacate that decision by the trial court and a procedural request with the Court of Appeals seeking expedited review on a petition to direct the circuit court to proceed with the eminent domain litigation. Additional condemnation proceedings involving other parcels of property to support this transmission line are also pending in neighboring Hardin County where three landowners have challenged KU's and LG&E's right to easements, on the same grounds cited by the Meade County court and other purported basis. In May and June 2008, the Hardin County Circuit Court issued rulings denying the dismissal motions, finding that KU and LG&E had established their condemnation rights and granting judgment in favor of KU and LG&E. During July 2008, the landowners filed subsequent motions in Hardin Circuit Court seeking to further challenge KU's and LG&E's condemnation right by asserting deficiencies in the air permit relating to the proposed TC2 generation unit. KU and LG&E continue to engage in settlement negotiations with the property owners. In a separate, further proceeding, certain landowners have filed a lawsuit in federal court against the U.S. Army, KU and LG&E alleging that the U.S. Army failed to comply with Section 106 of the National Historic Preservation Act in granting an easement across Fort Knox. KU and LG&E are working with the U.S. Army in defending against the claims.



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**Merger Surcredit.** In December 2007, KU submitted its plan to allow the merger surcredit to terminate as scheduled on June 30, 2008, to the Kentucky Commission. In June 2008, the Kentucky Commission issued an Order approving a settlement which provides for continuation of the merger surcredit for the period July 2008 through January 2009, which surcredits will terminate in connection with any new base rates to go into effect after January 2009. See Note 9, Subsequent Events.

**VDT.** In accordance with the Kentucky Commission's Order dated March 24, 2006, the VDT will terminate in the first billing month after the filing for a change in base rates. As a result of KU's filing of its application with the Kentucky Commission for an increase in base rates in July 2008, the VDT terminated with the first billing cycle in August 2008, subject to a final balancing adjustment in September 2008.

**DSM.** In July 2007, KU and LG&E filed an application with the Kentucky Commission requesting an order approving enhanced versions of the existing DSM programs along with the addition of several new cost effective programs. The total annual budget for these programs is approximately \$26 million, an increase over the previous annual costs of approximately \$10 million. In March 2008, the Kentucky Commission issued an Order approving the application, with minor modifications. KU and LG&E filed revised tariffs in April 2008, under authority of this Order, which were effective in May 2008.

**Mandatory Reliability Standards.** As a result of the EPAct 2005, certain formerly voluntary reliability standards became mandatory in June 2007, and authority was delegated to various RROs by the Electric Reliability Organization, which was authorized by the FERC to enforce compliance with such standards, including promulgating new standards. Failure to comply with mandatory reliability standards can subject a registered entity to sanctions, including potential fines of up to \$1 million per day, as well as non-monetary penalties, depending upon the circumstances of the violation. KU is a member of the SERC, which acts as KU's RRO. The SERC has assessed KU's compliance with certain existing mitigation plans relating to two standards resulting from a prior RRO's audit of various reliability standards, and the parties agreed in principle to a penalty of less than \$1 million in June 2008. While KU believes itself to be in substantial compliance with the mandatory reliability standards, KU cannot predict the outcome of other analyses, including on-going SERC reviews relating to six additional standards, which may be conducted regarding compliance with particular reliability standards.

**Depreciation Study.** In December 2007, KU filed a depreciation study with the Kentucky Commission as required by a previous Order. An adjustment to the depreciation rates is dependent on an order being received from the Kentucky Commission, the timing of which cannot currently be determined. A revised procedural schedule was issued in June 2008, but a hearing is not currently scheduled. In July 2008, KU filed a motion to consolidate the procedural schedule of the depreciation study with the application for a change in base rates. The Kentucky Commission has not yet ruled on the request. KU also filed the depreciation study with the Virginia Commission, but has not requested formal review and approval of the depreciation rates from the Virginia Commission. Such a review will take place either during KU's next base rate case in Virginia or when KU makes a formal application to the Virginia Commission for approval of the proposed rates.

**Brownfield Development Rider Tariff.** In March 2008, KU and LG&E received Kentucky Commission

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approval for a Brownfield Development Rider, which offers a discounted rate to electric customers who meet certain usage and location requirements, including taking new service at a brownfield site, as certified by the appropriate Kentucky state agency. The rider would permit special contracts with such customers which provide for a series of declining partial rate discounts over an initial five-year period of a longer service arrangement. The tariff is intended to promote local economic redevelopment and efficient usage of utility resources by aiding potential reuse of vacant brownfield sites.

**Real-Time Pricing.** In December 2006, the Kentucky Commission issued an Order indicating that the EPAct 2005 Section 1252, Smart Metering and Section 1254, Interconnection standards should not be adopted. However, five Kentucky Commission jurisdictional utilities were required to file real-time pricing pilot programs for their large commercial and industrial customers. KU developed a real-time pricing pilot for large industrial and commercial customers and filed the details of the plan with the Kentucky Commission in April 2007. In February 2008, the Kentucky Commission issued an Order approving the real-time pricing pilot program proposed by KU, for implementation within approximately eight months, for its large commercial and industrial customers.

**Utility Competition in Virginia.** The Commonwealth of Virginia passed the Virginia Electric Utility Restructuring Act in 1999. This act gave Virginia customers the ability to choose their electric supplier. Rates are capped at current levels through December 2010. In April 2007, Virginia passed legislation terminating this competitive market and commencing re-regulation of utility rates in Virginia. The new act will end the cap on rates at the end of 2008, rather than through December 2010, and end customer choice for most consumers in the applicable regions of the state. Thereafter, a hybrid model of regulation is expected to apply in Virginia, whereby utility rates would be reviewed every two years and a utility's rate of return on equity shall not be set lower than the average of the rates of return for other regional utilities, with certain caps, floors or adjustments. The legislation was effective in July 2007, and also includes a 10% nonbinding goal for renewable power generation by 2022, as well as incentives for new generation, including renewables. Under the legislation, KU retains an existing exemption from customer choice and other restructuring activities as applicable to KU's limited service territory in Virginia. However, subject to future developments, KU may or may not undertake such a rate proceeding in the first six months of 2009 based on calendar year 2008 financial data under the hybrid model of regulation, or make biennial rate filings with the Virginia Commission thereafter.

**Interconnection and Net Metering Guidelines.** In May 2008, the Kentucky Commission on its own motion initiated a proceeding to establish interconnection and net metering guidelines in accordance with amendments to existing statutory requirements for net metering of electricity. The jurisdictional electric utilities and intervenors in this case are to present the proposed interconnection guidelines to the Kentucky Commission in September 2008.

### Note 3 - Financial Instruments

**Energy Trading and Risk Management Activities (non-hedging derivatives).** KU conducts energy trading and risk management activities to maximize the value of power sales from physical assets it owns. Energy trading activities are principally forward financial transactions to hedge price risk and are accounted for on a mark-to-market basis in accordance with SFAS No. 133, as amended.

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No changes to valuation techniques for energy trading and risk management activities occurred during 2008 or 2007. Changes in market pricing, interest rate and volatility assumptions were made during both years. All contracts outstanding at June 30, 2007, had a maturity of less than one year. There were no contracts outstanding at June 30, 2008. Energy trading and risk management contracts are valued using Level 2, prices actively quoted for proposed or executed transactions or quoted by brokers or observable inputs other than quoted prices.

Effective January 1, 2008, KU adopted the required provisions of SFAS No. 157, excluding the exceptions related to nonfinancial assets and liabilities, which will be adopted effective January 1, 2009, consistent with FASB Staff Position 157-2.

#### Note 4 - Pension and Other Postretirement Benefit Plans

The following table provides the components of net periodic benefit cost for pension and other benefit plans:

	Three Months Ended June 30,				Six Months Ended June 30,			
	Pension		Other		Pension		Other	
	<u>Benefits</u>		<u>Benefits</u>		<u>Benefits</u>		<u>Benefits</u>	
(in millions)	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Service cost	\$ 1	\$ 1	\$ -	\$ -	\$ 3	\$ 3	\$ 1	\$ 1
Interest cost	4	4	1	1	9	10	2	2
Expected return on plan assets	(4)	(5)	-	(1)	(10)	(12)	-	(1)
Amortization of prior service costs	-	1	-	-	-	1	-	-
Amortization of actuarial loss	-	-	-	-	-	1	-	-
Amortization of transitional obligation	-	-	-	1	-	-	-	-
Benefit cost	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 3</u>

Net periodic benefit costs incurred by employees of KU are reflected in both utility plant on the balance sheets and in operating expense on the income statements. The above costs do not include allocations of net periodic benefit costs from affiliates whose employees provide services to KU.

The pension plans are funded in accordance with all applicable requirements of the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code. In March 2008, KU made contributions to other postretirement benefit plans of approximately \$1 million. KU anticipates making further voluntary contributions in 2008 to fund the Voluntary Employee Beneficiary Association trusts to match the annual postretirement expense and funding the postretirement medical account under the pension plan up to the maximum amount allowed by law. See Note 9, Subsequent Events.

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## Note 5 - Income Taxes

A United States consolidated income tax return is filed by E.ON U.S.'s direct parent, EUSIC, for each tax period. Each subsidiary of the consolidated tax group, including KU, calculates its separate income tax for each tax period. The resulting separate-return tax cost or benefit is paid to or received from the parent company or its designee. KU also files income tax returns in various state jurisdictions. With few exceptions, KU is no longer subject to U.S. federal income tax examinations for years before 2004. Statutes of limitations related to 2004 and later returns are still open. Tax years 2005, 2006 and 2007 are under audit by the IRS with the 2007 return being examined under an IRS pilot program named "Compliance Assurance Process". This program accelerates the IRS's review to begin during the year applicable to the return and ends 90 days after the return is filed.

KU adopted the provisions of FIN 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of SFAS No. 109*, effective January 1, 2007. At the date of adoption, KU had less than \$1 million of unrecognized tax benefits, primarily related to federal income taxes. If recognized, the amount of unrecognized tax benefits would reduce the effective income tax rate. Possible amounts of uncertain tax positions for KU that may decrease within the next 12 months total less than \$1 million, and are based on the expiration of statutes during 2008.

The amount KU recognized as interest accrued related to unrecognized tax benefits in interest expense was less than \$1 million at June 30, 2008 and December 31, 2007. The interest accrued is based on IRS and Kentucky Department of Revenue large corporate interest rates for underpayment of taxes. At the date of adoption, KU accrued less than \$1 million in interest expense on uncertain tax positions. No penalties were accrued by KU upon adoption of FIN 48, or through June 30, 2008.

In June 2006, KU and LG&E filed a joint application with the U.S. Department of Energy ("DOE") requesting certification to be eligible for investment tax credits applicable to the construction of TC2. In November 2006, the DOE and the IRS announced that KU and LG&E were selected to receive the tax credit. A final IRS certification required to obtain the investment tax credit was received in August 2007. In September 2007, KU received an Order from the Kentucky Commission approving the accounting of the investment tax credit. KU's portion of the TC2 tax credit will be approximately \$100 million over the construction period and will be amortized to income over the life of the related property beginning when the facility is placed in service. Based on eligible construction expenditures incurred, KU recorded investment tax credits of \$10 million in each of the three-month periods ended June 30, 2008 and 2007, respectively, and \$13 million and \$20 million during the six months ended June 30, 2008 and 2007, respectively, decreasing current federal income taxes.

In March 2008, certain environmental and preservation groups filed suit in federal court in North Carolina against the DOE and IRS claiming the investment tax credit program was in violation of certain environmental laws and demanded relief, including suspension or termination of the program. KU is monitoring, but is not currently a party to, this proceeding and is not able to predict the ultimate outcome of this matter.

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## Note 6 – Short-Term and Long-Term Debt

KU maintains a bilateral line of credit totaling \$35 million which matures in June 2012. As of June 30, 2008, there was no balance outstanding under this facility.

Pollution control series bonds are obligations of KU issued in connection with tax-exempt pollution control revenue bonds issued by various governmental entities, principally counties in Kentucky. A loan agreement obligates KU to make debt service payments to the county that equate to the debt service due from the county on the related pollution control revenue bonds. Until a series of financing transactions was completed during February 2007, the county's debt was also secured by an equal amount of KU's first mortgage bonds that were pledged to the trustee for the pollution control revenue bonds that match the terms and conditions of the county's debt, but require no payment of principal and interest unless KU defaults on the loan agreement. Proceeds from bond issuances for environmental equipment (primarily related to the installation of FGDs) are held in trust pending expenditure for qualifying assets. At June 30, 2008, KU had no bond proceeds in trust, and at December 31, 2007, KU had \$11 million of bond proceeds in trust, included in restricted cash in the balance sheets.

Several of the KU pollution control bonds are insured by monoline bond insurers whose ratings have been under pressure due to exposures relating to insurance of sub-prime mortgages. At June 30, 2008, KU had an aggregate \$333 million of outstanding pollution control indebtedness, of which \$243 million is in the form of insured auction rate securities wherein interest rates are reset either weekly or every 35 days via an auction process. Beginning in late 2007, the interest rates on these insured bonds began to increase due to investor concerns about the creditworthiness of the bond insurers. In 2008, interest rates have continued to increase, and the Company has experienced "failed auctions" when there are insufficient bids for the bonds. When there is a failed auction, the interest rate is set pursuant to a formula stipulated in the indenture, which can be as high as 15%. During the six months ended June 30, 2008 and 2007, the average rate on the auction rate bonds was 4.70% and 3.64%, respectively. The instruments governing these auction rate bonds permit KU to convert the bonds to other interest rate modes, such as various short-term variable rates, long-term fixed rates or intermediate-term fixed rates that are reset infrequently. In the first six months of 2008, the ratings of the Carroll County 2004 Series A bonds were downgraded from Aaa to A2 by Moody's and from AAA to AA, and subsequently to A and then to BBB+, by S&P, and the Carroll County 2006 Series C bonds were downgraded from Aaa to A2 by Moody's and from AAA to A-, and subsequently to BBB+, by S&P due to downgrades of the bond insurer. The ratings of the following bonds were downgraded from Aaa to Aa3 by Moody's and from AAA to AA by S&P due to downgrades of the bond insurer: Mercer County 2000 Series A, Carroll County 2002 Series C, Carroll County 2005 Series A and B, Carroll County 2006 Series A and B, Carroll County 2007 Series A and Trimble County 2007 Series A.

In February 2008, KU issued a notice to bondholders of its intention to convert the Carroll County 2007 Series A bonds and the Trimble County 2007 Series A bonds from the auction rate mode to a fixed interest rate mode, as permitted under the loan documents. These conversions were completed in April 2008, and the new rates on the bonds are 5.75% and 6.00%, respectively.

In March 2008, KU issued notices to bondholders of its intention to convert the Carroll County 2006

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Series C bonds and the Mercer County 2000 Series A bonds from the auction rate mode to a weekly interest rate mode, as permitted under the loan documents. The Carroll County conversion was completed in April 2008, and the Mercer County conversion was completed in May 2008. In connection with these conversions, KU purchased the bonds from the remarketing agent.

In June 2008, KU issued notices to bondholders of its intention to convert the Carroll County 2004 Series A bonds from the auction rate mode to a weekly interest rate mode, as permitted under the loan documents. The conversion was completed in July 2008. In connection with the conversion, KU purchased the bonds from the remarketing agent. See Note 9, Subsequent Events.

As of June 30, 2008, KU had repurchased bonds in the amount of \$30 million, including the Carroll County 2006 Series C and Mercer County 2000 Series A bonds. KU will hold some or all of such repurchased bonds until a later date, at which time KU may refinance, remarket or further convert such bonds. Uncertainty in markets relating to auction rate securities or steps KU has taken or may take to mitigate such uncertainty, such as additional conversion, subsequent restructurings or redemption and refinancing, could result in KU incurring increased interest expense, transaction expenses or other costs and fees or experiencing reduced liquidity relating to existing or future pollution control financing structures.

KU participates in an intercompany money pool agreement wherein E.ON U.S. and/or LG&E make funds available to KU at market-based rates (based on highly rated commercial paper issues) of up to \$400 million. Details of the balances are as follows:

	<u>Total Money Pool Available</u>	<u>Amount Outstanding</u>	<u>Balance Available</u>	<u>Average Interest Rate</u>
(\$ in millions)				
June 30, 2008	\$400	\$ 75	\$325	2.43%
December 31, 2007	\$400	\$ 23	\$377	4.75%

E.ON U.S. maintains a revolving credit facility totaling \$311 million at June 30, 2008 and \$150 million at December 31, 2007, to ensure funding availability for the money pool. The revolving facility as of June 30, 2008, is split into two separate loans totaling \$311 million. One facility, totaling \$150 million, is with E.ON North America, Inc., while the second, totaling \$161 million, is with Fidelity; both are affiliated companies. The facility as of December 31, 2007, is with E.ON North America, Inc. The balances are as follows:

	<u>Total Available</u>	<u>Amount Outstanding</u>	<u>Balance Available</u>	<u>Average Interest Rate</u>
(\$ in millions)				
June 30, 2008	\$311	\$220	\$ 91	3.17%
December 31, 2007	\$150	\$ 62	\$ 88	4.97%

There were no redemptions of long-term debt year-to-date through June 30, 2008.

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The issuance of long-term debt year-to-date through June 30, 2008, is summarized below:

(\$ in millions)		Principal		Secured/ Unsecured	Maturity
<u>Year</u>	<u>Description</u>	<u>Amount</u>	<u>Rate</u>	<u>Unsecured</u>	<u>Maturity</u>
2008	Due to Fidelia	\$75	5.85%	Unsecured	2023

### Note 7 - Commitments and Contingencies

Except as may be discussed in this quarterly report (including Note 2), material changes have not occurred in the current status of various commitments or contingent liabilities from that discussed in KU's Annual Report for the year ended December 31, 2007 (including in Notes 2 and 9 to the financial statements of KU contained therein). See the above-referenced notes in KU's Annual Report regarding such commitments or contingencies.

**Owensboro Contract Litigation.** In May 2004, the City of Owensboro, Kentucky and OMU commenced a suit now removed to the U.S. District Court for the Western District of Kentucky, against KU concerning a long-term power supply contract (the "OMU Agreement") with KU. The dispute involves interpretational differences regarding issues under the OMU Agreement, including various payments or charges between KU and OMU and rights concerning excess power, termination and emissions allowances. The complaint seeks in excess of \$6 million in damages in connection with one of its claims for periods prior to 2004, plus damages in an unspecified amount for later-occurring periods on that claim and for other claims. OMU has additionally requested injunctive and other relief, including a declaration that KU is in material breach of the contract. KU has filed an answer in this proceeding denying the OMU claims and presenting counterclaims and amended such filing in January 2007, to include further counterclaims alleging additional damages. During 2005, the FERC declined KU's application to exercise exclusive jurisdiction on matters. In July 2005, the district court resolved a summary judgment motion made by KU in OMU's favor, ruling that a contractual provision grants OMU the ability to terminate the contract without cause upon four years' prior notice, for which ruling KU retains certain rights to appeal. A motion to reconsider that ruling is presently pending before the Court. In May 2006, OMU issued a notification of its intent to terminate the OMU agreement contract in May 2010, without cause, absent any earlier relief which may be permitted by the proceeding. The parties have generally completed discovery proceedings and have filed various dispositive motions which are before the court. Among other matters before the court on summary judgment and potentially subject to ruling before trial is a dispute involving differences in the calculation of approximately \$16 million in facilities charges under the OMU agreement. The parties are conducting certain settlement discussions, in parallel, including potential mediation. A trial date has been set for October 2008. The Company is currently unable to determine the final outcome of this matter.

**Construction Program.** KU had approximately \$280 million of commitments in connection with its construction program at June 30, 2008.

In June 2006, KU and LG&E entered into a construction contract regarding the TC2 project. The contract is generally in the form of a lump-sum, turnkey agreement for the design, engineering, procurement, construction, commissioning, testing and delivery of the project, according to designated specifications,

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terms and conditions. The contract price and its components are subject to a number of potential adjustments which may serve to increase or decrease the ultimate construction price paid or payable to the contractor. The contract also contains standard representations, covenants, indemnities, termination and other provisions for arrangements of this type, including termination for convenience or for cause rights.

**TC2 Air Permit.** The Sierra Club and other environmental groups filed a petition challenging the air permit issued for the TC2 baseload generating unit which was issued by the Kentucky Division for Air Quality in November 2005. The filing of the challenge did not stay the permit, so the Company was free to proceed with construction during the pendency of the action. In June 2007, the state hearing officer assigned to the matter recommended upholding the air permit with minor revisions. In September 2007, the Secretary of the Kentucky Environmental and Public Protection Cabinet issued a final Order approving the hearing officer's recommendation and upholding the permit. In September 2007, KU administratively applied for a permit revision to reflect minor design changes. In October 2007, the environmental groups submitted comments objecting to the draft permit revisions and, in part, attempting to reassert general objections to the generating unit. In January 2008, the Kentucky Division for Air Quality issued a final permit revision. The environmental groups did not appeal the final Order upholding the permit or file a petition challenging the permit revision by the applicable deadlines. However, in October 2007, the environmental groups filed a lawsuit in federal court seeking an order for the EPA to grant or deny their pending petition for the EPA to "veto" the state air permit and in April 2008, they filed a petition seeking veto of the permit revision. The Company is currently unable to determine the final outcome of this matter or the impact of an unfavorable determination upon the Company's financial condition or results of operations.

**Environmental Matters.** KU's operations are subject to a number of environmental laws and regulations in each of the jurisdictions in which it operates, governing, among other things, air emissions, wastewater discharges, the use, handling and disposal of hazardous substances and wastes, soil and groundwater contamination and employee health and safety.

*Clean Air Act Requirements.* The Clean Air Act establishes a comprehensive set of programs aimed at protecting and improving air quality in the United States by, among other things, controlling stationary sources of air emissions such as power plants. While the general regulatory framework for these programs is established at the federal level, most of the programs are implemented and administered by the states under the oversight of the EPA. The key Clean Air Act programs relevant to KU's business operations are described below.

*Ambient Air Quality.* The Clean Air Act requires the EPA to periodically review the available scientific data for six criteria pollutants and establish concentration levels in the ambient air sufficient to protect the public health and welfare with an extra margin for safety. These concentration levels are known as NAAQS. Each state must identify "nonattainment areas" within its boundaries that fail to comply with the NAAQS and develop a SIP to bring such nonattainment areas into compliance. If a state fails to develop an adequate plan, the EPA must develop and implement a plan. As the EPA increases the stringency of the NAAQS through its periodic reviews, the attainment status of various areas may change, thereby triggering additional emission reduction obligations under revised SIPs aimed to achieve attainment.



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In 1997, the EPA established new NAAQS for ozone and fine particulates that required additional reductions in SO<sub>2</sub> and NO<sub>x</sub> emissions from power plants. In 1998, the EPA issued its final "NO<sub>x</sub> SIP Call" rule requiring reductions in NO<sub>x</sub> emissions of approximately 85% from 1990 levels in order to mitigate ozone transport from the midwestern U.S. to the northeastern U.S. To implement the new federal requirements, Kentucky amended its SIP in 2002 to require electric generating units to reduce their NO<sub>x</sub> emissions to 0.15 pounds weight per MMBtu on a company-wide basis. In 2005, the EPA issued the CAIR which requires additional SO<sub>2</sub> emission reductions of 70% and NO<sub>x</sub> emission reductions of 65% from 2003 levels. The CAIR provides for a two-phase cap and trade program, with initial reductions of NO<sub>x</sub> and SO<sub>2</sub> emissions due by 2009 and 2010, respectively, and final reductions due by 2015. In 2006, Kentucky proposed to amend its SIP to adopt state requirements similar to those under the federal CAIR. Depending on the level of action determined necessary to bring local nonattainment areas into compliance with the new ozone and fine particulate standards, KU's power plants are potentially subject to additional reductions in SO<sub>2</sub> and NO<sub>x</sub> emissions. In March 2008, the EPA issued a revised NAAQS for ozone, which contains a more stringent standard than that contained in the previous regulation. At present, LG&E is unable to determine what, if any, additional requirements may be imposed to achieve compliance with the new ozone standard.

In July 2008, a federal appeals court issued a ruling vacating the CAIR, which decision may be subject to rehearing or other subsequent proceedings. KU, LG&E and industry parties are monitoring these further proceedings. Depending upon the course of such matters, the CAIR could be superseded by new or revised NO<sub>x</sub> or SO<sub>2</sub> regulations with different or more stringent requirements and SIPs which incorporate CAIR requirements could be subject to revision. KU is also reviewing aspects of its compliance plan relating to the CAIR, including scheduled or contracted pollution control construction programs. Finally, as discussed below, the current invalidation of the CAIR results in some uncertainty with respect to certain other EPA or state programs and proceedings and KU's and LG&E's compliance plans relating thereto, due to the interconnection of the CAIR and CAIR-associated steps with such associated programs. At present, KU is not able to predict the outcomes of the legal and regulatory proceedings related to the CAIR and whether such outcomes could have a material effect on the Company's financial or operational conditions.

*Hazardous Air Pollutants.* As provided in the 1990 amendments to the Clean Air Act, the EPA investigated hazardous air pollutant emissions from electric utilities and submitted a report to Congress identifying mercury emissions from coal-fired power plants as warranting further study. In 2005, the EPA issued the CAMR establishing mercury standards for new power plants and requiring all states to issue new SIPs including mercury requirements for existing power plants. The EPA issued a model rule which provides for a two-phase cap and trade program with initial reductions due by 2010 and final reductions due by 2018. The CAMR provides for reductions of 70% from 2003 levels. The EPA closely integrated the CAMR and CAIR programs to ensure that the 2010 mercury reduction targets would be achieved as a "co-benefit" of the controls installed for purposes of compliance with the CAIR.

In February 2008, a federal appellate court issued a decision vacating the CAMR. The parties are currently evaluating the possibility of seeking review in the U.S. Supreme Court. Depending on the final outcome of the pending appeal, the CAMR could be superseded by new mercury reduction rules with different or more stringent requirements. Kentucky has subsequently proposed to repeal the corresponding state

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mercury regulations. At present, KU and LG&E are not able to predict the outcomes of the legal and regulatory proceedings related to the CAMR and whether such outcomes could have a material effect on the Companies' financial or operational conditions.

*Acid Rain Program.* The 1990 amendments to the Clean Air Act imposed a two-phased cap and trade program to reduce SO<sub>2</sub> emissions from power plants that were thought to contribute to "acid rain" conditions in the northeastern U.S. The 1990 amendments also contained requirements for power plants to reduce NO<sub>x</sub> emissions through the use of available combustion controls.

*Regional Haze.* The Clean Air Act also includes visibility goals for certain federally designated areas, including national parks, and requires states to submit SIPs that will demonstrate reasonable progress toward preventing future impairment and remedying any existing impairment of visibility in those areas. In 2005, the EPA issued its CAVR detailing how the Clean Air Act's BART requirements will be applied to facilities, including power plants, built between 1962 and 1974 that emit certain levels of visibility impairing pollutants. Under the final rule, as the CAIR will result in more visibility improvement than BART, states are allowed to substitute CAIR requirements in their regional haze SIPs in lieu of controls that would otherwise be required by BART. The final rule has been challenged in the courts. Additionally, because the regional haze SIPs incorporate certain CAIR requirements, the final outcome of the challenge to CAIR could potentially impact regional haze SIPs. See "Ambient Air Quality" above for a discussion of CAIR-related uncertainties.

*Installation of Pollution Controls.* Many of the programs under the Clean Air Act utilize cap and trade mechanisms that require a company to hold sufficient emissions allowances to cover its authorized emissions on a company-wide basis and do not require installation of pollution controls on every generating unit. Under cap and trade programs, companies are free to focus their pollution control efforts on plants where such controls are particularly efficient and utilize the resulting emission allowances for smaller plants where such controls are not cost effective. KU met its Phase I SO<sub>2</sub> requirements primarily through installation of FGD equipment on Ghent Unit 1. KU's strategy for its Phase II SO<sub>2</sub> requirements, which commenced in 2000, includes the installation of additional FGD equipment, as well as using accumulated emission allowances and fuel switching to defer certain additional capital expenditures. In order to achieve the NO<sub>x</sub> emission reductions and associated obligations, KU installed additional NO<sub>x</sub> controls, including SCR technology, during the 2000 to 2007 time period at a cost of \$220 million. In 2001, the Kentucky Commission granted approval to recover the costs incurred by KU for these projects through the environmental surcharge mechanism. Such monthly recovery is subject to periodic review by the Kentucky Commission.

In order to achieve mandated emissions reductions, KU expects to incur additional capital expenditures totaling approximately \$880 million during the 2008 through 2010 time period for pollution controls, including FGD and SCR equipment, and additional operating and maintenance costs in operating such controls. In 2005, the Kentucky Commission granted approval to recover the costs incurred by KU for these projects through the ECR mechanism. Such monthly recovery is subject to periodic review by the Kentucky Commission. KU believes its costs in reducing SO<sub>2</sub>, NO<sub>x</sub> and mercury emissions to be comparable to those of similarly situated utilities with like generation assets. KU's compliance plans are

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subject to many factors including developments in the emission allowance and fuels markets, future legislative and regulatory enactments, legal proceedings and advances in clean air technology. KU will continue to monitor these developments to ensure that its environmental obligations are met in the most efficient and cost-effective manner. See "Ambient Air Quality" above for a discussion of CAIR-related uncertainties.

*Potential GHG Controls.* In 2005, the Kyoto Protocol for reducing GHG emissions took effect, obligating 37 industrialized countries to undertake substantial reductions in GHG emissions. The U.S. has not ratified the Kyoto Protocol and there are currently no mandatory GHG emission reduction requirements at the federal level. Legislation mandating GHG reductions has been introduced in the Congress, but no federal legislation has been enacted to date. In the absence of a program at the federal level, various states have adopted their own GHG emission reduction programs. Such programs have been adopted in various states including 11 northeastern U.S. states and the District of Columbia under the Regional GHG Initiative program and California. Substantial efforts to pass federal GHG legislation are ongoing. In April 2007, the U.S. Supreme Court ruled that the EPA has the authority to regulate GHG under the Clean Air Act. KU is monitoring ongoing efforts to enact GHG reduction requirements at the state and federal level and is assessing potential impacts of such programs and strategies to mitigate those impacts. KU is unable to predict whether mandatory GHG reduction requirements will ultimately be enacted. As a Company with significant coal-fired generating assets, KU could be substantially impacted by programs requiring mandatory reductions in GHG emissions, although the precise impact on the operations of KU, including the reduction targets and deadlines that would be applicable, cannot be determined prior to the enactment of such programs.

*Brown New Source Review Litigation.* In April 2006, the EPA issued an NOV alleging that KU had violated certain provisions of the Clean Air Act's new source review rules relating to work performed in 1997, on a boiler and turbine at KU's E.W. Brown generating station. In December 2006, the EPA issued a second NOV alleging the Company had exceeded heat input values in violation of the air permit for the unit. In March 2007, the U.S. Department of Justice filed a complaint in federal court in Kentucky alleging the same violations specified in the prior NOVs. The complaint seeks civil penalties, including potential per-day fines, remedial measures and injunctive relief. In April 2007, KU filed an answer in the civil suit denying the allegations. In July 2007, the court entered a schedule providing for a July 2009 date for trial. The parties are currently proceeding with discovery while concurrently engaged in active settlement negotiations. A \$3 million accrual has been recorded based on the current status of those discussions, however, KU cannot determine the overall outcome or potential effects of these matters, including whether substantial fines, penalties or remedial measures may result, which could be in excess of the amount reserved. Also of uncertain potential effect, if any, is the invalidation of the CAIR on the progress or content of settlement discussions. See "Ambient Air Quality" above for a discussion of CAIR-related uncertainties.

*Section 114 Requests.* In August 2007, the EPA issued administrative information requests under Section 114 of the Clean Air Act requesting new source review-related data regarding certain projects undertaken at LG&E's Mill Creek 4 and Trimble County 1 generating units and KU's Ghent 2 generating unit. The Companies have complied with the information requests and are not able to predict further proceedings in this matter at this time.

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*Ghent Opacity NOV.* In September 2007, the EPA issued an NOV alleging that KU had violated certain provisions of the Clean Air Act's operating rules relating to opacity during June and July of 2007 at Units 1 and 3 of KU's Ghent generating station. The parties have met on this matter and KU has received no further communications from the EPA. KU is not able to estimate the outcome or potential effects of these matters, including whether substantial fines, penalties or remedial measures may result.

*General Environmental Proceedings.* From time to time, KU appears before the EPA, various state or local regulatory agencies and state and federal courts regarding matters involving compliance with applicable environmental laws and regulations. Such matters include liability under the Comprehensive Environmental Response, Compensation and Liability Act for cleanup at various off-site waste sites and ongoing claims regarding GHG emissions from KU's generating stations. Based on analysis to date, the resolution of these matters is not expected to have a material impact on the operations of KU.

### Note 8 - Related Party Transactions

KU, subsidiaries of E.ON U.S. and subsidiaries of E.ON engage in related party transactions. Transactions between KU and E.ON U.S. subsidiaries are eliminated upon consolidation of E.ON U.S. Transactions between KU and E.ON subsidiaries are eliminated upon consolidation of E.ON. These transactions are generally performed at cost and are in accordance with the FERC regulations under PUHCA 2005 and the applicable Kentucky Commission and Virginia Commission regulations. The significant related party transactions are disclosed below.

#### Electric Purchases

KU and LG&E purchase energy from each other in order to effectively manage the load of their retail and wholesale customers. These sales and purchases are included in the statements of income as operating revenues and purchased power operating expense. KU intercompany electric revenues and purchased power expense were as follows:

(in millions)	Three Months Ended		Six Months Ended	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Electric operating revenues from LG&E	\$14	\$ 8	\$29	\$26
Purchased power from LG&E	25	23	51	53

#### Interest Charges

See Note 6, Short-Term and Long-Term Debt, for details of intercompany borrowing arrangements. Intercompany agreements do not require interest payments for receivables related to services provided when settled within 30 days.

KU's intercompany interest expense was as follows:

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NOTES TO FINANCIAL STATEMENTS (Continued)			

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Interest on money pool loans	\$ -	\$ 2	\$ 1	\$ 3
Interest on Fidelity loans	13	8	25	15

#### Other Intercompany Billings

E.ON U.S. Services provides KU with a variety of centralized administrative, management and support services. These charges include payroll taxes paid by E.ON U.S. on behalf of KU, labor and burdens of E.ON U.S. Services employees performing services for KU, coal purchases and other vouchers paid by E.ON U.S. Services on behalf of KU. The cost of these services is directly charged to KU, or for general costs which cannot be directly attributed, charged based on predetermined allocation factors, including the following ratios: number of customers, total assets, revenues, number of employees and other statistical information. These costs are charged on an actual cost basis.

In addition, KU and LG&E provide services to each other and to E.ON U.S. Services. Billings between KU and LG&E relate to labor and overheads associated with union employees performing work for the other utility, charges related to jointly-owned generating units and other miscellaneous charges. Billings from KU to E.ON U.S. Services relate to cash received by E.ON U.S. Services on behalf of KU, primarily tax settlements, and other payments made by KU on behalf of other non-regulated businesses which are reimbursed through E.ON U.S. Services.

Intercompany billings to and from KU were as follows:

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
E.ON U.S. Services billings to KU	\$ 72	\$ 210	\$ 111	\$ 380
KU billings to LG&E	14	8	37	22
LG&E billings to KU	4	23	5	33
KU billings to E.ON U.S. Services	1	33	2	35

In June 2008, LG&E transferred assets related to Trimble County Unit 2 with a net book value of \$10 million to KU.

In March and June 2008, KU received capital contributions from its common shareholder, E.ON U.S., in the amounts of \$25 million and \$50 million, respectively.

#### Note 9 – Subsequent Events

On July 3, 2008, KU made contributions to other postretirement benefit plans of approximately \$1 million.

On July 16, 2008, the Carroll County 2004 Series A bonds were converted from an auction rate mode to a

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weekly interest rate mode. In connection with the conversion, KU purchased the bonds from the remarketing agent.

On July 23, 2008, a cooling tower associated with KU's 510 Mw Ghent 2 generating unit suffered a partial structural collapse rendering such unit generally inoperable for an estimated three-week period. KU is analyzing various options and the costs thereof regarding replacement power for the temporary and permanent repair of such facilities, as well as effects on excess or wholesale power sales and purchases.

On July 25, 2008, KU borrowed \$50 million from Fidelity for a period of 10 years at a fixed rate of 6.16%. The loan is unsecured.

On July 29, 2008, KU filed an application with the Kentucky Commission for an increase in base rates of approximately 2.0% or \$22 million annually. KU has requested the increase based on the twelve month test year ended April 30, 2008. KU requested new base rates to become effective on and after September 1, 2008. In conjunction with filing of the application for a change in base rates, based on previous Orders by the Kentucky Commission approving settlement agreements among all interested parties, the VDT terminated in August 2008, and the merger surcredit will terminate upon the implementation of new base rates. Under Kentucky Commission practice, new rates will most likely be suspended an additional five months with an effective date on and after February 1, 2009, subject to refund if an order is not issued by such time. The rate review proceeding, which will likely involve opposition filings by intervenors or other third-parties, should be completed in early 2009, subject to a number of factors.

#### Note 10 – Notes to Statement of Cash Flows

##### Supplemental disclosures of cash flow information

(in millions)	<u>2008</u>	<u>2007</u>
Cash paid during the period for:		
Income taxes	\$ 32	\$ 48
Interest on borrowed money	7	9
Interest to affiliated companies on borrowed money	25	12

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**STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES**

- Report in columns (b),(c),(d) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate
- Report in columns (f) and (g) the amounts of other categories of other cash flow hedges
- For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote.

Line No	Item  (a)	Unrealized Gains and Losses on Available-for-Sale Securities (b)	Minimum Pension Liability adjustment (net amount) (c)	Foreign Currency Hedges (d)	Other Adjustments (e)
1	Balance of Account 219 at Beginning of Preceding Year				
2	Preceding Qtr/Yr to Date Reclassifications from Acct 219 to Net Income				
3	Preceding Quarter/Year to Date Changes in Fair Value				
4	Total (lines 2 and 3)				
5	Balance of Account 219 at End of Preceding Quarter/Year				
6	Balance of Account 219 at Beginning of Current Year				
7	Current Qtr/Yr to Date Reclassifications from Acct 219 to Net Income				
8	Current Quarter/Year to Date Changes in Fair Value				
9	Total (lines 7 and 8)				
10	Balance of Account 219 at End of Current Quarter/Year				

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STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

Line No.	Other Cash Flow Hedges Interest Rate Swaps (f)	Other Cash Flow Hedges [Specify] (g)	Totals for each category of items recorded in Account 219 (h)	Net Income (Carried Forward from Page 117, Line 78) (i)	Total Comprehensive Income (j)
1					
2					
3					
4				166,962,574	166,962,574
5					
6					
7					
8					
9				73,928,265	73,928,265
10					



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SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION AMORTIZATION AND DEPLETION					
Report in Column (c) the amount for electric function, in column (d) the amount for gas function. in column (e), (f), and (g) report other (specify) and in column (f) common function					
Line No.	Classification (a)	Total Company for the Current Year/Quarter Ended (b)	Electric (c)		
1	Utility Plant				
2	In Service				
3	Plant in Service (Classified)	3,917,604,597	3,917,604,597		
4	Property Under Capital Leases				
5	Plant Purchased or Sold				
6	Completed Construction not Classified	225,927,853	225,927,853		
7	Experimental Plant Unclassified				
8	Total (3 thru 7)	4,143,532,450	4,143,532,450		
9	Leased to Others				
10	Held for Future Use	10,137,562	10,137,562		
11	Construction Work in Progress	1,141,179,136	1,141,179,136		
12	Acquisition Adjustments				
13	Total Utility Plant (8 thru 12)	5,294,849,148	5,294,849,148		
14	Accum Prov for Depr, Amort, & Depl	1,991,981,965	1,991,981,965		
15	Net Utility Plant (13 less 14)	3,302,867,183	3,302,867,183		
16	Detail of Accum Prov for Depr, Amort & Depl				
17	In Service:				
18	Depreciation	1,972,667,376	1,972,667,376		
19	Amort & Depl of Producing Nat Gas Land/Land Right				
20	Amort of Underground Storage Land/Land Rights				
21	Amort of Other Utility Plant	19,303,649	19,303,649		
22	Total In Service (18 thru 21)	1,991,971,025	1,991,971,025		
23	Leased to Others				
24	Depreciation				
25	Amortization and Depletion				
26	Total Leased to Others (24 & 25)				
27	Held for Future Use				
28	Depreciation	10,940	10,940		
29	Amortization				
30	Total Held for Future Use (28 & 29)	10,940	10,940		
31	Abandonment of Leases (Natural Gas)				
32	Amort of Plant Acquisition Adj				
33	Total Accum Prov (equals 14) (22.26.30,31,32)	1,991,981,965	1,991,981,965		

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SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS  
FOR DEPRECIATION, AMORTIZATION AND DEPLETION

Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No.
					1
					2
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**ELECTRIC PLANT IN SERVICE AND ACCUMULATED PROVISION FOR DEPRECIATION BY FUNCTION**

1. Report below the original cost of plant in service by function. In addition to Account 101, include Account 102, and Account 106 Report in column (b) the original cost of plant in service and in column(c) the accumulated provision for depreciation and amortization by function.

Line No.	Item (a)	Plant in Service Balance at End of Quarter (b)	Accumulated Depreciation and Amortization Balance at End of Quarter (c)
1	Intangible Plant	26,297,109	19,303,649
2	Steam Production Plant	1,862,054,772	950,657,866
3	Nuclear Production Plant		
4	Hydraulic Production - Conventional	11,887,058	8,322,866
5	Hydraulic Production - Pumped Storage		
6	Other Production	499,316,123	124,978,879
7	Transmission	523,156,424	327,661,945
8	Distribution	1,117,411,561	510,184,386
9	Regional Transmission and Market Operation		
10	General	103,409,403	50,872,374
11	TOTAL (Total of lines 1 through 10)	4,143,532,450	1,991,981,965

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**OTHER REGULATORY ASSETS (Account 182.3)**

1. Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 182.3 at end of period, or amounts less than \$50,000 which ever is less), may be grouped by classes.
3. For Regulatory Assets being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Assets  (a)	Balance at Beginning of Current Quarter/Year (b)	Debits (c)	CREDITS		Balance at end of Current Quarter/Year (f)
				Written off During the Quarter/Year Account Charged (d)	Written off During the Period Amount (e)	
1	SFAS 158 - Pension and Postretirement	28,091,683				28,091,683
2	Asset Retirement Obligation - Electric	24,685,475	568,596	407	16,278	25,237,793
3	MISO Exit Fee	18,929,531		426	66,557	18,862,974
4	SFAS 109 - Income Taxes	7,156,565	1,222,635	282	58,000	8,321,200
5	FERC Jurisdictional Pension Expenses	2,571,070	73,806			2,644,876
6	Ice Storm (Jul-04 to Jun-09)	989,487		593	197,901	791,586
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44	TOTAL	82,423,811	1,865,037		338,736	83,950,112

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**OTHER REGULATORY LIABILITIES (Account 254)**

1. Report below the particulars (details) called for concerning other regulatory liabilities, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 254 at end of period, or amounts less than \$50,000 which ever is less), may be grouped by classes.
3. For Regulatory Liabilities being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance at Beginning of Current Quarter/Year (b)	DEBITS		Credits (e)	Balance at End of Current Quarter/Year (f)
			Account Credited (c)	Amount (d)		
1	SFAS 109 - Income Taxes	28,035,898	190,282	845,323	82,139	27,272,714
2	MISO Schedule 10 Charges	6,224,357			982,794	7,207,151
3	Asset Retirement Obligation - Electric	2,233,909			63,048	2,296,957
4	Spare Parts	1,310,010	502-514	107,231	157,875	1,360,654
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41	TOTAL	37,804,174		952,554	1,285,856	38,137,476

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**ELECTRIC OPERATING REVENUES (Account 400)**

- 1 The following instructions generally apply to the annual version of these pages Do not report quarterly data in columns (c), (e), (f), and (g) Unbilled revenues and MWH related to unbilled revenues need not be reported separately as required in the annual version of these pages
- 2 Report below operating revenues for each prescribed account, and manufactured gas revenues in total
- 3 Report number of customers, columns (f) and (g), on the basis of meters, in addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added The -average number of customers means the average of twelve figures at the close of each month
- 4 If increases or decreases from previous period (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote

Line No.	Title of Account (a)	Operating Revenues Year to Date Quarterly/Annual (b)	Operating Revenues Previous year (no Quarterly) (c)
1	Sales of Electricity		
2	(440) Residential Sales	227,035,510	
3	(442) Commercial and Industrial Sales		
4	Small (or Comm ) (See Instr. 4)	151,970,458	
5	Large (or Ind ) (See Instr. 4)	156,869,007	
6	(444) Public Street and Highway Lighting	5,118,831	
7	(445) Other Sales to Public Authorities	46,283,060	
8	(446) Sales to Railroads and Railways		
9	(448) Interdepartmental Sales		
10	TOTAL Sales to Ultimate Consumers	587,276,866	
11	(447) Sales for Resale	77,203,561	
12	TOTAL Sales of Electricity	664,480,427	
13	(Less) (449.1) Provision for Rate Refunds		
14	TOTAL Revenues Net of Prov. for Refunds	664,480,427	
15	Other Operating Revenues		
16	(450) Forfeited Discounts		
17	(451) Miscellaneous Service Revenues	658,513	
18	(453) Sales of Water and Water Power		
19	(454) Rent from Electric Property	1,096,845	
20	(455) Interdepartmental Rents		
21	(456) Other Electric Revenues	1,765,000	
22	(456.1) Revenues from Transmission of Electricity of Others	4,025,433	
23	(457.1) Regional Control Service Revenues		
24	(457.2) Miscellaneous Revenues		
25			
26	TOTAL Other Operating Revenues	4,015,791	
27	TOTAL Electric Operating Revenues	668,496,218	

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**ELECTRIC OPERATING REVENUES (Account 400)**

5 Commercial and industrial Sales. Account 442. may be classified according to the basis of classification (Small or Commercial. and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 1000 Kw of demand (See Account 442 of the Uniform System of Accounts Explain basis of classification in a footnote )

6 See pages 108-109. Important Changes During Period. for important new territory added and important rate increase or decreases

7 For Lines 2.4.5.and 6. see Page 304 for amounts relating to unbilled revenue by accounts

8 Include unmetered sales Provide details of such Sales in a footnote

MEGAWATT HOURS SOLD		AVG NO. CUSTOMERS PER MONTH		Line No.
Year to Date Quarterly/Annual (d)	Amount Previous year (no Quarterly) (e)	Current Year (no Quarterly) (f)	Previous Year (no Quarterly) (g)	
				1
3,461,706				2
				3
2,316,271				4
3,088,024				5
31,216				6
799,516				7
				8
				9
9,696,733				10
1,977,467				11
11,674,200				12
				13
11,674,200				14

Line 12, column (b) includes \$ 0 of unbilled revenues  
 Line 12, column (d) includes 0 MWH relating to unbilled revenues

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Kentucky Utilities Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	/ /	2008/Q2
FOOTNOTE DATA			

**Schedule Page: 300 Line No.: 21 Column: b**

As a result of the Company exiting the MISO, base rate revenues related to the MISO expenses are reclassified from Other Operating Revenues to a Regulatory Liability, as required by the Kentucky Public Service Commission in its May 31, 2006 order in Case No. 2003-00266.



Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da. Yr) / /	Year/Period of Report End of 2008/Q2
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**ELECTRIC PRODUCTION, OTHER POWER SUPPLY EXPENSES, TRANSMISSION AND DISTRIBUTION EXPENSES**

Report Electric production, other power supply expenses, transmission, regional control and market operation, and distribution expenses through the reporting period.

Line No.	Account (a)	Year to Date Quarter (b)
1	<b>1. POWER PRODUCTION AND OTHER SUPPLY EXPENSES</b>	
2	Steam Power Generation - Operation (500-509)	226,202,845
3	Steam Power Generation - Maintenance (510-515)	26,544,770
4	Total Power Production Expenses - Steam Power	252,747,615
5	Nuclear Power Generation - Operation (517-525)	
6	Nuclear Power Generation - Maintenance (528-532)	
7	Total Power Production Expenses - Nuclear Power	
8	Hydraulic Power Generation - Operation (535-540.1)	42,939
9	Hydraulic Power Generation - Maintenance (541-545.1)	173,237
10	Total Power Production Expenses - Hydraulic Power	216,176
11	Other Power Generation - Operation (546-550.1)	23,775,259
12	Other Power Generation - Maintenance (551-554.1)	739,650
13	Total Power Production Expenses - Other Power	24,514,909
14	Other Power Supply Expenses	
15	Purchased Power (555)	110,220,889
16	System Control and Load Dispatching (556)	792,079
17	Other Expenses (557)	608,932
18	Total Other Power Supply Expenses (line 15-17)	111,621,900
19	Total Power Production Expenses (Total of lines 4, 7, 10, 13 and 18)	389,100,600
20	<b>2. TRANSMISSION EXPENSES</b>	
21	Transmission Operation Expenses	
22	(560) Operation Supervision and Engineering	878,761
23	(561) Load Dispatching	521,913
24	(561.1) Load Dispatch-Reliability	
25	(561.2) Load Dispatch-Monitor and Operate Transmission System	
26	(561.3) Load Dispatch-Transmission Service and Scheduling	
27	(561.4) Scheduling, System Control and Dispatch Services	11,893
28	(561.5) Reliability, Planning and Standards Development	
29	(561.6) Transmission Service Studies	13,498
30	(561.7) Generation Interconnection Studies	
31	(561.8) Reliability, Planning and Standards Development Services	855
32	(562) Station Expenses	230,425
33	(563) Overhead Line Expenses	202,291
34	(564) Underground Line Expenses	
35	(565) Transmission of Electricity by Others	3,345,160
36	(566) Miscellaneous Transmission Expenses	2,268,487
37	(567) Rents	80,905
38	(567.1) Operation Supplies and Expenses (Non-Major)	

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da. Yr) / /	Year/Period of Report End of 2008/Q2
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**ELECTRIC PRODUCTION, OTHER POWER SUPPLY EXPENSES, TRANSMISSION AND DISTRIBUTION EXPENSES**

Report Electric production, other power supply expenses, transmission, regional control and market operation. and distribution expenses through the reporting period

Line No.	Account (a)	Year to Date Quarter (b)
39	TOTAL Transmission Operation Expenses (Lines 22 - 38)	7,554,188
40	Transmission Maintenance Expenses	
41	(568) Maintenance Supervision and Engineering	
42	(569) Maintenance of Structures	
43	(569.1) Maintenance of Computer Hardware	
44	(569.2) Maintenance of Computer Software	
45	(569.3) Maintenance of Communication Equipment	
46	(569.4) Maintenance of Miscellaneous Regional Transmission Plant	
47	(570) Maintenance of Station Equipment	572,487
48	(571) Maintenance Overhead Lines	1,830,658
49	(572) Maintenance of Underground Lines	
50	(573) Maintenance of Miscellaneous Transmission Plant	134,181
51	(574) Maintenance of Transmission Plant	
52	TOTAL Transmission Maintenance Expenses (Lines 41 - 51)	2,537,326
53	Total Transmission Expenses (Lines 39 and 52)	10,091,514
54	<b>3. REGIONAL MARKET EXPENSES</b>	
55	Regional Market Operation Expenses	
56	(575.1) Operation Supervision	
57	(575.2) Day-Ahead and Real-Time Market Facilitation	
58	(575.3) Transmission Rights Market Facilitation	
59	(575.4) Capacity Market Facilitation	
60	(575.5) Ancillary Services Market Facilitation	
61	(575.6) Market Monitoring and Compliance	
62	(575.7) Market Facilitation, Monitoring and Compliance Services	11,619
63	Regional Market Operation Expenses (Lines 55 - 62)	11,619
64	Regional Market Maintenance Expenses	
65	(576.1) Maintenance of Structures and Improvements	
66	(576.2) Maintenance of Computer Hardware	
67	(576.3) Maintenance of Computer Software	
68	(576.4) Maintenance of Communication Equipment	
69	(576.5) Maintenance of Miscellaneous Market Operation Plant	
70	Regional Market Maintenance Expenses (Lines 65-69)	
71	TOTAL Regional Control and Market Operation Expenses (Lines 63,70)	11,619
72	<b>4. DISTRIBUTION EXPENSES</b>	
73	Distribution Operation Expenses (580-589)	9,102,805
74	Distribution Maintenance Expenses (590-598)	13,310,133
75	Total Distribution Expenses (Lines 73 and 74)	22,412,938

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q2
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**ELECTRIC CUSTOMER ACCOUNTS, SERVICE, SALES, ADMINISTRATIVE AND GENERAL EXPENSES**

Report the amount of expenses for customer accounts, service, sales, and administrative and general expenses year to date.

Line No.	Account (a)	Year to Date Quarter (b)
1	(901-905) Customer Accounts Expenses	10,762,914
2	(907-910) Customer Service and Information Expenses	4,854,627
3	(911-917) Sales Expenses	29,069
4	<b>8. ADMINISTRATIVE AND GENERAL EXPENSES</b>	
5	Operations	
6	920 Administrative and General Salaries	8,345,798
7	921 Office Supplies and Expenses	4,086,207
8	(Less) 922 Administrative Expenses Transferred-Credit	1,084,340
9	923 Outside Services Employed	5,310,624
10	924 Property Insurance	1,390,949
11	925 Injuries and Damages	699,405
12	926 Employee Pensions and Benefits	12,304,047
13	927 Franchise Requirements	1,662
14	928 Regulatory Commission Expenses	326,913
15	(Less) 929 Duplicate Charges-Credit	1,662
16	930.1 General Advertising Expenses	301,045
17	930.2 Miscellaneous General Expenses	1,327,269
18	931 Rents	858,878
19	<b>TOTAL Operation (Total of lines 6 thru 18)</b>	<b>33,866,795</b>
20	Maintenance	
21	935 Maintenance of General Plant	3,634,322
22	<b>TOTAL Administrative and General Expenses (Total of lines 19 and 21)</b>	<b>37,501,117</b>

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q2
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**TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1)**  
(Including transactions referred to as 'wheeling')

1. Report all transmission of electricity, i.e., wheeling, provided for other electric utilities, cooperatives, other public authorities, qualifying facilities, non-traditional utility suppliers and ultimate customers for the quarter.

2. Use a separate line of data for each distinct type of transmission service involving the entities listed in column (a), (b) and (c)

3. Report in column (a) the company or public authority that paid for the transmission service. Report in column (b) the company or public authority that the energy was received from and in column (c) the company or public authority that the energy was delivered to. Provide the full name of each company or public authority. Do not abbreviate or truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation the respondent has with the entities listed in columns (a), (b) or (c)

4. In column (d) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNO - Firm Network Service for Others, FNS - Firm Network Transmission Service for Self, LFP - "Long-Term Firm Point to Point Transmission Service, OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point to Point Transmission Reservation, NF - non-firm transmission service, OS - Other Transmission Service and AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment. See General Instruction for definitions of codes.

Line No.	Payment By (Company of Public Authority) (Footnote Affiliation) (a)	Energy Received From (Company of Public Authority) (Footnote Affiliation) (b)	Energy Delivered To (Company of Public Authority) (Footnote Affiliation) (c)	Statistical Classification (d)
1	East Kentucky Power Cooperative	East Kentucky Power Cooperative	East Kentucky Power Cooperative	FNO
2	East Kentucky Power Cooperative	East Kentucky Power Cooperative	East Kentucky Power Cooperative	NF
3	East Kentucky Power Cooperative	East Kentucky Power Cooperative	East Kentucky Power Cooperative	SFP
4	Tennessee Valley Authority	Tennessee Valley Authority	Tennessee Valley Authority	OLF
5	Tennessee Valley Authority	Tennessee Valley Authority	Tennessee Valley Authority	AD
6	Tennessee Valley Authority	Tennessee Valley Authority	Various	NF
7	Big Rivers Electric Corporation	Big Rivers Electric Corporation	Big Rivers Electric Corporation	NF
8	KU/G&E	Various	Various	NF
9	KU/G&E	Various	Various	SFP
10	KU/G&E	Various	Various	LFP
11	Cargill Power Markets, LLC	Various	Various	SFP
12	Cargill Power Markets, LLC	Various	Various	NF
13	Constellation Energy Commodities Group	PJM	Tennessee Valley Authority	SFP
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
	<b>TOTAL</b>			

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da. Yr) / /	Year/Period of Report End of 2008/Q2
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(Continued)  
(Including transactions referred to as 'wheeling')

5. In column (e), identify the FERC Rate Schedule or Tariff Number, On separate lines, list all FERC rate schedules or contract designations under which service, as identified in column (d), is provided.
6. Report receipt and delivery locations for all single contract path, "point to point" transmission service. In column (f), report the designation for the substation, or other appropriate identification for where energy was received as specified in the contract. In column (g) report the designation for the substation, or other appropriate identification for where energy was delivered as specified in the contract.
7. Report in column (h) the number of megawatts of billing demand that is specified in the firm transmission service contract. Demand reported in column (h) must be in megawatts. Footnote any demand not stated on a megawatts basis and explain.
8. Report in column (i) and (j) the total megawatthours received and delivered.

FERC Rate Schedule of Tariff Number (e)	Point of Receipt (Substation or Other Designation) (f)	Point of Delivery (Substation or Other Designation) (g)	Billing Demand (MW) (h)	TRANSFER OF ENERGY		Line No
				MegaWatt Hours Received (i)	MegaWatt Hours Delivered (j)	
Vol 1 SA 4	East Kentucky Power	East Kentucky Power	325	525,014	509,548	1
Vol 1	East Kentucky Power	East Kentucky Power		95	96	2
Vol 1	East Kentucky Power	East Kentucky Power		738	717	3
93	TVA	TVA	43	64,767	62,871	4
93	TVA	TVA				5
Vol 1	TVA	Various		623	604	6
Vol 1	East Kentucky Power	Big Rivers Electric		271	271	7
Vol 1	Various	Various				8
Vol 1	Various	Various	23			9
Vol 1	Various	Various	89			10
Vol 1	Various	Various		3,105	2,997	11
Vol 1	Various	Various		5,453	5,278	12
Vol 1	PJM	TVA		3,748	3,610	13
						14
						15
						16
						17
						18
						19
						20
						21
						22
						23
						24
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						29
						30
						31
						32
						33
						34
			480	603,814	585,992	

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q2
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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456) (Continued)  
(Including transactions referred to as 'wheeling')

9. In column (k) through (n), report the revenue amounts as shown on bills or vouchers. In column (k), provide revenues from demand charges related to the billing demand reported in column (h). In column (l), provide revenues from energy charges related to the amount of energy transferred. In column (m), provide the total revenues from all other charges on bills or vouchers rendered, including out of period adjustments. Explain in a footnote all components of the amount shown in column (m). Report in column (n) the total charge shown on bills rendered to the entity Listed in column (a). If no monetary settlement was made, enter zero (11011) in column (n). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.

10. The total amounts in columns (i) and (j) must be reported as Transmission Received and Transmission Delivered for annual report purposes only on Page 401, Lines 16 and 17, respectively.

11. Footnote entries and provide explanations following all required data.

REVENUE FROM TRANSMISSION OF ELECTRICITY FOR OTHERS

Demand Charges (\$) (k)	Energy Charges (\$) (l)	(Other Charges) (\$) (m)	Total Revenues (\$) (k+l+m) (n)	Line No.
539,155		32,001	571,156	1
	313	15	328	2
	3,771	243	4,014	3
88,760		4,375	93,135	4
	-567		-567	5
	223	15	238	6
	566	26	592	7
	696,284	34,432	730,716	8
303,700		15,847	319,547	9
209,853		11,127	220,980	10
	46,690	1,982	48,672	11
	12,813	485	13,298	12
	70,431	3,003	73,434	13
				14
				15
				16
				17
				18
				19
				20
				21
				22
				23
				24
				25
				26
				27
				28
				29
				30
				31
				32
				33
				34
1,141,468	830,524	103,551	2,075,543	

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
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**Schedule Page: 328 Line No.: 1 Column: m**

The total consists of East Kentucky Power Cooperative Schedule 1 and Schedule 2 charges related to firm transmission.

**Schedule Page: 328 Line No.: 2 Column: m**

The total consists of East Kentucky Power Cooperative Schedule 1 and Schedule 2 charges related to non-firm transmission.

**Schedule Page: 328 Line No.: 3 Column: m**

The total consists of East Kentucky Power Cooperative Schedule 1 and Schedule 2 charges related to short-term firm transmission.

**Schedule Page: 328 Line No.: 4 Column: d**

The OLF transmission service agreement between Tennessee Valley Authority and Kentucky Utilities Company has a termination date of 12/31/2011.

**Schedule Page: 328 Line No.: 4 Column: m**

The total consists of Tennessee Valley Authority Schedule 1 and Schedule 2 charges related to firm transmission.

**Schedule Page: 328 Line No.: 5 Column: l**

The amount is negative due to a prior period adjustment. In April 2008, March estimated energy charges were reversed and March actual energy charges were recorded. The estimate was higher than the actual energy charges, resulting in a negative balance. There were no other energy charges for FERC Rate Schedule/Tariff #93 recorded during the second quarter of 2008.

**Schedule Page: 328 Line No.: 6 Column: m**

The total consists of Tennessee Valley Authority Schedule 1 and Schedule 2 charges related to non-firm transmission.

**Schedule Page: 328 Line No.: 7 Column: m**

The total consists of Big Rivers Electric Corporation Schedule 1 and Schedule 2 charges related to non-firm transmission.

**Schedule Page: 328 Line No.: 8 Column: a**

Intercompany purchases between Kentucky Utilities Company and Louisville Gas & Electric Company take place under the Open Access Transmission Tariff with allocations determined by the Transmission Coordination Agreement between the Companies. Both the Tariff and the Transmission Coordination Agreement are evergreen (have no termination date).

**Schedule Page: 328 Line No.: 8 Column: m**

The total consists of Schedule 1 and Schedule 2 charges related to non-firm transmission with various counterparties.

**Schedule Page: 328 Line No.: 9 Column: a**

Intercompany purchases between Kentucky Utilities Company and Louisville Gas & Electric Company take place under the Open Access Transmission Tariff with allocations determined by the Transmission Coordination Agreement between the Companies. Both the Tariff and the Transmission Coordination Agreement are evergreen (have no termination date).

**Schedule Page: 328 Line No.: 9 Column: m**

The total consists of Schedule 1 and Schedule 2 charges related to short-term firm transmission with various counterparties.

**Schedule Page: 328 Line No.: 10 Column: a**

Intercompany purchases between Kentucky Utilities Company and Louisville Gas & Electric Company take place under the Open Access Transmission Tariff with allocations determined by the Transmission Coordination Agreement between the Companies. Both the Tariff and the Transmission Coordination Agreement are evergreen (have no termination date).

**Schedule Page: 328 Line No.: 10 Column: d**

The LFP intercompany purchases between Kentucky Utilities Company and Louisville Gas & Electric Company take place under the Open Access Transmission Tariff with allocations determined by the Transmission Coordination Agreement between the Companies. Both the Tariff and the Transmission Coordination Agreement are evergreen (have no termination date).

**Schedule Page: 328 Line No.: 10 Column: m**

The total consists of Schedule 1 and Schedule 2 charges related to long-term firm

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FOOTNOTE DATA			

transmission with various counterparties.

**Schedule Page: 328 Line No.: 11 Column: m**

The total consists of Cargill Power Markets, LLC Schedule 1 and Schedule 2 charges related to firm transmission.

**Schedule Page: 328 Line No.: 12 Column: m**

The total consists of Cargill Power Markets, LLC Schedule 1 and Schedule 2 charges related to non-firm transmission.

**Schedule Page: 328 Line No.: 13 Column: m**

The total consists of Constellation Energy Commodities Group, Inc. Schedule 1 and Schedule 2 charges related to short-term firm transmission.



Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da. Yr) / /	Year/Period of Report End of 2008/Q2
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**TRANSMISSION OF ELECTRICITY BY OTHERS (Account 565)**  
(Including transactions referred to as "wheeling")

- Report all transmission, i.e. wheeling or electricity provided by other electric utilities, cooperatives, municipalities, other public authorities, qualifying facilities, and others for the quarter.
- In column (a) report each company or public authority that provided transmission service. Provide the full name of the company, abbreviate if necessary, but do not truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation with the transmission service provider. Use additional columns as necessary to report all companies or public authorities that provided transmission service for the quarter reported.
- In column (b) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNS - Firm Network Transmission Service for Self, LFP - Long-Term Firm Point-to-Point Transmission Reservations, OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point-to-Point Transmission Reservations, NF - Non-Firm Transmission Service, and OS - Other Transmission Service. See General Instructions for definitions of statistical classifications.
- Report in column (c) and (d) the total megawatt hours received and delivered by the provider of the transmission service.
- Report in column (e), (f) and (g) expenses as shown on bills or vouchers rendered to the respondent. In column (e) report the demand charges and in column (f) energy charges related to the amount of energy transferred. On column (g) report the total of all other charges on bills or vouchers rendered to the respondent, including any out of period adjustments. Explain in a footnote all components of the amount shown in column (g). Report in column (h) the total charge shown on bills rendered to the respondent. If no monetary settlement was made, enter zero in column (h). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.
- Enter "TOTAL" in column (a) as the last line.
- Footnote entries and provide explanations following all required data.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	TRANSFER OF ENERGY		EXPENSES FOR TRANSMISSION OF ELECTRICITY BY OTHERS			
			Megawatt-hours Received (c)	Megawatt-hours Delivered (d)	Demand Charges (\$) (e)	Energy Charges (\$) (f)	Other Charges (\$) (g)	Total Cost of Transmission (\$) (h)
1	Midwest ISO	NF	78,087	78,087		434,111	28,885	462,996
2	Midwest ISO	AD				-26,391	20,189	-6,202
3	East Kentucky Power	LFP			392,192		19,246	411,438
4	East Kentucky Power	AD			-13,649		10,010	-3,639
5	Louisville Gas & Elec	LFP	6,837	6,837	77,386		4,900	82,286
6	Louisville Gas & Elec	SFP	22,218	22,218	116,303		10,272	126,575
7	Louisville Gas & Elec	NF	110,323	110,323		371,568	32,796	404,364
8	PJM Interconnect	NF	48,425	48,425		32,445	26,220	58,665
9	PJM Interconnect	AD			-11	46	1	36
10	Tennessee Valley Auth	NF	6,501	6,501		17,899		17,899
11								
12								
13								
14								
15								
16								
	<b>TOTAL</b>		272,391	272,391	572,221	829,678	152,519	1,554,418

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2008/Q2
Kentucky Utilities Company			
FOOTNOTE DATA			

**Schedule Page: 332 Line No.: 1 Column: g**  
The total consists of Schedule 1, Schedule 2, and Schedule 26 charges.

**Schedule Page: 332 Line No.: 2 Column: f**  
The total consists of true-ups for prior periods.

**Schedule Page: 332 Line No.: 2 Column: g**  
The total consists of true-ups for prior periods.

**Schedule Page: 332 Line No.: 3 Column: b**  
The LFP transmission service agreement between East Kentucky Power Cooperative and Kentucky Utilities Company and Louisville Gas & Electric Company has a termination date of 9/30/2016.

**Schedule Page: 332 Line No.: 3 Column: g**  
The total consists of Schedule 1 and Schedule 2 charges.

**Schedule Page: 332 Line No.: 4 Column: e**  
The total consists of true-ups for prior periods.

**Schedule Page: 332 Line No.: 4 Column: g**  
The total consists of true-ups for prior periods.

**Schedule Page: 332 Line No.: 5 Column: a**  
Kentucky Utilities Company and Louisville Gas & Electric Company are both owned by E.ON U.S. LLC.

**Schedule Page: 332 Line No.: 5 Column: b**  
LFP intercompany purchases between Kentucky Utilities Company and Louisville Gas & Electric Company take place under the Open Access Transmission Tariff with allocations determined by the Transmission Coordination Agreement between the Companies. Both the Tariff and the Transmission Coordination Agreement are evergreen (have no termination date).

**Schedule Page: 332 Line No.: 5 Column: g**  
The total consists of Schedule 1 and Schedule 2 charges.

**Schedule Page: 332 Line No.: 6 Column: a**  
Kentucky Utilities Company and Louisville Gas & Electric Company are both owned by E.ON U.S. LLC.

**Schedule Page: 332 Line No.: 6 Column: g**  
The total consists of Schedule 1 and Schedule 2 charges.

**Schedule Page: 332 Line No.: 7 Column: a**  
Kentucky Utilities Company and Louisville Gas & Electric Company are both owned by E.ON U.S. LLC.

**Schedule Page: 332 Line No.: 7 Column: g**  
The total consists of Schedule 1 and Schedule 2 charges.

**Schedule Page: 332 Line No.: 8 Column: g**  
The total consists of Schedule 1 and Schedule 2 charges and the portion of non-firm point-to-point transmission charges that are non-energy related.

**Schedule Page: 332 Line No.: 9 Column: e**  
The total consists of true-ups for prior periods.

**Schedule Page: 332 Line No.: 9 Column: f**  
The total consists of true-ups for prior periods.

**Schedule Page: 332 Line No.: 9 Column: g**  
The total consists of true-ups for prior periods.

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da. Yr) / /	Year/Period of Report End of 2008/Q2
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Depreciation, Depletion and Amortization of Electric Plant (Accts 403, 403.1, 404, and 405) (Except Amortization of Acquisition Adjustments)

1. Report the year to date amounts of depreciation expense, asset retirement cost depreciation, depletion and amortization, except amortization of acquisition adjustments for the accounts indicated and classified according to the plant functional groups described.

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Depreciation Expense for Asset Retirement Costs (Account 403 1) (c)	Amortization of Other Limited-Term Electric Plant (Account 404) (e)	Amortization of Other Electric Plant (Account 405) (e)	Total (f)
1	Intangible Plant				2,481,057	2,481,057
2	Steam Production Plant	25,209,519	184,315			25,393,834
3	Nuclear Production Plant					
4	Hydraulic Production Plant Conv	89,098	26			89,124
5	Hydraulic Production Plant - Pumped Storage					
6	Other Production Plant	8,226,710	1,214			8,227,924
7	Transmission Plant	7,675,512	90			7,675,602
8	Distribution Plant	16,763,325	75			16,763,400
9	General Plant	2,212,653				2,212,653
10	Common Plant					
11	TOTAL ELECTRIC (lines 2 through 10)	60,176,817	185,720		2,481,057	62,843,594

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da. Yr) / /	Year/Period of Report End of <u>2008/Q2</u>
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**AMOUNTS INCLUDED IN ISO/RTO SETTLEMENT STATEMENTS**

1. The respondent shall report below the details called for concerning amounts it recorded in Account 555, Purchase Power, and Account 447, Sales for Resale, for items shown on ISO/RTO Settlement Statements. Transactions should be separately netted for each ISO/RTO administered energy market for purposes of determining whether an entity is a net seller or purchaser in a given hour. Net megawatt hours are to be used as the basis for determining whether a net purchase or sale has occurred. In each monthly reporting period, the hourly sale and purchase net amounts are to be aggregated and separately reported in Account 447, Sales for Resale, or Account 555, Purchased Power, respectively.

Line No.	Description of Item(s) (a)	Balance at End of Quarter 1 (b)	Balance at End of Quarter 2 (c)	Balance at End of Quarter 3 (d)	Balance at End of Year (e)
1	Energy				
2	Net Purchases (Account 555)	11,409,035	21,006,024		
3	Net Sales (Account 447)	1,074,396	2,572,148		
4	Transmission Rights				
5	Ancillary Services				
6	Other Items (list separately)				
7					
8					
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44					
45					
46	TOTAL	12,483,431	23,578,172		

Name of Respondent	This Report is:	Date of Report	Year/Period of Report
Kentucky Utilities Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) / /	2008/Q2
FOOTNOTE DATA			

**Schedule Page: 397 Line No.: 2 Column: b**

The amount reflects transactions recorded in accordance with Kentucky Utilities Company's Power Supply System Agreement with Louisville Gas and Electric Company, as approved by the Kentucky Public Service Commission in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. Absent such a Power Supply System Agreement, the purchase amount recorded in accordance with FERC Order No. 668-A would have been \$11,335,803.

**Schedule Page: 397 Line No.: 2 Column: c**

The amount reflects transactions recorded in accordance with Kentucky Utilities Company's Power Supply System Agreement with Louisville Gas and Electric Company, as approved by the Kentucky Public Service Commission in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. Absent such a Power Supply System Agreement, the purchase amount recorded in accordance with FERC Order No. 668-A would have been \$20,902,380.

**Schedule Page: 397 Line No.: 3 Column: b**

The amount reflects transactions recorded in accordance with Kentucky Utilities Company's Power Supply System Agreement with Louisville Gas and Electric Company, as approved by the Kentucky Public Service Commission in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. Absent such a Power Supply System Agreement, the purchase amount recorded in accordance with FERC Order No. 668-A would have been \$1,068,308.

**Schedule Page: 397 Line No.: 3 Column: c**

The amount reflects transactions recorded in accordance with Kentucky Utilities Company's Power Supply System Agreement with Louisville Gas and Electric Company, as approved by the Kentucky Public Service Commission in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. Absent such a Power Supply System Agreement, the sale amount recorded in accordance with FERC Order No. 668-A would have been \$2,564,200.

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da. Yr) / /	Year/Period of Report End of 2008/Q2
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**MONTHLY PEAKS AND OUTPUT**

- (1) (1) Report the monthly peak load and energy output. If the respondent has two or more power systems which are not physically integrated, furnish the required information for each non-integrated system. In quarter 1 report January, February, and March only. In quarter 2 report April, May, and June only. In quarter 3 report July, August, and September only.
- (2) Report on column (b) by month the system's output in Megawatt hours for each month.
- (3) Report on column (c) by month the non-requirements sales for resale. Include in the monthly amounts any energy losses associated with the sales.
- (4) Report on column (d) by month the system's monthly maximum megawatt load (60 minute integration) associated with the system.
- (5) Report on columns (e) and (f) the specified information for each monthly peak load reported on column (d).
- (6) Report Monthly Peak Hours in military time; 0100 for 1:00 AM, 1200 for 12 AM, and 1830 for 6:30 PM, etc.

NAME OF SYSTEM: KU

Line No.	Month (a)	Total Monthly Energy (MWH) (b)	Monthly Non-Requirements Sales for Resale & Associated Losses (c)	MONTHLY PEAK		
				Megawatts (See Instr 4) (d)	Day of Month (e)	Hour (f)
1	January	2,468,476	213,504	4,476	25	800
2	February	2,091,223	91,340	3,938	11	800
3	March	2,076,280	183,756	3,452	25	700
4	Total	6,635,979	488,600	11,866		
5	April	1,757,255	138,325	3,087	15	700
6	May	1,847,233	228,430	3,090	27	1700
7	June	2,057,476	152,557	3,910	9	1400
8	Total	5,661,964	519,312	10,087		
9	July				0	0
10	August				0	0
11	September				0	0
12	Total					

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da. Yr) / /	Year/Period of Report End of 2008/Q2
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**MONTHLY TRANSMISSION SYSTEM PEAK LOAD**

- (1) Report the monthly peak load on the respondent's transmission system. If the respondent has two or more power systems which are not physically integrated, furnish the required information for each non-integrated system  
(2) Report on Column (b) by month the transmission system's peak load.  
(3) Report on Columns (c) and (d) the specified information for each monthly transmission - system peak load reported on Column (b).  
(4) Report on Columns (e) through (j) by month the system' monthly maximum megawatt load by statistical classifications. See General Instruction for the definition of each statistical classification.

NAME OF SYSTEM: KU

Line No.	Month (a)	Monthly Peak MW - Total (b)	Day of Monthly Peak (c)	Hour of Monthly Peak (d)	Firm Network Service for Self (e)	Firm Network Service for Others (f)	Long-Term Firm Point-to-point Reservations (g)	Other Long-Term Firm Service (h)	Short-Term Firm Point-to-point Reservation (i)	Other Service (j)
1	January	5,196	25	8	4,476	481	89			150
2	February	4,647	11	8	3,938	473	89			147
3	March	4,023	7	20	3,400	412	89			122
4	Total for Quarter 1	13,866			11,814	1,366	267			419
5	April	3,633	15	7	3,089	333	89			122
6	May	3,667	27	17	3,090	324	89			164
7	June	4,690	9	14	3,910	395	89		70	226
8	Total for Quarter 2	11,990			10,089	1,052	267		70	512
9	July									
10	August									
11	September									
12	Total for Quarter 3									
13	October									
14	November									
15	December									
16	Total for Quarter 4									
17	Total Year to Date/Year	25,856			21,903	2,418	534		70	931

**KU FERC Form 3Q – 2008/Q1  
Responding Witness – Shannon L. Charnas**



THIS FILING IS

Item 1:  An Initial (Original) Submission OR  Resubmission No. \_\_\_\_\_

Form 1 Approved  
OMB No. 1902-0021  
(Expires 7/31/2008)  
Form 1-F Approved  
OMB No. 1902-0029  
(Expires 6/30/2007)  
Form 3-Q Approved  
OMB No. 1902-0205  
(Expires 6/30/2007)



# FERC FINANCIAL REPORT

## FERC FORM No. 1: Annual Report of Major Electric Utilities, Licensees and Others and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature.

Exact Legal Name of Respondent (Company)

Kentucky Utilities Company

Year/Period of Report

End of 2008/Q1

**FERC FORM NO. 1/3-Q:  
REPORT OF MAJOR ELECTRIC UTILITIES, LICENSEES AND OTHER**

IDENTIFICATION		
01 Exact Legal Name of Respondent Kentucky Utilities Company	02 Year/Period of Report End of <u>2008/Q1</u>	
03 Previous Name and Date of Change (if name changed during year)  //		
04 Address of Principal Office at End of Period (Street, City, State, Zip Code) 220 West Main Street, P.O. Box 32010, Louisville, KY 40232		
05 Name of Contact Person Mimi Kelly	06 Title of Contact Person Mgr - Regulatory Acct & Reprt	
07 Address of Contact Person (Street, City, State, Zip Code) P.O. Box 32010, Louisville, KY 40232		
08 Telephone of Contact Person, including Area Code (502) 627-2482	09 This Report Is (1) <input checked="" type="checkbox"/> An Original      (2) <input type="checkbox"/> A Resubmission	10 Date of Report (Mo, Da, Yr) //

**QUARTERLY CORPORATE OFFICER CERTIFICATION**

The undersigned officer certifies that:

I have examined this report and to the best of my knowledge, information, and belief all statements of fact contained in this report are correct statements of the business affairs of the respondent and the financial statements, and other financial information contained in this report. conform in all material respects to the Uniform System of Accounts.

01 Name S. Bradford Rives	03 Signature  S. Bradford Rives	04 Date Signed (Mo, Da, Yr) 05/20/2008
02 Title Chief Financial Officer		

Title 18, U.S.C. 1001 makes it a crime for any person to knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction



Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report / /	Year/Period of Report End of 2008/Q1
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**IMPORTANT CHANGES DURING THE QUARTER/YEAR**

Give particulars (details) concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Each inquiry should be answered. Enter "none," "not applicable," or "NA" where applicable. If information which answers an inquiry is given elsewhere in the report, make a reference to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration given therefore and state from whom the franchise rights were acquired. If acquired without the payment of consideration, state that fact.
2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to Commission authorization.
3. Purchase or sale of an operating unit or system: Give a brief description of the property, and of the transactions relating thereto, and reference to Commission authorization, if any was required. Give date journal entries called for by the Uniform System of Accounts were submitted to the Commission.
4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other condition. State name of Commission authorizing lease and give reference to such authorization.
5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and give reference to Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.
6. Obligations incurred as a result of issuance of securities or assumption of liabilities or guarantees including issuance of short-term debt and commercial paper having a maturity of one year or less. Give reference to FERC or State Commission authorization, as appropriate, and the amount of obligation or guarantee.
7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.
8. State the estimated annual effect and nature of any important wage scale changes during the year.
9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.
10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer, director, security holder reported on Page 106, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.
11. (Reserved.)
12. If the important changes during the year relating to the respondent company appearing in the annual report to stockholders are applicable in every respect and furnish the data required by Instructions 1 to 11 above, such notes may be included on this page.
13. Describe fully any changes in officers, directors, major security holders and voting powers of the respondent that may have occurred during the reporting period.
14. In the event that the respondent participates in a cash management program(s) and its proprietary capital ratio is less than 30 percent please describe the significant events or transactions causing the proprietary capital ratio to be less than 30 percent, and the extent to which the respondent has amounts loaned or money advanced to its parent, subsidiary, or affiliated companies through a cash management program(s). Additionally, please describe plans, if any to regain at least a 30 percent proprietary ratio.

PAGE 108 INTENTIONALLY LEFT BLANK  
SEE PAGE 109 FOR REQUIRED INFORMATION.

Name of Respondent Kentucky Utilities Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2008/Q1
IMPORTANT CHANGES DURING THE QUARTER/YEAR (Continued)			

1. None.
2. None.
3. None.
4. None of a material nature.
5. None of a material nature.
6. At March 31, 2008, the Company had obtained authorization from the SEC under the Public Utility Holding Company Act of 2005 (PUHCA 2005) SEC File No. 70-10282 for the issuance of short-term debt up to \$400 million through May 31, 2008. The Federal Power Act contained an exemption from FERC approval for securities issuances approved by the SEC under PUHCA 2005. In connection with the repeal of the PUHCA of 1935, the Company also received FERC authorization under the FPA Docket No. ES07-60-000 for up to \$400 million in short-term debt through November 30, 2009. The Company's money pool balance increased from \$23 million at December 31, 2007 to \$50 million at March 31, 2008. During the first quarter of 2008, the Company did not enter into any new long-term loan agreements.
7. None.
8. None of a material nature.
9. See Notes 2 and 7 of Notes to Financial Statements.
10. None.
11. N/A
12. N/A
13. Martyn Gallus is serving in a position with an international affiliate, effective January 2008. Effective during January 2008, David S. Sinclair was appointed Vice President – Energy Marketing.
14. The Company is a participant in a cash pooling arrangement, but its proprietary capital ratio is above 30 percent.

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q1
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**COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)**

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	<b>UTILITY PLANT</b>			
2	Utility Plant (101-106, 114)	200-201	3,915,735,501	3,867,960,512
3	Construction Work in Progress (107)	200-201	1,184,255,020	1,071,388,626
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		5,099,990,521	4,939,349,138
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	1,961,946,070	1,931,454,524
6	Net Utility Plant (Enter Total of line 4 less 5)		3,138,044,451	3,007,894,614
7	Nuclear Fuel in Process of Ref., Conv., Enrich., and Fab. (120.1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		0	0
10	Spent Nuclear Fuel (120.4)		0	0
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		0	0
14	Net Utility Plant (Enter Total of lines 6 and 13)		3,138,044,451	3,007,894,614
15	Utility Plant Adjustments (116)	122	0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	<b>OTHER PROPERTY AND INVESTMENTS</b>			
18	Nonutility Property (121)		179,121	180,296
19	(Less) Accum. Prov. for Depr. and Amort. (122)		0	0
20	Investments in Associated Companies (123)		22,485,059	22,502,868
21	Investment in Subsidiary Companies (123.1)	224-225	0	0
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		661,140	661,140
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		6,013,770	5,915,884
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		0	0
31	Long-Term Portion of Derivative Assets - Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		29,339,090	29,260,188
33	<b>CURRENT AND ACCRUED ASSETS</b>			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		0	321,021
36	Special Deposits (132-134)		5,840,598	10,985,556
37	Working Fund (135)		36,317	38,680
38	Temporary Cash Investments (136)		17,646	17,490
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		95,841,473	93,443,216
41	Other Accounts Receivable (143)		19,134,377	21,261,831
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		2,340,573	1,939,209
43	Notes Receivable from Associated Companies (145)		0	0
44	Accounts Receivable from Assoc. Companies (146)		1,413,499	16,983,062
45	Fuel Stock (151)	227	36,893,400	41,770,628
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	27,633,554	27,370,026
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	256,907	382,894

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2008/Q1</u>
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**COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS) (Continued)**

Line No	Title of Account (a)	Ref Page No (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	6,468,775	6,454,808
55	Gas Stored Underground - Current (164.1)		0	0
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		4,110,493	5,293,879
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		25,019	95,727
60	Rents Receivable (172)		0	0
61	Accrued Utility Revenues (173)		48,987,000	58,867,000
62	Miscellaneous Current and Accrued Assets (174)		0	16,145
63	Derivative Instrument Assets (175)		0	537,979
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		0	0
65	Derivative Instrument Assets - Hedges (176)		0	0
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176)		0	0
67	Total Current and Accrued Assets (Lines 34 through 66)		244,318,485	281,900,733
68	<b>DEFERRED DEBITS</b>			
69	Unamortized Debt Expenses (181)		7,208,954	7,281,131
70	Extraordinary Property Losses (182.1)	230	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230	0	0
72	Other Regulatory Assets (182.3)	232	82,423,811	82,165,251
73	Prelim. Survey and Investigation Charges (Electric) (183)		1,796,899	1,667,653
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		0	2,388,433
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	60,356,173	67,276,079
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		10,064,533	10,173,667
82	Accumulated Deferred Income Taxes (190)	234	50,537,997	50,753,516
83	Unrecovered Purchased Gas Costs (191)		0	0
84	Total Deferred Debits (lines 69 through 83)		212,388,367	216,948,864
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		3,624,090,393	3,536,004,399

Name of Respondent Kentucky Utilities Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2008/Q1
FOOTNOTE DATA			

**Schedule Page: 110 Line No.: 76 Column:**  
The negative balance resulted from a higher level of capital additions in 2007.



Name of Respondent Kentucky Utilities Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Rresubmission	Date of Report (mo, da, yr) / /	Year/Period of Report end of 2008/Q1
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**COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)**

Line No.	Title of Account (a)	Ref. Page No (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	308,139,978	308,139,978
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)	252	0	0
5	Stock Liability for Conversion (203, 206)	252	0	0
6	Premium on Capital Stock (207)	252	0	0
7	Other Paid-In Capital (208-211)	253	90,000,000	90,000,000
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254	321,289	321,289
11	Retained Earnings (215, 215.1, 216)	118-119	1,069,914,735	1,016,489,982
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	13,707,068	21,207,068
13	(Less) Reaquired Capital Stock (217)	250-251	0	0
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	0	0
16	Total Proprietary Capital (lines 2 through 15)		1,506,440,492	1,435,515,739
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	332,753,140	332,753,140
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	931,000,000	931,000,000
21	Other Long-Term Debt (224)	256-257	0	0
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		0	0
24	Total Long-Term Debt (lines 18 through 23)		1,263,753,140	1,263,753,140
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		0	0
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		3,211,431	3,098,519
29	Accumulated Provision for Pensions and Benefits (228.3)		86,478,832	87,925,008
30	Accumulated Miscellaneous Operating Provisions (228.4)		0	0
31	Accumulated Provision for Rate Refunds (229)		0	0
32	Long-Term Portion of Derivative Instrument Liabilities		0	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		0	0
34	Asset Retirement Obligations (230)		30,810,533	30,315,059
35	Total Other Noncurrent Liabilities (lines 26 through 34)		120,500,796	121,338,586
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		0	0
38	Accounts Payable (232)		143,013,669	161,858,433
39	Notes Payable to Associated Companies (233)		50,063,454	23,219,454
40	Accounts Payable to Associated Companies (234)		29,453,742	48,442,227
41	Customer Deposits (235)		19,763,233	19,573,318
42	Taxes Accrued (236)	262-263	23,657,750	4,089,209
43	Interest Accrued (237)		759,365	1,532,755
44	Dividends Declared (238)		0	0
45	Matured Long-Term Debt (239)		0	0



Name of Respondent Kentucky Utilities Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2008/Q1
FOOTNOTE DATA			

**Schedule Page: 112 Line No.: 7 Column:**  
The increase in Other Paid-In Capital was the result of an equity contribution from E.ON for \$25,000,000 in March 2008.

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da, Yr) / /	Year/Period of Report End of 2008/Q1
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STATEMENT OF INCOME

Quarterly

1. Enter in column (d) the balance for the reporting quarter and in column (e) the balance for the same three month period for the prior year.
2. Report in column (f) the quarter to date amounts for electric utility function; in column (h) the quarter to date amounts for gas utility, and in (j) the quarter to date amounts for other utility function for the current year quarter.
3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in (k) the quarter to date amounts for other utility function for the prior year quarter.
4. If additional columns are needed place them in a footnote.

Annual or Quarterly if applicable

5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility column in a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.
8. Report data for lines 8, 10 and 11 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1 and 407.2.

Line No	Title of Account (a)	(Ref.) Page No. (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	352,196,647	316,832,561	352,196,647	316,832,561
3	Operating Expenses					
4	Operation Expenses (401)	320-323	220,032,073	191,079,803	220,032,073	191,079,803
5	Maintenance Expenses (402)	320-323	21,336,044	17,988,995	21,336,044	17,988,995
6	Depreciation Expense (403)	336-337	30,263,681	27,160,907	30,263,681	27,160,907
7	Depreciation Expense for Asset Retirement Costs (403 1)	336-337	73,734	-21,878	73,734	-21,878
8	Amort & Depl of Utility Plant (404-405)	336-337	1,186,935	1,398,175	1,186,935	1,398,175
9	Amort. of Utility Plant Acq Adj (406)	336-337				
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)					
11	Amort of Conversion Expenses (407)					
12	Regulatory Debits (407 3)					
13	(Less) Regulatory Credits (407 4)		569,208	484,095	569,208	484,095
14	Taxes Other Than Income Taxes (408 1)	262-263	4,942,855	4,521,474	4,942,855	4,521,474
15	Income Taxes - Federal (409 1)	262-263	18,577,444	12,861,156	18,577,444	12,861,156
16	- Other (409 1)	262-263	3,178,634	3,976,635	3,178,634	3,976,635
17	Provision for Deferred Income Taxes (410 1)	234, 272-277	7,074,811	6,540,296	7,074,811	6,540,296
18	(Less) Provision for Deferred Income Taxes-Cr (411 1)	234, 272-277	10,992,078	9,288,086	10,992,078	9,288,086
19	Investment Tax Credit Adj - Net (411 4)	266	3,200,000	9,875,000	3,200,000	9,875,000
20	(Less) Gains from Disp. of Utility Plant (411 6)					
21	Losses from Disp. of Utility Plant (411 7)					
22	(Less) Gains from Disposition of Allowances (411 8)		583,049	706,770	583,049	706,770
23	Losses from Disposition of Allowances (411 9)					
24	Accretion Expense (411 10)		495,474	465,561	495,474	465,561
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		298,217,350	265,367,173	298,217,350	265,367,173
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		53,979,297	51,465,388	53,979,297	51,465,388

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2008/Q1
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STATEMENT OF INCOME FOR THE YEAR (Continued)

9. Use page 122 for important notes regarding the statement of income for any account thereof.

10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases

11. Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts

12. If any notes appearing in the report to stockholders are applicable to the Statement of Income, such notes may be included at page 122.

13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes

14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.

15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		Line No
Current Year to Date (in dollars) (g)	Previous Year to Date (in dollars) (h)	Current Year to Date (in dollars) (i)	Previous Year to Date (in dollars) (j)	Current Year to Date (in dollars) (k)	Previous Year to Date (in dollars) (l)	
						1
352,196,647	316,832,561					2
						3
220,032,073	191,079,803					4
21,336,044	17,988,995					5
30,263,681	27,160,907					6
73,734	-21,878					7
1,186,935	1,398,175					8
						9
						10
						11
						12
569,208	484,095					13
4,942,855	4,521,474					14
18,577,444	12,861,156					15
3,178,634	3,976,635					16
7,074,811	6,540,296					17
10,992,078	9,288,086					18
3,200,000	9,875,000					19
						20
						21
583,049	706,770					22
						23
495,474	465,561					24
298,217,350	265,367,173					25
53,979,297	51,465,388					26

STATEMENT OF INCOME FOR THE YEAR (continued)

Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL		Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
			Current Year (c)	Previous Year (d)		
27	Net Utility Operating Income (Carried forward from page 114)		53,979,297	51,465,388	53,979,297	51,465,388
28	Other Income and Deductions					
29	Other Income					
30	Nonutility Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)					
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)					
33	Revenues From Nonutility Operations (417)		369,491	133,888	369,491	133,888
34	(Less) Expenses of Nonutility Operations (417.1)					
35	Nonoperating Rental Income (418)			-103		-103
36	Equity in Earnings of Subsidiary Companies (418.1)	119	7,482,191	6,308,071	7,482,191	6,308,071
37	Interest and Dividend Income (419)		365,923	752,524	365,923	752,524
38	Allowance for Other Funds Used During Construction (419.1)		1,368,920	534,665	1,368,920	534,665
39	Miscellaneous Nonoperating Income (421)		693,705	1,213,173	693,705	1,213,173
40	Gain on Disposition of Property (421.1)		-80		-80	
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		10,280,150	8,942,218	10,280,150	8,942,218
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)					
44	Miscellaneous Amortization (425)	340				
45	Donations (426.1)	340	148,943	283,669	148,943	283,669
46	Life Insurance (426.2)		176,406	176,796	176,406	176,796
47	Penalties (426.3)					
48	Exp. for Certain Civic, Political & Related Activities (426.4)		187,709	278,887	187,709	278,887
49	Other Deductions (426.5)		584,702	1,928,449	584,702	1,928,449
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		1,097,760	2,667,801	1,097,760	2,667,801
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263	2,625	2,751	2,625	2,751
53	Income Taxes-Federal (409.2)	262-263	2,799	-372,490	2,799	-372,490
54	Income Taxes-Other (409.2)	262-263	-47,362	-102,080	-47,362	-102,080
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277	666,260	825,459	666,260	825,459
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	4,862	4,863	4,862	4,863
57	Investment Tax Credit Adj.-Net (411.5)					
58	(Less) Investment Tax Credits (420)		78,576	147,828	78,576	147,828
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		540,884	200,949	540,884	200,949
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		8,641,506	6,073,468	8,641,506	6,073,468
61	Interest Charges					
62	Interest on Long-Term Debt (427)		3,779,631	4,615,144	3,779,631	4,615,144
63	Amort. of Debt Disc. and Expense (428)		72,177	118,047	72,177	118,047
64	Amortization of Loss on Required Debt (428.1)		109,134	163,453	109,134	163,453
65	(Less) Amort. of Premium on Debt-Credit (429)					
66	(Less) Amortization of Gain on Required Debt-Credit (429.1)					
67	Interest on Debt to Assoc. Companies (430)	340	12,898,324	7,512,217	12,898,324	7,512,217
68	Other Interest Expense (431)	340	306,674	263,840	306,674	263,840
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		469,890	152,570	469,890	152,570
70	Net Interest Charges (Total of lines 62 thru 69)		16,696,050	12,520,131	16,696,050	12,520,131
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		45,924,753	45,018,725	45,924,753	45,018,725
72	Extraordinary Items					
73	Extraordinary Income (434)					
74	(Less) Extraordinary Deductions (435)					
75	Net Extraordinary Items (Total of line 73 less line 74)					
76	Income Taxes-Federal and Other (409.3)	262-263				
77	Extraordinary Items After Taxes (line 75 less line 76)					
78	Net Income (Total of line 71 and 77)		45,924,753	45,018,725	45,924,753	45,018,725

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da. Yr) / /	Year/Period of Report End of 2008/Q1
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**STATEMENT OF RETAINED EARNINGS**

1. Do not report Lines 49-53 on the quarterly version.
2. Report all changes in appropriated retained earnings, unappropriated retained earnings, year to date, and unappropriated undistributed subsidiary earnings for the year.
3. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436 - 439 inclusive). Show the contra primary account affected in column (b)
4. State the purpose and amount of each reservation or appropriation of retained earnings.
5. List first account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items in that order.
6. Show dividends for each class and series of capital stock.
7. Show separately the State and Federal income tax effect of items shown in account 439, Adjustments to Retained Earnings.
8. Explain in a footnote the basis for determining the amount reserved or appropriated. If such reservation or appropriation is to be recurrent, state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.
9. If any notes appearing in the report to stockholders are applicable to this statement, include them on pages 122-123.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Quarter/Year Year to Date Balance (c)	Previous Quarter/Year Year to Date Balance (d)
	<b>UNAPPROPRIATED RETAINED EARNINGS (Account 216)</b>			
1	Balance-Beginning of Period		1,016,489,982	854,131,028
2	Changes			
3	Adjustments to Retained Earnings (Account 439)			
4	FIN 48 Adjustment			347,473
5				
6				
7				
8				
9	<b>TOTAL Credits to Retained Earnings (Acct. 439)</b>			347,473
10				
11				
12				
13				
14				
15	<b>TOTAL Debits to Retained Earnings (Acct. 439)</b>			
16	Balance Transferred from Income (Account 433 less Account 418.1)		38,442,562	38,710,654
17	Appropriations of Retained Earnings (Acct. 436)			
18				
19				
20				
21				
22	<b>TOTAL Appropriations of Retained Earnings (Acct. 436)</b>			
23	Dividends Declared-Preferred Stock (Account 437)			
24				
25				
26				
27				
28				
29	<b>TOTAL Dividends Declared-Preferred Stock (Acct. 437)</b>			
30	Dividends Declared-Common Stock (Account 438)			
31				
32				
33				
34				
35				
36	<b>TOTAL Dividends Declared-Common Stock (Acct. 438)</b>			
37	Transfers from Acct 216.1, Unapprop. Undistrib. Subsidiary Earnings		28,689,259	22,556,358
38	Balance - End of Period (Total 1,9,15,16,22,29,36,37)		1,083,621,803	915,745,513
	<b>APPROPRIATED RETAINED EARNINGS (Account 215)</b>			





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**STATEMENT OF CASH FLOWS**

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc  
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet  
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid  
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
1	Net Cash Flow from Operating Activities:		
2	Net Income (Line 78(c) on page 117)	45,924,753	45,018,725
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	30,337,415	27,139,029
5	Amortization of Plant	1,186,935	1,398,175
6			
7			
8	Deferred Income Taxes (Net)	-1,646,295	-1,096,124
9	Investment Tax Credit Adjustment (Net)	3,121,424	9,727,172
10	Net (Increase) Decrease in Receivables	25,653,195	32,961,476
11	Net (Increase) Decrease in Inventory	4,599,733	9,754,760
12	Net (Increase) Decrease in Allowances Inventory	125,987	439,942
13	Net Increase (Decrease) in Payables and Accrued Expenses	5,904,156	-2,508,498
14	Net (Increase) Decrease in Other Regulatory Assets	-258,560	-497,812
15	Net Increase (Decrease) in Other Regulatory Liabilities	83,138	366,306
16	(Less) Allowance for Other Funds Used During Construction	1,838,810	687,235
17	(Less) Undistributed Earnings from Subsidiary Companies	-17,809	958,071
18	Other (provide details in footnote):	2,896,378	2,770,796
19	Change in Other Deferred Debits	6,919,906	-7,350,338
20	Change in Other Deferred Credits	7,763,864	1,338,890
21			
22	Net Cash Provided by (Used in) Operating Activities (Total 2 thru 21)	124,998,272	117,817,193
23			
24	Cash Flows from Investment Activities:		
25	Construction and Acquisition of Plant (including land):		
26	Gross Additions to Utility Plant (less nuclear fuel)	-184,435,216	-125,565,147
27	Gross Additions to Nuclear Fuel		
28	Gross Additions to Common Utility Plant		
29	Gross Additions to Nonutility Plant		
30	(Less) Allowance for Other Funds Used During Construction	-1,838,810	-687,235
31	Other (provide details in footnote):		433,540
32			
33			
34	Cash Outflows for Plant (Total of lines 26 thru 33)	-182,596,406	-125,311,452
35			
36	Acquisition of Other Noncurrent Assets (d)		
37	Proceeds from Disposal of Noncurrent Assets (d)	1,175	
38			
39	Investments in and Advances to Assoc. and Subsidiary Companies		
40	Contributions and Advances from Assoc. and Subsidiary Companies		
41	Disposition of Investments in (and Advances to)		
42	Associated and Subsidiary Companies		
43			
44	Purchase of Investment Securities (a)		
45	Proceeds from Sales of Investment Securities (a)		

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**STATEMENT OF CASH FLOWS**

(1) Codes to be used:(a) Net Proceeds or Payments;(b)Bonds, debentures and other long-term debt; (c) Include commercial paper; and (d) Identify separately such items as investments, fixed assets, intangibles, etc  
(2) Information about noncash investing and financing activities must be provided in the Notes to the Financial statements. Also provide a reconciliation between "Cash and Cash Equivalents at End of Period" with related amounts on the Balance Sheet  
(3) Operating Activities - Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show in the Notes to the Financials the amounts of interest paid (net of amount capitalized) and income taxes paid  
(4) Investing Activities: Include at Other (line 31) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed in the Notes to the Financial Statements. Do not include on this statement the dollar amount of leases capitalized per the USofA General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost

Line No.	Description (See Instruction No. 1 for Explanation of Codes) (a)	Current Year to Date Quarter/Year (b)	Previous Year to Date Quarter/Year (c)
46	Loans Made or Purchased		
47	Collections on Loans		
48	Change in Long-Term Investments	287,137	-2,638,844
49	Net (Increase) Decrease in Receivables		
50	Net (Increase ) Decrease in Inventory		
51	Net (Increase) Decrease in Allowances Held for Speculation		
52	Net Increase (Decrease) in Payables and Accrued Expenses		
53	Other (provide details in footnote):		
54	Change in Restricted Cash	5,144,957	1,705,060
55			
56	Net Cash Provided by (Used in) Investing Activities		
57	Total of lines 34 thru 55)	-177,163,137	-126,245,236
58			
59	Cash Flows from Financing Activities:		
60	Proceeds from Issuance of:		
61	Long-Term Debt (b)		180,969,742
62	Preferred Stock		
63	Common Stock		
64	Other (provide details in footnote):		
65			
66	Net Increase in Short-Term Debt (c)	26,844,000	
67	Other (provide details in footnote):		
68			
69			
70	Cash Provided by Outside Sources (Total 61 thru 69)	26,844,000	180,969,742
71			
72	Payments for Retirement of:		
73	Long-term Debt (b)		-107,000,000
74	Preferred Stock		
75	Common Stock		
76	Other (provide details in footnote):		
77			
78	Net Decrease in Short-Term Debt (c)		-65,000,000
79	Change in Contributed Capital	25,000,000	
80	Dividends on Preferred Stock		
81	Dividends on Common Stock		
82	Net Cash Provided by (Used in) Financing Activities		
83	(Total of lines 70 thru 81)	51,844,000	8,969,742
84			
85	Net Increase (Decrease) in Cash and Cash Equivalents		
86	(Total of lines 22,57 and 83)	-320,865	541,699
87			
88	Cash and Cash Equivalents at Beginning of Period	338,511	5,313,043
89			
90	Cash and Cash Equivalents at End of period	17,646	5,854,742

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FOOTNOTE DATA			

**Schedule Page: 120 Line No.: 18 Column: b**

Other operating cash flows:

Net salvage and cost of removal	\$ (636,211)
Depreciation charged to balance sheet accounts	146,515
Amortization of Debt Expenses	72,177
Amortization of Loss on Bonds	109,134
Net decrease in Prepayments	1,183,386
Net decrease in Derivative Assets	16,145
Net increase in Preliminary Survey	(129,246)
Net increase in Clearing Accounts	(2,368,433)
Net decrease in Customer Advances for Construction	(339,143)
Net increase in Asset Retirement Obligations	495,474
Net decrease in Provision for Postretirement Benefits	(1,446,176)
	-----
Total	\$ (2,896,378)

**Schedule Page: 120 Line No.: 18 Column:**

Other operating cash flows:

Net salvage and cost of removal	\$ (933,314)
Depreciation charged to balance sheet accounts	147,040
Amortization of Debt Expenses	76,145
Amortization of Loss on Bonds	163,453
Net decrease in Prepayments	1,580,312
Net decrease in Derivative Assets	(524,304)
Net increase in Preliminary Survey	(3,581)
Net decrease in Clearing Accounts	2,678,719
Net increase in Customer Advances for Construction	8,698
Net increase in Asset Retirement Obligations	465,561
Net decrease in Provision for Postretirement Benefits	(1,235,406)
Net adjustment to Retained Earnings (Effect of FIN 48)	347,473
	-----
Total	\$ 2,770,796

**Schedule Page: 120 Line No.: 31 Column:**

Long Term Debt Mark-to-Market \$ (433,540)

In 2007, \$53 million of bonds were extinguished. This amount represents the fair value hedge adjustments on those bonds, as prescribed by SFAS No. 133, as amended.

**Schedule Page: 120 Line No.: 90 Column: b**

Cash and cash equivalents is comprised of the following amounts:

Cash (Acct 131)	\$ -
Temporary Cash Investments (Acct 136)	17,646
	-----
Total Cash and Cash Equivalents at End of Period	\$ 17,646

**Schedule Page: 120 Line No.: 90 Column:**

Cash and cash equivalents is comprised of the following amounts:

Cash (Acct 131)	\$ 5,850,654
Special Deposits (Accts 132-134)	539
Temporary Cash Investments (Acct 136)	3,549
	-----

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FOOTNOTE DATA			

Total Cash and Cash Equivalents at End of Period                   \$   5,854,742

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NOTES TO FINANCIAL STATEMENTS

1. Use the space below for important notes regarding the Balance Sheet, Statement of Income for the year, Statement of Retained Earnings for the year, and Statement of Cash Flows, or any account thereof. Classify the notes according to each basic statement, *providing a subheading for each statement except where a note is applicable to more than one statement.*
2. Furnish particulars (details) as to any significant contingent assets or liabilities existing at end of year, including a brief explanation of any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or of a claim for refund of income taxes of a material amount initiated by the utility. Give also a brief explanation of any dividends in arrears on cumulative preferred stock.
3. For Account 116, Utility Plant Adjustments, explain the origin of such amount, debits and credits during the year, and plan of disposition contemplated, giving references to Commission orders or other authorizations respecting classification of amounts as plant adjustments and requirements as to disposition thereof.
4. Where Accounts 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, *providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.*
5. Give a concise explanation of any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.
6. If the notes to financial statements relating to the respondent company appearing in the annual report to the stockholders are applicable and furnish the data required by instructions above and on pages 114-121, such notes may be included herein.
7. For the 3Q disclosures, respondent must provide in the notes sufficient disclosures so as to make the interim information not misleading. Disclosures which would substantially duplicate the disclosures contained in the most recent FERC Annual Report may be omitted.
8. For the 3Q disclosures, the disclosures shall be provided where events subsequent to the end of the most recent year have occurred which have a material effect on the respondent. Respondent must include in the notes significant changes since the most recently completed year in such items as: accounting principles and practices; estimates inherent in the preparation of the financial statements; status of long-term contracts; capitalization including significant new borrowings or modifications of existing financing agreements; and changes resulting from business combinations or dispositions. However were material contingencies exist, the disclosure of such matters shall be provided even though a significant change since year end may not have occurred.
9. Finally, if the notes to the financial statements relating to the respondent appearing in the annual report to the stockholders are applicable and furnish the data required by the above instructions, such notes may be included herein.

PAGE 122 INTENTIONALLY LEFT BLANK  
SEE PAGE 123 FOR REQUIRED INFORMATION.

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INDEX OF ABBREVIATIONS

ARO	Asset Retirement Obligation
BART	Best Available Retrofit Technology
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
CAVR	Clean Air Visibility Rule
CCN	Certificate of Public Convenience and Necessity
Clean Air Act Company	The Clean Air Act, as amended in 1990 KU
DSM	Demand Side Management
ECR	Environmental Cost Recovery
EEI	Electric Energy, Inc.
E.ON	E.ON AG
E.ON U.S.	E.ON U.S. LLC. (formerly LG&E Energy LLC and LG&E Energy Corp.)
E.ON U.S. Services	E.ON U.S. Services Inc. (formerly LG&E Energy Services Inc.)
EPA	U.S. Environmental Protection Agency
EPAct 2005	Energy Policy Act of 2005
EUSIC	E.ON US Investments Corp.
FAC	Fuel Adjustment Clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FGD	Flue Gas Desulfurization
Fidelia	Fidelia Corporation (an E.ON affiliate)
FIN	FASB Interpretation
GHG	Greenhouse Gas
IRS	Internal Revenue Service
Kentucky Commission	Kentucky Public Service Commission
KU	Kentucky Utilities Company
kWh	Kilowatt Hours
LG&E	Louisville Gas and Electric Company
MISO	Midwest Independent Transmission System Operator, Inc.
MMBtu	Million British Thermal Units
Moody's	Moody's Investor Services, Inc.
NAAQS	National Ambient Air Quality Standards
NOV	Notice of Violation
NOx	Nitrogen Oxide
OMU	Owensboro Municipal Utilities
PUHCA 2005	Public Utility Holding Company Act of 2005
RRO	Regional Reliability Organization
S&P	Standard & Poor's Rating Service
SCR	Selective Catalytic Reduction
SERC	SERC Reliability Corporation
SFAS	Statement of Financial Accounting Standards
SIP	State Implementation Plan
SO <sub>2</sub>	Sulfur Dioxide
TC2	Trimble County Unit 2
Virginia Commission	Virginia State Corporation Commission

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NOTES TO FINANCIAL STATEMENTS (Continued)			

Kentucky Utilities Company  
Notes to Financial Statements  
(Unaudited)

**Note 1 - General**

The unaudited financial statements include the accounts of the Company. KU's common stock is wholly-owned by E.ON U.S., an indirect wholly-owned subsidiary of E.ON. In the opinion of management, the unaudited interim financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of financial position, results of operations, retained earnings and cash flows for the periods indicated. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, although the Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited financial statements and notes should be read in conjunction with the Company's annual report for the year ended December 31, 2007, including management's discussion and analysis and the audited financial statements and notes therein.

Certain reclassification entries have been made to the previous years' financial statements to conform to the 2008 presentation with no impact on net assets, liabilities and capitalization or previously reported net income and cash flows.

**Presentation.** The accompanying financial statements are prepared on the regulatory basis of accounting in accordance with the requirements of the FERC, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles ("GAAP"). The significant differences between GAAP and FERC reporting are as follows:

- Restricted cash is recorded in cash on the balance sheet for FERC reporting and presented as a separate line item for GAAP statements;
- Certain costs of removal obligations are recorded in accumulated depreciation for FERC reporting and recorded in regulatory liabilities for GAAP reporting;
- Long-term and short-term bonds are recorded in total in the long-term debt section for FERC reporting and are presented separately in current liabilities for the short-term portion and in long-term debt for the long-term portion for GAAP reporting; and
- Deferred taxes are shown gross for FERC reporting in the balance sheet (a deferred asset and a deferred liability are recorded), for GAAP reporting the deferred taxes are netted together and recorded as a liability.

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## RECENT ACCOUNTING PRONOUNCEMENTS

### SFAS No. 161

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*, which is effective for fiscal years, and interim periods within those fiscal years, beginning on or after November 15, 2008. The objective of this statement is to enhance the current disclosure framework in FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended*. The Company is currently evaluating the impact of adoption of SFAS No. 161 on its statements of operations, financial position and cash flows.

### SFAS No. 160

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, which is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The objective of this statement is to improve the relevance, comparability and transparency of financial information in a reporting entity's consolidated financial statements. The Company expects the adoption of SFAS No. 160 to have no impact on its statements of operations, financial position and cash flows.

### SFAS No. 159

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (the fair value option). Unrealized gains and losses on items for which the fair value option has been elected are to be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. SFAS No. 159 was adopted effective January 1, 2008 and had no impact on the statements of operations, financial position and cash flows.

### SFAS No. 157

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which, except as described below, is effective for fiscal years beginning after November 15, 2007. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 does not expand the application of fair value accounting to new circumstances. In February 2008, the FASB issued FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157*, which delays the effective date of SFAS No. 157 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. SFAS No. 157 was adopted effective January 1, 2008, except as it applies to those nonfinancial assets and liabilities, and had no impact on the statements of operations, financial position and cash flows, however, the Company will provide additional disclosures



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relating to its financial derivatives, AROs and pension assets, as required, in 2008.

## Note 2 - Rates and Regulatory Matters

For a description of each line item of regulatory assets and liabilities, reference is made to KU's Annual Report, Note 2 of the financial statements, for the year ended December 31, 2007.

The following regulatory assets and liabilities were included in KU's Balance Sheets:

(in millions)	March 31, <u>2008</u>	December 31, <u>2007</u>
ARO	\$ 25	\$ 24
Unamortized loss on bonds	10	10
MISO exit	19	20
FAC	5	17
ECR	14	11
Other	<u>5</u>	<u>4</u>
Subtotal	78	86
 Pension and postretirement benefits	 <u>28</u>	 <u>28</u>
Total regulatory assets	<u>\$ 106</u>	<u>\$ 114</u>
 Accumulated cost of removal of utility plant	 \$ 314	 \$ 310
Deferred income taxes – net	21	22
Other	<u>12</u>	<u>10</u>
Total regulatory liabilities	<u>\$ 347</u>	<u>\$ 342</u>

KU does not currently earn a rate of return on the FAC regulatory asset, which is a separate recovery mechanism with recovery within twelve months. No return is earned on the pension and postretirement benefits regulatory asset which represents the changes in funded status of the plans. The Company will seek recovery in future proceedings with the Kentucky and Virginia Commissions. No return is currently earned on the ARO asset. This regulatory asset will be offset against the associated regulatory liability, ARO asset and ARO liability at the time the underlying asset is retired. The MISO exit amount represents the costs relating to the withdrawal from MISO membership. KU will seek recovery of this asset in future proceedings with the Kentucky and Virginia Commissions. KU currently earns a rate of return on the remaining regulatory assets. Other regulatory assets include the merger surcredit and deferred storm costs. Other regulatory liabilities include DSM and MISO costs currently included in base rates that will be netted against costs of withdrawing from the MISO in the next rate case.

**MISO Exit.** KU and the MISO have agreed upon overall calculation methods for the contractual exit fee to be paid by the Company following its withdrawal. In October 2006, KU paid approximately \$20 million to the MISO pursuant to an invoice regarding the exit fee and made related FERC compliance filings. The Company's payment of this exit fee amount was with reservation of its rights to contest the amount, or components thereof, following a continuing review of its calculation and supporting documentation. KU

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and the MISO resolved their dispute regarding the calculation of the exit fee and, in November 2007, filed an application with the FERC for approval of a recalculation agreement. In March 2008, the FERC approved the parties' recalculation of the exit fee, and the approved agreement provided KU with an immediate recovery of \$1 million and will provide an estimated \$3 million over the next eight years for credits realized from other payments the MISO will receive, plus interest. Orders of the Kentucky Commission approving the Company's exit from the MISO have authorized the establishment of a regulatory asset for the exit fee, subject to adjustment for possible future MISO credits, and a regulatory liability for certain revenues associated with former MISO administrative charges, which may continue to be collected via base rates. The treatment of the regulatory asset and liability will be determined in KU's next rate case, however, the Company historically has received approval to recover and refund regulatory assets and liabilities.

**FAC.** In January 2008, the Kentucky Commission initiated a routine examination of KU's FAC for the six-month period May 1, 2007 through October 31, 2007. A public hearing was held in March 2008. An order is anticipated in the third quarter of 2008.

In August 2007, the Kentucky Commission initiated a routine examination of KU's FAC for the six-month period of November 1, 2006 through April 30, 2007. A public hearing was held in October 2007. The Kentucky Commission issued an Order in January 2008, approving the charges and credits billed through the FAC during the review period.

KU also employs an FAC mechanism for Virginia customers using an average fuel cost factor based primarily on projected fuel costs. The factor may be adjusted annually for over-or-under collections of fuel costs from the prior year. In February 2008, KU filed an application with the Virginia Commission seeking approval of a decrease in its fuel cost factor applicable during the billing period April 2008 through March 2009. The Virginia Commission allowed the new rates to be in effect for the April 2008, customer billings. In April 2008, the Virginia Commission Staff recommended a change to the fuel factor KU filed in its application. The recommended change, which KU has agreed to, would result in a decrease of 0.482 cents/kWh and will become effective beginning in June 2008 pending Virginia Commission approval. A public hearing was held in May 2008, and an order is anticipated in the second quarter of 2008.

**ECR.** In September 2007, the Kentucky Commission initiated six-month and two-year reviews for periods ending October 31, 2006 and April 30, 2007, respectively, of KU's environmental surcharge. All parties to the case submitted requests with the Kentucky Commission to waive rights to a hearing on this matter. The Kentucky Commission issued final Orders in March 2008, approving the charges and credits billed through the ECR during the review period, as well as approving billing adjustments, roll-in adjustments to base rates, revisions to the monthly surcharge filing and the rates of return on capital.

#### Other Regulatory Matters

**TC2 CCN Application and Transmission Matters.** A CCN application for construction of the new base-load, coal fired unit known as TC2, which will be jointly owned by KU and LG&E, together with the Illinois Municipal Electric Agency and the Indiana Municipal Power Agency, was approved by the

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Kentucky Commission in November 2005, and was never appealed.

Initial CCN applications for two transmission lines associated with the TC2 unit were approved in September 2005 and May 2006. One of those CCNs, for a line running from Jefferson County into Hardin County, was brought up for review to the Franklin Circuit Court by a group of landowners. In August 2006, KU, LG&E and the Kentucky Commission obtained dismissal of that action, on grounds that the landowners had failed to comply with the statutory procedures governing the action for review. That dismissal was appealed by the landowners to the Kentucky Court of Appeals, and in December 2007, that Court reversed the lower court's dismissal and remanded the challenge of the CCN to the Franklin Circuit Court for further proceedings. KU, LG&E and the Kentucky Commission filed for reconsideration of the appellate court's ruling, but those requests were denied in April 2008. KU and LG&E will file a motion for discretionary review with the Kentucky Supreme Court in May 2008, asking that Court to hear the matter and, ultimately, to reverse the Court of Appeals and uphold the Franklin Circuit Court's dismissal.

The referenced transmission lines are also subject to routine regulatory filings and require the acquisition of easements. In April 2008, in proceedings involving the condemnation of an easement for a portion of the Jefferson County to Hardin County transmission line (all rights of way for the other line have been acquired), a Meade County, Kentucky circuit court judge issued a ruling upholding the objections of two co-owners of the property crossed by the easement and dismissed that eminent domain proceeding pending the completion of the CCN appeal described above. KU and LG&E have filed responsive pleadings, including a motion to vacate that decision by the trial court and a procedural request with the Court of Appeals seeking expedited review on a petition to direct the circuit court to proceed with the eminent domain litigation. Additional condemnation proceedings involving other parcels of property to support this same transmission line are also pending in neighboring Hardin County, and three landowners there have now sought dismissal of certain of those proceedings in Hardin County, on the same grounds cited by the Meade County court. KU and LG&E have opposed those efforts to dismiss, and are awaiting ruling by the Hardin County Circuit Court.

**Merger Surcredit.** In December 2007, KU submitted to the Kentucky Commission its plan to allow the merger surcredit to terminate as scheduled on June 30, 2008. The Kentucky Commission issued a procedural schedule for this proceeding in March 2008, with data discovery to be completed in May 2008. A public hearing is scheduled in May 2008, and an order is expected by the end of the second quarter of 2008.

**DSM.** In July 2007, KU and LG&E filed an application with the Kentucky Commission requesting an order approving enhanced versions of the existing DSM programs along with the addition of several new cost effective programs. The total annual budget for these programs is approximately \$26 million, an increase over the previous annual costs of approximately \$10 million. In March 2008, the Kentucky Commission issued an Order approving the application, with minor modifications. KU and LG&E filed revised tariffs in April 2008, under authority of this Order.

**Mandatory Reliability Standards.** As a result of the EPAct 2005, certain formerly voluntary reliability standards became mandatory in June 2007, and authority was delegated to various RROs by the Electric Reliability Organization, which was authorized by the FERC to enforce compliance with such standards,

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including promulgating new standards. Failure to comply with mandatory reliability standards can subject a registered entity to sanctions, including potential fines of up to \$1 million per day, as well as non-monetary penalties, depending upon the circumstances of the violation. KU is a member of the SERC, which acts as KU's RRO. The SERC is currently assessing KU's compliance with certain existing mitigation plans resulting from a prior RRO's audit of various reliability standards, and KU and SERC are in discussions regarding potential settlement, further mitigation steps or other resolution actions regarding these items. While KU believes itself to be in substantial compliance with the mandatory reliability standards, KU cannot predict the outcome of the current SERC proceeding or of other analysis which may be conducted regarding compliance with particular reliability standards.

**Depreciation Study.** In December 2007, KU filed a depreciation study with the Kentucky Commission as required by a previous Order. An adjustment to the depreciation rates is dependent on an order being received by the Kentucky Commission, the timing of which cannot currently be determined. KU also filed the depreciation study with the Virginia Commission, but has not requested formal review and approval of the depreciation rates from the Virginia Commission. Such a review will take place either during KU's next base rate case in Virginia or when KU makes a formal application to the Virginia Commission for approval of the proposed rates.

**Brownfield Development Rider Tariff.** In March 2008, KU and LG&E received Kentucky Commission approval for a Brownfield Development Rider, which offers a discounted rate to electric customers who meet certain usage and location requirements, including taking new service at a brownfield site, as certified by the appropriate Kentucky state agency. The rider would permit special contracts with such customers which provide for a series of declining partial rate discounts over an initial five year period of a longer service arrangement. The tariff is intended to promote local economic redevelopment and efficient usage of utility resources by aiding potential reuse of vacant brownfield sites.

**Real-Time Pricing.** In December 2006, the Kentucky Commission issued an Order indicating that the EPart 2005 Section 1252, Smart Metering and Section 1254, Interconnection standards should not be adopted. However, five Kentucky Commission jurisdictional utilities were required to file real-time pricing pilot programs for their large commercial and industrial customers. KU developed a real-time pricing pilot for large industrial and commercial customers and filed the details of the plan with the Kentucky Commission in April 2007. Data discovery concluded in July 2007, and no parties to the case requested a hearing. In February 2008, the Kentucky Commission issued an Order approving the real-time pricing pilot program proposed by KU, for implementation within approximately eight months, for its large commercial and industrial customers.

**Utility Competition in Virginia.** The Commonwealth of Virginia passed the Virginia Electric Utility Restructuring Act in 1999. This act gave Virginia customers the ability to choose their electric supplier. Rates are capped at current levels through December 2010. In April 2007, Virginia passed legislation terminating this competitive market and commencing re-regulation of utility rates in Virginia. The new act will end the cap on rates at the end of 2008, rather than through December 2010, and end customer choice for most consumers in the applicable regions of the state. Thereafter, a hybrid model of regulation is expected to apply in Virginia, whereby utility rates would be reviewed every two years and a utility's rate of return on equity shall not be set lower than the average of the rates of return for other regional

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utilities, with certain caps, floors or adjustments. The legislation was effective in July 2007, and also includes a 10% nonbinding goal for renewable power generation by 2022, as well as incentives for new generation, including renewables. Under the legislation, KU retains an existing exemption from customer choice and other restructuring activities as applicable to KU's limited service territory in Virginia. However, subject to future developments, KU may or may not undertake such a rate proceeding in the first six months of 2009 based on calendar year 2008 financial data under the hybrid model of regulation, or make biennial rate filings with the Virginia Commission thereafter.

### Note 3 - Financial Instruments

Effective January 1, 2008, KU adopted the required provisions of SFAS No. 157, excluding the exceptions related to nonfinancial assets and liabilities, which will be adopted effective January 1, 2009, consistent with FASB Staff Position 157-2.

**Energy Trading and Risk Management Activities (non-hedging derivatives).** KU conducts energy trading and risk management activities to maximize the value of power sales from physical assets it owns. Energy trading activities are principally forward financial transactions to hedge price risk and are accounted for on a mark-to-market basis in accordance with SFAS No. 133, as amended.

The table below summarizes KU's energy trading and risk management activities for the three months ended March 31, 2007:

(in millions)

Fair value of contracts at beginning of period, net asset	\$ 1
Unrealized gains and losses recognized at contract inception during the period	-
Realized gains and losses recognized during the period	-
Changes in fair values attributable to changes in valuation techniques and assumptions	(2)
Other unrealized gains and losses and changes in fair values	<u>-</u>
Fair value of contracts at end of period, net (liability) asset	<u>\$ (1)</u>

No changes to valuation techniques for energy trading and risk management activities occurred during 2008 or 2007. Changes in market pricing, interest rate and volatility assumptions were made during both years. All contracts outstanding at March 31, 2007, had a maturity of less than one year. There were no contracts outstanding at March 31, 2008. All amounts for 2008 are less than \$1 million. Energy trading and risk management contracts are valued using Level 1, prices actively quoted for proposed or executed transactions or quoted by brokers.

### Note 4 - Pension and Other Postretirement Benefit Plans

The following table provides the components of net periodic benefit cost for pension and other benefit plans for the three months ended March 31:

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(in millions)	Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
Service cost	\$ 1	\$ 2	\$ -	\$ 1
Interest cost	5	6	1	1
Expected return on plan assets	(5)	(7)	-	-
Amortization of actuarial loss	-	1	-	-
Benefit cost year-to-date	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 2</u>

Net periodic benefit costs incurred by employees of KU are reflected in both utility plant on the balance sheet and in operating expense on the income statement. The above costs do not include allocations of net periodic benefit costs from affiliates whose employees provide services to KU.

The pension plans are funded in accordance with all applicable requirements of the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code. In March 2008, KU made contributions to other postretirement benefit plans of approximately \$1 million. KU anticipates making further voluntary contributions in 2008 to fund the Voluntary Employee Beneficiary Association trusts to match the annual postretirement expense and funding the postretirement medical account under the pension plan up to the maximum amount allowed by law.

#### Note 5 - Income Taxes

A United States consolidated income tax return is filed by E.ON U.S.'s direct parent, EUSIC, for each tax period. Each subsidiary of the consolidated tax group, including KU, will calculate its separate income tax for the tax period. The resulting separate-return tax cost or benefit will be paid to or received from the parent company or its designee. KU also files income tax returns in various state jurisdictions. With few exceptions, KU is no longer subject to U.S. federal income tax examinations for years before 2004. Statutes of limitations related to 2004 and later returns are still open. Tax years 2005, 2006 and 2007 are under audit by the IRS with the 2007 return being examined under an IRS pilot program named "Compliance Assurance Process". This program accelerates the IRS's review to the actual calendar year applicable to the return and ends 90 days after the return is filed.

KU adopted the provisions of FIN 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of SFAS No. 109*, effective January 1, 2007. At the date of adoption, KU had less than \$1 million of unrecognized tax benefits, primarily related to federal income taxes. If recognized, the less than \$1 million of unrecognized tax benefits would reduce the effective income tax rate.

Possible amounts of uncertain tax positions for KU that may decrease within the next 12 months total less than \$1 million, and are based on the expiration of statutes during 2008.

KU, upon adoption of FIN 48, adopted a new financial statement classification for interest and penalties. Prior to the adoption of FIN 48, KU recorded interest and penalties for income taxes on the income statement in income tax expense and in the taxes accrued balance sheet account, net of tax. Upon adoption of FIN 48, interest is recorded as interest expense and penalties are recorded as operating

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expenses on the income statement and accrued expenses in the balance sheets, on a pre-tax basis. The interest accrued is based on IRS and Kentucky Department of Revenue large corporate interest rates for underpayment of taxes.

The amount KU recognized as interest accrued related to unrecognized tax benefits in interest expense in operating expenses was less than \$1 million at March 31, 2008 and March 31, 2007. At the date of adoption, KU accrued less than \$1 million in interest expense on uncertain tax positions. No penalties were accrued by KU upon adoption of FIN 48, or through March 31, 2008.

In June 2006, KU and LG&E filed a joint application with the U.S. Department of Energy (“DOE”) requesting certification to be eligible for investment tax credits applicable to the construction of TC2. In November 2006, the DOE and the IRS announced that KU and LG&E were selected to receive the tax credit. A final IRS certification required to obtain the investment tax credit was received in August 2007. In September 2007, KU received an Order from the Kentucky Commission approving the accounting of the investment tax credit. KU’s portion of the TC2 tax credit will be approximately \$100 million over the construction period and will be amortized to income over the life of the related property beginning when the facility is placed in service. Based on eligible construction expenditures incurred, KU recorded investment tax credits of \$3 million and \$10 million during the three months ended March 31, 2008 and March 31, 2007, respectively, decreasing current federal income taxes.

In March 2008, certain groups filed suit in federal court in North Carolina against the DOE and IRS claiming the investment tax credit program was violative of certain environmental laws and demanded relief, including suspension or termination of the program. KU is monitoring, but is not currently a party to, this proceeding and is not able to predict the ultimate outcome of this matter.

#### **Note 6 – Short-Term and Long-Term Debt**

KU’s long-term debt includes \$33 million classified as current liabilities because these bonds are subject to tender for purchase at the option of the holder and to mandatory tender for purchase upon the occurrence of certain events. These bonds include Carroll County Series 2002 A and B, Muhlenberg County Series 2002 A and Mercer County Series 2002 A. These bonds mature in 2032. KU does not expect to pay these amounts in 2008. The average annualized interest rate for these bonds during the three months ended March 31, 2008, was 2.30%.

During June 2007, KU entered into a short-term bilateral line of credit facility totaling \$35 million. There was no outstanding balance under this facility at March 31, 2008. During the third quarter of 2007, KU extended the maturity date of this facility through June 2012.

Pollution control series bonds are obligations of KU issued in connection with tax-exempt pollution control revenue bonds issued by various governmental entities, principally counties in Kentucky. A loan agreement obligates KU to make debt service payments to the county that equate to the debt service due from the county on the related pollution control revenue bonds. Until a series of financing transactions was completed during February 2007, the county’s debt was also secured by an equal amount of KU’s first mortgage bonds that were pledged to the trustee for the pollution control revenue bonds that match the

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terms and conditions of the county's debt, but require no payment of principal and interest unless KU defaults on the loan agreement. Proceeds from bond issuances for environmental equipment (primarily related to the installation of FGDs) are held in trust pending expenditure for qualifying assets. At March 31, 2008 and December 31, 2007, KU had \$6 million and \$11 million, respectively, of bond proceeds in trust, included in restricted cash in the balance sheets.

Several of the KU pollution control bonds are insured by monoline bond insurers whose ratings have been under pressure due to exposures relating to insurance of sub-prime mortgages. At March 31, 2008, KU had an aggregate \$333 million of outstanding pollution control indebtedness, of which \$300 million is in the form of insured auction rate securities wherein interest rates are reset either weekly or every 35 days via an auction process. Beginning in late 2007, the interest rates on these insured bonds began to increase due to investor concerns about the creditworthiness of the bond insurers. In 2008, interest rates have continued to increase, and the Company has experienced "failed auctions" when there are insufficient bids for the bonds. When there is a failed auction, the interest rate is set pursuant to a formula stipulated in the indenture, which can be as high as 15%. During the three months ended March 31, 2008 and March 31, 2007, the average rate on the auction rate bonds was 4.82% and 3.66%, respectively. The instruments governing these auction rate bonds permit KU to convert the bonds to other interest rate modes, such as various short-term variable rates, long-term fixed rates or intermediate-term fixed rates that are reset infrequently. In the first quarter of 2008, the ratings of the Carroll County 2004 Series A bonds were downgraded from AAA to AA and subsequently to A and then to BBB+ by S&P and from Aaa to A2 by Moody's, and the Carroll County 2006 Series C bonds were downgraded from Aaa to A2 by Moody's and from AAA to A- by S&P due to downgrades of the bond insurer. In February 2008, KU issued a notice to bondholders of its intention to convert the Carroll County 2007 Series A bonds and the Trimble County 2007 Series A bonds from the auction rate mode to a fixed interest rate mode, as permitted under the loan documents. The conversion was completed in April 2008, and the new rates on the bonds are 5.75% and 6.00%, respectively. In March 2008, KU issued notices to bondholders of its intention to convert the Carroll County 2006 Series C bonds and the Mercer County 2000 Series A bonds from the auction rate mode to a weekly interest rate mode, as permitted under the loan documents. The Carroll County conversion was completed in April 2008, and the Mercer County conversion was completed in May 2008. In connection with these conversions, KU purchased the bonds from the remarketing agent. KU will hold some or all of such bonds until a later date, at which time KU may refinance or further convert such bonds. Uncertainty in markets relating to auction rate securities or steps KU has taken or may take to mitigate such uncertainty, such as additional conversion, subsequent restructuring or redemption and refinancing, could result in KU incurring increased interest expense, transaction expenses or other costs and fees or experiencing reduced liquidity relating to existing or future pollution control financing structures. See Note 10, Subsequent Events.

KU participates in an intercompany money pool agreement wherein E.ON U.S. and/or LG&E make funds available to KU at market-based rates (based on highly rated commercial paper issues) of up to \$400 million. Details of the balances were as follows:



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	<u>Total Money Pool Available</u>	<u>Amount Outstanding</u>	<u>Balance Available</u>	<u>Average Interest Rate</u>
(\$ in millions)				
March 31, 2008	\$400	\$ 50	\$350	3.08%
December 31, 2007	\$400	\$ 23	\$377	4.75%

E.ON U.S. maintains a revolving credit facility totaling \$311 million at March 31, 2008 and \$150 million at December 31, 2007, with an affiliated company, E.ON North America, Inc., to ensure funding availability for the money pool. The balance is as follows:

	<u>Total Available</u>	<u>Amount Outstanding</u>	<u>Balance Available</u>	<u>Average Interest Rate</u>
(\$ in millions)				
March 31, 2008	\$311	\$94	\$217	3.36%
December 31, 2007	\$150	\$62	\$ 88	4.97%

In May 2008, E.ON U.S. split the revolving facility of \$311 million into two separate loans of \$150 million and \$161 million with E.ON North America Inc. and Fidelia, respectively. See Note 10, Subsequent Events.

There were no redemptions or issuances of long-term debt year-to-date through March 31, 2008.

#### Note 7 - Commitments and Contingencies

Except as may be discussed in this quarterly report (including Note 2), material changes have not occurred in the current status of various commitments or contingent liabilities from that discussed in KU's Annual Report for the year ended December 31, 2007 (including in Notes 2 and 9 to the financial statements of KU contained therein). See the above-referenced notes in KU's Annual Report regarding such commitments or contingencies.

**Owensboro Contract Litigation.** In May 2004, the City of Owensboro, Kentucky and OMU commenced a suit now removed to the U.S. District Court for the Western District of Kentucky, against KU concerning a long-term power supply contract (the "OMU Agreement") with KU. The dispute involves interpretational differences regarding issues under the OMU Agreement, including various payments or charges between KU and OMU and rights concerning excess power, termination and emissions allowances. The complaint seeks in excess of \$6 million in damages in connection with one of its claims for periods prior to 2004, plus damages in an unspecified amount for later-occurring periods on that claim and for other claims. OMU has additionally requested injunctive and other relief, including a declaration that KU is in material breach of the contract. KU has filed an answer in this proceeding denying the OMU claims and presenting counterclaims and amended such filing in January 2007, to include further counterclaims alleging additional damages. During 2005, the FERC declined KU's application to exercise exclusive jurisdiction on matters. In July 2005, the district court resolved a summary judgment motion made by KU in OMU's favor, ruling that a contractual provision grants OMU the ability to terminate the contract without cause upon four years' prior notice, for which ruling KU retains certain rights to appeal.

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A motion to reconsider that ruling is presently pending before the Court. The parties are continuing various discovery proceedings, as well as settlement negotiations. A trial date has been set for October 2008. In May 2006, OMU issued a notification of its intent to terminate the OMU agreement contract in May 2010, without cause, absent any earlier relief which may be permitted by the proceeding. The Company is currently unable to determine the final outcome of this matter.

**Construction Program.** KU had approximately \$440 million of commitments in connection with its construction program at March 31, 2008.

In June 2006, KU and LG&E entered into a construction contract regarding the TC2 project. The contract is generally in the form of a lump-sum, turnkey agreement for the design, engineering, procurement, construction, commissioning, testing and delivery of the project, according to designated specifications, terms and conditions. The contract price and its components are subject to a number of potential adjustments which may serve to increase or decrease the ultimate construction price paid or payable to the contractor. The contract also contains standard representations, covenants, indemnities, termination and other provisions for arrangements of this type, including termination for convenience or for cause rights.

**TC2 Air Permit.** The Sierra Club and other environmental groups filed a petition challenging the air permit issued for the TC2 baseload generating unit which was issued by the Kentucky Division for Air Quality in November 2005. The filing of the challenge did not stay the permit, so the Company was free to proceed with construction during the pendency of the action. In June 2007, the state hearing officer assigned to the matter recommended upholding the air permit with minor revisions. In September 2007, the Secretary of the Kentucky Environmental and Public Protection Cabinet issued a final Order approving the hearing officer's recommendation and upholding the permit. In September 2007, KU administratively applied for a permit revision to reflect minor design changes. In October 2007, the environmental groups submitted comments objecting to the draft permit revisions and, in part, attempting to reassert general objections to the generating unit. In January 2008, the Kentucky Division for Air Quality issued a final permit revision. The environmental groups did not appeal the final Order upholding the permit or file a petition challenging the permit revision by the applicable deadlines. However, in October 2007, the environmental groups filed a lawsuit in federal court seeking an order for the EPA to grant or deny their pending petition for the EPA to "veto" the state air permit. The Company is currently unable to determine the final outcome of this matter or the impact of an unfavorable determination upon the Company's financial condition or results of operations.

**Environmental Matters.** KU's operations are subject to a number of environmental laws and regulations in each of the jurisdictions in which it operates, governing, among other things, air emissions, wastewater discharges, the use, handling and disposal of hazardous substances and wastes, soil and groundwater contamination and employee health and safety.

*Clean Air Act Requirements.* The Clean Air Act establishes a comprehensive set of programs aimed at protecting and improving air quality in the United States by, among other things, controlling stationary sources of air emissions such as power plants. While the general regulatory framework for these programs is established at the federal level, most of the programs are implemented and administered by the states under the oversight of the EPA. The key Clean Air Act programs relevant to KU's business operations are

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described below.

*Ambient Air Quality.* The Clean Air Act requires the EPA to periodically review the available scientific data for six criteria pollutants and establish concentration levels in the ambient air sufficient to protect the public health and welfare with an extra margin for safety. These concentration levels are known as NAAQS. Each state must identify “nonattainment areas” within its boundaries that fail to comply with the NAAQS and develop a SIP to bring such nonattainment areas into compliance. If a state fails to develop an adequate plan, the EPA must develop and implement a plan. As the EPA increases the stringency of the NAAQS through its periodic reviews, the attainment status of various areas may change, thereby triggering additional emission reduction obligations under revised SIPs aimed to achieve attainment.

In 1997, the EPA established new NAAQS for ozone and fine particulates that required additional reductions in SO<sub>2</sub> and NO<sub>x</sub> emissions from power plants. In 1998, the EPA issued its final “NO<sub>x</sub> SIP Call” rule requiring reductions in NO<sub>x</sub> emissions of approximately 85% from 1990 levels in order to mitigate ozone transport from the midwestern U.S. to the northeastern U.S. To implement the new federal requirements, Kentucky amended its SIP in 2002 to require electric generating units to reduce their NO<sub>x</sub> emissions to 0.15 pounds weight per MMBtu on a company-wide basis. In 2005, the EPA issued the CAIR which requires additional SO<sub>2</sub> emission reductions of 70% and NO<sub>x</sub> emission reductions of 65% from 2003 levels. The CAIR provides for a two-phase cap and trade program, with initial reductions of NO<sub>x</sub> and SO<sub>2</sub> emissions due by 2009 and 2010, respectively, and final reductions due by 2015. The final rule is currently under challenge. In 2006, Kentucky proposed to amend its SIP to adopt state requirements similar to those under the federal CAIR. Depending on the level of action determined necessary to bring local nonattainment areas into compliance with the new ozone and fine particulate standards, KU’s power plants are potentially subject to additional reductions in SO<sub>2</sub> and NO<sub>x</sub> emissions. KU’s weighted-average company-wide emission rate for SO<sub>2</sub> in the first quarter of 2008 was approximately 1.32 lbs./MMBtu of heat input, with every generating unit below its emission limit established by the Kentucky Division for Air Quality. In March 2008, the EPA issued a revised NAAQS for ozone, which contains a more stringent standard than that contained in the previous regulation. At present, LG&E is unable to determine what, if any, additional requirements may be imposed to achieve compliance with the new ozone standard.

*Hazardous Air Pollutants.* As provided in the 1990 amendments to the Clean Air Act, the EPA investigated hazardous air pollutant emissions from electric utilities and submitted a report to Congress identifying mercury emissions from coal-fired power plants as warranting further study. In 2005, the EPA issued the CAMR establishing mercury standards for new power plants and requiring all states to issue new SIPs including mercury requirements for existing power plants. The EPA issued a model rule which provides for a two-phase cap and trade program with initial reductions due by 2010 and final reductions due by 2018. The CAMR provides for reductions of 70% from 2003 levels. The EPA closely integrated the CAMR and CAIR programs to ensure that the 2010 mercury reduction targets would be achieved as a “co-benefit” of the controls installed for purposes of compliance with the CAIR. In February 2008, a federal appellate court issued a decision vacating the CAMR, but the EPA and other parties have filed a motion for rehearing. Depending on the final outcome of the pending appeal, the CAMR could be superseded by new mercury reduction rules with different or more stringent requirements. In 2006, Kentucky proposed to amend its SIP to adopt state requirements similar to those under the federal CAMR,

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but those state requirements are likely to be revised to reflect the outcome of the challenge to the CAMR at the federal level.

*Acid Rain Program.* The 1990 amendments to the Clean Air Act imposed a two-phased cap and trade program to reduce SO<sub>2</sub> emissions from power plants that were thought to contribute to “acid rain” conditions in the northeastern U.S. The 1990 amendments also contained requirements for power plants to reduce NO<sub>x</sub> emissions through the use of available combustion controls.

*Regional Haze.* The Clean Air Act also includes visibility goals for certain federally designated areas, including national parks, and requires states to submit SIPs that will demonstrate reasonable progress toward preventing future impairment and remedying any existing impairment of visibility in those areas. In 2005, the EPA issued its CAVR detailing how the Clean Air Act’s BART requirements will be applied to facilities, including power plants, built between 1962 and 1974 that emit certain levels of visibility impairing pollutants. Under the final rule, as the CAIR will result in more visibility improvement than BART, states are allowed to substitute CAIR requirements in their regional haze SIPs in lieu of controls that would otherwise be required by BART. The final rule has been challenged in the courts.

*Installation of Pollution Controls.* Many of the programs under the Clean Air Act utilize cap and trade mechanisms that require a company to hold sufficient emissions allowances to cover its authorized emissions on a company-wide basis and do not require installation of pollution controls on every generating unit. Under cap and trade programs, companies are free to focus their pollution control efforts on plants where such controls are particularly efficient and utilize the resulting emission allowances for smaller plants where such controls are not cost effective. KU met its Phase I SO<sub>2</sub> requirements primarily through installation of FGD equipment on Ghent Unit 1. KU's strategy for its Phase II SO<sub>2</sub> requirements, which commenced in 2000, includes the installation of additional FGD equipment, as well as using accumulated emission allowances and fuel switching to defer certain additional capital expenditures. In order to achieve the NO<sub>x</sub> emission reductions and associated obligations, KU installed additional NO<sub>x</sub> controls, including SCR technology, during the 2000 to 2007 time period at a cost of \$220 million. In 2001, the Kentucky Commission granted approval to recover the costs incurred by KU for these projects through the environmental surcharge mechanism. Such monthly recovery is subject to periodic review by the Kentucky Commission.

In order to achieve the emissions reductions mandated by the CAIR, KU expects to incur additional capital expenditures totaling approximately \$675 million during the 2008 through 2010 time period for pollution controls, including FGD and SCR equipment, and additional operating and maintenance costs in operating such controls. In 2005, the Kentucky Commission granted approval to recover the costs incurred by KU for these projects through the ECR mechanism. Such monthly recovery is subject to periodic review by the Kentucky Commission. KU believes its costs in reducing SO<sub>2</sub>, NO<sub>x</sub> and mercury emissions to be comparable to those of similarly situated utilities with like generation assets. KU’s compliance plans are subject to many factors including developments in the emission allowance and fuels markets, future legislative and regulatory enactments, legal proceedings and advances in clean air technology. KU will continue to monitor these developments to ensure that its environmental obligations are met in the most efficient and cost-effective manner.

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*Potential GHG Controls.* In 2005, the Kyoto Protocol for reducing GHG emissions took effect, obligating 37 industrialized countries to undertake substantial reductions in GHG emissions. The U.S. has not ratified the Kyoto Protocol and there are currently no mandatory GHG emission reduction requirements at the federal level. Legislation mandating GHG reductions has been introduced in the Congress, but no federal legislation has been enacted to date. In the absence of a program at the federal level, various states have adopted their own GHG emission reduction programs. Such programs have been adopted in various states including 11 northeastern U.S. states and the District of Columbia under the Regional GHG Initiative program and California. Substantial efforts to pass federal GHG legislation are ongoing. In April 2007, the U.S. Supreme Court ruled that the EPA has the authority to regulate GHG under the Clean Air Act. KU is monitoring ongoing efforts to enact GHG reduction requirements at the state and federal level and is assessing potential impacts of such programs and strategies to mitigate those impacts. KU is unable to predict whether mandatory GHG reduction requirements will ultimately be enacted. As a Company with significant coal-fired generating assets, KU could be substantially impacted by programs requiring mandatory reductions in GHG emissions, although the precise impact on the operations of KU, including the reduction targets and deadlines that would be applicable, cannot be determined prior to the enactment of such programs.

*Brown New Source Review Litigation.* In April 2006, the EPA issued an NOV alleging that KU had violated certain provisions of the Clean Air Act's new source review rules relating to work performed in 1997, on a boiler and turbine at KU's E.W. Brown generating station. In December 2006, the EPA issued a second NOV alleging the Company had exceeded heat input values in violation of the air permit for the unit. In March 2007, the U.S. Department of Justice filed a complaint in federal court in Kentucky alleging the same violations specified in the prior NOVs. The complaint seeks civil penalties, including potential per-day fines, remedial measures and injunctive relief. In April 2007, KU filed an answer in the civil suit denying the allegations. In July 2007, the court entered a schedule providing for a July 2009 date for trial. The parties are currently proceeding with discovery while concurrently discussing settlement. A \$2 million accrual has been recorded based on the current status of those discussions, however, KU cannot determine the overall outcome or potential effects of these matters, including whether substantial fines, penalties or remedial measures may result.

*Section 114 Requests.* In August 2007, the EPA issued administrative information requests under Section 114 of the Clean Air Act requesting new source review-related data regarding certain projects undertaken at LG&E's Mill Creek 4 and Trimble County 1 generating units and KU's Ghent 2 generating unit. The Companies have complied with the information requests and are not able to predict further proceedings in this matter at this time.

*Ghent Opacity NOV.* In September 2007, the EPA issued an NOV alleging that KU had violated certain provisions of the Clean Air Act's operating rules relating to opacity during June and July of 2007 at Units 1 and 3 of KU's Ghent generating station. The parties have conducted an initial meeting on this matter. KU is not able to estimate the outcome or potential effects of these matters, including whether substantial fines, penalties or remedial measures may result.

*General Environmental Proceedings.* From time to time, KU appears before the EPA, various state or

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local regulatory agencies and state and federal courts regarding matters involving compliance with applicable environmental laws and regulations. Such matters include liability under the Comprehensive Environmental Response, Compensation and Liability Act for cleanup at various off-site waste sites and ongoing claims regarding GHG emissions from KU's generating stations. Based on analysis to date, the resolution of these matters is not expected to have a material impact on the operations of KU.

### Note 8 - Related Party Transactions

KU, subsidiaries of E.ON U.S. and subsidiaries of E.ON engage in related party transactions. Transactions between KU and E.ON U.S. subsidiaries are eliminated upon consolidation of E.ON U.S. Transactions between KU and E.ON subsidiaries are eliminated upon consolidation of E.ON. These transactions are generally performed at cost and are in accordance with the FERC regulations under PUHCA 2005 and the applicable Kentucky Commission and Virginia Commission regulations. The significant related party transactions are disclosed below.

#### Electric Purchases

KU and LG&E purchase energy from each other in order to effectively manage the load of their retail and wholesale customers. These sales and purchases are included in the statements of income as operating revenues and purchased power operating expense. KU intercompany electric revenues and purchased power expense for the three months ended March 31, were as follows:

(in millions)	<u>2008</u>	<u>2007</u>
Electric operating revenues from LG&E	\$14	\$18
Purchased power from LG&E	27	30

#### Interest Charges

See Note 6, Short-Term and Long-Term Debt, for details of intercompany borrowing arrangements. Intercompany agreements do not require interest payments for receivables related to services provided when settled within 30 days.

KU's intercompany interest expense for the three months ended March 31, was as follows:

(in millions)	<u>2008</u>	<u>2007</u>
Interest on money pool loans	\$ -	\$ 1
Interest on Fidelia loans	13	7

#### Other Intercompany Billings

E.ON U.S. Services provides KU with a variety of centralized administrative, management and support services. These charges include payroll taxes paid by E.ON U.S. on behalf of KU, labor and burdens of E.ON U.S. Services employees performing services for KU and vouchers paid by E.ON U.S. Services on behalf of KU. The cost of these services is directly charged to KU, or for general costs which cannot be

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directly attributed, charged based on predetermined allocation factors, including the following ratios: number of customers, total assets, revenues, number of employees and other statistical information. These costs are charged on an actual cost basis.

In addition, KU and LG&E provide services to each other and to E.ON U.S. Services. Billings between KU and LG&E relate to labor and overheads associated with union employees performing work for the other utility, charges related to jointly-owned combustion turbines and other miscellaneous charges. Billings from KU to E.ON U.S. Services relate to cash received by E.ON U.S. Services on behalf of KU, primarily tax settlements, and other payments made by KU on behalf of other non-regulated businesses which are paid through E.ON U.S. Services.

Intercompany billings to and from KU for the three months ended March 31, were as follows:

(in millions)	<u>2008</u>	<u>2007</u>
E.ON U.S. Services billings to KU	\$39	\$170
KU billings to LG&E	23	14
LG&E billings to KU	1	10
KU billings to E.ON U.S. Services	1	2

#### **Note 9 - Notes to Statement of Cash Flows**

Supplemental disclosures of cash flow information

(in millions)	<u>2008</u>	<u>2007</u>
Cash paid during the period for:		
Income taxes	\$ 3	\$ 2
Interest on borrowed money	4	6
Interest to affiliated companies on borrowed money	11	4

#### **Note 10 – Subsequent Events**

On April 16, 2008, the Carroll County 2006 Series C bonds converted from an auction rate mode to a weekly interest rate mode. In connection with the conversion, KU purchased the bonds from the remarketing agent.

On May 1, 2008, the Mercer County 2000 Series A bonds converted from an auction rate mode to a weekly interest rate mode. In connection with the conversion, KU purchased the bonds from the remarketing agent.

On May 7, 2008, E.ON U.S. split the revolving facility with E.ON North America Inc. of \$311 million into two separate loans of \$150 million and \$161 million with E.ON North America Inc. and Fidelity respectively.

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STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

Line No	Other Cash Flow Hedges Interest Rate Swaps  (f)	Other Cash Flow Hedges [Specify]  (g)	Totals for each category of items recorded in Account 219  (h)	Net Income (Carried Forward from Page 117, Line 78)  (i)	Total Comprehensive Income  (j)
1					
2					
3					
4				166,962,574	166,962,574
5					
6					
7					
8					
9				45,924,753	45,924,753
10					

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SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION					
Report in Column (c) the amount for electric function, in column (d) the amount for gas function. in column (e), (f), and (g) report other (specify) and in column (f) common function.					
Line No.	Classification (a)	Total Company for the Current Year/Quarter Ended (b)	Electric (c)		
1	Utility Plant				
2	In Service				
3	Plant in Service (Classified)	3,915,735,501	3,915,735,501		
4	Property Under Capital Leases				
5	Plant Purchased or Sold				
6	Completed Construction not Classified				
7	Experimental Plant Unclassified				
8	Total (3 thru 7)	3,915,735,501	3,915,735,501		
9	Leased to Others				
10	Held for Future Use				
11	Construction Work in Progress	1,184,255,020	1,184,255,020		
12	Acquisition Adjustments				
13	Total Utility Plant (8 thru 12)	5,099,990,521	5,099,990,521		
14	Accum Prov for Depr, Amort, & Depl	1,961,946,070	1,961,946,070		
15	Net Utility Plant (13 less 14)	3,138,044,451	3,138,044,451		
16	Detail of Accum Prov for Depr, Amort & Depl				
17	In Service:				
18	Depreciation	1,943,936,543	1,943,936,543		
19	Amort & Depl of Producing Nat Gas Land/Land Right				
20	Amort of Underground Storage Land/Land Rights				
21	Amort of Other Utility Plant	18,009,527	18,009,527		
22	Total In Service (18 thru 21)	1,961,946,070	1,961,946,070		
23	Leased to Others				
24	Depreciation				
25	Amortization and Depletion				
26	Total Leased to Others (24 & 25)				
27	Held for Future Use				
28	Depreciation				
29	Amortization				
30	Total Held for Future Use (28 & 29)				
31	Abandonment of Leases (Natural Gas)				
32	Amort of Plant Acquisition Adj				
33	Total Accum Prov (equals 14) (22,26.30,31.32)	1,961,946,070	1,961,946,070		

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SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS  
FOR DEPRECIATION, AMORTIZATION AND DEPLETION

Gas (d)	Other (Specify) (e)	Other (Specify) (f)	Other (Specify) (g)	Common (h)	Line No
					1
					2
					3
					4
					5
					6
					7
					8
					9
					10
					11
					12
					13
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**ELECTRIC PLANT IN SERVICE AND ACCUMULATED PROVISION FOR DEPRECIATION BY FUNCTION**

1. Report below the original cost of plant in service by function. In addition to Account 101. include Account 102. and Account 106 Report in column (b) the original cost of plant in service and in column(c) the accumulated provision for depreciation and amortization by function.

Line No.	Item (a)	Plant in Service Balance at End of Quarter (b)	Accumulated Depreciation and Amortization Balance at End of Quarter (c)
1	Intangible Plant	25,342,513	18,009,527
2	Steam Production Plant	1,680,088,593	938,373,737
3	Nuclear Production Plant		
4	Hydraulic Production - Conventional	11,033,232	8,277,469
5	Hydraulic Production - Pumped Storage		
6	Other Production	497,590,725	120,749,510
7	Transmission	521,778,335	324,508,370
8	Distribution	1,080,869,997	502,270,385
9	Regional Transmission and Market Operation		
10	General	99,032,106	49,757,072
11	TOTAL (Total of lines 1 through 10)	3,915,735,501	1,961,946,070

**OTHER REGULATORY ASSETS (Account 182.3)**

1. Report below the particulars (details) called for concerning other regulatory assets, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 182.3 at end of period, or amounts less than \$50,000 which ever is less), may be grouped by classes.
3. For Regulatory Assets being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Assets  (a)	Balance at Beginning of Current Quarter/Year (b)	Debits (c)	CREDITS		Balance at end of Current Quarter/Year (f)
				Written off During the Quarter/Year Account Charged (d)	Written off During the Period Amount (e)	
1	Ice Storm (Jul-04 to Jun-09)	1,187,388		593	197,901	989,487
2	SFAS 158 - Pension and Postretirement	27,744,630	27,744,630			28,091,683
3	SFAS 109 - Income Taxes	6,547,298	609,267			7,156,565
4	Asset Retirement Obligation - Electric	24,116,268	569,207			24,685,475
5	MISO Exit Fee	20,097,494		131,143	1,167,963	18,929,531
6	FERC Jurisdictional Pension Expenses	2,472,173	98,897			2,571,070
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44	<b>TOTAL</b>	82,165,251	1,624,424		1,365,864	82,423,811

Name of Respondent Kentucky Utilities Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2008/Q1
FOOTNOTE DATA			

**Schedule Page: 232 Line No.: 2 Column: c**

The 2007 valuation for prepaid pension asset was adjusted due to the misclassification of benefit payment information provided by the pension trustee.

**OTHER REGULATORY LIABILITIES (Account 254)**

1. Report below the particulars (details) called for concerning other regulatory liabilities, including rate order docket number, if applicable.
2. Minor items (5% of the Balance in Account 254 at end of period, or amounts less than \$50,000 which ever is less), may be grouped by classes.
3. For Regulatory Liabilities being amortized, show period of amortization.

Line No.	Description and Purpose of Other Regulatory Liabilities (a)	Balance at Beginning of Current Quarter/Year (b)	DEBITS		Credits (e)	Balance at End of Current Quarter/Year (f)
			Account Credited (c)	Amount (d)		
1	Spare Parts	1,272,406			37,604	1,310,010
2	SFAS 109 - Income Taxes	29,036,206	190,282	1,000,308		28,035,898
3	Asset Retirement Obligation - Electric	2,170,861			63,048	2,233,909
4	MISO Schedule 10 Charges	5,241,563			982,794	6,224,357
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41	TOTAL	37,721,036		1,000,308	1,083,446	37,804,174



Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da, Yr) / /	Year/Period of Report End of 2008/Q1
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**ELECTRIC OPERATING REVENUES (Account 400)**

- 1 The following instructions generally apply to the annual version of these pages Do not report quarterly data in columns (c), (e), (f), and (g) Unbilled revenues and MWH related to unbilled revenues need not be reported separately as required in the annual version of these pages
- 2 Report below operating revenues for each prescribed account, and manufactured gas revenues in total
- 3 Report number of customers, columns (f) and (g), on the basis of meters, in addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added The -average number of customers means the average of twelve figures at the close of each month
- 4 If increases or decreases from previous period (columns (c),(e), and (g)), are not derived from previously reported figures, explain any inconsistencies in a footnote

Line No	Title of Account (a)	Operating Revenues Year to Date Quarterly/Annual (b)	Operating Revenues Previous year (no Quarterly) (c)
1	Sales of Electricity		
2	(440) Residential Sales	135,208,509	
3	(442) Commercial and Industrial Sales		
4	Small (or Comm.) (See Instr. 4)	75,464,389	
5	Large (or Ind.) (See Instr. 4)	75,244,935	
6	(444) Public Street and Highway Lighting	2,407,414	
7	(445) Other Sales to Public Authorities	22,391,069	
8	(446) Sales to Railroads and Railways		
9	(448) Interdepartmental Sales		
10	TOTAL Sales to Ultimate Consumers	310,716,316	
11	(447) Sales for Resale	39,528,709	
12	TOTAL Sales of Electricity	350,245,025	
13	(Less) (449 1) Provision for Rate Refunds		
14	TOTAL Revenues Net of Prov. for Refunds	350,245,025	
15	Other Operating Revenues		
16	(450) Forfeited Discounts		
17	(451) Miscellaneous Service Revenues	247,114	
18	(453) Sales of Water and Water Power		
19	(454) Rent from Electric Property	635,657	
20	(455) Interdepartmental Rents		
21	(456) Other Electric Revenues	881,039	
22	(456.1) Revenues from Transmission of Electricity of Others	1,949,890	
23	(457 1) Regional Control Service Revenues		
24	(457 2) Miscellaneous Revenues		
25			
26	TOTAL Other Operating Revenues	1,951,622	
27	TOTAL Electric Operating Revenues	352,196,647	

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da, Yr) / /	Year/Period of Report End of 2008/Q1
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**ELECTRIC OPERATING REVENUES (Account 400)**

5 Commercial and industrial Sales. Account 442. may be classified according to the basis of classification (Small or Commercial. and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 1000 Kw of demand (See Account 442 of the Uniform System of Accounts Explain basis of classification in a footnote )

6 See pages 108-109. Important Changes During Period. for important new territory added and important rate increase or decreases

7 For Lines 2.4.5.and 6. see Page 304 for amounts relating to unbilled revenue by accounts

8 Include unmetered sales Provide details of such Sales in a footnote

MEGAWATT HOURS SOLD		AVG NO CUSTOMERS PER MONTH		Line No
Year to Date Quarterly/Annual (d)	Amount Previous year (no Quarterly) (e)	Current Year (no Quarterly) (f)	Previous Year (no Quarterly) (g)	
				1
2,143,715				2
				3
1,188,239				4
1,522,744				5
15,377				6
399,665				7
				8
				9
5,269,740				10
996,511				11
6,266,251				12
				13
6,266,251				14

Line 12. column (b) includes \$ 0 of unbilled revenues  
 Line 12. column (d) includes 0 MWH relating to unbilled revenues

Name of Respondent Kentucky Utilities Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2008/Q1
FOOTNOTE DATA			

**Schedule Page: 300 Line No.: 21 Column: b**

As a result of the Company exiting the MISO, a reclassification of MISO related revenues from Other Operating Revenues to a Regulatory Liability was required.

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da. Yr) / /	Year/Period of Report End of 2008/Q1
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**ELECTRIC PRODUCTION, OTHER POWER SUPPLY EXPENSES, TRANSMISSION AND DISTRIBUTION EXPENSES**

Report Electric production, other power supply expenses, transmission, regional control and market operation, and distribution expenses through the reporting period

Line No	Account (a)	Year to Date Quarter (b)
1	<b>1. POWER PRODUCTION AND OTHER SUPPLY EXPENSES</b>	
2	Steam Power Generation - Operation (500-509)	118,673,721
3	Steam Power Generation - Maintenance (510-515)	10,264,101
4	Total Power Production Expenses - Steam Power	128,937,822
5	Nuclear Power Generation - Operation (517-525)	
6	Nuclear Power Generation - Maintenance (528-532)	
7	Total Power Production Expenses - Nuclear Power	
8	Hydraulic Power Generation - Operation (535-540.1)	39,741
9	Hydraulic Power Generation - Maintenance (541-545.1)	86,646
10	Total Power Production Expenses - Hydraulic Power	126,387
11	Other Power Generation - Operation (546-550.1)	12,023,502
12	Other Power Generation - Maintenance (551-554.1)	351,703
13	Total Power Production Expenses - Other Power	12,375,205
14	Other Power Supply Expenses	
15	Purchased Power (555)	56,064,645
16	System Control and Load Dispatching (556)	398,521
17	Other Expenses (557)	334,090
18	Total Other Power Supply Expenses (line 15-17)	56,797,256
19	Total Power Production Expenses (Total of lines 4, 7, 10, 13 and 18)	198,236,670
20	<b>2. TRANSMISSION EXPENSES</b>	
21	Transmission Operation Expenses	
22	(560) Operation Supervision and Engineering	348,692
23	(561) Load Dispatching	263,287
24	(561.1) Load Dispatch-Reliability	
25	(561.2) Load Dispatch-Monitor and Operate Transmission System	
26	(561.3) Load Dispatch-Transmission Service and Scheduling	
27	(561.4) Scheduling, System Control and Dispatch Services	4,332
28	(561.5) Reliability, Planning and Standards Development	
29	(561.6) Transmission Service Studies	5,771
30	(561.7) Generation Interconnection Studies	
31	(561.8) Reliability, Planning and Standards Development Services	311
32	(562) Station Expenses	65,363
33	(563) Overhead Line Expenses	78,084
34	(564) Underground Line Expenses	
35	(565) Transmission of Electricity by Others	1,790,742
36	(566) Miscellaneous Transmission Expenses	1,138,091
37	(567) Rents	9,971
38	(567.1) Operation Supplies and Expenses (Non-Major)	

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da, Yr) / /	Year/Period of Report End of 2008/Q1
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**ELECTRIC PRODUCTION, OTHER POWER SUPPLY EXPENSES, TRANSMISSION AND DISTRIBUTION EXPENSES**

Report Electric production, other power supply expenses, transmission, regional control and market operation, and distribution expenses through the reporting period

Line No	Account (a)	Year to Date Quarter (b)
39	TOTAL Transmission Operation Expenses (Lines 22 - 38)	3,704,644
40	Transmission Maintenance Expenses	
41	(568) Maintenance Supervision and Engineering	
42	(569) Maintenance of Structures	
43	(569.1) Maintenance of Computer Hardware	
44	(569.2) Maintenance of Computer Software	
45	(569.3) Maintenance of Communication Equipment	
46	(569.4) Maintenance of Miscellaneous Regional Transmission Plant	
47	(570) Maintenance of Station Equipment	280,396
48	(571) Maintenance Overhead Lines	758,987
49	(572) Maintenance of Underground Lines	
50	(573) Maintenance of Miscellaneous Transmission Plant	48,050
51	(574) Maintenance of Transmission Plant	
52	TOTAL Transmission Maintenance Expenses (Lines 41 - 51)	1,087,433
53	Total Transmission Expenses (Lines 39 and 52)	4,792,077
54	<b>3. REGIONAL MARKET EXPENSES</b>	
55	Regional Market Operation Expenses	
56	(575.1) Operation Supervision	
57	(575.2) Day-Ahead and Real-Time Market Facilitation	
58	(575.3) Transmission Rights Market Facilitation	
59	(575.4) Capacity Market Facilitation	
60	(575.5) Ancillary Services Market Facilitation	
61	(575.6) Market Monitoring and Compliance	
62	(575.7) Market Facilitation, Monitoring and Compliance Services	6,034
63	Regional Market Operation Expenses (Lines 55 - 62)	6,034
64	Regional Market Maintenance Expenses	
65	(576.1) Maintenance of Structures and Improvements	
66	(576.2) Maintenance of Computer Hardware	
67	(576.3) Maintenance of Computer Software	
68	(576.4) Maintenance of Communication Equipment	
69	(576.5) Maintenance of Miscellaneous Market Operation Plant	
70	Regional Market Maintenance Expenses (Lines 65-69)	
71	TOTAL Regional Control and Market Operation Expenses (Lines 63,70)	6,034
72	<b>4. DISTRIBUTION EXPENSES</b>	
73	Distribution Operation Expenses (580-589)	4,718,488
74	Distribution Maintenance Expenses (590-598)	7,642,895
75	Total Distribution Expenses (Lines 73 and 74)	12,361,383

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da. Yr) / /	Year/Period of Report End of 2008/Q1
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**ELECTRIC CUSTOMER ACCOUNTS, SERVICE, SALES, ADMINISTRATIVE AND GENERAL EXPENSES**

Report the amount of expenses for customer accounts, service, sales, and administrative and general expenses year to date

Line No.	Account (a)	Year to Date Quarter (b)
1	(901-905) Customer Accounts Expenses	5,538,897
2	(907-910) Customer Service and Information Expenses	1,690,681
3	(911-917) Sales Expenses	19,096
4	<b>8. ADMINISTRATIVE AND GENERAL EXPENSES</b>	
5	Operations	
6	920 Administrative and General Salaries	4,227,654
7	921 Office Supplies and Expenses	1,693,113
8	(Less) 922 Administrative Expenses Transferred-Credit	516,869
9	923 Outside Services Employed	2,408,933
10	924 Property Insurance	702,168
11	925 Injuries and Damages	412,434
12	926 Employee Pensions and Benefits	6,384,561
13	927 Franchise Requirements	886
14	928 Regulatory Commission Expenses	228,334
15	(Less) 929 Duplicate Charges-Credit	886
16	930.1 General Advertising Expenses	137,847
17	930.2 Miscellaneous General Expenses	769,299
18	931 Rents	372,540
19	<b>TOTAL Operation (Total of lines 6 thru 18)</b>	<b>16,820,014</b>
20	Maintenance	
21	935 Maintenance of General Plant	1,903,265
22	<b>TOTAL Administrative and General Expenses (Total of lines 19 and 21)</b>	<b>18,723,279</b>

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da. Yr) / /	Year/Period of Report End of 2008/Q1
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**TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456.1)**  
(Including transactions referred to as 'wheeling')

- Report all transmission of electricity, i.e., wheeling, provided for other electric utilities, cooperatives, other public authorities, qualifying facilities, non-traditional utility suppliers and ultimate customers for the quarter.
- Use a separate line of data for each distinct type of transmission service involving the entities listed in column (a), (b) and (c).
- Report in column (a) the company or public authority that paid for the transmission service. Report in column (b) the company or public authority that the energy was received from and in column (c) the company or public authority that the energy was delivered to. Provide the full name of each company or public authority. Do not abbreviate or truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation the respondent has with the entities listed in columns (a), (b) or (c)
- In column (d) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNO - Firm Network Service for Others, FNS - Firm Network Transmission Service for Self, LFP - "Long-Term Firm Point to Point Transmission Service, OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point to Point Transmission Reservation, NF - non-firm transmission service, OS - Other Transmission Service and AD - Out-of-Period Adjustments. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting periods. Provide an explanation in a footnote for each adjustment. See General Instruction for definitions of codes.

Line No	Payment By (Company of Public Authority) (Footnote Affiliation) (a)	Energy Received From (Company of Public Authority) (Footnote Affiliation) (b)	Energy Delivered To (Company of Public Authority) (Footnote Affiliation) (c)	Statistical Classification (d)
1	Midwest ISO	Midwest ISO	Midwest ISO	AD
2	East Kentucky Power Cooperative	East Kentucky Power Cooperative	East Kentucky Power Cooperative	FNO
3	East Kentucky Power Cooperative	East Kentucky Power Cooperative	East Kentucky Power Cooperative	NF
4	Tennessee Valley Authority	Tennessee Valley Authority	Tennessee Valley Authority	OLF
5	Tennessee Valley Authority	Tennessee Valley Authority	Tennessee Valley Authority	NF
6	Big Rivers Electric Corporation	Big Rivers Electric Corporation	Big Rivers Electric Corporation	NF
7	KU Transactions	Kentucky Utilities	Various	NF
8	KU Transactions	Kentucky Utilities	Various	SFP
9	KU Transactions	Kentucky Utilities	Various	LFP
10	Cargill Power Markets, LLC	Various	Various	SFP
11	Cargill Power Markets, LLC	Various	Various	NF
12				
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	<b>TOTAL</b>			

TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456)(Continued)  
(Including transactions referred to as 'wheeling')

5. In column (e), identify the FERC Rate Schedule or Tariff Number, On separate lines, list all FERC rate schedules or contract designations under which service, as identified in column (d), is provided.
6. Report receipt and delivery locations for all single contract path, "point to point" transmission service. In column (f), report the designation for the substation, or other appropriate identification for where energy was received as specified in the contract. In column (g) report the designation for the substation, or other appropriate identification for where energy was delivered as specified in the contract.
7. Report in column (h) the number of megawatts of billing demand that is specified in the firm transmission service contract. Demand reported in column (h) must be in megawatts. Footnote any demand not stated on a megawatts basis and explain.
8. Report in column (i) and (j) the total megawatthours received and delivered.

FERC Rate Schedule of Tariff Number (e)	Point of Receipt (Substation or Other Designation) (f)	Point of Delivery (Substation or Other Designation) (g)	Billing Demand (MW) (h)	TRANSFER OF ENERGY		Line No
				MegaWatt Hours Received (i)	MegaWatt Hours Delivered (j)	
N/A	Midwest ISO	N/A				1
Vol 1 SA 4	East Kentucky Power	East Kentucky Power	400	654,984	635,720	2
Vol 1	East Kentucky Power	East Kentucky Power		62	62	3
93	TVA	TVA	56	93,327	91,073	4
93	TVA	TVA		1,406	1,406	5
Vol 1	East Kentucky Power	Big Rivers Electric		134	134	6
Vol 1	Various	Various				7
Vol 1	Various	Various				8
Vol 1	Various	Various	89			9
Vol 1	Various	Various		1,599	1,551	10
Vol 1	Various	Various		3,821	3,708	11
						12
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			545	755,333	733,654	



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TRANSMISSION OF ELECTRICITY FOR OTHERS (Account 456) (Continued)  
(Including transactions referred to as 'wheeling')

9. In column (k) through (n), report the revenue amounts as shown on bills or vouchers. In column (k), provide revenues from demand charges related to the billing demand reported in column (h). In column (l), provide revenues from energy charges related to the amount of energy transferred. In column (m), provide the total revenues from all other charges on bills or vouchers rendered, including out of period adjustments. Explain in a footnote all components of the amount shown in column (m). Report in column (n) the total charge shown on bills rendered to the entity Listed in column (a). If no monetary settlement was made, enter zero (11011) in column (n). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.

10. The total amounts in columns (l) and (j) must be reported as Transmission Received and Transmission Delivered for annual report purposes only on Page 401, Lines 16 and 17, respectively.

11. Footnote entries and provide explanations following all required data.

REVENUE FROM TRANSMISSION OF ELECTRICITY FOR OTHERS

Demand Charges (\$) (k)	Energy Charges (\$) (l)	(Other Charges) (\$) (m)	Total Revenues (\$) (k+l+m) (n)	Line No.
	-89,347		-89,347	1
597,210		58,251	655,461	2
	114	10	124	3
123,352		28,250	151,602	4
	3,760		3,760	5
	401	29	430	6
	652,457	52,865	705,322	7
222,832		20,277	243,109	8
194,249		16,600	210,849	9
50,751		4,545	55,296	10
	12,149	1,135	13,284	11
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1,188,394	579,534	181,962	1,949,890	

Name of Respondent Kentucky Utilities Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2008/Q1
FOOTNOTE DATA			

**Schedule Page: 328 Line No.: 1 Column: l**

Kentucky Utilities Company no longer transmits electricity through the MISO; however, the MISO continues to make adjustments for previous charges related to the transmission of electricity. These adjustments can increase or decrease revenue depending on the individual circumstances of the charge being adjusted. During the first quarter of 2008, an adjustment was recorded as a debit to transmission revenue to accrue for a Seams Elimination Cost Adjustment ("SECA") settlement liability. This adjustment caused the net balance for this counterparty to be negative.

SECA settlement liability	-89,681
2006 Rate Adjustment per FERC Order ER02-2458	334
Net Adjustment	-89,347

**Schedule Page: 328 Line No.: 2 Column: m**

The total consists of East Kentucky Power Cooperative Schedule 1 and Schedule 2 charges related to firm transmission.

**Schedule Page: 328 Line No.: 3 Column: m**

The total consists of East Kentucky Power Cooperative Schedule 1 and Schedule 2 charges related to non-firm transmission.

**Schedule Page: 328 Line No.: 4 Column: d**

The OLF transmission service agreement between Tennessee Valley Authority and Kentucky Utilities Company has a termination date of 12/31/2011.

**Schedule Page: 328 Line No.: 4 Column: m**

The total consists of Tennessee Valley Authority Schedule 1 and Schedule 2 charges related to firm transmission.

**Schedule Page: 328 Line No.: 6 Column: m**

The total consists of Big Rivers Electric Corporation Schedule 1 and Schedule 2 charges related to non-firm transmission.

**Schedule Page: 328 Line No.: 7 Column: m**

The total consists of Schedule 1 and Schedule 2 charges related to non-firm transmission with various counterparties.

**Schedule Page: 328 Line No.: 8 Column: m**

The total consists of Schedule 1 and Schedule 2 charges related to short-term firm transmission with various counterparties.

**Schedule Page: 328 Line No.: 9 Column: d**

The LFP intercompany purchases between Louisville Gas & Electric Company and Kentucky Utilities Company take place under the Open Access Transmission Tariff with allocations determined by the Transmission Coordination Agreement between the Companies. Both the Tariff and the Transmission Coordination Agreement are evergreen (have no termination date).

**Schedule Page: 328 Line No.: 9 Column: m**

The total consists of Schedule 1 and Schedule 2 charges related to long-term firm transmission with various counterparties.

**Schedule Page: 328 Line No.: 10 Column: m**

The total consists of Cargill Power Markets, LLC Schedule 1 and Schedule 2 charges related to firm transmission.

**Schedule Page: 328 Line No.: 11 Column: m**

The total consists of Cargill Power Markets, LLC Schedule 1 and Schedule 2 charges related to non-firm transmission.

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da. Yr) / /	Year/Period of Report End of 2008/Q1
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TRANSMISSION OF ELECTRICITY BY OTHERS (Account 565)  
(Including transactions referred to as "wheeling")

1. Report all transmission, i.e. wheeling or electricity provided by other electric utilities, cooperatives, municipalities, other public authorities, qualifying facilities, and others for the quarter.
2. In column (a) report each company or public authority that provided transmission service. Provide the full name of the company, abbreviate if necessary, but do not truncate name or use acronyms. Explain in a footnote any ownership interest in or affiliation with the transmission service provider. Use additional columns as necessary to report all companies or public authorities that provided transmission service for the quarter reported.
3. In column (b) enter a Statistical Classification code based on the original contractual terms and conditions of the service as follows: FNS - Firm Network Transmission Service for Self, LFP - Long-Term Firm Point-to-Point Transmission Reservations, OLF - Other Long-Term Firm Transmission Service, SFP - Short-Term Firm Point-to-Point Transmission Reservations, NF - Non-Firm Transmission Service, and OS - Other Transmission Service. See General Instructions for definitions of statistical classifications.
4. Report in column (c) and (d) the total megawatt hours received and delivered by the provider of the transmission service.
5. Report in column (e), (f) and (g) expenses as shown on bills or vouchers rendered to the respondent. In column (e) report the demand charges and in column (f) energy charges related to the amount of energy transferred. On column (g) report the total of all other charges on bills or vouchers rendered to the respondent, including any out of period adjustments. Explain in a footnote all components of the amount shown in column (g). Report in column (h) the total charge shown on bills rendered to the respondent. If no monetary settlement was made, enter zero in column (h). Provide a footnote explaining the nature of the non-monetary settlement, including the amount and type of energy or service rendered.
6. Enter "TOTAL" in column (a) as the last line
7. Footnote entries and provide explanations following all required data.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	TRANSFER OF ENERGY		EXPENSES FOR TRANSMISSION OF ELECTRICITY BY OTHERS			
			Magawatt-hours Received (c)	Magawatt-hours Delivered (d)	Demand Charges (\$) (e)	Energy Charges (\$) (f)	Other Charges (\$) (g)	Total Cost of Transmission (\$) (h)
1	Midwest ISO	NF	100,656	100,656		498,968	35,320	534,288
2	Midwest ISO	AD				11,577	-8,510	3,067
3	East Kentucky Power	LFP	300,023	300,023	499,686		28,495	528,181
4	East Kentucky Power	AD			-1,614		10,963	9,349
5	Louisville Gas & Elec	LFP	59,607	59,607	65,483		8,819	74,302
6	Louisville Gas & Elec	SFP	10,769	10,769	19,584		2,739	22,323
7	Louisville Gas & Elec	NF	160,277	160,277		441,066	55,768	496,834
8	Louisville Gas & Elec	AD	-16,251	-16,251		-42,864	-5,825	-48,689
9	PJM Interconnect	SFP	1,701	1,701	6,434			6,434
10	PJM Interconnect	NF	85,690	85,690		57,412	87,752	145,164
11	Tennessee Valley Auth	NF	4,845	4,845		14,329	5,160	19,489
12								
13								
14								
15								
16								
	TOTAL		707,317	707,317	589,573	980,488	220,681	1,790,742

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2008/Q1
Kentucky Utilities Company			
FOOTNOTE DATA			

**Schedule Page: 332 Line No.: 1 Column: g**

The total consists of Schedule 1, Schedule 2, and Schedule 26 charges.

**Schedule Page: 332 Line No.: 2 Column: f**

The total consists of true-ups for prior periods.

**Schedule Page: 332 Line No.: 2 Column: g**

The total consists of true-ups for prior periods.

**Schedule Page: 332 Line No.: 3 Column: b**

The LFP transmission service agreement between East Kentucky Power Cooperative and Louisville Gas & Electric Company and Kentucky Utilities Company has a termination date of 9/30/2016.

**Schedule Page: 332 Line No.: 3 Column: g**

The total consists of Schedule 1 and Schedule 2 charges.

**Schedule Page: 332 Line No.: 4 Column: e**

The total consists of true-ups for prior periods.

**Schedule Page: 332 Line No.: 4 Column: g**

The total consists of adjustments to Schedule 1 and Schedule 2 charges after true-ups for prior periods.

**Schedule Page: 332 Line No.: 5 Column: a**

Louisville Gas & Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.

**Schedule Page: 332 Line No.: 5 Column: b**

LFP intercompany purchases between Louisville Gas & Electric Company and Kentucky Utilities Company take place under the Open Access Transmission Tariff with allocations determined by the Transmission Coordination Agreement between the Companies. Both the Tariff and the Transmission Coordination Agreement are evergreen (have no termination date).

**Schedule Page: 332 Line No.: 5 Column: g**

The total consists of Schedule 1 and Schedule 2 charges.

**Schedule Page: 332 Line No.: 6 Column: a**

Louisville Gas & Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.

**Schedule Page: 332 Line No.: 6 Column: g**

The total consists of Schedule 1 and Schedule 2 charges.

**Schedule Page: 332 Line No.: 7 Column: a**

Louisville Gas & Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.

**Schedule Page: 332 Line No.: 7 Column: g**

The total consists of Schedule 1 and Schedule 2 charges.

**Schedule Page: 332 Line No.: 8 Column: a**

Louisville Gas & Electric Company and Kentucky Utilities Company are both owned by E.ON U.S. LLC.

**Schedule Page: 332 Line No.: 8 Column: c**

The internal accrual methodology between Off System Sales and Native Load was changed. Corrections are for prior periods.

**Schedule Page: 332 Line No.: 8 Column: d**

The internal accrual methodology between Off System Sales and Native Load was changed. Corrections are for prior periods.

**Schedule Page: 332 Line No.: 8 Column: f**

The internal accrual methodology between Off System Sales and Native Load was changed. Corrections are for prior periods.

**Schedule Page: 332 Line No.: 8 Column: g**

The internal accrual methodology between Off System Sales and Native Load was changed. Corrections are for prior periods.

**Schedule Page: 332 Line No.: 10 Column: g**

The total consists of Schedule 1, Schedule 2, and Schedule 6A charges and the portion of

Name of Respondent Kentucky Utilities Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2008/Q1
FOOTNOTE DATA			

non-firm point-to-point transmission charges that are non-energy related.

**Schedule Page: 332 Line No.: 11 Column: g**

The total consists of true-ups between non-firm energy and Schedule 1 and Schedule 2 non-firm other energy charges.

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da. Yr) / /	Year/Period of Report End of 2008/Q1
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Depreciation, Depletion and Amortization of Electric Plant (Accts 403, 403 1, 404, and 405) (Except Amortization of Acquisition Adjustments)

1. Report the year to date amounts of depreciation expense, asset retirement cost depreciation, depletion and amortization, except amortization of acquisition adjustments for the accounts indicated and classified according to the plant functional groups described.

Line No	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Depreciation Expense for Asset Retirement Costs (Account 403 1) (c)	Amortization of Other Limited-Term Electric Plant (Account 404) (e)	Amortization of Other Electric Plant (Account 405) (e)	Total (f)
1	Intangible Plant				1,186,935	1,186,935
2	Steam Production Plant	12,665,358	73,025			12,738,383
3	Nuclear Production Plant					
4	Hydraulic Production Plant Conv	43,715	13			43,728
5	Hydraulic Production Plant - Pumped Storage					
6	Other Production Plant	4,109,695	605			4,110,300
7	Transmission Plant	3,829,448	45			3,829,493
8	Distribution Plant	8,471,185	46			8,471,231
9	General Plant	1,144,280				1,144,280
10	Common Plant					
11	TOTAL ELECTRIC (lines 2 through 10)	30,263,681	73,734		1,186,935	31,524,350

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da. Yr) / /	Year/Period of Report End of <u>2008/Q1</u>
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**AMOUNTS INCLUDED IN ISO/RTO SETTLEMENT STATEMENTS**

1. The respondent shall report below the details called for concerning amounts it recorded in Account 555, Purchase Power, and Account 447, Sales for Resale, for items shown on ISO/RTO Settlement Statements. Transactions should be separately netted for each ISO/RTO administered energy market for purposes of determining whether an entity is a net seller or purchaser in a given hour. Net megawatt hours are to be used as the basis for determining whether a net purchase or sale has occurred. In each monthly reporting period, the hourly sale and purchase net amounts are to be aggregated and separately reported in Account 447, Sales for Resale, or Account 555, Purchased Power, respectively.

Line No.	Description of Item(s) (a)	Balance at End of Quarter 1 (b)	Balance at End of Quarter 2 (c)	Balance at End of Quarter 3 (d)	Balance at End of Year (e)
1	Energy				
2	Net Purchases (Account 555)	11,409,035			
3	Net Sales (Account 447)	1,074,396			
4	Transmission Rights				
5	Ancillary Services				
6	Other Items (list separately)				
7					
8					
9					
10					
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41					
42					
43					
44					
45					
46	TOTAL	12,483,431			

Name of Respondent	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2008/Q1
Kentucky Utilities Company			
FOOTNOTE DATA			

**Schedule Page: 397 Line No.: 2 Column: b**

The amount reflects transactions recorded in accordance with Kentucky Utilities Company's Power Supply System Agreement with Louisville Gas and Electric Company, as approved by the Kentucky Public Service Commission in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. Absent such a Power Supply System Agreement, the purchase amount recorded in accordance with FERC Order No. 668-A would have been \$11,335,803.

**Schedule Page: 397 Line No.: 3 Column: b**

The amount reflects transactions recorded in accordance with Kentucky Utilities Company's Power Supply System Agreement with Louisville Gas and Electric Company, as approved by the Kentucky Public Service Commission in October 1997, in which purchases and sales are calculated based on joint dispatch of the Companies' units. Such calculations do not distinguish between purchases and sales made in the Day Ahead and Real Time markets. Absent such a Power Supply System Agreement, the purchase amount recorded in accordance with FERC Order No. 668-A would have been \$1,068,308.



Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da. Yr) / /	Year/Period of Report End of 2008/Q1
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**MONTHLY PEAKS AND OUTPUT**

- (1) Report the monthly peak load and energy output. If the respondent has two or more power systems which are not physically integrated, furnish the required information for each non-integrated system. In quarter 1 report January, February, and March only. In quarter 2 report April, May, and June only. In quarter 3 report July, August, and September only
- (2) Report on column (b) by month the system's output in Megawatt hours for each month
- (3) Report on column (c) by month the non-requirements sales for resale. Include in the monthly amounts any energy losses associated with the sales
- (4) Report on column (d) by month the system's monthly maximum megawatt load (60 minute integration) associated with the system
- (5) Report on columns (e) and (f) the specified information for each monthly peak load reported on column (d)
- (6) Report Monthly Peak Hours in military time; 0100 for 1:00 AM, 1200 for 12 AM, and 1830 for 6:30 PM, etc

NAME OF SYSTEM: KU

Line No	Month (a)	Total Monthly Energy (MWH) (b)	Monthly Non-Requirements Sales for Resale & Associated Losses (c)	MONTHLY PEAK		
				Megawatts (See Instr 4) (d)	Day of Month (e)	Hour (f)
1	January	2,468,476	213,504	4,476	25	800
2	February	2,091,223	91,340	3,938	11	800
3	March	2,076,280	183,756	3,452	25	700
4	Total	6,635,979	488,600	11,866		
5	April				0	0
6	May				0	0
7	June				0	0
8	Total					
9	July				0	0
10	August				0	0
11	September				0	0
12	Total					

Name of Respondent Kentucky Utilities Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo. Da. Yr) / /	Year/Period of Report End of 2008/Q1
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**MONTHLY TRANSMISSION SYSTEM PEAK LOAD**

- (1) Report the monthly peak load on the respondent's transmission system. If the respondent has two or more power systems which are not physically integrated, furnish the required information for each non-integrated system  
(2) Report on Column (b) by month the transmission system's peak load  
(3) Report on Columns (c) and (d) the specified information for each monthly transmission - system peak load reported on Column (b)  
(4) Report on Columns (e) through (j) by month the system' monthly maximum megawatt load by statistical classifications. See General Instruction for the definition of each statistical classification

NAME OF SYSTEM: KU

Line No.	Month (a)	Monthly Peak MW - Total (b)	Day of Monthly Peak (c)	Hour of Monthly Peak (d)	Firm Network Service for Self (e)	Firm Network Service for Others (f)	Long-Term Firm Point-to-point Reservations (g)	Other Long-Term Firm Service (h)	Short-Term Firm Point-to-point Reservation (i)	Other Service (j)
1	January	5,196	25	8	4,476	481	89			150
2	February	4,647	11	8	3,938	473	89			147
3	March	4,023	7	20	3,400	412	89			122
4	Total for Quarter 1	13,866			11,814	1,366	267			419
5	April									
6	May									
7	June									
8	Total for Quarter 2									
9	July									
10	August									
11	September									
12	Total for Quarter 3									
13	October									
14	November									
15	December									
16	Total for Quarter 4									
17	Total Year to Date/Year	13,866			11,814	1,366	267			419



**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

**CASE NO. 2007-00565**

**Response to First Data Request of the Kentucky Industrial Utility Customers, Inc.  
Dated August 27, 2008**

**Question No. 7**

**Responding Witness: Lonnie E. Bellar**

- Q-7. Refer to Reference Schedule 1.00 attached to Mr. Rives' testimony.
- a. Please separate this adjustment into non-FAC fuel revenue, FAC fuel revenue, and non-fuel revenue components.
  - b. Please indicate whether the Company uses unbilled revenue accounting for non-FAC fuel revenues.
  - c. Please indicate whether the Company uses unbilled revenue accounting for FAC fuel revenues.
- A-7. a. See attached.
- b. Yes.
  - c. Yes.

**KENTUCKY UTILITIES**

**Adjustment to Eliminate Unbilled Revenues**

	<u>Non-FAC Fuel</u>	<u>FAC Fuel</u>	<u>Non-Fuel</u>	<u>Total</u>
1. Unbilled revenues at April 30, 2007	\$ 12,099,922	\$ -	\$ 20,225,078	\$ 32,325,000
2. Unbilled revenues at April 30, 2008	<u>(17,386,387)</u>	<u>(409,208)</u>	<u>(21,407,405)</u>	<u>(39,203,000)</u>
3. Decrease in book revenues due to unbilled revenues	<u>\$ (5,286,465)</u>	<u>\$ (409,208)</u>	<u>\$ (1,182,327)</u>	<u>\$ (6,878,000)</u>



**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

**CASE NO. 2007-00565**

**Response to First Data Request of the Kentucky Industrial Utility Customers, Inc.  
Dated August 27, 2008**

**Question No. 8**

**Responding Witness: Robert M. Conroy**

- Q-8. Refer to Reference Schedule 1.03 attached to Mr. Rives' testimony. Please provide the amount of unbilled revenues included in the revenue column, if any.
- A-8. Unbilled revenues are not included in the revenue column.





**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

**CASE NO. 2007-00565**

**Response to First Data Request of the Kentucky Industrial Utility Customers, Inc.  
Dated August 27, 2008**

**Question No. 9**

**Responding Witness: Robert M. Conroy**

Q-9. Refer to Reference Schedule 1.06 attached to Mr. Rives' testimony. Please provide a copy of the referenced "Attachment to Response to Question No. 8(a)(c)."

A-9. See response to AG-1 Question No. 28.



**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

**CASE NO. 2007-00565**

**Response to First Data Request of the Kentucky Industrial Utility Customers, Inc.  
Dated August 27, 2008**

**Question No. 10**

**Responding Witness: Robert M. Conroy**

Q-10. Refer to Reference Schedule 1.07 attached to Mr. Rives' testimony. Please provide a copy of the Company's environmental surcharge filings effective for the months May 2007 through April 2008

A-10. The requested information is being provided on CD.

# Electronic Attachment on CD



**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

**CASE NO. 2007-00565**

**Response to First Data Request of the Kentucky Industrial Utility Customers, Inc.  
Dated August 27, 2008**

**Question No. 11**

**Responding Witness: Shannon L. Charnas**

- Q-11. Refer to Reference Schedule 1.09 attached to Mr. Rives' testimony. Please define the term "accrued revenue" as used on this schedule and differentiate this adjustment from the adjustments reflected on Reference Schedules 1.02, 1.03, 1.04 and 1.05.
- A-11. In addition to billed revenue, the Company records adjustments to revenue which are referred to as "accrued revenue". The purpose of these adjustments is to eliminate the regulatory lag (the timing difference between expenses and their recovery through the regulatory mechanisms), or over/under recoveries of the regulatory mechanisms. The pro forma adjustments listed on Reference Schedules 1.02, 1.03, 1.04, and 1.05 remove amounts actually billed to the customers for these regulatory mechanisms, while Reference Schedule 1.09 removes additional adjustments to revenue from the regulatory mechanisms.



**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

**CASE NO. 2007-00565**

**Response to First Data Request of the Kentucky Industrial Utility Customers, Inc.  
Dated August 27, 2008**

**Question No. 12**

**Responding Witness: William Steven Seelye**

- Q-12. Refer to Reference Schedules 1.11 and 1.12 attached to Mr. Rives' testimony quantifying the proposed weather normalization adjustment and the year end customer adjustment, respectively. On pages 46 (KU) and 53 (LG&E) of Mr. Seelye's testimony, he generally describes the basis for the weather normalization expense adjustment using the FERC predominance methodology. This is different than basis for the year customer expense adjustment. Please explain and provide all reasons for these differences in methodology.
- A-12. The expenses related to the temperature normalization adjustment reflect variable production expenses, whereas the expenses related to the year-end adjustment reflect both variable and fixed expenses. Changes in customers result in changes in variable costs and changes in fixed costs. Changes in kWh sales resulting from changes in temperature do not impact fixed costs, but do impact variable production expenses.





**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

**CASE NO. 2007-00565**

**Response to First Data Request of the Kentucky Industrial Utility Customers, Inc.  
Dated August 27, 2008**

**Question No. 13**

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

- Q-13. Refer to Reference Schedule 1.14 attached to Mr. Rives' testimony.
- a. Please provide a copy of the depreciation study filed in Case No. 2007-00564. In addition, provide all workpapers relied on by Mr. Spanos in that proceeding to compute the net salvage percentages included in the proposed depreciation rates.
  - b. Please provide the workpapers underlying the Company's computation of annualized depreciation expense using proposed rates shown on lines 1 and 2 of this schedule.
  - c. Please provide the computation of the depreciation expense amounts on lines 5 and 6 of this schedule.
  - d. Please indicate whether the depreciation expense shown on lines 1 and 2 of this schedule includes depreciation expense for ARO costs. If so, please provide the amount of this depreciation expense included in each line and for each service.
  - e. Please indicate whether the depreciation expense shown on lines 1 and 2 of this schedule includes depreciation expense for post-1995 environmental cost recovery. If so, please provide the amount of this depreciation expense included in each line and for each service.
  - f. Please provide a copy of the depreciation study underlying the depreciation rates used during the test year. In addition, provide all workpapers used in that prior depreciation study used to compute the net salvage percentages included in the present depreciation rates.
- A-13. a. Please see the CD provided for information filed under Case No. 2007-00565 including a copy of the depreciation study requested. Please see the files provided on the CD for the Company's response to AG-1 Question No. 8 as well as pages III - 184-210 in Exhibit JJS-Testimony in the Application for the workpapers used by Mr. Spanos to compute the net salvage percentages.

- b. Please see the attachments to the Company's response to AG-1 Question No. 6(a) in this case for amounts shown on line 1 of this schedule. (Line 2 is not the annualized depreciation expense and does not apply.)
- c. For ARO and ECR depreciation expense information, please see the Company's response to PSC-2 Question No. 93 in this case. (The lines relating to ARO and ECR depreciation expense are lines 3 and 4.)
- d. The depreciation expense shown on line 1 does not include depreciation expense for ARO costs. (Line 2 is not the annualized depreciation expense and does not apply.)
- e. The depreciation expense shown on line 1 does not include depreciation expense for post-1995 environmental cost recovery. (Line 2 is not the annualized depreciation expense and does not apply.)
- f. Please see the CD provided for information filed under Case No. 2007-00565 including a copy of the depreciation study requested. Also, on the CD, please see file entitled "LGE-AG-1-99 KU-AG-1-92 Net Salvage Electric FASB 143 FIN 47" included with the Company's response to AG-1 Question No. 92 the workpapers used to compute the net salvage percentages.

# Electronic Attachment on CD



**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

**CASE NO. 2007-00565**

**Response to First Data Request of the Kentucky Industrial Utility Customers, Inc.  
Dated August 27, 2008**

**Question No. 14**

**Responding Witness: Paula H. Pottinger, Ph.D. / Valerie L. Scott**

- Q-14. Refer to Reference Schedule 1.15 attached to Mr. Rives' testimony.
- a. Please provide a copy of all staffing studies performed by or on behalf of the Company, including the Service Company.
  - b. Please provide the monthly full time equivalent employees for the Company and the Service Company by department from January 2006 through the most recent month available.
  - c. Please describe all right-sizing, downsizing, efficiency, severance and all other programs that the Company has announced or plans to reduce or that will reduce staffing levels in the future.
  - d. Please provide the amount of incentive compensation expense by program included in the labor amounts shown on page 2 of 4 of this Reference Schedule. If there is no incentive compensation expense included in these labor amounts, then provide the information requested and separate it between expense and other.
- A-14. a. The requested information is being filed pursuant to Petition for Confidential Protection.
- b. See attached.
  - c. The Company has not announced nor does it have plans for programs that will reduce staffing levels in the future.
  - d. See response to AG-1 Question No. 53.

Company	Dept	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
KU	Area 1 (Business Office/Customer Walk-in Ctr)	5	5	5	5	5	5
KU	Area 10 (Business Office/Customer Walk-in Ctr)	3	3	3	3	3	3
KU	Area 11 (Business Office/Customer Walk-in Ctr)	4	4	4	4	4	4
KU	Area 12 (Business Office/Customer Walk-in Ctr)	10	11	11	11	11	11
KU	Area 2 (Business Office/Customer Walk-in Ctr)	7	7	7	7	7	7
KU	Area 3 (Business Office/Customer Walk-in Ctr)	5	5	5	5	5	5
KU	Area 4 (Business Office/Customer Walk-in Ctr)	9	9	9	9	9	8
KU	Area 5 (Business Office/Customer Walk-in Ctr)	7	7	7	7	7	7
KU	Area 6 (Business Office/Customer Walk-in Ctr)	5	5	5	5	5	5
KU	Area 7 (Business Office/Customer Walk-in Ctr)	4	4	4	4	4	4
KU	Area 8 (Business Office/Customer Walk-in Ctr)	7	7	7	7	7	7
KU	Area 9 (Business Office/Customer Walk-in Ctr)	8	8	8	8	8	8
KU	Billing Integrity	12	12	12	13	13	13
KU	Customer Care System KU Business Process	0	0	0	0	0	0
KU	Danville Operations Center	18	18	18	18	18	18
KU	E W Brown-General Mgr & Admin	3	3	3	3	3	3
KU	Earlington Crew Centers	46	46	45	45	45	45
KU	Earlington Material Logistics	3	3	3	3	3	3
KU	Earlington Meter Dept	3	3	3	3	3	3
KU	Elizabethtown Opertions Center	21	21	21	21	21	21
KU	EW Brown Coal Handling Ops	8	8	8	8	8	8
KU	EW Brown Combustion Turbine	12	12	12	12	12	11
KU	EW Brown Commercial Operations	12	12	12	12	12	12
KU	EW Brown E and I Maintenance	14	14	16	16	16	16
KU	EW Brown Equip Maintenance	15	15	15	16	16	16
KU	EW Brown Hydro and CY Maintenance	6	6	6	6	6	6
KU	EW Brown Laboratory	3	3	3	3	3	3
KU	EW Brown Maintenance	7	7	7	7	7	6
KU	EW Brown Oper/Results	41	41	41	42	42	44
KU	Facilities Services-Lexington	1	1	1	1	1	1
KU	Field Services - KU	25	25	25	25	24	24
KU	Forestry Services	6	6	6	6	6	6
KU	Ghent - Coal Yard	13	13	13	13	13	13
KU	Ghent - Commercial	13	13	13	13	13	13
KU	Ghent - Electrical Maintenance	12	12	12	13	14	14
KU	Ghent - General Manager	4	4	4	4	4	4
KU	Ghent - Instrument Maintenance	13	13	13	13	13	13
KU	Ghent - Maintenance Power Gen	15	15	15	15	15	15
KU	Ghent - Mechanical Maintenance	19	19	19	18	18	18
KU	Ghent - Operations Shift	63	63	63	64	67	68

Company	Dept	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
KU	Ghent - Outside Maintenance	6	6	6	6	5	5
KU	Ghent - Production	2	2	2	2	2	2
KU	Ghent - Scrubber Maintenance	6	5	5	6	7	7
KU	Ghent - Station Lab	4	4	5	5	5	5
KU	Green River - Coal Yard	5	5	5	5	5	5
KU	Green River - General Manager	7	7	7	7	8	8
KU	Green River - Inst Maintenance	5	5	6	8	8	8
KU	Green River - Mech Maintenance	7	7	7	7	7	7
KU	Green River - Operations	27	27	27	27	26	26
KU	Green River-Maintenance	4	4	4	4	4	4
KU	Lexington Material Logistics	6	6	6	7	6	6
KU	Lexington Meter Dept	8	8	8	8	8	7
KU	Lexington Operations Center	67	69	66	65	66	67
KU	London Crew Centers	20	20	20	20	20	20
KU	Mapping & Records	8	8	8	8	8	8
KU	Maysville Operations Center	26	26	26	26	26	26
KU	Meter Readers	31	31	31	31	31	31
KU	Network Restoration & Dispatch	26	26	27	27	28	28
KU	Norton Operations Center	20	20	20	20	20	21
KU	Pineville Crew Centers	16	16	16	16	16	16
KU	Pineville Meter Dept	4	4	4	4	4	4
KU	Revenue Collection	11	12	12	12	12	12
KU	Revenue Protection	1	1	1	1	1	1
KU	Richmond Operations Center	21	20	21	21	21	21
KU	Shelbyville Operations Center	22	21	21	21	22	22
KU	Substation Construction & Maintenance Danville	11	11	11	11	11	11
KU	Substation Construction & Maintenance Earlington	9	9	9	9	9	9
KU	Substation Construction & Maintenance Lexington	20	20	20	20	19	19
KU	Substation Construction & Maintenance Pineville	9	9	9	9	10	10
KU	Telecommunications - KU	8	8	8	8	8	8
KU	Tyrone - Administration	2	2	2	2	2	2
KU	Tyrone - Coal Yard	1	1	1	1	1	1
KU	Tyrone - Electrical Mntc	5	5	5	5	5	4
KU	Tyrone - Mechanical Mntc						1
KU	Tyrone - Operations	16	16	16	16	16	16
Service Co	Accounting for WKE	4	4	4	3	3	2
Service Co	Accounts Payable	13.6	13.6	13.6	13.6	13.6	13.6
Service Co	Administrative Services	3	3	3	3	3	3
Service Co	Argentine Gas Business	1	1	1	1	1	1
Service Co	Asset Information - Distribution	2	2	2	2	2	2



Company	Dept	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Service Co	Asset Information - Distribution	1	1	1	1	1	1
Service Co	Audit Services	14	14	14	14	14	14
Service Co	Benefits and Records	7	6	6	6	6	6
Service Co	Billing Integrity	5	4	4	4	4	4
Service Co	Business Development	3	3	3	3	3	3
Service Co	Business Service Center	17	18	18	18	18	18
Service Co	Chief Executive Officer	2.8	2.8	2.8	2.8	2.8	2.8
Service Co	Chief Financial Officer	2	2	2	2	2	2
Service Co	Compensation Systems & HRIS	2	2	2	2	2	2
Service Co	Compliance Dept						
Service Co	Computing Architecture	19	19	21	21	21	21
Service Co	Contract Manager-Xerox Corp	1	1	1	1	1	1
Service Co	Contracts Administration	3	3	3	3	3	3
Service Co	Controller	2	2	2	2	2	2
Service Co	Corp Fuels & By Products	8	8	8	8	8	7
Service Co	Corporate Accounting	8	8	8	7	8	8
Service Co	Corporate Purchasing	5	5	5	5	5	5
Service Co	Corporate Tax	2	2	2	2	2	2
Service Co	Corporate Facility Services	1	1	1	1	1	1
Service Co	Credit/Contract Administration	2	2	2	2	2	2
Service Co	Customer Care System Business Process	0	0	0	0	0	0
Service Co	Customer Care System IT Process	0	0	0	0	0	0
Service Co	Customer Care System Management	0	0	0	0	0	0
Service Co	Customer Commitment	2.5	2.5	2.5	2.5	2.5	2.5
Service Co	Data Networks	9	9	9	9	9	9
Service Co	Desktop Operations	21.8	20.8	20.2	20.2	21.2	21.2
Service Co	Director Asset Management	2	2	2	2	2	2
Service Co	Director Cash Management & Investmt	4	4	4	4	4	4
Service Co	Director Corp Fuels & By Products	3	3	3	3	3	3
Service Co	Director Corporate Development	2	2	1	1	2	2
Service Co	Director Corporate Tax	2.9	2.9	2.9	2.9	2.9	2.9
Service Co	Director Distribution Operations	5	5	5	5	5	5
Service Co	Director Electric Reliability	3	3	3	4	4	4
Service Co	Director Energy Services Project Dv	2	2	2	2	2	2
Service Co	Director Environmental Affairs	10.6	11.6	11.6	11.6	12.6	12.6
Service Co	Director External Affairs	1	1	1	1	1	1
Service Co	Director Fin Planning & Controlling	2	2	2	2	2	2
Service Co	Director Generation Services	3	3	3	3	3	3
Service Co	Director HR - Corporate	7	7	7	7	7	7
Service Co	Director HR - Energy Services	7	8	8	8	8	8

Company	Dept	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Service Co	Director HR Distribution	9	9	9	9	10	9
Service Co	Director IT Operations	2	2	2	2	2	2
Service Co	Director IT Service Delivery	2	2	2	2	2	2
Service Co	Director IT Strategy/Planning	2	2	2	2	2	2
Service Co	Director Marketing & Customer Srv	3	3	3	3	3	3
Service Co	Director Operating Services	2	2	2	2	2	2
Service Co	Director Real Estate & Right of Way	4	4	4	4	4	4
Service Co	Director Regulatory Initiatives	1	1	1	1	1	1
Service Co	Director Revenue Collection	1	1	1	2	2	2
Service Co	Director State Regulation & Rates	6.8	6.8	5	6	6	6
Service Co	Director State Regulation and Rates	5	5	5.8	5.8	5.8	5.8
Service Co	Director Supply Chain	3	3	3	3	3	3
Service Co	Director Transmission	5	5	5	5	5	5
Service Co	Director Unregulated Traders & Mktg	11	10	10	10	10	11
Service Co	Director Utility Accounting	1	1	1	1	2	2
Service Co	Director-Financial Plan & Analysis	4	4	4	4	4	4
Service Co	Economic Analysis	9	9	9	8	8	8
Service Co	Economic Devel & Major Accts	21	21	21	20	20	20
Service Co	Elect System Codes & Standards	5	5	5	5	5	5
Service Co	Electrical Eng & Planning Grp	5	5	5	5	5	5
Service Co	Energy Delivery - IT	3	3	3	3	3	3
Service Co	Energy Delivery Budgeting	5	5	5	5	5	5
Service Co	Energy Efficiency Operations	5	5	5	5	5	5
Service Co	Energy Efficiency Ops -Non DSM	2	2	2	2	2	2
Service Co	Energy Marketing Accounting	9	8	8	8	7	7
Service Co	Energy Marketing Business Info	3	3.5	3.5	3.5	3	3
Service Co	Energy Plng Analysis &Forecast	3	3	3	3	3	3
Service Co	Energy Services Training	5	5	5	5	5	5
Service Co	Environmental Compl & System Lab	16	16	16	16	15	15
Service Co	EVP-General Counsel - Servco	3	3	3	3	2	3
Service Co	External & Brand Communication	15	15	15	15	15	15
Service Co	Facility Maintenance	1	1	1	1	1	1
Service Co	Facility Oper Data/Control Ctr	0	0	0	0	0	0
Service Co	Facility Operations Central	1	1	1	1	1	1
Service Co	Facility Operations East	1	1	1	1	1	1
Service Co	Facility Operations North	1	1	1	1	1	1
Service Co	Facility Operations-Lexington	1	1	1	1	1	1
Service Co	Finance & Budgeting-Energy Services	2.5	2.5	2.5	2.5	2.5	2.5
Service Co	Financial Acctg & Reporting	7	7	6	7	7	7
Service Co	Financial Analysis	7	7	7	8	7	6

Company	Dept	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Service Co	Financial Planning	4	4	4	4	4	4
Service Co	Financial Systems	4	4	4	3	4	4
Service Co	Forestry Services	2	2	2	2	2	2
Service Co	Fuels Management	5	5	5	5	5	5
Service Co	Gas Marketing	0	0	0	0	0	0
Service Co	Generation Engineering	14	14	14	14	14	15
Service Co	Generation Plan & Analysis	7	6	6	6	6	6
Service Co	Generation Support	2	2	2	2	2	2
Service Co	Generation Turb Gen Specialist	2	2	2	2	2	2
Service Co	Health & Safety - Energy Services	2	2	2	2	2	2
Service Co	Health and Safety	5	5	5	5	5	5
Service Co	HR Architecture and Planning	5	5	5	4	4	4
Service Co	Industrial Relations	2	2	2	2	2	2
Service Co	IT Finance and Administration	5	5	5	5	5	5
Service Co	IT Production	18	18	18	18	18	18
Service Co	IT Security	8	8	8	8	8	8
Service Co	IT Serv Delivery Finance & Mtl	11	11	12	12	12	12
Service Co	IT Service Delivery - CIS	15.6	15.6	15.6	15.6	15.6	15.6
Service Co	IT Service Delivery Dist Oprs	17	17	17	17	17	17
Service Co	IT Service Delivery Energy Srv	11.5	11.5	11.5	11.5	11.5	12.5
Service Co	IT Service Delivery HR/Payroll	11	11	11	11	11	11
Service Co	IT Service Delivery Retail Bus	14	14	14	14	13	13
Service Co	IT Special Projects		1	1	1	1	1
Service Co	IT Strategy & Planning	3	3	3	3	3	3
Service Co	IT Training	4	4	4	4	4	4
Service Co	Legal Department - Servco	20.6	20.6	20.6	20.6	20.6	20.6
Service Co	Market Analysis	5	5	5	5	5	5
Service Co	Materials Logistics	8	8	8	8	8	8
Service Co	Meter Reading	1	1	1	1	1	1
Service Co	Metering Assets	2.6	2.6	2.6	2.6	2.6	2.6
Service Co	Office Services	2	2	2	2	2	2
Service Co	Operation Analysis & Sys Imple	3	3	3	3	3	3
Service Co	Organization Development	2	2	2	2	2	2
Service Co	Payroll	7	7	7	7	7	7
Service Co	Performance & Marketing	4	4	4	3	3	3
Service Co	Project Engineering	19	21	21	21	22	24
Service Co	Project Planning & Management	2	2	2	2	2	2
Service Co	Property Accounting	10	10	10	10	10	10
Service Co	Regulated Trading & Dispatch	21	21	21	21	21	21
Service Co	Regulatory Acctng & Reporting	7	6	7	7	7	7

Company	Dept	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Service Co	Remittance and Collection	12.5	12.5	12.5	11.5	11.5	11.5
Service Co	Residential Service	100.9	99.9	98.9	96.4	95.9	95.7
Service Co	Revenue Accounting	7	7	7	7	7	7
Service Co	Safety & Tech Training-Dist	10	9	9	9	9	9
Service Co	Sales Analysis & Forecasting						
Service Co	Sarbanes Oxley	1	1	1	1	1	1
Service Co	Sourcing Support	8	8	8	8	8	8
Service Co	Substation Construction & Main	1	1	1	1	1	1
Service Co	Substation Engineering & Design	7.6	7.6	7.6	7.6	7.6	7.6
Service Co	Supplier Diversity	1	1	1	1	1	1
Service Co	SVP Energy Delivery	2	2	2	2	2	2
Service Co	SVP Energy Services	2	2	2	2	2	2
Service Co	SVP Human Resources	2	2	2	2	2	2
Service Co	SVP Information Technology	3	3	3	3	3	3
Service Co	System Restoration & Disp Oprs	1	1	1	1	1	1
Service Co	System Restoration and Ops	0	0	0	0	0	0
Service Co	Systems Analysis & Planning	7	7	7	7	7	7
Service Co	Technology Support Services	10	10	10	10	10	10
Service Co	Telecommunications	11	11	11	11	11	11
Service Co	Trading Controls	4	4	4	4	4	4
Service Co	Trans Reliability & Compliance	0	0	0	0	0	0
Service Co	Transformer Service	1	1	1	1	1	1
Service Co	Transmission Energy Mgmt Sys	0	0	0	0	0	0
Service Co	Transmission Lines	19	19	19	19	20	20
Service Co	Transmission Protection & Subs	17	17	17	19	19	20
Service Co	Transmission Strategy/Planning	10	10	10	10	11	11
Service Co	Transmission System Operations	27	27	27	28	28	27
Service Co	Transportation	2	2	2	2	2	2
Service Co	Treasurer	4	4	4	4	4	4
Service Co	Utility Tax	4	5	5	5	5	4
Service Co	VP - Corporate Communications	2	2	2	2	2	2
Service Co	VP Corp Planning & Development	1	1	1	1	2	2
Service Co	VP Corp Respons/Comm Affairs	0	0	0	0	0	0
Service Co	VP Energy Delivery Distr	2	2	2	2	2	2
Service Co	VP Energy Delivery -Retail Bus	2	2	2	2	2	2
Service Co	VP Energy Marketing	2	2	2	2	2	2
Service Co	VP External Affairs	2	2	2	2	2	2
Service Co	VP Federal Regulation & Policy	2	2	2	2	2	2
Service Co	VP Power Operations for WKE	1	1	1	1	1	1
Service Co	VP Power Production	0	0	0	0	0	0

Company	Dept	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
Service Co	VP-Transmission/Generation Svc	0	0	0	0	0	0
Service Co	Walk-In Centers	3	3	3	2	2	3
Service Co	Work Planning - Dist	8	8	8	8	8	8

Company	Dept	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
KU	Area 1 (Business Office/Customer Walk-in Ctr)	5	5	5	5	5	5
KU	Area 10 (Business Office/Customer Walk-in Ctr)	3	3	3	3	3	3
KU	Area 11 (Business Office/Customer Walk-in Ctr)	4	4	4	4	4	4
KU	Area 12 (Business Office/Customer Walk-in Ctr)	11	11	11	10	10	11
KU	Area 2 (Business Office/Customer Walk-in Ctr)	6	7	7	7	7	7
KU	Area 3 (Business Office/Customer Walk-in Ctr)	5	5	5	5	5	5
KU	Area 4 (Business Office/Customer Walk-in Ctr)	8	8	9	9	9	9
KU	Area 5 (Business Office/Customer Walk-in Ctr)	7	7	6	6	7	7
KU	Area 6 (Business Office/Customer Walk-in Ctr)	5	5	5	5	5	5
KU	Area 7 (Business Office/Customer Walk-in Ctr)	4	4	4	4	4	4
KU	Area 8 (Business Office/Customer Walk-in Ctr)	6	7	7	7	7	7
KU	Area 9 (Business Office/Customer Walk-in Ctr)	8	8	8	8	8	8
KU	Billing Integrity	13	13	13	13	13	13
KU	Customer Care System KU Business Process	0	0	0	0	0	0
KU	Danville Operations Center	18	18	18	18	18	18
KU	E W Brown-General Mgr & Admin	3	3	3	3	3	3
KU	Earlington Crew Centers	45	45	45	45	44	44
KU	Earlington Material Logistics	3	3	3	3	3	3
KU	Earlington Meter Dept	3	3	3	3	3	3
KU	Elizabethtown Opertions Center	21	21	21	21	21	21
KU	EW Brown Coal Handling Ops	8	8	8	8	8	8
KU	EW Brown Combustion Turbine	11	11	11	11	11	11
KU	EW Brown Commercial Operations	12	12	12	12	12	12
KU	EW Brown E and I Maintenance	16	16	16	16	16	16
KU	EW Brown Equip Maintenance	16	16	16	16	16	16
KU	EW Brown Hydro and CY Maintenance	6	6	6	6	6	6
KU	EW Brown Laboratory	3	3	3	3	3	3
KU	EW Brown Maintenance	7	7	7	7	7	7
KU	EW Brown Oper/Results	44	44	44	44	44	43
KU	Facilities Services-Lexington	1	1	1	1	1	1
KU	Field Services - KU	24	24	24	24	24	24
KU	Forestry Services	6	6	6	6	6	6
KU	Ghent - Coal Yard	13	13	13	13	13	13
KU	Ghent - Commercial	13	13	13	13	13	13
KU	Ghent - Electrical Maintenance	14	13	13	13	13	13
KU	Ghent - General Manager	4	4	4	4	4	4
KU	Ghent - Instrument Maintenance	13	14	14	14	14	14
KU	Ghent - Maintenance Power Gen	15	14	14	14	14	14
KU	Ghent - Mechanical Maintenance	18	19	19	19	19	19
KU	Ghent - Operations Shift	68	68	68	68	67	67

Company	Dept	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
KU	Ghent - Outside Maintenance	6	6	6	7	7	7
KU	Ghent - Production	2	2	2	2	2	2
KU	Ghent - Scrubber Maintenance	7	7	7	7	7	7
KU	Ghent - Station Lab	5	5	5	5	5	5
KU	Green River - Coal Yard	5	5	5	5	5	5
KU	Green River - General Manager	8	8	8	8	8	8
KU	Green River - Inst Maintenance	8	8	8	8	8	8
KU	Green River - Mech Maintenance	7	6	6	6	6	6
KU	Green River - Operations	27	27	27	27	27	27
KU	Green River-Maintenance	4	4	4	4	4	4
KU	Lexington Maternal Logistics	6	6	6	6	6	6
KU	Lexington Meter Dept	7	7	7	7	7	8
KU	Lexington Operations Center	66	65	68	68	68	67
KU	London Crew Centers	19	18	18	17	17	17
KU	Mapping & Records	8	8	8	8	8	8
KU	Maysville Operations Center	26	26	26	25	25	26
KU	Meter Readers	31	31	31	31	30	30
KU	Network Restoration & Dispatch	27	27	29	28	28	28
KU	Norton Operations Center	20	20	20	20	21	21
KU	Pineville Crew Centers	16	16	17	18	18	18
KU	Pineville Meter Dept	4	4	4	4	4	4
KU	Revenue Collection	12	12	12	12	12	12
KU	Revenue Protection	1	1	1	1	1	1
KU	Richmond Operations Center	21	21	20	21	21	21
KU	Shelbyville Operations Center	22	22	22	22	22	22
KU	Substation Construction & Maintenance Danville	11	12	11	11	11	11
KU	Substation Construction & Maintenance Earlington	9	9	9	9	9	9
KU	Substation Construction & Maintenance Lexington	18	18	19	20	20	20
KU	Substation Construction & Maintenance Pineville	10	10	10	10	10	10
KU	Telecommunications - KU	8	8	8	8	8	8
KU	Tyrone - Administration	2	2	2	2	2	2
KU	Tyrone - Coal Yard	1	1	1	1	1	1
KU	Tyrone - Electrical Mntc	4	4	4	4	4	4
KU	Tyrone - Mechanical Mntc	1	1	1	1	1	1
KU	Tyrone - Operations	16	16	16	16	16	16
Service Co	Accounting for WKE	2	2	2	2	2	2
Service Co	Accounts Payable	13.6	13.6	13.6	13.6	13.6	13.6
Service Co	Administrative Services	3	3	3	3	3	3
Service Co	Argentine Gas Business	1	1	1	1	1	1
Service Co	Asset Information - Distribution	2	2	2	2	2	2

Company	Dept	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Service Co	Asset Information - Distribution	1	1	1	1	1	1
Service Co	Audit Services	11	13	13	13	13	13
Service Co	Benefits and Records	6	7	7	7	7	7
Service Co	Billing Integrity	4	4	4	4	4	4
Service Co	Business Development	3	3	3	1		
Service Co	Business Service Center	18	18	18	18	18	18
Service Co	Chief Executive Officer	2.8	2.8	2.8	2.8	2.8	2.8
Service Co	Chief Financial Officer	2	2	2	2	2	2
Service Co	Compensation Systems & HRIS	2	2	2	3	3	3
Service Co	Compliance Dept					2	2
Service Co	Computing Architecture	21	21	21	21	21	21
Service Co	Contract Manager-Xerox Corp	1	1	1	1	1	1
Service Co	Contracts Administration	3	3	3	3	3	3
Service Co	Controller	2	2	2	2	2	2
Service Co	Corp Fuels & By Products	7	7	7	6	6	6
Service Co	Corporate Accounting	7	7	10	9	9	8
Service Co	Corporate Purchasing	5	5	5	5	5	5
Service Co	Corporate Tax	2	2	2	2	2	2
Service Co	Corporate Facility Services	1	1	1	1	1	1
Service Co	Credit/Contract Administration	2	2	2	2	2	2
Service Co	Customer Care System Business Process	0	0	0	0	0	0
Service Co	Customer Care System IT Process	0	0	0	0	0	0
Service Co	Customer Care System Management	0	0	0	0	0	0
Service Co	Customer Commitment	2.5	2.5	2.5	2.5	2.5	2.5
Service Co	Data Networks	9	9	9	9	9	9
Service Co	Desktop Operations	21.2	21.2	21.2	21.2	21.2	21.2
Service Co	Director Asset Management	2	2	2	2	2	2
Service Co	Director Cash Management & Investmt	4	4	4	4	4	4
Service Co	Director Corp Fuels & By Products	3	3	3	3	3	3
Service Co	Director Corporate Development	2	2	2	3	3	4
Service Co	Director Corporate Tax	2.9	2.9	2.9	2.9	2.9	2.9
Service Co	Director Distribution Operations	5	5	6	6	6	6
Service Co	Director Electric Reliability	4	4	4	4	4	4
Service Co	Director Energy Services Project Dv	2	2	2	2	2	2
Service Co	Director Environmental Affairs	12.6	12.6	12.6	12.6	12.6	12.6
Service Co	Director External Affairs	1	1	1	1	1	1
Service Co	Director Fin Planning & Controlling	2	2	2	2	2	2
Service Co	Director Generation Services	3	3	3	3	3	3
Service Co	Director HR - Corporate	7	7	7	7	7	7
Service Co	Director HR - Energy Services	8	8	8	8	8	8



Company	Dept	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Service Co	Director HR Distribution	9	9	9	9	9	9
Service Co	Director IT Operations	2	2	2	2	2	2
Service Co	Director IT Service Delivery	2	2	2	2	2	2
Service Co	Director IT Strategy/Planning	2	2	2	2	2	2
Service Co	Director Marketing & Customer Srv	3	3	3	3	4	4
Service Co	Director Operating Services	2	2	2	2	1	1
Service Co	Director Real Estate & Right of Way	4	4	4	4	4	4
Service Co	Director Regulatory Initiatives	1	1	1	1	1	1
Service Co	Director Revenue Collection	2	2	2	2	1	1
Service Co	Director State Regulation & Rates	6	6	5	5	6	6
Service Co	Director State Regulation and Rates	5.8	6.8	6.8	6.8	5.8	5.8
Service Co	Director Supply Chain	3	2	2	2	2	2
Service Co	Director Transmission	5	5	4	3	3	3
Service Co	Director Unregulated Traders & Mktg	10	10	10	10	10	10
Service Co	Director Utility Accounting	2	2	2	2	2	2
Service Co	Director-Financial Plan & Analysis	4	4	4	4	4	4
Service Co	Economic Analysis	8	2	2	2	2	2
Service Co	Economic Devel & Major Accts	20	20	20	20	20	20
Service Co	Elect System Codes & Standards	5	4	4	4	4	4
Service Co	Electrical Eng & Planning Grp	5	6	5	5	5	5
Service Co	Energy Delivery - IT	3	3	4	4	4	4
Service Co	Energy Delivery Budgeting	5	5	4	5	5	5
Service Co	Energy Efficiency Operations	5	5	5	5	5	5
Service Co	Energy Efficiency Ops -Non DSM	2	2	2	2	1	1
Service Co	Energy Marketing Accounting	7	6	6	6	6	6
Service Co	Energy Marketing Business Info	4	4	4	4	4	4
Service Co	Energy Plng Analysis &Forecast	3	3	3	3	3	3
Service Co	Energy Services Training	5	5	5	5	5	5
Service Co	Environmental Compl & System Lab	15	15	15	15	14	14
Service Co	EVP-General Counsel - Servco	3	3	3	3	3	3
Service Co	External & Brand Communication	15	15	15	15	15	14
Service Co	Facility Maintenance	1	1	1	1	1	1
Service Co	Facility Oper Data/Control Ctr	0	0	0	0	0	0
Service Co	Facility Operations Central	1	1	1	1	1	1
Service Co	Facility Operations East	1	1	1	1	1	1
Service Co	Facility Operations North	1	1	1	1	1	1
Service Co	Facility Operations-Lexington	1	1	1	1	1	1
Service Co	Finance & Budgeting-Energy Services	2.5	2.5	1.5	1.5	2.5	2.5
Service Co	Financial Acctg & Reporting	7	7	7	7	6	5
Service Co	Financial Analysis	7	7	7	6	7	7

Company	Dept	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Service Co	Financial Planning	4	4	4	4	3	3
Service Co	Financial Systems	4	4	4	4	4	4
Service Co	Forestry Services	2	2	2	2	2	2
Service Co	Fuels Management	5	5	5	5	5	5
Service Co	Gas Marketing	0	0	0	0	0	0
Service Co	Generation Engineering	15	15	15	16	16	16
Service Co	Generation Plan & Analysis	7	7	7	5	6	6
Service Co	Generation Support	2	2	2	2	2	2
Service Co	Generation Turb Gen Specialist	2	2	2	2	1	2
Service Co	Health & Safety - Energy Services	2	2	2	2	2	2
Service Co	Health and Safety	5	5	5	5	5	5
Service Co	HR Architecture and Planning	4	4	3		0	0
Service Co	Industrial Relations	2	2	2	3	3	3
Service Co	IT Finance and Administration	5	6	6	6	6	6
Service Co	IT Production	18	18	18	18	17	17
Service Co	IT Security	8	8	8	8	8	8
Service Co	IT Serv Delivery Finance & Mtl	12	12	12	12	12	12
Service Co	IT Service Delivery - CIS	15.6	15.6	15.6	16.6	16.6	16.6
Service Co	IT Service Delivery Dist Oprs	17	17	17	17	17	17
Service Co	IT Service Delivery Energy Srv	12.5	12.5	12.5	12.5	12.5	12.5
Service Co	IT Service Delivery HR/Payroll	11	11	11	11	11	11
Service Co	IT Service Delivery Retail Bus	14	14	14	13	13	13
Service Co	IT Special Projects	1	1	1	1	1	1
Service Co	IT Strategy & Planning	3	3	3	3	3	3
Service Co	IT Training	4	4	4	4	4	4
Service Co	Legal Department - Servco	20.6	22.3	22.3	22.3	21.3	21.3
Service Co	Market Analysis	5	5	5	5	6	6
Service Co	Materials Logistics	8	8	8	8	8	8
Service Co	Meter Reading	1	1	1	1	1	1
Service Co	Metering Assets	2.6	2.6	2.6	2.6	2.6	2.6
Service Co	Office Services	2	2	2	2	2	2
Service Co	Operation Analysis & Sys Imple	3	3	3	3	3	3
Service Co	Organization Development	2	2	2	3	4	4
Service Co	Payroll	7	7	7	7	6	6
Service Co	Performance & Marketing	3	3	3	3	4	4
Service Co	Project Engineering	27	27	27	27	27	27
Service Co	Project Planning & Management	2	2	2	2	2	2
Service Co	Property Accounting	10	10	10	10	10	11
Service Co	Regulated Trading & Dispatch	21	21	21	21	21	21
Service Co	Regulatory Acctng & Reporting	7	7	6	6	6	6

Company	Dept	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Service Co	Remittance and Collection	11.5	11.5	11.5	11.5	9.5	9.5
Service Co	Residential Service	92.7	95.7	97.7	97.7	100.7	105.7
Service Co	Revenue Accounting	7	6	7	7	7	6
Service Co	Safety & Tech Training-Dist	11	11	11	11	10	10
Service Co	Sales Analysis & Forecasting		4	4	4	5	5
Service Co	Sarbanes Oxley	2	2	2	2	2	2
Service Co	Sourcing Support	8	8	8	8	8	8
Service Co	Substation Construction & Main	1	1				
Service Co	Substation Engineering & Design	7.6	7.6	7	7	7	7
Service Co	Supplier Diversity	1	1	1	1	1	1
Service Co	SVP Energy Delivery	2	2	2	2	2	2
Service Co	SVP Energy Services	2	2	2	2	2	2
Service Co	SVP Human Resources	2	2	2	2	2	2
Service Co	SVP Information Technology	3	3	3	3	3	3
Service Co	System Restoration & Disp Oprs	1	1	1	1	1	1
Service Co	System Restoration and Ops	0	0	0	0	0	0
Service Co	Systems Analysis & Planning	7	7	7	7	7	7
Service Co	Technology Support Services	10	10	10	10	10	11
Service Co	Telecommunications	11	11	11	11	11	11
Service Co	Trading Controls	3	3	3	3.8	3.8	3.8
Service Co	Trans Reliability & Compliance	0	0	0	0	0	0
Service Co	Transformer Service	1	1	1	1	1	1
Service Co	Transmission Energy Mgmt Sys	0	0	0	0	0	0
Service Co	Transmission Lines	20	20	21	22	23	23
Service Co	Transmission Protection & Subs	20	20	20	16	16	16
Service Co	Transmission Strategy/Planning	11	11	11	17	17.5	18
Service Co	Transmission System Operations	27	27	27	27	27	27
Service Co	Transportation	2	2	2	2	2	2
Service Co	Treasurer	4	4	4	4	4	4
Service Co	Utility Tax	5	5	5	5	5	5
Service Co	VP - Corporate Communications	2	2	2	2	2	2
Service Co	VP Corp Planning & Development	2	2	1	1	1	1
Service Co	VP Corp Respons/Comm Affairs	0	0	0	0	0	0
Service Co	VP Energy Delivery Distr	2	2	3.6	3.6	3.6	3.6
Service Co	VP Energy Delivery -Retail Bus	2	2	2	2	2	2
Service Co	VP Energy Marketing	2	2	2	2	2	2
Service Co	VP External Affairs	2	2	2	2	2	2
Service Co	VP Federal Regulation & Policy	2	2	3	3	3	3
Service Co	VP Power Operations for WKE	1	1	1	1	1	1
Service Co	VP Power Production	0	0	0	0	0	0

Company	Dept	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Service Co	VP-Transmission/Generation Svc	0	0	0	0	0	0
Service Co	Walk-In Centers	3	3	3	3	3	3
Service Co	Work Planning - Dist	8	7	6	6	6	6

Company	Dept	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
KU	Area 1 (Business Office/Customer Walk-in Ctr)	5	5	5	5	5	4
KU	Area 10 (Business Office/Customer Walk-in Ctr)	3	3	2	2	2	2
KU	Area 11 (Business Office/Customer Walk-in Ctr)	4	4	4	4	4	4
KU	Area 12 (Business Office/Customer Walk-in Ctr)	12	12	12	12	12	12
KU	Area 2 (Business Office/Customer Walk-in Ctr)	7	7	6	7	7	7
KU	Area 3 (Business Office/Customer Walk-in Ctr)	5	5	5	5	5	5
KU	Area 4 (Business Office/Customer Walk-in Ctr)	9	9	9	8	8	8
KU	Area 5 (Business Office/Customer Walk-in Ctr)	7	7	7	6	7	7
KU	Area 6 (Business Office/Customer Walk-in Ctr)	5	5	5	5	5	5
KU	Area 7 (Business Office/Customer Walk-in Ctr)	4	4	4	4	4	4
KU	Area 8 (Business Office/Customer Walk-in Ctr)	7	7	6	6	6	6
KU	Area 9 (Business Office/Customer Walk-in Ctr)	8	8	8	8	8	8
KU	Billing Integrity	13	13	13	13	11	13
KU	Customer Care System KU Business Process	0	0	0	0	4	5
KU	Danville Operations Center	17	17	17	18	18	18
KU	E W Brown-General Mgr & Admin	3	3	3	3	3	3
KU	Earlington Crew Centers	46	46	46	45	46	46
KU	Earlington Material Logistics	3	3	3	3	3	3
KU	Earlington Meter Dept	3	3	3	3	3	3
KU	Elizabethtown Operations Center	21	21	21	21	21	21
KU	EW Brown Coal Handling Ops	8	8	8	8	8	8
KU	EW Brown Combustion Turbine	11	11	11	11	11	11
KU	EW Brown Commercial Operations	12	12	13	13	13	13
KU	EW Brown E and I Maintenance	16	16	16	16	16	16
KU	EW Brown Equip Maintenance	16	16	16	16	16	16
KU	EW Brown Hydro and CY Maintenance	6	6	6	6	6	6
KU	EW Brown Laboratory	3	3	3	3	3	3
KU	EW Brown Maintenance	8	7	7	7	6	6
KU	EW Brown Oper/Results	42	42	42	42	45	46
KU	Facilities Services-Lexington	1	1	1	1	1	1
KU	Field Services - KU	24	24	24	37	38	39
KU	Forestry Services	6	6	6	6	6	6
KU	Ghent - Coal Yard	13	13	13	13	13	13
KU	Ghent - Commercial	13	13	13	13	12	12
KU	Ghent - Electrical Maintenance	13	12	12	14	14	14
KU	Ghent - General Manager	4	4	4	4	4	4
KU	Ghent - Instrument Maintenance	14	14	14	14	14	15
KU	Ghent - Maintenance Power Gen	14	14	14	14	14	15
KU	Ghent - Mechanical Maintenance	19	19	19	19	19	19
KU	Ghent - Operations Shift	67	67	67	67	68	68

Company	Dept	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
KU	Ghent - Outside Maintenance	7	7	7	7	7	7
KU	Ghent - Production	2	2	2	2	2	2
KU	Ghent - Scrubber Maintenance	7	7	7	7	7	7
KU	Ghent - Station Lab	5	6	6	6	6	6
KU	Green River - Coal Yard	5	5	5	5	5	5
KU	Green River - General Manager	8	7	8	8	8	8
KU	Green River - Inst Maintenance	8	7	7	7	7	7
KU	Green River - Mech Maintenance	6	6	6	7	6	6
KU	Green River - Operations	27	27	26	27	27	27
KU	Green River-Maintenance	4	4	4	4	4	4
KU	Lexington Material Logistics	6	6	5	5	5	5
KU	Lexington Meter Dept	8	8	8	8	8	8
KU	Lexington Operations Center	67	67	66	68	68	67
KU	London Crew Centers	17	17	16	16	17	17
KU	Mapping & Records	8	8	8	7	7	7
KU	Maysville Operations Center	26	26	26	26	26	26
KU	Meter Readers	30	29	30	18	17	16
KU	Network Restoration & Dispatch	28	28	28	26	26	27
KU	Norton Operations Center	21	21	21	21	21	20
KU	Pineville Crew Centers	18	18	18	18	18	18
KU	Pineville Meter Dept	4	4	4	4	4	4
KU	Revenue Collection	12	11	11	11	10	9
KU	Revenue Protection	1	1	1	1	1	1
KU	Richmond Operations Center	21	21	21	20	20	20
KU	Shelbyville Operations Center	22	21	21	22	22	22
KU	Substation Construction & Maintenance Danville	11	11	10	10	10	9
KU	Substation Construction & Maintenance Earlington	9	9	9	9	9	9
KU	Substation Construction & Maintenance Lexington	20	19	19	18	18	20
KU	Substation Construction & Maintenance Pineville	10	10	10	10	10	10
KU	Telecommunications - KU	8	8	8	9	9	9
KU	Tyrone - Administration	2	2	2	2	2	2
KU	Tyrone - Coal Yard	1	1	1	1	1	1
KU	Tyrone - Electrical Mntc	4	4	4	4	4	4
KU	Tyrone - Mechanical Mntc	1	1	1	1	1	1
KU	Tyrone - Operations	16	16	16	16	16	16
Service Co	Accounting for WKE	2	2	2	1	1	1
Service Co	Accounts Payable	13.6	13.6	12.6	12.6	12.6	12.6
Service Co	Administrative Services	3	3	3	3	3	4
Service Co	Argentine Gas Business	1	1	1	1	1	1
Service Co	Asset Information - Distribution	2	2	2	2	2	2

Company	Dept	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
Service Co	Asset Information - Distribution	1	1	1	1	1	1
Service Co	Audit Services	13	13	13	13	13	12
Service Co	Benefits and Records	7	7	7	7	7	6.6
Service Co	Billing Integrity	4	4	4	4	3	4
Service Co	Business Development	0	0	0	0	0	0
Service Co	Business Service Center	18	18	18	18	18	17
Service Co	Chief Executive Officer	2.8	2.8	2.8	2.8	2.5	2.5
Service Co	Chief Financial Officer	2	2	2	2	2	2
Service Co	Compensation Systems & HRIS	3	3	3	3	3	4
Service Co	Compliance Dept	3	3	3	3	3	3
Service Co	Computing Architecture	21	21	21	21	20	20
Service Co	Contract Manager-Xerox Corp	1	1	1	1	1	1
Service Co	Contracts Administration	3	3	3	3	3	0
Service Co	Controller	2	2	2	2	2	2
Service Co	Corp Fuels & By Products	6	6	6	6	6	6
Service Co	Corporate Accounting	9	9	9	9	9	8
Service Co	Corporate Purchasing	5	5	5	4	4	4
Service Co	Corporate Tax	2	2	2	2	2	2
Service Co	Corporate Facility Services	1	1	1	1	1	1
Service Co	Credit/Contract Administration	2	2	2	2	2	4
Service Co	Customer Care System Business Process	0	0	0	0	8	7
Service Co	Customer Care System IT Process	0	0	0	0	12	12
Service Co	Customer Care System Management	0	0	0	1	8	8
Service Co	Customer Commitment	2.5	4.5	4.5	5.5	4.5	4.5
Service Co	Data Networks	9	9	9	9	9	8
Service Co	Desktop Operations	21.2	21.2	21.2	21.2	21.2	21.2
Service Co	Director Asset Management	2	2	2	2	2	2
Service Co	Director Cash Management & Investmt	3	3	3	3	3	3
Service Co	Director Corp Fuels & By Products	3	3	3	3	3	3
Service Co	Director Corporate Development	4	4	4	4	4	4
Service Co	Director Corporate Tax	2.9	3.9	3.9	3.9	3.9	3.9
Service Co	Director Distribution Operations	6	6	6	6	6	6
Service Co	Director Electric Reliability	4	4	4	4	4	4
Service Co	Director Energy Services Project Dv	2	2	2	2	2	2
Service Co	Director Environmental Affairs	12.6	12.6	12.6	12.6	12.6	12.6
Service Co	Director External Affairs	1	1	1	1	1	1
Service Co	Director Fin Planning & Controlling	2	2	2	2	2	2
Service Co	Director Generation Services	3	3	3	2	3	3
Service Co	Director HR - Corporate	7	7	7	8	8	8
Service Co	Director HR - Energy Services	8	8	8	8	8	8

Company	Dept	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
Service Co	Director HR Distribution	9	9	9	9	9	9
Service Co	Director IT Operations	2	2	2	2	1	2
Service Co	Director IT Service Delivery	2	2	2	2	2	2
Service Co	Director IT Strategy/Planning	2	2	2	2	2	2
Service Co	Director Marketing & Customer Srv	4	2	2	2	2	2
Service Co	Director Operating Services	1	1	1	2	2	2
Service Co	Director Real Estate & Right of Way	4	4	4	4	4	4
Service Co	Director Regulatory Initiatives	1	1	1	1	1	1
Service Co	Director Revenue Collection	1	1	1	2	2	2
Service Co	Director State Regulation & Rates	6	6	6	6	6	6
Service Co	Director State Regulation and Rates	5	5	5	5.8	5.8	5.8
Service Co	Director Supply Chain	2	2	2	2	2	2
Service Co	Director Transmission	3	3	3	3	3	3
Service Co	Director Unregulated Traders & Mktg	11	11	10	9	8	8
Service Co	Director Utility Accounting	2	2	2	2	2	2
Service Co	Director-Financial Plan & Analysis	4	4	4	4	5	5
Service Co	Economic Analysis	2	4	4	4	5	5
Service Co	Economic Devel & Major Accts	20	20	20	20	20	20
Service Co	Elect System Codes & Standards	4	4	4	4	4	4
Service Co	Electrical Eng & Planning Grp	5	5	4	4	5	6
Service Co	Energy Delivery - IT	4	4	4	4	4	4
Service Co	Energy Delivery Budgeting	5	5	6	6	6	6
Service Co	Energy Efficiency Operations	5	5	5	6	6	6
Service Co	Energy Efficiency Ops -Non DSM	1	1	1	1	1	1
Service Co	Energy Marketing Accounting	6	6	6	6	6	5
Service Co	Energy Marketing Business Info	4	4	4	3	3	3
Service Co	Energy Plng Analysis &Forecast	3	3	3	3	3	3
Service Co	Energy Services Training	5	5	5	5	5	5
Service Co	Environmental Compl & System Lab	14	14	14	14	13	12
Service Co	EVP-General Counsel - Servco	3	3	3	3	3	3
Service Co	External & Brand Communication	14	14	14	14	13	13
Service Co	Facility Maintenance	1	1	1	1	1	1
Service Co	Facility Oper Data/Control Ctr	0	0	0	0	0	1
Service Co	Facility Operations Central	1	1	1	1	1	1
Service Co	Facility Operations East	1	1	1	1	1	1
Service Co	Facility Operations North	1	1	1	1	1	1
Service Co	Facility Operations-Lexington	1	1	1	1	1	1
Service Co	Finance & Budgeting-Energy Services	2.5	2.5	2.5	3	2	3
Service Co	Financial Acctg & Reporting	6	6	7	7	6	6
Service Co	Financial Analysis	7	6	6	6	6	6



Company	Dept	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
Service Co	Financial Planning	4	4	5	5	5	5
Service Co	Financial Systems	4	4	4	4	4	4
Service Co	Forestry Services	2	2	2	2	2	2
Service Co	Fuels Management	5	5	5	5	5	5
Service Co	Gas Marketing	0	0	1	1	1	1
Service Co	Generation Engineering	15	15	15	16	16	16
Service Co	Generation Plan & Analysis	7	8	8	7	7	7
Service Co	Generation Support	2	2	2	2	2	2
Service Co	Generation Turb Gen Specialist	2	2	2	2	2	2
Service Co	Health & Safety - Energy Services	2	2	2	2	2	2
Service Co	Health and Safety	5	5	5	5	5	5
Service Co	HR Architecture and Planning	0	0	0	0	0	0
Service Co	Industrial Relations	3	3	3	3	3	3
Service Co	IT Finance and Administration	6	6	6	6	6	6
Service Co	IT Production	19	19	19	20	20	20
Service Co	IT Security	8	8	8	8	8	8
Service Co	IT Serv Delivery Finance & Mtl	10	10	10	10	10	10
Service Co	IT Service Delivery - CIS	15.6	15.6	15.6	15.6	9.6	9.6
Service Co	IT Service Delivery Dist Oprs	17	17	17	17	16	16
Service Co	IT Service Delivery Energy Srv	13.5	13.5	13.5	13.5	14	14
Service Co	IT Service Delivery HR/Payroll	10	10	10	11	10	10
Service Co	IT Service Delivery Retail Bus	13	13	13	13	6	6
Service Co	IT Special Projects	1	1	1	1	1	1
Service Co	IT Strategy & Planning	3	3	3	3	3	3
Service Co	IT Training	4	4	4	4	3	3
Service Co	Legal Department - Servco	21.6	20.6	20.6	20.6	20.6	20.6
Service Co	Market Analysis	6	4	4	4	4	4
Service Co	Materials Logistics	8	8	9	9	9	9
Service Co	Meter Reading	1	1	1	1	1	1
Service Co	Metering Assets	2.6	2.6	2.6	2.6	2.6	2.6
Service Co	Office Services	2	2	2	2	2	2
Service Co	Operation Analysis & Sys Imple	3	3	3	3	3	3
Service Co	Organization Development	4	4	3	2	3	3
Service Co	Payroll	6	6	5	6	6	6
Service Co	Performance & Marketing	4	4	4	4	4	5
Service Co	Project Engineering	28	28	29	29	29	29
Service Co	Project Planning & Management	2	2	2	3	3	2
Service Co	Property Accounting	11	11	11	11	11	11
Service Co	Regulated Trading & Dispatch	20	20	19	20	20	20
Service Co	Regulatory Acctng & Reporting	6	5	6	5	6	6

Company	Dept	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
Service Co	Remittance and Collection	9	8	7	7	7	7
Service Co	Residential Service	101.7	100.7	100.7	99.7	92.7	89.7
Service Co	Revenue Accounting	6	6	6	7	7	7
Service Co	Safety & Tech Training-Dist	9	9	9	10	10	10
Service Co	Sales Analysis & Forecasting	5	5	5	5	5	5
Service Co	Sarbanes Oxley	2	2	2	2	1	1
Service Co	Sourcing Support	8	8	8	8	8	8
Service Co	Substation Construction & Main	0	0	0	0	0	0
Service Co	Substation Engineering & Design	7	7	7	7	7	7
Service Co	Supplier Diversity	2	2	2	2	2	2
Service Co	SVP Energy Delivery	2	2	2	2	2	2
Service Co	SVP Energy Services	2	2	2	2	2	2
Service Co	SVP Human Resources	2	2	2	2	2	2
Service Co	SVP Information Technology	3	3	3	2	2	2
Service Co	System Restoration & Disp Oprs	1	1	1	1	1	1
Service Co	System Restoration and Ops	0	0	0	0	0	0
Service Co	Systems Analysis & Planning	7	7	7	7	7	7
Service Co	Technology Support Services	11	11	11	11	11	11
Service Co	Telecommunications	11	11	11	11	11	12
Service Co	Trading Controls	3.8	3.8	3.8	3.8	3.8	2.8
Service Co	Trans Reliability & Compliance	0	0	0	0	0	0
Service Co	Transformer Service	1	1	1	1	1	1
Service Co	Transmission Energy Mgmt Sys	0	0	0	0	0	8
Service Co	Transmission Lines	23	23	23	23	23	23
Service Co	Transmission Protection & Subs	15	15	16	16	17	17
Service Co	Transmission Strategy/Planning	18	18	18	18	18	10
Service Co	Transmission System Operations	27	27	27	27	27	27
Service Co	Transportation	2	2	2	2	2	2
Service Co	Treasurer	3	4	4	4	4	4
Service Co	Utility Tax	5	5	5	5	5	5
Service Co	VP - Corporate Communications	2	2	2	2	2	2
Service Co	VP Corp Planning & Development	1	1	1	2	2	2
Service Co	VP Corp Respons/Comm Affairs	0	0	0	0	0	0
Service Co	VP Energy Delivery Distr	3.6	3.6	3.6	3.6	3.6	3.6
Service Co	VP Energy Delivery -Retail Bus	2	2	2	3	2	2
Service Co	VP Energy Marketing	2	2	2	2	2	2
Service Co	VP External Affairs	2	2	2	2	2	2
Service Co	VP Federal Regulation & Policy	3	3	3	3	3	3
Service Co	VP Power Operations for WKE	1	1	1	1	1	1
Service Co	VP Power Production	0	0	0	0	0	0

Company	Dept	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07
Service Co	VP-Transmission/Generation Svc	0	0	0	0	0	0
Service Co	Walk-In Centers	3	3	2	2	3	3
Service Co	Work Planning - Dist	7	7	7	7	7	7

Company	Dept	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
KU	Area 1 (Business Office/Customer Walk-in Ctr)	4	4	4	4	4	4
KU	Area 10 (Business Office/Customer Walk-in Ctr)	2	2	2	2	2	2
KU	Area 11 (Business Office/Customer Walk-in Ctr)	4	4	4	4	4	4
KU	Area 12 (Business Office/Customer Walk-in Ctr)	12	12	12	12	11	11
KU	Area 2 (Business Office/Customer Walk-in Ctr)	7	7	7	7	7	7
KU	Area 3 (Business Office/Customer Walk-in Ctr)	5	5	5	5	5	5
KU	Area 4 (Business Office/Customer Walk-in Ctr)	9	9	9	9	9	9
KU	Area 4 (Business Office/Customer Walk-in Ctr)	9	9	9	9	9	9
KU	Area 4 (Business Office/Customer Walk-in Ctr)	9	9	9	9	9	9
KU	Area 5 (Business Office/Customer Walk-in Ctr)	7	7	7	7	7	7
KU	Area 5 (Business Office/Customer Walk-in Ctr)	7	7	7	7	7	7
KU	Area 6 (Business Office/Customer Walk-in Ctr)	5	5	5	5	5	5
KU	Area 6 (Business Office/Customer Walk-in Ctr)	5	5	5	5	5	5
KU	Area 7 (Business Office/Customer Walk-in Ctr)	4	4	4	5	5	5
KU	Area 7 (Business Office/Customer Walk-in Ctr)	4	4	4	5	5	5
KU	Area 8 (Business Office/Customer Walk-in Ctr)	7	7	7	7	7	6
KU	Area 8 (Business Office/Customer Walk-in Ctr)	7	7	7	7	7	6
KU	Area 9 (Business Office/Customer Walk-in Ctr)	8	8	8	8	8	8
KU	Area 9 (Business Office/Customer Walk-in Ctr)	8	8	8	8	8	8
KU	Billing Integrity	13	13	13	13	13	14
KU	Customer Care System KU Business Process	5	5	5	6	6	6
KU	Danville Operations Center	18	18	18	18	18	18
KU	Danville Operations Center	18	18	18	18	18	18
KU	E W Brown-General Mgr & Admin	3	3	3	3	3	3
KU	Earlington Crew Centers	46	48	48	48	48	47
KU	Earlington Crew Centers	46	48	48	48	48	47
KU	Earlington Matenal Logistics	3	3	3	3	3	3
KU	Earlington Meter Dept	3	3	3	3	3	3
KU	Earlington Meter Dept	3	3	3	3	3	3
KU	Elizabethtown Opertions Center	21	21	21	21	21	21
KU	EW Brown Coal Handling Ops	8	8	8	8	8	8
KU	EW Brown Coal Handling Ops	8	8	8	8	8	8
KU	EW Brown Combustion Turbine	11	11	11	11	11	12
KU	EW Brown Combustion Turbine	11	11	11	11	11	12
KU	EW Brown Commercial Operations	11	11	12	13	13	13
KU	EW Brown Commercial Operations	11	11	12	13	13	13
KU	EW Brown E and I Maintenance	16	15	15	15	15	16
KU	EW Brown E and I Maintenance	16	15	15	15	15	16
KU	EW Brown Equip Maintenance	16	16	15	15	15	15
KU	EW Brown Equip Maintenance	16	16	15	15	15	15
KU	EW Brown Hydro and CY Maintenance	6	6	6	6	6	6
KU	EW Brown Hydro and CY Maintenance	6	6	6	6	6	6
KU	EW Brown Laboratory	3	3	3	3	3	3
KU	EW Brown Laboratory	3	3	3	3	3	3
KU	EW Brown Maintenance	6	6	7	7	7	8
KU	EW Brown Maintenance	6	6	7	7	7	8
KU	EW Brown Oper/Results	46	46	46	46	46	46
KU	EW Brown Oper/Results	46	46	46	46	46	46
KU	Facilities Services-Lexington	1	1	1	1	1	1
KU	Facilities Services-Lexington	1	1	1	1	1	1
KU	Field Services - KU	39	41	41	40	40	40
KU	Field Services - KU	39	41	41	40	40	40
KU	Forestry Services	6	6	6	6	6	6
KU	Forestry Services	6	6	6	6	6	6
KU	Ghent - Coal Yard	13	13	12	12	12	12
KU	Ghent - Coal Yard	13	13	12	12	12	12
KU	Ghent - Commercial	11	11	11	11	11	11
KU	Ghent - Commercial	11	11	11	11	11	11
KU	Ghent - Electrical Maintenance	14	14	14	14	14	14
KU	Ghent - Electrical Maintenance	14	14	14	14	14	14
KU	Ghent - General Manager	4	4	4	4	4	4
KU	Ghent - General Manager	4	4	4	4	4	4
KU	Ghent - Instrument Maintenance	15	15	16	16	16	16
KU	Ghent - Instrument Maintenance	15	15	16	16	16	16
KU	Ghent - Maintenance Power Gen	16	15	15	15	16	14
KU	Ghent - Maintenance Power Gen	16	15	15	15	16	14
KU	Ghent - Mechanical Maintenance	19	19	19	19	19	19
KU	Ghent - Mechanical Maintenance	19	19	19	19	19	19
KU	Ghent - Operations Shift	70	70	71	70	70	71
KU	Ghent - Operations Shift	70	70	71	70	70	71

Company	Dept	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
KU	Ghent - Outside Maintenance	7	7	7	7	7	7
KU	Ghent - Production	2	2	2	2	2	2
KU	Ghent - Scrubber Maintenance	7	7	7	7	7	7
KU	Ghent - Station Lab	6	6	5	5	5	6
KU	Green River - Coal Yard	5	5	5	5	5	5
KU	Green River - General Manager	8	8	8	7	7	7
KU	Green River - Inst Maintenance	7	7	7	8	8	8
KU	Green River - Mech Maintenance	6	6	6	5	5	4
KU	Green River - Operations	27	27	27	27	27	28
KU	Green River-Maintenance	4	4	4	4	4	4
KU	Lexington Material Logistics	5	5	5	5	5	5
KU	Lexington Meter Dept	8	8	8	8	8	8
KU	Lexington Operations Center	67	66	66	65	64	64
KU	London Crew Centers	17	17	17	17	17	17
KU	Mapping & Records	8	8	8	8	8	8
KU	Maysville Operations Center	26	26	25	25	26	26
KU	Meter Readers	16	14	14	15	14	14
KU	Network Restoration & Dispatch	27	27	26	27	27	27
KU	Norton Operations Center	20	20	20	20	21	21
KU	Pineville Crew Centers	18	18	18	18	17	17
KU	Pineville Meter Dept	4	4	4	4	4	4
KU	Revenue Collection	9	9	9	9	9	9
KU	Revenue Protection	1	1	1	1	1	1
KU	Richmond Operations Center	20	20	19	19	19	21
KU	Shelbyville Operations Center	22	22	22	22	22	22
KU	Substantion Construction & Maintenance Danville	10	11	11	11	11	11
KU	Substantion Construction & Maintenance Earlington	9	9	9	9	9	9
KU	Substantion Construction & Maintenance Lexington	21	22	22	22	22	23
KU	Substantion Construction & Maintenance Pineville	10	10	10	10	10	10
KU	Telecommunications - KU	9	9	9	9	9	9
KU	Tyrone - Administration	2	2	2	2	2	2
KU	Tyrone - Coal Yard	1	1	1	1	1	1
KU	Tyrone - Electrical Mntc	4	4	4	4	4	4
KU	Tyrone - Mechanical Mntc	1	1	1	1	1	1
KU	Tyrone - Operations	16	15	15	15	14	14
Service Co	Accounting for WKE	1	1	1	1	1	1
Service Co	Accounts Payable	12.6	12.6	12.6	12.6	12.6	12.6
Service Co	Administrative Services	4	4	4	4	4	4
Service Co	Argentine Gas Business	1	1	1	1	1	1
Service Co	Asset Information - Distribution	2	1	1	1	2	2

Company	Dept	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Service Co	Asset Information - Distribution	1	1	1	1	1	1
Service Co	Audit Services	13	13	13	13	14	14
Service Co	Benefits and Records	6	6	6	6	6	6
Service Co	Billing Integrity	4	4	4	4	4	4
Service Co	Business Development	0	0	0	0	0	0
Service Co	Business Service Center	17	17	18	18	17	17
Service Co	Chief Executive Officer	2.5	2.5	2.5	2.5	2.5	2.5
Service Co	Chief Financial Officer	2	2	2	2	2	2
Service Co	Compensation Systems & HRIS	4	4	4	4	4	4
Service Co	Compliance Dept	3	4	5	5	5	5
Service Co	Computing Architecture	19	19	19	20	20	19
Service Co	Contract Manager-Xerox Corp	1	1	1	1	1	1
Service Co	Contracts Administration	0	0	0	0	0	0
Service Co	Controller	2	2	2	2	2	2
Service Co	Corp Fuels & By Products	6	6	6	6	6	6
Service Co	Corporate Accounting	8	8	8	8	7	7
Service Co	Corporate Purchasing	5	5	5	5	5	5
Service Co	Corporate Tax	2	2	2	2	2	2
Service Co	Corporate Facility Services	1	1	1	1	1	1
Service Co	Credit/Contract Administration	4	4	4.8	4.8	4.8	4.8
Service Co	Customer Care System Business Process	7	7	9	10	11	11
Service Co	Customer Care System IT Process	12	12	15	19	21	27
Service Co	Customer Care System Management	8	8	8	10	9	9
Service Co	Customer Commitment	4.5	4.5	4.5	4.5	4.5	4.5
Service Co	Data Networks	9	9	9	9	9	9
Service Co	Desktop Operations	21.2	21.2	21.2	20.6	19.6	19.6
Service Co	Director Asset Management	2	1	1	1	1	1
Service Co	Director Cash Management & Investmt	3	3	3	3	3	3
Service Co	Director Corp Fuels & By Products	3	3	3	3	3	3
Service Co	Director Corporate Development	4	4	4	4	4	4
Service Co	Director Corporate Tax	3.9	3.9	3.9	3.9	3.9	3.9
Service Co	Director Distribution Operations	6	6	6	6	6	6
Service Co	Director Electric Reliability	4	4	4	4	4	4
Service Co	Director Energy Services Project Dv	2	2	2	2	2	2
Service Co	Director Environmental Affairs	12.6	12.6	12.6	12.6	12.6	12.6
Service Co	Director External Affairs	1	1	1	1	1	1
Service Co	Director Fin Planning & Controlling	2	2	1	1	1	1
Service Co	Director Generation Services	4	4	4	4	4	4
Service Co	Director HR - Corporate	8	8	8	8	8	8
Service Co	Director HR - Energy Services	8	8	8	8	8	8

Company	Dept	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Service Co	Director HR Distribution	9	9	9	9	9	8
Service Co	Director IT Operations	2	2	2	2	2	2
Service Co	Director IT Service Delivery	2	2	2	2	2	2
Service Co	Director IT Strategy/Planning	1	1	1	2	2	2
Service Co	Director Marketing & Customer Srv	2	2	2	2	2	2
Service Co	Director Operating Services	2	2	2	2	2	2
Service Co	Director Real Estate & Right of Way	4	4	4	4	4	4
Service Co	Director Regulatory Initiatives	1	1	1	1	1	1
Service Co	Director Revenue Collection	2	2	2	2	3	4
Service Co	Director State Regulation & Rates	6	6	6	6	6	5
Service Co	Director State Regulation and Rates	5.8	5.8	4.8	4.8	4.8	4.8
Service Co	Director Supply Chain	2	2	2	2	2	2
Service Co	Director Transmission	3	3	3	3	3	3
Service Co	Director Unregulated Traders & Mktg	8	8	8	8	8	8
Service Co	Director Utility Accounting	2	2	2	2	2	2
Service Co	Director-Financial Plan & Analysis	6	7	7	7	7	7
Service Co	Economic Analysis	5	5	5	5	5	5
Service Co	Economic Devel & Major Accts	20	20	20	20	20	20
Service Co	Elect System Codes & Standards	4	3	3	3	3	3
Service Co	Electrical Eng & Planning Grp	6	7	7	7	7	7
Service Co	Energy Delivery - IT	4	4	4	4	4	3
Service Co	Energy Delivery Budgeting	6	6	6	6	5	5
Service Co	Energy Efficiency Operations	6	6	6	6	6	6
Service Co	Energy Efficiency Ops -Non DSM	1	1	1	1	1	1
Service Co	Energy Marketing Accounting	7	6	5	6	6	6
Service Co	Energy Marketing Business Info	3	2	3	4	4	4
Service Co	Energy Ping Analysis &Forecast	3	3	3	3	3	3
Service Co	Energy Services Training	5	5	5	5	5	5
Service Co	Environmental Compl & System Lab	12	12	13	13	13	13
Service Co	EVP-General Counsel - Servco	3	3	3	3	3	3
Service Co	External & Brand Communication	14	14	14	15	14	12
Service Co	Facility Maintenance	1	1	1	1	1	1
Service Co	Facility Oper Data/Control Ctr	1	1	1	1	1	1
Service Co	Facility Operations Central	1	1	1	1	1	1
Service Co	Facility Operations East	1	1	1	1	1	1
Service Co	Facility Operations North	1	1	1	1	1	1
Service Co	Facility Operations-Lexington	1	1	1	1	1	1
Service Co	Finance & Budgeting-Energy Services	3	3	4	4	4	4
Service Co	Financial Acctg & Reporting	6	6	6	6	6	6
Service Co	Financial Analysis	6	6	6	6	5	5

Company	Dept	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Service Co	Financial Planning	5	5	5	5	6	6
Service Co	Financial Systems	4	4	4	4	4	4
Service Co	Forestry Services	2	2	2	2	2	2
Service Co	Fuels Management	5	5	5	5	5	5
Service Co	Gas Marketing	1	1	2	2	3	3
Service Co	Generation Engineering	16	17	17	14.5	14.5	15.5
Service Co	Generation Plan & Analysis	7	7	6	6	7	7
Service Co	Generation Support	2	2	2	2	2	2
Service Co	Generation Turb Gen Specialist	2	2	3	3	3	3
Service Co	Health & Safety - Energy Services	2	2	2	2	2	2
Service Co	Health and Safety	5	5	5	5	5	5
Service Co	HR Architecture and Planning	0	0	0	0	0	0
Service Co	Industrial Relations	3	3	3	3	3	3
Service Co	IT Finance and Administration	5	5	5	4	4	5
Service Co	IT Production	20	20	20	20	20	18
Service Co	IT Security	8	8	8	8	8	8
Service Co	IT Serv Delivery Finance & Mtl	10	10	10	10	10	10
Service Co	IT Service Delivery - CIS	9.6	9.6	8.6	8.6	8.6	7.6
Service Co	IT Service Delivery Dist Oprs	17	17	17	15	13	15
Service Co	IT Service Delivery Energy Srv	14	14	14	14	14	11.5
Service Co	IT Service Delivery HR/Payroll	10	10	9	8	7	7
Service Co	IT Service Delivery Retail Bus	5	5	5	4	4	4
Service Co	IT Special Projects	1	1	1	1	1	1
Service Co	IT Strategy & Planning	3	3	3	3	3	3
Service Co	IT Training	4	4	4	4	4	4
Service Co	Legal Department - Servco	19.6	20.6	20.6	19.6	19.6	19.6
Service Co	Market Analysis	4	4	4	4	4	4
Service Co	Materials Logistics	9	9	9	10	10	10
Service Co	Meter Reading	1	1	1	1	1	1
Service Co	Metering Assets	2.6	2.6	2.6	2.6	2.6	2.6
Service Co	Office Services	2	2	2	2	2	2
Service Co	Operation Analysis & Sys Imple	3	3	3	3	3	3
Service Co	Organization Development	3	3	3	3	4	4
Service Co	Payroll	6	6	6	6	6	6
Service Co	Performance & Marketing	5	5	5	5	4	4
Service Co	Project Engineering	29	32	36	39	40	40
Service Co	Project Planning & Management	2	2	2	2	2	2
Service Co	Property Accounting	11	11	11	11	11	11
Service Co	Regulated Trading & Dispatch	20	20	20	20	20	20
Service Co	Regulatory Acctng & Reporting	6	6	5	5	6	6



Company	Dept	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Service Co	Remittance and Collection	7	7	7	7	7	7
Service Co	Residential Service	88.7	88.7	89.2	96.2	94.2	94.2
Service Co	Revenue Accounting	7	7	7	7	7	7
Service Co	Safety & Tech Training-Dist	10	10	10	10	10	10
Service Co	Sales Analysis & Forecasting	5	5	4	4	4	4
Service Co	Sarbanes Oxley	2	2	2	2	1	1
Service Co	Sourcing Support	8	8	8	7.6	7.6	7.6
Service Co	Substation Construction & Main	0	0	0	0	0	0
Service Co	Substation Engineering & Design	7	7	7	7	7	7
Service Co	Supplier Diversity	2	2	2	2	2	2
Service Co	SVP Energy Delivery	2	2	2	2	2	2
Service Co	SVP Energy Services	2	2	2	2	2	2
Service Co	SVP Human Resources	2	2	2	2	2	2
Service Co	SVP Information Technology	2	2	2	1	2	2
Service Co	System Restoration & Disp Oprs	1	1	1	2	2	2
Service Co	System Restoration and Ops	0	0	0	0	0	0
Service Co	Systems Analysis & Planning	7	7	7	7	7	7
Service Co	Technology Support Services	11	11	11	10	10	10
Service Co	Telecommunications	13	13	13	13	13	13
Service Co	Trading Controls	1.8	2.8	2	2	3	3
Service Co	Trans Reliability & Compliance	0	0	0	0	3	3
Service Co	Transformer Service	1	1	1	1	1	1
Service Co	Transmission Energy Mgmt Sys	8	8	7	8	7	7
Service Co	Transmission Lines	23	23	25	25	25	25
Service Co	Transmission Protection & Subs	17	16	17	18	18	17
Service Co	Transmission Strategy/Planning	10	10	10	10	10	11
Service Co	Transmission System Operations	27	28	28	27	25	25
Service Co	Transportation	2	2	2	2	2	2
Service Co	Treasurer	4	4	4	4	4	4
Service Co	Utility Tax	5	5	5	5	5	5
Service Co	VP - Corporate Communications	2	2	2	2	2	2
Service Co	VP Corp Planning & Development	1	2	2	2	2	2
Service Co	VP Corp Respons/Comm Affairs	0	0	0	0	1	3
Service Co	VP Energy Delivery Distr	3.6	3.6	3.6	3.6	3.6	3.6
Service Co	VP Energy Delivery -Retail Bus	2	2	2	2	2	2
Service Co	VP Energy Marketing	2	2	2	2	2	2
Service Co	VP External Affairs	2	2	2	2	2	2
Service Co	VP Federal Regulation & Policy	3	3	3	3	3	3
Service Co	VP Power Operations for WKE	1	1	1	1	1	1
Service Co	VP Power Production	0	0	0	0	0	0

Company	Dept	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Service Co	VP-Transmission/Generation Svc	0	0	0	0	0	0
Service Co	Walk-In Centers	3	3	3	3	3	3
Service Co	Work Planning - Dist	7	6	6	6	6	6

Company	Dept	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08
KU	Area 1 (Business Office/Customer Walk-in Ctr)	5	5	5	5	5	5	5
KU	Area 10 (Business Office/Customer Walk-in Ctr)	1	1	3	3	4	4	4
KU	Area 11 (Business Office/Customer Walk-in Ctr)	4	4	3	4	4	4	3
KU	Area 12 (Business Office/Customer Walk-in Ctr)	12	12	11	11	12	12	12
KU	Area 2 (Business Office/Customer Walk-in Ctr)	7	7	6	6	7	7	7
KU	Area 3 (Business Office/Customer Walk-in Ctr)	5	5	5	5	5	5	5
KU	Area 4 (Business Office/Customer Walk-in Ctr)	9	9	9	9	9	9	8
KU	Area 5 (Business Office/Customer Walk-in Ctr)	7	7	6	6	6	6	6
KU	Area 6 (Business Office/Customer Walk-in Ctr)	5	5	5	5	6	6	6
KU	Area 7 (Business Office/Customer Walk-in Ctr)	5	5	5	5	5	5	5
KU	Area 8 (Business Office/Customer Walk-in Ctr)	6	6	6	6	8	8	8
KU	Area 9 (Business Office/Customer Walk-in Ctr)	8	8	8	8	8	8	8
KU	Billing Integrity	15	15	14	12	13	13	15
KU	Customer Care System KU Business Process	6	6	6	9	9	9	10
KU	Danville Operations Center	18	18	18	18	18	18	18
KU	E W Brown-General Mgr & Admin	3	3	3	3	3	3	3
KU	Earlington Crew Centers	47	48	48	46	47	48	48
KU	Earlington Maternal Logistics	3	3	3	3	3	3	3
KU	Earlington Meter Dept	3	3	3	3	3	3	3
KU	Elizabethtown Operations Center	21	21	20	21	21	21	21
KU	EW Brown Coal Handling Ops	8	8	8	8	8	8	8
KU	EW Brown Combustion Turbine	12	12	12	12	12	12	12
KU	EW Brown Commercial Operations	13	13	13	13	13	13	13
KU	EW Brown E and I Maintenance	16	16	16	16	17	17	17
KU	EW Brown Equip Maintenance	15	15	15	16	16	17	17
KU	EW Brown Hydro and CY Maintenance	6	6	6	6	6	6	6
KU	EW Brown Laboratory	3	3	3	3	3	3	3
KU	EW Brown Maintenance	8	8	8	7	7	7	7
KU	EW Brown Oper/Results	45	45	46	46	47	45	45
KU	Facilities Services-Lexington	1	1	1	1	1	1	1
KU	Field Services - KU	40	48	47	47	47	47	47
KU	Forestry Services	6	6	6	6	6	6	6
KU	Ghent - Coal Yard	12	12	12	12	11	11	12
KU	Ghent - Commercial	11	11	11	11	11	12	12
KU	Ghent - Electrical Maintenance	14	14	14	14	14	15	15
KU	Ghent - General Manager	4	4	4	4	4	4	4
KU	Ghent - Instrument Maintenance	17	17	17	17	17	17	17
KU	Ghent - Maintenance Power Gen	14	14	14	14	14	15	14
KU	Ghent - Mechanical Maintenance	19	19	19	19	19	19	19
KU	Ghent - Operations Shift	72	70	71	73	75	76	75

Company	Dept	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08
KU	Ghent - Outside Maintenance	7	7	7	7	7	7	7
KU	Ghent - Production	2	2	2	2	2	2	2
KU	Ghent - Scrubber Maintenance	7	7	7	7	7	7	8
KU	Ghent - Station Lab	6	6	6	6	6	6	6
KU	Green River - Coal Yard	5	5	5	5	5	5	5
KU	Green River - General Manager	7	8	8	8	8	8	8
KU	Green River - Inst Maintenance	8	7	7	7	7	8	8
KU	Green River - Mech Maintenance	4	4	5	5	5	5	5
KU	Green River - Operations	28	28	28	28	28	28	28
KU	Green River-Maintenance	4	4	4	4	4	4	4
KU	Lexington Material Logistics	5	5	5	5	5	5	5
KU	Lexington Meter Dept	8	8	8	8	8	8	8
KU	Lexington Operations Center	65	65	64	65	65	65	79
KU	London Crew Centers	17	19	20	20	20	20	20
KU	Mapping & Records	8	8	9	9	8	8	8
KU	Maysville Operations Center	26	26	26	25	25	25	25
KU	Meter Readers	14	6	6	6	6	6	6
KU	Network Restoration & Dispatch	26	27	27	27	27	26	12
KU	Norton Operations Center	21	21	21	21	21	21	21
KU	Pineville Crew Centers	17	16	17	18	18	18	18
KU	Pineville Meter Dept	4	4	4	4	4	4	4
KU	Revenue Collection	11	11	11	10	10	10	10
KU	Revenue Protection	1	1	1	1	1	1	1
KU	Richmond Operations Center	21	21	21	21	21	21	21
KU	Shelbyville Operations Center	22	22	22	21	21	21	22
KU	Substation Construction & Maintenance Danville	11	11	11	11	11	11	11
KU	Substation Construction & Maintenance Earlington	9	9	9	9	9	9	9
KU	Substation Construction & Maintenance Lexington	23	23	23	23	23	23	23
KU	Substation Construction & Maintenance Pineville	10	10	10	10	10	10	10
KU	Telecommunications - KU	9	9	9	9	9	9	9
KU	Tyrone - Administration	2	2	2	2	2	2	2
KU	Tyrone - Coal Yard	1	1	1	1	1	1	1
KU	Tyrone - Electrical Mntc	4	4	4	4	4	4	4
KU	Tyrone - Mechanical Mntc	1	1	1	1	1	1	1
KU	Tyrone - Operations	15	16	16	16	16	16	16
Service Co	Accounting for WKE	1	1	1	1	1	1	1
Service Co	Accounts Payable	12.6	12.6	12.6	12.6	12.6	12.6	12.6
Service Co	Administrative Services	4	4	4	4	4	4	4
Service Co	Argentine Gas Business	0	0	0	0	0	0	0
Service Co	Asset Information - Distribution	2	2	2	2	2	2	2

Company	Dept	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08
Service Co	Asset Information - Distribution	1	1	1	1	1	1	1
Service Co	Audit Services	14	13	14	14	14	14	14
Service Co	Benefits and Records	6	7	7	7	8	7	7
Service Co	Billing Integrity	3	3	4	4	4	4	4
Service Co	Business Development	0	0	0	0	0	0	0
Service Co	Business Service Center	16	17	18	17	17	17	16
Service Co	Chief Executive Officer	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Service Co	Chief Financial Officer	2	2	2	2	2	2	2
Service Co	Compensation Systems & HRIS	4	4	4	4	4	4	4
Service Co	Compliance Dept	5	5	5	5	5	4	4
Service Co	Computing Architecture	19	19	19	19	19	19	19
Service Co	Contract Manager-Xerox Corp	1	1	1	1	1	1	1
Service Co	Contracts Administration	0	0	0	0	0	0	0
Service Co	Controller	2	2	2	2	2	2	2
Service Co	Corp Fuels & By Products	6	6	6	6	6	6	6
Service Co	Corporate Accounting	8	8	7	8	8	8	8
Service Co	Corporate Purchasing	5	4	5	5	5	5	5
Service Co	Corporate Tax	2	2	2	2	2	2	2
Service Co	Corporate Facility Services	1	1	1	1	1	1	1
Service Co	Credit/Contract Administration	4.8	4.8	4.8	4.8	4.8	4.8	4.8
Service Co	Customer Care System Business Process	11	11	13	16	16	16	19
Service Co	Customer Care System IT Process	34	33	33	34	35	35	35
Service Co	Customer Care System Management	9	9	8	9	9	9	9
Service Co	Customer Commitment	4.5	3.5	3.5	4.5	4.5	4.5	4.5
Service Co	Data Networks	8	8	8	8	8	8	8
Service Co	Desktop Operations	19.6	20	20	19	19	20	20
Service Co	Director Asset Management	2	2	2	2	2	2	2
Service Co	Director Cash Management & Investmt	3	3	3	3	3	3	3
Service Co	Director Corp Fuels & By Products	3	3	3	3	3	3	3
Service Co	Director Corporate Development	4	4	4	4	4	4	4
Service Co	Director Corporate Tax	3.9	4.9	4.9	3.9	3.9	3.9	3.9
Service Co	Director Distribution Operations	6	6	6	5	5	5	5
Service Co	Director Electric Reliability	4	4	4	4	4	4	4
Service Co	Director Energy Services Project Dv	2	2	2	1	1	2	2
Service Co	Director Environmental Affairs	12.6	12.6	12.6	12.6	12.6	12.6	12.6
Service Co	Director External Affairs	1	1	1	1	1	1	1
Service Co	Director Fin Planning & Controlling	3	3	3	3	3	3	3
Service Co	Director Generation Services	4	4	4	4	4	4	4
Service Co	Director HR - Corporate	8	8	8	8	8	8	8
Service Co	Director HR - Energy Services	8	8	9	9	9	9	9

Company	Dept	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08
Service Co	Director HR Distribution	8	9	9	9	9	9	9
Service Co	Director IT Operations	2	2	2	2	2	2	2
Service Co	Director IT Service Delivery	2	2	2	2	2	2	2
Service Co	Director IT Strategy/Planning	2	2	2	2	2	2	2
Service Co	Director Marketing & Customer Srv	2	2	2	2	2	2	2
Service Co	Director Operating Services	2	2	2	2	2	2	2
Service Co	Director Real Estate & Right of Way	4	4	4	4	4	4	4
Service Co	Director Regulatory Initiatives	1	1	1	1	1	1	1
Service Co	Director Revenue Collection	4	6	6	6	6	6	6
Service Co	Director State Regulation & Rates	5	5	5	5	5	5	5
Service Co	Director State Regulation and Rates	4.8	5.8	5.8	6.8	6.8	6.8	6.8
Service Co	Director Supply Chain	2	2	2	2	2	2	2
Service Co	Director Transmission	3	3	3	3	2	2	2
Service Co	Director Unregulated Traders & Mktg	8	8	8	8	8	8	8
Service Co	Director Utility Accounting	2	2	2	2	2	2	2
Service Co	Director-Financial Plan & Analysis	7	7	7	7	7	7	7
Service Co	Economic Analysis	5	5	5	5	5	5	5
Service Co	Economic Devel & Major Accts	20	20	20	20	20	20	20
Service Co	Elect System Codes & Standards	3	3	3	3	3	3	3
Service Co	Electrical Eng & Planning Grp	7	7	7	7	7	7	6
Service Co	Energy Delivery - IT	3	4	4	4	4	4	4
Service Co	Energy Delivery Budgeting	6	6	6	6	6	6	6
Service Co	Energy Efficiency Operations	6	7	7	7	7	7	7
Service Co	Energy Efficiency Ops -Non DSM	1	1	1	1	1	1	1
Service Co	Energy Marketing Accounting	6	5	6	6	6	6	6
Service Co	Energy Marketing Business Info	4	4	4	4	4	4	4
Service Co	Energy PIng Analysis &Forecast	2	2	2	2	3	2	2
Service Co	Energy Services Training	5	5	5	5	5	5	5
Service Co	Environmental Compl & System Lab	13	13	13	13	13	13	14
Service Co	EVP-General Counsel - Servco	3	2	2	2	2	3	3
Service Co	External & Brand Communication	12	13	13	13	13	13	13
Service Co	Facility Maintenance	1	1	1	1	1	1	1
Service Co	Facility Oper Data/Control Ctr	1	1	1	1	1	1	1
Service Co	Facility Operations Central	1	1	1	1	1	1	1
Service Co	Facility Operations East	1	1	1	1	1	1	1
Service Co	Facility Operations North	1	1	1	1	1	1	1
Service Co	Facility Operations-Lexington	1	1	1	1	1	1	1
Service Co	Finance & Budgeting-Energy Services	4	4	4	4	4	4	4
Service Co	Financial Acctg & Reporting	6	6	6	7	6	7	7
Service Co	Financial Analysis	4	4	4	4	4	4	4

Company	Dept	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08
Service Co	Financial Planning	6	6	6	6	6	6	6
Service Co	Financial Systems	4	4	4	4	4	4	4
Service Co	Forestry Services	2	2	2	2	2	2	2
Service Co	Fuels Management	5	5	5	5	5	5	5
Service Co	Gas Marketing	3	3	2	2	2	2	2
Service Co	Generation Engineering	15	15	15	16	16	16	18
Service Co	Generation Plan & Analysis	7	7	7	7	7	7	7
Service Co	Generation Support	2	2	2	2	2	0	0
Service Co	Generation Turb Gen Specialist	3	3	3	3	3	3	3
Service Co	Health & Safety - Energy Services	2	3	3	3	3	3	3
Service Co	Health and Safety	5	5	5	5	5	5	5
Service Co	HR Architecture and Planning	0	0	0	0	0	0	0
Service Co	Industrial Relations	3	2	2	2	2	2	2
Service Co	IT Finance and Administration	5	5	6	6	6	6	6
Service Co	IT Production	17	17	17	17	17	17	17
Service Co	IT Security	8	8	8	8	8	8	8
Service Co	IT Serv Delivery Finance & Mtl	10	10	10	8	8	8	8
Service Co	IT Service Delivery - CIS	8.6	8.6	8.6	8.6	8.6	8.6	8.6
Service Co	IT Service Delivery Dist Oprs	13	12	12	13	13	14	14
Service Co	IT Service Delivery Energy Srv	11.5	11.5	11.5	10.5	10.5	9.5	9.5
Service Co	IT Service Delivery HR/Payroll	7	7	8	9	9	9	9
Service Co	IT Service Delivery Retail Bus	3	3	3	3	3	3	3
Service Co	IT Special Projects	1	1	1	1	1	1	1
Service Co	IT Strategy & Planning	3	3	3	3	3	3	3
Service Co	IT Training	4	4	4	4	4	4	4
Service Co	Legal Department - Servco	20.6	21.6	22.6	22.6	22.6	22.6	23.6
Service Co	Market Analysis	4	4	4	4	4	4	4
Service Co	Materials Logistics	10	10	10	10	10	10	10
Service Co	Meter Reading	1	1	2	1	1	1	1
Service Co	Metering Assets	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Service Co	Office Services	2	2	2	2	2	2	2
Service Co	Operation Analysis & Sys Imple	3	3	3	3	3	3	3
Service Co	Organization Development	5	4	4	5	5	5	5
Service Co	Payroll	5	6	6	6	6	6	6
Service Co	Performance & Marketing	5	5	5	5	5	5	5
Service Co	Project Engineering	40	40	40	40	40	39	39
Service Co	Project Planning & Management	2	2	2	2	2	2	2
Service Co	Property Accounting	11	11	11	11	11	10	10
Service Co	Regulated Trading & Dispatch	20	20	20	20	20	20	20
Service Co	Regulatory Acctng & Reporting	6	6	6	6	7	7	7

Company	Dept	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08
Service Co	Remittance and Collection	5	5	5	5	5	5	5
Service Co	Residential Service	99.2	95.2	94.2	91.7	94.4	96.4	94.4
Service Co	Revenue Accounting	7	7	7	7	7	7	6
Service Co	Safety & Tech Training-Dist	10	10	10	10	10	10	10
Service Co	Sales Analysis & Forecasting	4	4	4	4	4	4	6
Service Co	Sarbanes Oxley	0	0	0	0	0	0	0
Service Co	Sourcing Support	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Service Co	Substation Construction & Main	0	0	0	1	1	1	1
Service Co	Substation Engineering & Design	6	6	6	6	6	8	8
Service Co	Supplier Diversity	2	2	1	1	1	1	1
Service Co	SVP Energy Delivery	2	2	2	2	2	2	2
Service Co	SVP Energy Services	2	2	2	2	2	2	2
Service Co	SVP Human Resources	2	2	2	2	2	2	2
Service Co	SVP Information Technology	2	2	2	2	2	2	2
Service Co	System Restoration & Disp Oprs	2	2	2	2	2	2	2
Service Co	System Restoration and Ops	0	0	0	0	0	1	1
Service Co	Systems Analysis & Planning	7	7	7	7	7	7	7
Service Co	Technology Support Services	10	10	10	10	10	11	11
Service Co	Telecommunications	13	14	14	14	14	14	14
Service Co	Trading Controls	3	3	3	3	3	3	3
Service Co	Trans Reliability & Compliance	3	2	2	3	3	3	3
Service Co	Transformer Service	1	1	1	1	1	1	1
Service Co	Transmission Energy Mgmt Sys	7	7	7	7	7	8	8
Service Co	Transmission Lines	25	25	25	26	26	26	26
Service Co	Transmission Protection & Subs	18	18	18	17	18	18	18
Service Co	Transmission Strategy/Planning	11	11	11	11	11	10	10
Service Co	Transmission System Operations	25	26	26	26	26	26	26
Service Co	Transportation	2	2	2	2	2	2	2
Service Co	Treasurer	4	4	4	4	4	4	4
Service Co	Utility Tax	5	5	5	5	5	5	5
Service Co	VP - Corporate Communications	2	2	2	2	2	2	2
Service Co	VP Corp Planning & Development	2	2	2	2	2	2	2
Service Co	VP Corp Respons/Comm Affairs	3	3	3	3	3	3	3
Service Co	VP Energy Delivery Distr	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Service Co	VP Energy Delivery -Retail Bus	2	2	2	2	2	2	2
Service Co	VP Energy Marketing	3	3	3	3	3	3	3
Service Co	VP External Affairs	2	2	2	2	2	2	2
Service Co	VP Federal Regulation & Policy	3	3	3	2	2	2	2
Service Co	VP Power Operations for WKE	1	1	1	2	2	0	0
Service Co	VP Power Production	0	0	0	0	0	2	2



Company	Dept	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08
Service Co	VP-Transmission/Generation Svc	0	0	0	0	0	2	2
Service Co	Walk-In Centers	3	3	3	3	3	3	3
Service Co	Work Planning - Dist	6	6	6	6	5	5	5



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**Question No. 15**

**Responding Witness: Valerie L. Scott**

- Q-15. Refer to Reference Schedules 1.16 and 1.17 attached to Mr. Rives' testimony. Please provide the Mercer actuarial reports used for the pension expense, postretirement benefits expense and postemployment benefits expense. Reconcile the amounts shown in these actuarial reports to the amounts shown on line 2 of each of the Company's Reference Schedules. In addition, provide all computations the Company made to adjust the Mercer amounts to the amounts reflected for 2008 on line 2 of these Reference Schedules.
- A-15. Please refer to PSC 1-54 and PSC 1-55 for the Mercer actuarial reports used for the postretirement benefits expense and postemployment benefits expense. Please refer to PSC-2 Question No. 105(a) for the Mercer actuarial reports used for the pension benefits expense and the reconciliation and computations the Company made to adjust the Mercer amounts to the amounts reflected for 2008 on line 2 of Reference Schedules 1.16 and 1.17 attached to Mr. Rives' testimony.



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**Question No. 16**

**Responding Witness: Shannon L. Charnas**

- Q-16. Refer to Reference Schedule 1.22 attached to Mr. Rives' testimony. Please provide the source of the FERC Assessment Charge Factor per MWH shown on line 2 of this schedule.
- A-16. The source of the charge factor is the attached Federal Energy Regulatory Commission's Annual Charges billing for fiscal year 2008, October 1, 2007 through September 30, 2008.

**Federal Energy Regulatory Commission**

888 First Street, NE, Washington, D.C. 20426

**Annual Charges Billing - Fiscal Year 2008**

Statement of Annual Charges Under 18 CFR Part 382 For Period 10/01/2007 through 09/30/2008

Company ID: 10171

Bill Number: M8E80027

Date of Bill: 06/20/2008

Date Payment Due: 08/04/2008

**Kentucky Utilities Company**  
**Robert M. Conroy, Manager Rates**  
**P. O. Box 32010**  
**Louisville, KY 40232-**

**Electric Program Cost Analysis**

Total Electric Program Cost of \$130,188,000 minus PMA Regulation Costs of \$0 minus Electric Filing Fees of \$589,000 equals Total Collectable Electric Costs of \$129,599,000

Total Program Costs	divided by	Total Industry Sales (MWH)	equals	Charge Factor
129,599,000		2,649.895.481		0.0489072120

The Annual Charge is determined by applying the Charge Factor to Total Company Megawatts. Any prior year adjustments are added to the Annual Charge to determine the Total Bill for this Fiscal Year.

**Debit/Credit Calculation**

Actual Program Costs for FY 2007 of 114,911,287 divided by Adjusted Total Industry Sales (MWH) for FY 2007 of 2,556,881.610 equals a 0.0449419662 Unit Charge Factor

2007 Company Adjusted Sales (MWH) of 2,471,713 x Charge Factor =	\$111,084
Adjusted Annual Charge for FY 2007	\$111,084
Billed Annual Charge for FY 2007	\$113,186
<b>Debit/Credit from FY 2007</b>	<b>-\$2,102</b>

**Annual Charge Calculation**

<b>Total Sales - Annual Charge</b>	
Company Sales (MWH):	6,163,001
Annual Charge:	\$301,415
<b>Total FY 2008 Annual Charge:</b>	<b>\$301,415</b>
Prior Year Debit/Credit:	-\$2,102
<b>Total Bill:</b>	<b>\$299,313</b>

For answers to questions on the calculation of this bill, please contact Raven Lewis at (202) 502-6276. Payment is due 45 days from the statement issue date (18 CFR, 382.103). Interest and administrative charges accrue on any unpaid balance after the due date (4 CFR, 102.13(d)).

For the Commission to consider an argument of law or policy, you must file a request for rehearing within 30 days from the Statement Issue Date in accordance with 18 CFR, 385.713 and 385.2001. A request for rehearing is not a stay of the Commission's statement of annual charges. You must still make timely payment of the annual charges assessed to avoid interest and administrative charges. Payment under protest does not constitute a request for rehearing. Send request for rehearing to: Federal Energy Regulatory Commission, Secretary, 888 First Street, NE, Washington, D.C. 20426. A copy of the request for rehearing must also be sent to the Chief Financial Officer, 888 First Street NE, Washington, D.C. 20426.



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**Question No. 17**

**Responding Witness: Valerie L. Scott**

Q-17. Refer to Reference Schedule 1.23 attached to Mr. Rives' testimony. Please provide the computational support for the regulatory asset amount shown on line 1 and the regulatory liability amount shown on line 2 of this schedule.

A-17. See response to AG-1 Question No. 39(a) for the regulatory asset. See response to AG-1 Question No. 109(b) for the regulatory liability.





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**Question No. 18**

**Responding Witness: Shannon L. Charnas**

- Q-18. Refer to Reference Schedule 1.27 attached to Mr. Rives' testimony. Please provide a schedule with an itemized list of the amounts comprising the totals on line 1 of this schedule. Please indicate which amounts are considered incremental and which are considered to be an allocation of internal costs.
- A-18. The list below represents the amounts comprising the totals on line 1 of Schedule 1.27 to Mr. Rives' testimony. All of the amounts are incremental and none are internal costs.

	<b>Total Estimated Cost</b>
Legal	\$ 289,000.00
Consulting	259,000.00
Newspaper Advertising	538,000.00
Printing Costs and Other Supplies	84,000.00
Total Projected Cost	<u>\$1,170,000.00</u>



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**Question No. 19**

**Responding Witness: S. Bradford Rives**

- Q-19. Refer to Reference Schedule 1.32 attached to Mr. Rives' testimony.
- a. Please provide a copy of all source documents relied on for the amount on line 1 of this schedule.
  - b. Please provide the Company's computations underlying the amount on line 1 of this schedule.
  - c. Please explain why no portion of this amount is shown allocated to the ECR.
- A-19. a. Please refer to the response to PSC-2 Question No. 115(b).
- b. Please refer to the response to PSC-2 Question No. 115(b).
  - c. Pursuant to KRS 278.183, bank fees are not a recoverable expense through the ECR. Therefore, no amount is allocated to the ECR.



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**Question No. 20**

**Responding Witness: Valerie L. Scott**

Q-20. Refer to Reference Schedule 1.39 attached to Mr. Rives' testimony. Please explain why the Company does not propose to use the 9% §199 deduction effective in 2010 or an average of the 6% and 9% deductions in 2009 and 2010 in the calculation of the combined federal and state income tax rate.

A-20. The income tax deduction available for certain Domestic Production Activities was enacted into law as Internal Revenue Code Section 199 (§199). The percentage of qualified production activities income permitted as a deduction under §199 was originally enacted with the following schedule:

2005	3%
2006	3%
2007	6%
2008	6%
2009	6%
2010 and thereafter	9%

The Company proposes to take into consideration the percentage in effect during the test year in determining its effective income tax rate. This rate is also applicable when the proposed customer rates of this Case are expected to take effect in 2009. Use of an average rate would not be appropriate as such would improperly reflect the tax benefits for 2009, as well as for years beyond 2009. Should the increased deduction under §199 go into effect as originally scheduled (and remain in effect), the Company will incorporate the higher §199 deduction percentage in its effective tax rate filed with future rate cases.



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**Question No. 21**

**Responding Witness: Valerie L. Scott**

Q-21. Refer to Reference Schedule 1.40 attached to Mr. Rives' testimony. Please explain why the amount of capital lease interest is subtracted on line 6 instead of added.

A-21. The question is not applicable to Kentucky Utilities Company Case No. 2008-00251.





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**Question No. 22**

**Responding Witness: S. Bradford Rives**

- Q-22. Refer to page 20 lines 1-2 of Mr. Rives' KU testimony and page 48 lines 18-19 of Mr. Rives' LG&E testimony. Please provide the computations underlying the \$86.1 million (KU) and \$48.7 million (LG&E) amounts for imputed purchased power contracts. In addition, please provide all assumptions and the basis for all assumptions used in this computation, including, but not limited to, the weighting factor applied by S&P and/or the Company to the net present value of the purchased power contract amounts and the imputed demand portion of those contracts, if any applied by S&P and/or the Company.
- A-22. The requested calculations are performed by S&P and are not made available to the Company. The S&P report dated August 30, 2007 for E.ON U.S. LLC provided in response to AG-1 Question No. 77 shows the \$86.1 million of imputed debt.



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**Question No. 23**

**Responding Witness: William Steven Seelye**

Q-23. To the extent not provided in response to Question 1 above, please provide an electronic copy (on CD) of each of Mr. Seelye's exhibits. Please include all workpapers and supporting documentation used and relied upon by Mr. Seelye in the preparation of these exhibits. Provide all electronic spreadsheets with cell formulas intact. If there is an objection to providing a spreadsheet with cell formulas intact, please provide a copy of the spreadsheet with formulas replaced with values.

A-23. See response to PSC-2 Question No. 30.



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**Response to First Data Request of the Kentucky Industrial Utility Customers, Inc.  
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**Question No. 24**

**Responding Witness: William Steven Seelye**

Q-24. If not provided in response to a previous request, please provide(in electronic form, with formulas intact) all work papers, analyses, etc. supporting the development of the zero-intercept calculations as used by Mr. Seelye in the BIP cost of service study. Also include all statistical analyses performed.

A-24. See response to PSC-2 Question No. 30.



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**Question No. 25**

**Responding Witness: William Steven Seelye**

Q-25. Did the Company prepare any other class cost of service studies (whether or not ultimately used by the Company for any purpose), beyond the BIP study presented in its filing? If so, please identify the type of study prepared, list the differences between such study and the BIP study filed in this case and provide a copy of the study, including all supporting workpapers.

A-25. No.





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**Question No. 26**

**Responding Witness: William Steven Seelye**

Q-26. Did the Company consider, but not prepare, any other class cost of service study beyond the BIP study filed in this case? If so, please identify the type of study and list the differences between such study and the BIP study filed in this case.

A-26. Yes. KU considered, but did not prepare, class cost of service studies utilizing the following methodologies:

- (1) Rather than time-differentiating production costs using the modified BIP methodology, KU considered time-differentiating production costs based on the number of hours of "unserved load" during each pricing period. *Unserved load* is a planning measurement used to plan KU and LG&E's generation resources. This approach would have allocated approximately 70% of fixed production costs on the basis of summer coincident peak demands, 30% on the basis of winter peak coincident demands, and none on the basis of off-peak energy.
- (2) The Company also considered allocating fixed production costs on the basis of a 6-CP allocator, consisting of CPs during the months of June, July, August, December, January and February.



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***Question No. 27***

**Responding Witness: William Steven Seelye**

Q-27. Please provide for each cost of service rate class, monthly 12 CP kW demand data for the test year (i.e., each rate class or special contract that is separately included and analyzed in the Company's cost of service model, whether presented as a separate class or not in the Company's filing.

A-27. See the response to AG-1 Question No. 118.



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**Question No. 28**

**Responding Witness: William Steven Seelye**

- Q-28. Please provide a description of the methodology used by the Company to reflect interruptible load in the development of each of the “demand allocators” used in the cost of service study. Also provide all workpapers supporting the calculations, adjustments, etc. that were made to reflect interruptible load. Please identify, by retail rate schedule (as used in the cost of service study) the amount of interruptible or curtailable load. For each such rate schedule, provide the NCP, NCPP, SICD, SCP, WCP and BDEM associated with interruptible or curtailable load.
- A-28. See the response to AG-1 Question Nos. 127 and 131.



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**Question No. 29**

**Responding Witness: William Steven Seelye**

- Q-29. Please provide a detailed description of the methodology used by the Company to allocate costs that are recovered through the environmental surcharge. Please identify each revenue, expense, rate base, or other component of the Company's cost of service study that includes costs or revenues that are recovered or paid through the environmental surcharge. For each such cost (e.g., O&M expense, production rate base, etc.) that is included in the environmental surcharge, please provide the method used to allocate this cost item in the cost of service study filed in this case. If these costs were not included in the cost of service study, please provide an explanation for not including them and provide workpapers or schedules detailing how these costs were removed from test year expenses, revenues and investment.
- A-29. In the cost of service study, fixed and variable costs that are recovered through the environmental surcharge are time-differentiated and allocated on the same basis as other fixed production costs. Specifically, fixed costs are time-differentiated using the modified BIP methodology, with summer peak period costs allocated on the basis of the summer CP, with winter peak period costs allocated on the basis of the winter CP, and with non-time-differentiated costs allocated on the basis of energy. Variable costs are also allocated on the basis of energy. The following types of costs included in the COS are recovered through the environmental surcharge for eligible ECR projects: Return on rate base, production depreciation expense, production operation and maintenance expenses, other taxes and income taxes. Environmental surcharge revenues and associated environmental costs are included in the cost of service study, but are ultimately removed through the application of pro-forma adjustments shown on pages 37 through 42 of Seelye Exhibit 19.





**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

**CASE NO. 2007-00565**

**Response to First Data Request of the Kentucky Industrial Utility Customers, Inc.  
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**Question No. 30**

**Responding Witness: William Steven Seelye**

- Q-30. With regard to account 501, fuel, please provide the test year expense by month. Also provide the monthly amounts separated by on-peak weekday, weeknight and weekend period, such period being defined by the Company as part of its response. Provide a similar breakdown of the energy portion of account 555, purchased power for the test year.
- A-30. Attached are the monthly Account 501 and Account 555 expenses for the test year. KU does not have documents or reports which separate these expenses by pricing period.

See responses to AG-1 Question Nos. 108, 115 and 167.

Expense Month	Coal Including Coke	Fuel Costs		Oil Generation	Purchase Power
		Ignition Acct 501			Economy Dispatch Energy Cost (Acct 555)
May-07	28,082,476.00	455,543.00		-	14,786,978.70
Jun-07	33,068,467.00	585,117.00		-	12,819,354.16
Jul-07	36,052,902.00	547,601.00		-	10,140,198.00
Aug-07	39,080,053.00	456,707.00		-	15,531,717.04
Sep-07	33,088,499.00	299,734.00		-	9,463,440.94
Oct-07	28,628,582.00	262,206.00		-	10,950,461.54
Nov-07	29,777,722.00	716,897.00		-	12,166,086.86
Dec-07	35,098,754.00	606,979.00		-	12,650,224.28
Jan-08	38,909,237.00	504,568.00		-	16,804,575.12
Feb-08	35,564,954.00	462,063.00		-	17,427,054.07
Mar-08	34,404,635.00	659,467.00		-	16,522,224.42
Apr-08	30,292,459.00	731,225.00		-	14,470,227.10
	402,048,740.00	6,288,107.00		-	163,732,542.23



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**Question No. 31**

**Responding Witness: William Steven Seelye**

- Q-31. Please provide, by rate class (as used in the cost of service study), by month, mwh energy corresponding to the on-peak weekday, off-peak weekday and weekend periods defined by the Company in its response to the previous question. Also provide, on an hourly basis, estimated (either actual or based on sample load research data) rate class energy use by hour for the test year. State whether the data reflects energy at the meter or energy adjusted for losses.
- A-31. The hourly loads are included in the response to AG-1 Question No. 118.



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**Question No. 32**

**Responding Witness: William Steven Seelye**

- Q-32. Please provide all studies or analyses performed by or relied on by Mr. Seelye or the Company which analyze the cost of providing reactive power versus the cost of providing real power.
- A-32. In developing the proposed rates in this proceeding, Mr. Seelye did not perform any studies which analyzed the cost of providing reactive power versus the cost of providing real power. KU's proposal to adopt KVA billing for transmission voltage customers reflects a billing framework that fully incorporates both real and reactive power and therefore did not require an analysis of the cost of reactive power relative to real power.