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March 1, 2004

Mr. Thomas Dorman, Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

Case 2004-00070

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RECEIVED

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**PUBLIC SERVICE
COMMISSION**

RE: Annual Earnings Sharing Mechanism Filing

Dear Mr. Dorman:

Please find enclosed and accept for filing the original and four copies of Kentucky Utilities Company's Annual Earnings Sharing Mechanism Filing for calendar year 2003.

Kentucky Utilities Company ("KU") is required to make an annual Earnings Sharing Mechanism ("ESM") filing by March 1 of each year from 2003 through 2005 pursuant to the currently effective ESM tariff issued pursuant to Commission Order of December 20, 2002 in Case No. 2002-00472. KU's ESM filing for calendar year 2003 is attached as Appendix A and includes calculations that are required by and consistent with the Commission's orders in Case Nos. 98-474, 2001-055, and 2003-00427. The threshold of the ESM is an 11.50 percent return on equity with a symmetrical deadband of 100 basis points above and below the threshold. The comparison of the adjusted net operating income to the upper and lower point revenue requirements of the ESM deadband indicate that KU's calendar year 2003 net operating income is below the equity limits and a revenue adjustment is necessary. Forty percent of the earnings deficit (grossed up for taxes) therefore will be charged to KU's customers. The calculated revenue adjustment is \$16,232,669 or 2.367% to be applied to customer's bills beginning April 1, 2004. Since KU has a current ESM factor for the prior reporting period, Form 1a the Determination of Balancing Adjustment and Earnings Sharing Mechanism Factor will be filed ten days prior to the first billing cycle of the second month of the Current Adjustment Year pursuant to the ESM tariff.

The calculation of the adjusted net operating income excludes all revenues and expenses associated with the Fuel Adjustment Clause and the Environmental Surcharge cost components as prescribed in the Commission's January 7, 2000 Order. Pursuant to the Commission's June 1, 2000 Rehearing Order, the ESM filing includes adjustments to reflect the shareholders' portion of KU's merger savings, the removal of advertising expenses consistent with the requirements of 807 KAR 5:016, and the adjustment to off-

Mr. Thomas Dorman
Public Service Commission
March 1, 2004
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system sales revenue for environmental surcharge costs. Also, the brokered sales transactions revenues and expenses have been eliminated from the Kentucky jurisdiction consistent with the Commission's established policy. In addition, monthly average capital structures and an adjustment to reflect the VDT Settlement Surcredit net savings to shareholders are included pursuant to the October 31, 2001 Settlement Agreement approved by the Commission's December 3, 2001 Order in Case Nos. 2001-054, 2001-055, 2001-140, 2001-141, and 2001-169. On December 23, 2003, the Commission issued an Order in Case No. 2003-00427 approving an accounting adjustment related to KU's adoption of Statement of Financial Accounting ("SFAS") No. 143, *Accounting for Asset Retirement Obligations*. The adjustment to eliminate the impact on net operating income in the 2003 ESM caused by adopting SFAS No. 143 has been included pursuant to the Commission's Order.

Attached as Appendix B is KU's Company Labor and Contractor Data as of December 31, 2001, December 31, 2002, and December 31, 2003 filed pursuant to the Commission's December 3, 2001 Order, Ordering Paragraph 2. The Company Labor and Contractor Data Form compares December 31, 2002 and December 31, 2003 levels with the levels in effect as of December 31, 2001 for each group.

Yours very truly,



Michael S. Beer
Vice President Rates and Regulatory

Enclosures

CC: Office of the Attorney General
Kentucky Industrial Utility Customers, Inc.
Lexington-Fayette Urban County Government

APPENDIX A

KENTUCKY UTILITIES COMPANY

ANNUAL EARNINGS SHARING MECHANISM FILING

Index

Form 1	Comparison of Net Operating Income to Equity Limits and Determination of Earnings Sharing Mechanism Factor
Form 1a	Determination of Balancing Adjustment and Earnings Sharing Mechanism Factor (To be filed ten days prior to first billing cycle of the second month of Current Adjustment Year pursuant to Fourth Revision of Original Sheet No. 24.4A, ESM, Earnings Sharing Mechanism)
Form 1b	Upper and Lower Point Rate of Return
Form 1c	Adjusted Jurisdictional Rate of Return on Common Equity
Form 1d	Gross Up Revenue Factor
Form 2	Adjusted Jurisdictional Net Operating Income
Form 2a	Adjustments to Revenues and Expenses
Form 2b	Adjustment Workpapers: (1) Off-System Sales Revenue for Environmental Surcharge Cost (2) Environmental Surcharge Factors for Calendar Year 2003 (3) Provision for Refund (4) Fuel Adjustment Clause Revenues and Expenses (5) Brokered Sales Transactions Revenues and Expenses (6) Shareholder Merger Savings (7) VDT Net Savings to Shareholders (8) Advertising Expense (9) Cumulative Effect of Asset Retirement Obligation (10) Interest Tax Expense
Form 3	Adjusted Jurisdictional Capitalization and Adjustments to Total Company Capitalization
Form 3a	Adjustments to Kentucky Jurisdictional Capitalization
Form 3b	Cost of Long-Term Debt
Form 3c	Cost of Preferred Stock
Form 3d	Cost of Short-Term Debt and Accounts Receivable Securitization
Form 3e	Kentucky Jurisdictional Rate Base
Form 3f	Environmental Surcharge Components - Rate Base and Operating Statement
Form 4	Balance Sheet and Statement of Income as of December 31, 2003

KENTUCKY UTILITIES COMPANY

Form 1

Comparison of Net Operating Income to Equity Limits and Determination of Earnings Sharing Mechanism Factor Current Reporting Period - Calendar Year 2003

	1	2	3	4
		Return on Capital <small>(From Form 1b)</small>	Jurisdictional Capitalization <small>(From Form 3, Col 9)</small>	Revenue Requirement
1 Upper Limit of Net Operating Income based on Return on Equity of 12.5%		8.08%	\$1,238,295,832	\$100,054,303 (a)
2 Actual Jurisdictional Net Operating Income				\$62,275,274 (b)
3 Lower Limit of Net Operating Income based on Return on Equity of 10.5%		6.98%	\$1,238,295,832	\$86,433,049 (a)
4 Net Operating Income is Less Than the Lower Equity Limit. Earnings Deficit				\$24,157,776 (c)
5 Sharing of Earnings Deficit at 40% to the Customer				\$9,663,110 (d)
6 Gross Up Revenue Factor				0.595288 (e)
7 Revenue Adjustment				\$16,232,669 (f)
8 Actual Jurisdictional Revenues for the Current Reporting Period (Excluding ESM Revenues)				\$685,735,400
9 Earnings Sharing Mechanism Factor				2.367% (g)

Notes:

- (a) - Column 2 times Column 3
- (b) - From Form 2
- (c) - Line 2 minus Line 3
- (d) - Line 4 times 40%
- (e) - From Form 1d
- (f) - Line 5 divided by Line 6
- (g) - Line 7 divided by Line 8

KENTUCKY UTILITIES COMPANY

Form 1b

Upper and Lower Point Rate of Return Weighted Average Cost of Capital 13-Month Average for 2003

Upper Limit					
1	2	3	4	5	
	Adjusted Kentucky Jurisdictional Capitalization <small>(From Form 3, Col 9)</small>	Percent of Total	Annual Cost Rate	Weighted Cost of Capital <small>(Col 3 x Col 4)</small>	
1	Short Term Debt	\$91,366,693	7.38%	1.16% (a)	0.09%
2	A/R Securitization	\$39,730,905	3.21%	1.51% (a)	0.05%
3	Long Term Debt	\$396,336,339	32.01%	2.93% (b)	0.94%
4	Preferred Stock	\$32,284,797	2.61%	5.68% (c)	0.15%
5	Common Equity	\$678,577,097	54.79%	12.50% (d)	6.85%
6		\$1,238,295,832			8.08%

Lower Limit					
1	2	3	4	5	
	Adjusted Kentucky Jurisdictional Capitalization <small>(From Form 3, Col 9)</small>	Percent of Total	Annual Cost Rate	Weighted Cost of Capital <small>(Col 3 x Col 4)</small>	
1	Short Term Debt	\$91,366,693	7.38%	1.16% (a)	0.09%
2	A/R Securitization	\$39,730,905	3.21%	1.51% (a)	0.05%
3	Long Term Debt	\$396,336,339	32.01%	2.93% (b)	0.94%
4	Preferred Stock	\$32,284,797	2.61%	5.68% (c)	0.15%
5	Common Equity	\$678,577,097	54.79%	10.50% (e)	5.75%
6		\$1,238,295,832			6.98%

- Notes:
- (a) - From Form 3d
 - (b) - From Form 3b
 - (c) - From Form 3c
 - (d) - Baseline Return on Equity of 11.5% plus 100 basis points
 - (e) - Baseline Return on Equity of 11.5% minus 100 basis points

KENTUCKY UTILITIES COMPANY

Form 1c

Adjusted Jurisdictional Rate of Return on Common Equity
Weighted Average Cost of Capital
13-Month Average for 2003

1	2	3	4	5	
	Adjusted Kentucky Jurisdictional Capitalization <small>(From Form 3, Col 9)</small>	Percent of Total	Annual Cost Rate	Weighted Cost of Capital <small>(Col 3 x Col 4)</small>	
1	Short Term Debt	\$91,366,693	7.38%	1.16% (a)	0.09%
2	A/R Securitization	\$39,730,905	3.21%	1.51% (a)	0.05%
3	Long Term Debt	\$396,336,339	32.01%	2.93% (b)	0.94%
4	Preferred Stock	\$32,284,797	2.61%	5.68% (c)	0.15%
5	Common Equity	\$678,577,097	54.79%	6.94% (d)	3.80% (e)
6		\$1,238,295,832			5.03%
7	Net Operating Income			\$62,275,274	(f)
8	Net Operating Income / Total Capitalization			5.03%	(g)

- Notes:
- (a) - From Form 3d
 - (b) - From Form 3b
 - (c) - From Form 3c
 - (d) - Column 5 / Column 3
 - (e) - Column 5, Line 6 - Line 1 - Line 2 - Line 3 - Line 4
 - (f) - From Form 2
 - (g) - Column 5, Line 7 divided by Column 2, Line 6

KENTUCKY UTILITIES COMPANY

Form 1d

Gross Up Revenue Factor

	1	2	3
	Tax Description	Tax Rate	Tax Effect
1	Assume Pre-Tax Income of		\$ 100.0000
2	PSC Assessment	0.18230%	<u>\$ 0.1823</u>
3	Taxable Income for State Income Tax		\$ 99.8177
4	State Income Tax	8.25000%	<u>\$ 8.2350</u>
5	Taxable Income for Federal Income Tax		\$ 91.5827
6	Federal Income Tax	35.00000%	<u>\$ 32.0540</u>
7	After-Tax Income of		\$ 59.5288
8	Gross Up Revenue Factor (Line 7 / 100)		0.595288

KENTUCKY UTILITIES COMPANY

Form 2

Adjusted Jurisdictional Net Operating Income
Current Reporting Period - Calendar Year 2003

	1	2	3	4	5	6
Title of Account		No.	Total Kentucky Utilities (From Form 4)	Kentucky Retail Jurisdictional (From Form 4)	Adjustments (From Form 2a)	Adjusted Ky Retail Jurisdictional (Col 4 + Col 5)
Operating Income						
1 Total Sales to Ultimate Consumers		440-445	\$739,211,587	\$693,841,485	(\$59,421,690)	\$634,419,795
2 Sales for Resale		447	\$138,003,066	\$65,281,968	(\$612,933)	\$64,669,035
3 Sub-Total Sales of Electricity			\$877,214,653	\$759,123,453	(\$60,034,622)	\$699,088,831
4 Less Provision for Refund		449.1	\$8,534,280	\$8,129,579	(\$8,129,579)	(\$0)
5 Sub-Total Revenues Net of Provision for Refund			\$868,680,373	\$750,993,874	(\$51,905,043)	\$699,088,831
6 Plus Other Operating Revenues		451-456	\$23,097,978	\$18,894,823		\$18,894,823
7 Total Operating Income			\$891,778,351	\$769,888,697	(\$51,905,043)	\$717,983,654
Operating Expenses						
8 Operation Expenses		401	\$551,889,934	\$479,732,615	(\$3,097,106)	\$476,635,509
9 Maintenance Expenses		402	\$60,270,511	\$52,763,931		\$52,763,931
10 Depreciation Expense		403	\$101,980,375	\$88,925,955	(\$4,360,655)	\$84,565,300
11 Amortization of Limited-Term Electric Plant		404	Included Above			
12 Regulatory Credits		407	(\$11,322,695)	(\$9,738,956)	\$8,537,951	(\$1,201,005)
13 Taxes Other Than Income Taxes		408.1	\$15,888,440	\$14,144,401	(\$232,427)	\$13,911,974
14 Income Taxes - Federal		409.1	\$31,082,440	Total		
15 Income Taxes - State		409.1	\$11,457,238	Income Taxes		
16 Provision for Deferred Income Taxes		410.1	\$61,968,967	\$47,731,000	(\$19,748,812)	\$27,982,188
17 Provision for Deferred Income Taxes - Credit		411.1	(\$45,841,806)			
18 Accretion Expense		411.1	\$1,221,312	\$1,050,483		\$1,050,483
19 Investment Tax Credit - Net		411.4	\$0	\$0		\$0
20 Losses/(Gains) from Disposition of Allowances		411.8	(\$286,166)	(\$246,139)	\$246,139	(\$0)
21 Total Operating Expense			\$778,308,550	\$674,363,290	(\$18,654,909)	\$655,708,381
22 Net Operating Income			\$113,469,801	\$95,525,407	(\$33,250,133)	\$62,275,274

KENTUCKY UTILITIES COMPANY

Form 2a

Adjustments to Revenues and Expenses
Current Reporting Period - Calendar Year 2003

1	2	3	4	5	
Description	Source	Total Kentucky Utilities	Allocator	Ky Retail Jurisdictional	
Operating Revenues:					
1	Elimination of Environmental Surcharge Revenue	Form 3f	(\$22,981,691)	100.000%	(\$22,981,691)
2	Revenue Adjustment for Off-System Sales Environmental Surcharge	Form 2b(1)	(\$858,048)	100.000%	(\$858,048)
3	Elimination of Provision for Refund - ECR, FAC, and ESM	Form 2b(3)	\$8,129,579	100.000%	\$8,129,579
4	Elimination of Actual ESM Revenue		(\$8,106,085)	100.000%	(\$8,106,085)
5	Elimination of FAC Revenues	Form 2b(4)	(\$28,333,913)	100.000%	(\$28,333,913)
6	Elimination of Brokered Sales Transactions-Net	Form 2b(5)	\$285,266	85.925%	\$245,115
7	TOTAL OPERATING REVENUES		<u>(\$51,864,891)</u>		<u>(\$51,905,043)</u>
Operating Expenses:					
8	Elimination of Environmental Surcharge Operating Expenses.	Form 3f	(\$4,522,332)	85.440%	(\$3,863,865)
9	Elimination of Environmental Surcharge Depreciation Expense	Form 3f	(\$5,069,763)	86.013%	(\$4,360,655)
10	Elimination of Environmental Surcharge Property Taxes	Form 3f	(\$265,509)	87.540%	(\$232,427)
11	Elimination of Proceeds from Allowance Sales	Form 3f	\$286,166	86.013%	\$246,139
12	Elimination of Proceeds from By-Product Sales	Form 3f	\$477,401	86.013%	\$410,627
13	Elimination of FAC Expenses	Form 2b(4)	(\$21,012,583)	100.000%	(\$21,012,583)
14	Shareholder Merger Savings	Form 2b(6)	\$17,869,521	100.000%	\$17,869,521
15	VDT Net Savings to Shareholders	Form 2b(7)	\$3,540,000	100.000%	\$3,540,000
16	Eliminiation of Advertising Expense	Form 2b(8)	(\$43,079)	94.724%	(\$40,806)
17	Elimination of Cumulative Effect included in Account 407, Regulatory Credit	Form 2b(9)	\$9,926,350	86.013%	\$8,537,951
18	TOTAL OPERATING EXPENSES		<u>\$1,186,172</u>		<u>\$1,093,903</u>
Income Taxes:					
19	Federal and State Income Taxes on above adjustments @40.3625% effective rate	Calculated			(\$21,391,699)
20	Federal and State Income Taxes Interest Tax Expense Adjustment	Form 2b(10)			\$1,642,887
21	TOTAL INCOME TAXES				<u>(\$19,748,812)</u>

Kentucky Utilities Company
Off-System Sales Revenue for the ECR Calculation

	(1) KU Off-System Sales Revenue	(2) Average Environmental Surcharge Factor (From Form 2b(2))	(3) Off-System Sales Environmental Cost (Col 1 x Col 2)
Jan-03	\$ 4,644,199	3.08%	\$ 143,157
Feb-03	\$ 1,113,982	3.08%	\$ 34,338
Mar-03	\$ 1,450,694	3.08%	\$ 44,718
Apr-03	\$ 4,038,665	3.08%	\$ 124,492
May-03	\$ 681,089	3.08%	\$ 20,995
Jun-03	\$ 1,752,926	3.08%	\$ 54,034
Jul-03	\$ 2,747,766	3.08%	\$ 84,700
Aug-03	\$ 1,426,537	3.08%	\$ 43,973
Sep-03	\$ 2,531,392	3.08%	\$ 78,030
Oct-03	\$ 1,273,697	3.08%	\$ 39,262
Nov-03	\$ 2,448,510	3.08%	\$ 75,475
Dec-03	\$ 3,726,643	3.08%	\$ 114,874
Total	\$ 27,836,099	3.08%	\$ 858,048

KENTUCKY UTILITIES COMPANY
Enviromental Surcharge Factors
Calendar Year 2003

Expense Months	Kentucky Utilities Company	
	As Filed	Less Refunds
Jan	3.31%	3.31%
Feb	3.79%	3.79%
Mar	3.72%	3.72%
Apr	3.82%	3.82%
May	4.16%	4.16%
Jun	4.22%	4.22%
Jul	4.61%	4.61%
Aug	4.69%	4.69%
Sep	-0.21%	-0.21%
Oct	1.06%	1.06%
Nov	2.18%	2.18%
Dec	1.64%	1.64%
	Average =	3.08%

KENTUCKY UTILITIES COMPANY

Account 449 Provision for Refund for Calendar Year 2003

<u>DESCRIPTION</u>	<u>Total Jurisdictional</u>	<u>Elimination</u>
KU FAC Over/Under Recovery	\$ (1,256,827)	\$ 1,256,827
KU ECR Over/Under Recovery	\$ (6,227,466)	\$ 6,227,466
KU ESM Revenue Recovery	\$ 9,300,000	\$ (9,300,000)
KU ESM Refund - True-up	<u>\$ (9,945,286)</u>	<u>\$ 9,945,286</u>
TOTAL	\$ (8,129,579)	\$ 8,129,579

KENTUCKY UTILITIES COMPANY

Kentucky Retail Fuel Adjustment Clause Recoverable Expenses and Revenues - 2003

Expense Month	<u>Revenue</u>	<u>Expense</u>
	Form A Page 5 of 5 Line 3	Form A* Page 5 of 5 Line 7
Jan	\$4,231,897	\$4,510,322
Feb	\$3,062,898	\$4,259,284
Mar	\$3,823,692	\$798,672
Apr	\$3,622,905	\$2,151,622
May	\$763,466	\$2,226,354
Jun	\$5,156,416	(\$1,571,337)
Jul	\$2,683,786	\$1,053,068
Aug	(\$1,776,754)	\$3,357,880
Sep	\$1,035,787	\$1,099,278
Oct	\$2,588,014	\$1,784,380
Nov	\$1,025,897	\$452,542
Dec	\$2,115,909	\$890,518
	<u>\$28,333,913</u>	<u>\$21,012,583</u>

*Note : Expenses are shown on the second succeeding month. For example, January 2003 would be reflected in March 2003 expense month filing.

Kentucky Utilities Company
Brokered Sales Transactions Revenues and Expenses

	(1) KU Brokered Revenues Acct. 447100	(2) KU Brokered Purchases Acct. 447200	(3) KU Brokered Labor Expense (1) (Total / 12)	(4) KU Net Brokered Transactions (Col 1-Col 2-Col 3)
Jan-03	\$ 2,729,642	\$ 3,949,593	\$ 3,614	\$ (1,223,565)
Feb-03	\$ 2,268,469	\$ 2,668,051	\$ 3,614	\$ (403,196)
Mar-03	\$ 2,258,131	\$ 2,546,455	\$ 3,614	\$ (291,938)
Apr-03	\$ 1,473,216	\$ 1,762,171	\$ 3,614	\$ (292,569)
May-03	\$ 3,257,143	\$ 3,761,220	\$ 3,614	\$ (507,691)
Jun-03	\$ 1,789,443	\$ 1,977,389	\$ 3,614	\$ (191,559)
Jul-03	\$ 720,790	\$ 548,855	\$ 3,614	\$ 168,322
Aug-03	\$ 1,213,347	\$ 1,012,685	\$ 3,614	\$ 197,048
Sep-03	\$ 1,821,739	\$ 1,524,567	\$ 3,614	\$ 293,559
Oct-03	\$ 2,955,284	\$ 2,213,242	\$ 3,614	\$ 738,428
Nov-03	\$ 3,194,634	\$ 2,349,495	\$ 3,614	\$ 841,525
Dec-03	\$ 2,911,484	\$ 2,521,500	\$ 3,614	\$ 386,370
Total	\$ 26,593,323	\$ 26,835,222	\$ 43,368	\$ (285,266)
Jurisdictional Factor	0.86022	0.86022	0.85384	
Allocation Title	ENERGY	ENERGY	LABOR-PROD	
Jurisdictional Adjustment	\$ (22,876,109)	\$ 23,084,194	\$ 37,029	\$ 245,115

(1) Based upon total labor from off-system sales of \$1,084,196 times 4%.

KENTUCKY UTILITIES COMPANY

Form 2b(6)

Shareholders' Non-Fuel Savings From Merger
Pursuant to Commission Order and Settlement Agreement in Case No. 2002-00429

	1	2	3	4	5	6	7
		2003	2004	2005	2006	2007	2008
1 Shareholders' Savings:							
2 January 1 thru June 30		\$8,962,307	\$10,061,612	\$9,484,413	\$9,484,413	\$9,484,413	\$9,484,413
3 July 1 thru December 31		\$8,907,214	\$9,484,413	\$9,484,413	\$9,484,413	\$9,484,413	\$0
4 Total Shareholders' Savings		\$17,869,521	\$19,546,025	\$18,968,826	\$18,968,826	\$18,968,826	\$9,484,413

KENTUCKY UTILITIES COMPANY

Form 2b(7)

VDT Savings
Determination of VDT Net Savings to Shareholder Adjustment

	1	2	3	4	5	6	7	8
		Dec 2001	2002	2003	2004	2005	Jan-Mar 2006	Total
KU ELECTRIC								
1	Estimated Savings	\$6,200,000	\$13,100,000	\$17,400,000	\$18,700,000	\$19,900,000	\$5,100,000	\$80,400,000
2	Cost Amortization	\$5,000,000	\$11,500,000	\$11,500,000	\$11,500,000	\$11,500,000	\$3,000,000	\$54,000,000
3	Net Amount	\$1,200,000	\$1,600,000	\$5,900,000	\$7,200,000	\$8,400,000	\$2,100,000	\$26,400,000
4	VDT Net Savings to Customers (40%)	\$480,000	\$640,000	\$2,360,000	\$2,880,000	\$3,360,000	\$840,000	\$10,560,000
5	VDT Net Savings to Shareholders (60%)	\$720,000	\$960,000	\$3,540,000	\$4,320,000	\$5,040,000	\$1,260,000	\$15,840,000

KENTUCKY UTILITIES

**Adjustment to Eliminate Advertising Expenses
Pursuant to Commission Rule 807 KAR 5:016
As Applied to the 12 Months Ended December 31, 2003**

	<u>Total Company</u>	<u>Allocation Factor</u>	<u>Kentucky Jurisdiction</u>
1. Uniform System of Accounts - Account No. 930.1 General Advertising Expenses (a)	\$42,346	94.733% ENERGY1	\$40,116
2. Account No. 913 Advertising Expenses (b)	<u>733</u>	94.184% DIRECT	<u>691</u>
3. Total	<u><u>\$43,079</u></u>		<u><u>\$40,806</u></u>

Note (a): Properly includible in this account is the cost of advertising activities of a goodwill or institutional nature, which is primarily designed to improve the image of the utility or the industry, including advertisements which inform the public concerning matters affecting the Company's operations, such as, the cost of providing service, the Company's efforts to improve the quality of service, the Company's efforts to improve and protect the environment, etc.

Note (b): Properly includible in this account is the cost of advertising activities which set forth the value or advantages of utility service and is designed to promote or retain the use of utility service.

Kentucky Utilities Company
Determination of Cumulative Effect Adjustment of Asset Retirement Obligation
In Accordance with Commission Order dated December 23, 2003 in Case No. 2003-00427

	Debit/(Credit)
1 Gross pre-tax cumulative effect in account 435	9,926,350
2 Add income tax impact on cumulative effect	(4,010,523)
3 Balance in account 435, Cumulative Effects	<u>5,915,827</u>
4 Cumulative effect included in account 407, Regulatory Credit	<u>(9,926,350)</u>
5 ESM adjustment for cumulative effect included account 407, Regulatory Credit	<u>9,926,350</u>

KENTUCKY UTILITIES COMPANY

Form 2b(10)

Interest Tax Expense Adjustment Current Reporting Period - Calendar Year 2003

	1	2	3	4
		From Form 3a		
1	Adjustments to Total Co. Capitalization Short-Term Debt Component	(\$672,813)		
2	Jurisdictional Rate Base Percentage	<u>87.77%</u>		
3	KY Juris. Adjustments to Total Co. Capitalization Short-Term Debt Component (Line 1 x Line 2)	(\$590,528)		
4	Applicable Cost of Debt Rate		1.16% (a)	
5	Interest Expense Increase (Decrease) (Line 3 x Line 4)			<u>(\$6,857)</u>
6	Adjustments to Total Co. Capitalization A/R Securitization Component	(\$296,024)		
7	Jurisdictional Rate Base Percentage	<u>87.77%</u>		
8	KY Juris. Adjustments to Total Co. Capitalization A/R Securitization Component (Line 6 x Line 7)	(\$259,820)		
9	Applicable Cost of Debt Rate		1.51% (a)	
10	Interest Expense Increase (Decrease) (Line 8 x Line 9)			<u>(\$3,921)</u>
11	Adjustments to Total Co. Capitalization Long-Term Debt Component	(\$3,464,292)		
12	Jurisdictional Rate Base Percentage	<u>87.77%</u>		
13	KY Juris. Adjustments to Total Co. Capitalization Long-Term Debt Component (Line 11 x Line 12)	(\$3,040,609)		
14	Adjustments to KY Juris. Adjustments Capitalization Long-Term Debt Component (Environmental Surcharge 2001 Plan)	<u>(\$37,295,093)</u>		
15	Total Adjustments to Long-Term Debt Component (Line 13+Line 14)	(\$40,335,702)		
16	Applicable Cost of Debt Rate		3.10% (b)	
17	Interest Expense Increase (Decrease) (Line 15 x Line 16)			<u>(\$1,248,750)</u>
18	Adjustments to KY Juris. Adjustments Capitalization Long-Term Debt Component (Environmental Surcharge 1994 Plan)	(\$65,256,133)		
19	Applicable Cost of Debt Rate		4.31% (b)	
20	Interest Expense Increase (Decrease) (Line 18 x Line 19)			<u>(\$2,810,803)</u>
21	TOTAL INTEREST EXPENSE INCREASE (DECREASE)			(\$4,070,331)
22	INCREASE (DECREASE) TO JURISDICTIONAL INCOME TAXES (@40.3625% effective rate)			<u><u>\$1,642,887</u></u>

Notes: (a) - From Form 3d
(b) - From Form 3b (Annual Interest/Principal Amount)

KENTUCKY UTILITIES COMPANY

Adjusted Jurisdictional Capitalization 13-Month Average for 2003

1	2	3	4	5	6	7
	Total Company 13-Month Average <small>(From Form 3, Page 3)</small>	Adjustments to Total Co. Capitalization <small>(From Form 3, Page 3)</small>	Adjusted Total Company Capitalization <small>(Col 2 + Col 3)</small>	Capital Structure <small>(Col 4 / Col 4, Line 6)</small>	Jurisdictional Rate Base Percentage <small>(From Form 3e)</small>	KY Juris. Capitalization <small>(Col 4 x Col 6)</small>
1	Short Term Debt	(\$672,813)	\$112,509,831	7.01%	87.77%	\$98,749,879
2	A/R Securitization	(\$296,024)	\$48,927,053	3.05%	87.77%	\$42,943,275
3	Long Term Debt	(\$3,464,292)	\$568,403,287	35.41%	87.77%	\$498,887,565
4	Preferred Stock	(\$240,602)	\$39,759,398	2.48%	87.77%	\$34,896,823
5	Common Equity	(\$12,775,431)	\$835,590,795	52.05%	87.77%	\$733,398,041
6	Total Capitalization	(\$17,449,162)	\$1,605,190,364	100.00%		\$1,408,875,583

1	7	8	9	10
	KY Juris. Capitalization	Adjustments to KY Juris. Capitalization <small>(From Form 3a)</small>	Adjusted KY Jurisdictional Capitalization <small>(Col 7 + Col 8)</small>	Capital Structure <small>(Col 9 / Col 9, Line 6)</small>
1	Short Term Debt	(\$7,383,186)	\$91,366,693	7.38%
2	A/R Securitization	(\$3,212,370)	\$39,730,905	3.21%
3	Long Term Debt	(\$102,551,226)	\$396,336,339	32.01%
4	Preferred Stock	(\$2,612,026)	\$32,284,797	2.61%
5	Common Equity	(\$54,820,944)	\$678,577,097	54.79%
6	Total Capitalization	(\$170,579,751)	\$1,238,295,832	100.00%

KENTUCKY UTILITIES COMPANY

13-Month Average Capitalization Schedule
Adjustments to Total Company Capitalization

Dec-02								
	Balance Sheet Capitalization	Percent of Total	Undistributed Subsidiary Earnings	Investments in EEI (Adjustment)	Other Investments (Adjustment)	Total Adjustments to Total Co. Capitalization	Adjusted Balance Sheet Capitalization	
Short-Term Debt	119,489,650	7.84%		(563,026)	(76,535)	(639,561)	118,850,089	
A/R Securitization	49,300,000	3.24%		(232,298)	(31,578)	(263,875)	49,036,125	
Long-Term Debt	500,492,329	32.85%		(2,358,260)	(320,575)	(2,678,835)	497,813,474	
Preferred Stock	40,000,000	2.63%		(188,477)	(25,621)	(214,098)	39,785,902	
Common Equity	814,090,923	53.44%	(5,882,212)	(3,835,932)	(521,441)	(10,239,584)	803,851,339	
Total	1,523,372,902	100.00%	(5,882,212)	(7,178,012)	(975,750)	(14,035,973)	1,509,336,929	

Jan-03								
	Balance Sheet Capitalization	Percent of Total	Undistributed Subsidiary Earnings	Investments in EEI (Adjustment)	Other Investments (Adjustment)	Total Adjustments to Total Co. Capitalization	Adjusted Balance Sheet Capitalization	
Short-Term Debt	137,689,650	8.88%		(652,773)	(86,670)	(739,442)	136,950,208	
A/R Securitization	49,300,000	3.18%		(233,726)	(31,032)	(264,759)	49,035,241	
Long-Term Debt	500,492,329	32.29%		(2,372,783)	(315,039)	(2,687,822)	497,804,507	
Preferred Stock	40,000,000	2.58%		(189,636)	(25,178)	(214,814)	39,785,186	
Common Equity	822,662,440	53.07%	(6,053,278)	(3,900,159)	(517,831)	(10,471,268)	812,191,172	
Total	1,550,144,419	100.00%	(6,053,278)	(7,349,078)	(975,750)	(14,378,105)	1,535,766,314	

Feb-03								
	Balance Sheet Capitalization	Percent of Total	Undistributed Subsidiary Earnings	Investments in EEI (Adjustment)	Other Investments (Adjustment)	Total Adjustments to Total Co. Capitalization	Adjusted Balance Sheet Capitalization	
Short-Term Debt	131,789,650	8.55%		(644,141)	(83,521)	(727,662)	131,061,988	
A/R Securitization	49,300,000	3.20%		(240,961)	(31,243)	(272,204)	49,027,796	
Long-Term Debt	502,104,937	32.57%		(2,454,112)	(318,205)	(2,772,317)	499,332,620	
Preferred Stock	40,000,000	2.59%		(195,506)	(25,350)	(220,856)	39,779,144	
Common Equity	818,443,427	53.09%	(6,239,184)	(4,000,263)	(518,681)	(10,758,128)	807,685,299	
Total	1,541,638,014	100.00%	(6,239,184)	(7,534,984)	(977,000)	(14,751,167)	1,526,886,847	

Mar-03								
	Balance Sheet Capitalization	Percent of Total	Undistributed Subsidiary Earnings	Investments in EEI (Adjustment)	Other Investments (Adjustment)	Total Adjustments to Total Co. Capitalization	Adjusted Balance Sheet Capitalization	
Short-Term Debt	174,530,542	10.97%		(845,002)	(87,868)	(932,870)	173,597,672	
A/R Securitization	49,300,000	3.10%		(238,689)	(24,820)	(263,509)	49,036,490	
Long-Term Debt	501,804,312	31.54%		(2,429,520)	(252,638)	(2,682,156)	499,122,156	
Preferred Stock	40,000,000	2.51%		(193,663)	(20,138)	(213,801)	39,786,199	
Common Equity	825,367,568	51.88%	(6,407,148)	(3,996,074)	(415,536)	(10,818,758)	814,548,810	
Total	1,591,002,422	100.00%	(6,407,148)	(7,702,948)	(801,000)	(14,911,095)	1,576,091,327	

Apr-03								
	Balance Sheet Capitalization	Percent of Total	Undistributed Subsidiary Earnings	Investments in EEI (Adjustment)	Other Investments (Adjustment)	Total Adjustments to Total Co. Capitalization	Adjusted Balance Sheet Capitalization	
Short-Term Debt	74,630,542	4.68%		(367,842)	(37,502)	(405,344)	74,225,198	
A/R Securitization	49,300,000	3.09%		(242,992)	(24,774)	(267,765)	49,032,235	
Long-Term Debt	601,804,312	37.75%		(2,966,194)	(302,411)	(3,268,606)	598,535,706	
Preferred Stock	40,000,000	2.51%		(197,153)	(20,100)	(217,254)	39,782,746	
Common Equity	828,268,957	51.96%	(6,560,782)	(4,082,401)	(416,212)	(11,059,394)	817,209,563	
Total	1,594,003,811	100.00%	(6,560,782)	(7,856,582)	(801,000)	(15,218,363)	1,578,785,448	

May-03								
	Balance Sheet Capitalization	Percent of Total	Undistributed Subsidiary Earnings	Investments in EEI (Adjustment)	Other Investments (Adjustment)	Total Adjustments to Total Co. Capitalization	Adjusted Balance Sheet Capitalization	
Short-Term Debt	88,230,542	5.50%		(443,272)	(44,088)	(487,360)	87,743,182	
A/R Securitization	49,300,000	3.07%		(247,684)	(24,635)	(272,319)	49,027,681	
Long-Term Debt	601,804,312	37.48%		(3,023,478)	(300,718)	(3,324,196)	598,480,116	
Preferred Stock	40,000,000	2.49%		(200,961)	(19,988)	(220,949)	39,779,051	
Common Equity	826,148,956	51.46%	(6,770,186)	(4,150,590)	(412,821)	(11,333,597)	814,815,359	
Total	1,605,483,810	100.00%	(6,770,186)	(8,065,986)	(802,250)	(15,638,421)	1,589,845,389	

Jun-03								
	Balance Sheet Capitalization	Percent of Total	Undistributed Subsidiary Earnings	Investments in EEI (Adjustment)	Other Investments (Adjustment)	Total Adjustments to Total Co. Capitalization	Adjusted Balance Sheet Capitalization	
Short-Term Debt	146,430,542	9.06%		(803,738)	(73,014)	(876,752)	145,553,790	
A/R Securitization	49,300,000	3.05%		(270,601)	(24,582)	(295,184)	49,004,816	
Long-Term Debt	540,687,870	33.47%		(2,967,764)	(269,602)	(3,237,366)	537,450,504	
Preferred Stock	40,000,000	2.48%		(219,555)	(19,945)	(239,500)	39,760,500	
Common Equity	838,988,917	51.94%	(7,570,957)	(4,605,099)	(418,344)	(12,594,399)	826,394,517	
Total	1,615,407,329	100.00%	(7,570,957)	(8,866,757)	(805,488)	(17,243,201)	1,598,164,127	

Jul-03								
	Balance Sheet Capitalization	Percent of Total	Undistributed Subsidiary Earnings	Investments in EEI (Adjustment)	Other Investments (Adjustment)	Total Adjustments to Total Co. Capitalization	Adjusted Balance Sheet Capitalization	
Short-Term Debt	167,830,542	10.19%		(991,955)	(81,232)	(1,073,187)	166,757,355	
A/R Securitization	49,300,000	2.99%		(291,385)	(23,862)	(315,247)	48,984,753	
Long-Term Debt	540,687,870	32.84%		(3,195,711)	(261,699)	(3,457,411)	537,230,459	
Preferred Stock	40,000,000	2.43%		(236,418)	(19,360)	(255,779)	39,744,221	
Common Equity	848,407,758	51.54%	(8,434,146)	(5,014,476)	(410,640)	(13,859,261)	834,548,497	
Total	1,646,226,170	100.00%	(8,434,146)	(9,729,946)	(796,793)	(18,960,885)	1,627,265,286	

KENTUCKY UTILITIES COMPANY

13-Month Average Capitalization Schedule
Adjustments to Total Company Capitalization

Aug-03

	Balance Sheet Capitalization	Percent of Total	Undistributed Subsidiary Earnings	Investments in EEI (Adjustment)	Other Investments (Adjustment)	Total Adjustments to Total Co. Capitalization	Adjusted Balance Sheet Capitalization
Short-Term Debt	88,630,542	5.36%		(534,601)	(42,770)	(577,370)	88,053,172
A/R Securitization	49,300,000	2.98%		(297,367)	(23,790)	(321,157)	48,978,843
Long-Term Debt	615,687,870	37.23%		(3,713,698)	(297,106)	(4,010,805)	611,677,065
Preferred Stock	40,000,000	2.42%		(241,271)	(19,302)	(260,574)	39,739,426
Common Equity	860,172,616	52.01%	(8,679,516)	(5,188,378)	(415,085)	(14,282,979)	845,889,637
Total	1,653,791,028	100.00%	(8,679,516)	(9,975,316)	(798,053)	(19,452,885)	1,634,338,143

Sep-03

	Balance Sheet Capitalization	Percent of Total	Undistributed Subsidiary Earnings	Investments in EEI (Adjustment)	Other Investments (Adjustment)	Total Adjustments to Total Co. Capitalization	Adjusted Balance Sheet Capitalization
Short-Term Debt	98,730,542	5.91%		(605,059)	(47,159)	(652,218)	98,078,324
A/R Securitization	49,300,000	2.95%		(302,129)	(23,549)	(325,678)	48,974,322
Long-Term Debt	613,712,167	36.73%		(3,761,064)	(293,144)	(4,054,208)	609,657,959
Preferred Stock	40,000,000	2.39%		(245,135)	(19,106)	(264,242)	39,735,758
Common Equity	869,020,543	52.01%	(8,943,279)	(5,325,692)	(415,094)	(14,684,065)	854,336,478
Total	1,670,763,252	100.00%	(8,943,279)	(10,239,079)	(798,053)	(19,980,411)	1,650,782,841

Oct-03

	Balance Sheet Capitalization	Percent of Total	Undistributed Subsidiary Earnings	Investments in EEI (Adjustment)	Other Investments (Adjustment)	Total Adjustments to Total Co. Capitalization	Adjusted Balance Sheet Capitalization
Short-Term Debt	92,430,542	5.51%		(575,143)	(43,989)	(619,132)	91,811,410
A/R Securitization	49,300,000	2.94%		(306,796)	(23,463)	(330,259)	48,969,771
Long-Term Debt	613,712,167	36.60%		(3,818,784)	(292,074)	(4,110,858)	609,601,309
Preferred Stock	40,000,000	2.39%		(248,897)	(19,037)	(267,934)	39,732,066
Common Equity	881,443,952	52.56%	(9,138,517)	(5,484,727)	(419,491)	(15,042,735)	866,401,217
Total	1,676,886,661	100.00%	(9,138,517)	(10,434,317)	(798,053)	(20,370,887)	1,656,515,774

Nov-03

	Balance Sheet Capitalization	Percent of Total	Undistributed Subsidiary Earnings	Investments in EEI (Adjustment)	Other Investments (Adjustment)	Total Adjustments to Total Co. Capitalization	Adjusted Balance Sheet Capitalization
Short-Term Debt	107,730,542	6.35%		(674,814)	(50,382)	(725,196)	107,005,346
A/R Securitization	47,600,000	2.81%		(298,162)	(22,261)	(320,423)	47,279,577
Long-Term Debt	613,712,167	36.17%		(3,844,233)	(287,015)	(4,131,248)	609,580,919
Preferred Stock	40,000,000	2.36%		(250,556)	(18,707)	(269,263)	39,730,737
Common Equity	887,796,796	52.32%	(9,333,036)	(5,561,072)	(415,197)	(15,309,305)	872,487,491
Total	1,696,839,505	100.00%	(9,333,036)	(10,628,836)	(793,562)	(20,755,434)	1,676,084,070

Dec-03

	Balance Sheet Capitalization	Percent of Total	Undistributed Subsidiary Earnings	Investments in EEI (Adjustment)	Other Investments (Adjustment)	Total Adjustments to Total Co. Capitalization	Adjusted Balance Sheet Capitalization
Short-Term Debt	43,230,542	2.50%		(270,630)	(19,844)	(290,474)	42,940,068
A/R Securitization	50,000,000	2.89%		(313,007)	(22,952)	(335,959)	49,664,041
Long-Term Debt	687,575,889	39.77%		(4,304,327)	(315,623)	(4,619,949)	682,955,940
Preferred Stock	40,000,000	2.31%		(250,406)	(18,361)	(268,767)	39,731,233
Common Equity	907,948,092	52.52%	(9,526,459)	(5,683,889)	(416,782)	(15,627,130)	892,320,962
Total	1,728,754,523	100.00%	(9,526,459)	(10,822,259)	(793,562)	(21,142,280)	1,707,612,243

13 Month Total (\$)

	Balance Sheet Capitalization	Percent of Total	Undistributed Subsidiary Earnings	Investments in EEI (Adjustment)	Other Investments (Adjustment)	Total Adjustments to Total Co. Capitalization	Adjusted Balance Sheet Capitalization
Short-Term Debt	1,471,374,370	6.98%		(7,971,993)	(774,576)	(8,746,569)	1,462,627,801
A/R Securitization	639,900,000	3.03%		(3,515,768)	(332,541)	(3,848,309)	636,051,691
Long-Term Debt	7,434,278,531	35.24%		(41,209,948)	(3,825,848)	(45,035,796)	7,389,242,735
Preferred Stock	520,000,000	2.47%		(2,857,635)	(270,194)	(3,127,829)	516,872,171
Common Equity	11,028,760,944	52.28%	(99,538,697)	(60,828,753)	(5,713,154)	(166,080,604)	10,862,680,340
Total	21,094,313,845	100.00%	(99,538,697)	(116,384,097)	(10,916,313)	(226,839,108)	20,867,474,737

13-Month Average (\$)

	Balance Sheet Capitalization	Percent of Total	Undistributed Subsidiary Earnings	Investments in EEI (Adjustment)	Other Investments (Adjustment)	Total Adjustments to Total Co. Capitalization	Adjusted Balance Sheet Capitalization
Short-Term Debt	113,182,644	6.98%		(613,230)	(59,583)	(672,813)	112,509,831
A/R Securitization	49,223,077	3.03%		(270,444)	(25,580)	(296,024)	48,927,053
Long-Term Debt	571,867,579	35.24%		(3,169,996)	(294,296)	(3,464,292)	568,403,287
Preferred Stock	40,000,000	2.47%		(219,818)	(20,784)	(240,602)	39,759,398
Common Equity	848,366,226	52.28%	(7,656,823)	(4,679,135)	(439,473)	(12,775,431)	835,590,795
Total	1,622,639,527	100.00%	(7,656,823)	(8,952,623)	(839,716)	(17,449,162)	1,605,190,364

KENTUCKY UTILITIES COMPANY

Form 3a

Adjustments to Kentucky Jurisdictional Capitalization 13-Month Average for 2003

1	2	3	4	5	6	
	Kentucky Jurisdictional Capitalization <small>(From Form 3, Col 7)</small>	Percent of Total	Environmental Surcharge 1994 Plan <small>(Direct to LTD)</small>	Environmental Surcharge 2001 Plan <small>(Col 3 x Col 5, Line 6)</small>	Adjustments to KY Juris. Capitalization <small>(Col 4 + Col 5)</small>	
1	Short Term Debt	\$98,749,879	7.01%		(\$7,383,186)	(\$7,383,186)
2	A/R Securitization	\$42,943,275	3.05%		(\$3,212,370)	(\$3,212,370)
3	Long Term Debt	\$498,887,565	35.41%	(\$65,256,133)	(\$37,295,093)	(\$102,551,226)
4	Preferred Stock	\$34,896,823	2.48%		(\$2,612,026)	(\$2,612,026)
5	Common Equity	\$733,398,041	52.05%		(\$54,820,944)	(\$54,820,944)
6		<u>\$1,408,875,583</u>		<u>(\$65,256,133) (a)</u>	<u>(\$105,323,619) (b)</u>	<u>(\$170,579,751)</u>

Notes: (a) - From Form 3f, Col. 6
(b) - From Form 3f, Col. 7

KENTUCKY UTILITIES COMPANY

Form 3b

Cost of Long-Term Debt
13-Month Average for 2003

1	2	3	4	5	6	7	8	9	10	11
	Principal Amount	Interest Expense	Amortized Loss	Total Cost (Col. 3+Col. 4)	Embedded Cost (Col. 5/Col. 2)	Environmental Compliance Rate Base (1) (Form 31, Page 2, Col. K)	Environmental Interest Expense (1) (Form 31, Page 2, Col. M)	Adjusted Principal Amount (Col. 2+Col. 7)	Adjusted Total Cost (Col. 5+Col. 9)	Adjusted Embedded Cost (Col. 10/Col. 9)
Dec-02	\$484,830,000	\$14,770,235	\$890,568	\$15,660,803	3.23%	\$101,791,421	\$6,382,322	\$383,038,579	\$9,278,481	2.42%
Jan-03	\$484,830,000	\$14,369,890	\$890,568	\$15,260,458	3.15%	\$101,204,056	\$6,345,494	\$383,625,944	\$8,914,964	2.32%
Feb-03	\$484,830,000	\$14,012,345	\$890,568	\$14,902,913	3.07%	\$100,724,286	\$6,315,413	\$384,105,714	\$8,587,500	2.24%
Mar-03	\$484,830,000	\$14,070,025	\$890,568	\$14,960,593	3.09%	\$100,126,161	\$6,277,910	\$384,703,839	\$8,682,683	2.26%
Apr-03	\$584,830,000	\$18,593,120	\$890,568	\$19,483,688	3.33%	\$99,570,722	\$6,243,084	\$485,259,278	\$13,240,604	2.73%
May-03	\$584,830,000	\$18,809,096	\$890,568	\$19,699,664	3.37%	\$99,011,960	\$6,208,050	\$485,818,040	\$13,491,614	2.78%
Jun-03	\$522,830,000	\$14,485,773	\$730,188	\$15,215,961	2.91%	\$98,386,528	\$6,168,835	\$424,443,472	\$9,047,126	2.13%
Jul-03	\$522,830,000	\$14,061,931	\$730,188	\$14,792,119	2.83%	\$97,827,438	\$6,133,780	\$425,002,562	\$8,638,339	2.04%
Aug-03	\$597,830,000	\$17,960,587	\$730,188	\$18,690,775	3.13%	\$97,271,631	\$6,098,931	\$500,558,369	\$12,591,844	2.52%
Sep-03	\$597,830,000	\$17,914,584	\$730,260	\$18,644,844	3.12%	(\$10,856,652)	(\$4,895,457)	\$608,686,652	\$23,540,301	3.87%
Oct-03	\$597,830,000	\$18,157,152	\$730,260	\$18,887,412	3.16%	(\$11,562,520)	(\$4,904,210)	\$609,392,520	\$23,791,622	3.90%
Nov-03	\$597,830,000	\$16,879,304	\$730,260	\$17,609,564	2.95%	(\$12,232,576)	(\$4,912,518)	\$610,062,576	\$22,522,082	3.69%
Dec-03	\$672,830,000	\$18,867,668	\$809,484	\$19,677,152	2.92%	(\$12,932,730)	(\$4,921,200)	\$685,762,730	\$24,598,352	3.59%
13-Month Average	\$555,291,538	\$16,380,901	\$810,326	\$17,191,227	3.10%	\$65,256,133	\$2,810,803	\$490,035,406	\$14,380,424	2.93%

Notes: (1) - Environmental Surcharge Rolled-In to Base Rates Pursuant to Commission's Order in Case No 2003-00068.

KENTUCKY UTILITIES COMPANY

Form 3c

Cost of Preferred Stock
13-Month Average for 2003

1	2	3	4	5	6	7
	Principal Amount	Expense	Gain	Adjusted Principal <small>(Col 2+Col 3+Col 4)</small>	Dividends	Embedded Cost <small>(Col 6/Col 5)</small>
Dec-02	\$40,000,000	(\$273,105)	\$0	\$39,726,895	\$2,256,000	5.68%
Jan-03	\$40,000,000	(\$273,105)	\$0	\$39,726,895	\$2,256,000	5.68%
Feb-03	\$40,000,000	(\$273,105)	\$0	\$39,726,895	\$2,256,000	5.68%
Mar-03	\$40,000,000	(\$273,105)	\$0	\$39,726,895	\$2,256,000	5.68%
Apr-03	\$40,000,000	(\$273,105)	\$0	\$39,726,895	\$2,256,000	5.68%
May-03	\$40,000,000	(\$273,105)	\$0	\$39,726,895	\$2,256,000	5.68%
Jun-03	\$40,000,000	(\$273,105)	\$0	\$39,726,895	\$2,256,000	5.68%
Jul-03	\$40,000,000	(\$273,105)	\$0	\$39,726,895	\$2,256,000	5.68%
Aug-03	\$40,000,000	(\$273,105)	\$0	\$39,726,895	\$2,256,000	5.68%
Sep-03	\$40,000,000	(\$273,105)	\$0	\$39,726,895	\$2,256,000	5.68%
Oct-03	\$40,000,000	(\$273,105)	\$0	\$39,726,895	\$2,256,000	5.68%
Nov-03	\$40,000,000	(\$273,105)	\$0	\$39,726,895	\$2,256,000	5.68%
Dec-03	\$40,000,000	(\$273,105)	\$0	\$39,726,895	\$2,256,000	5.68%
13-Month Average	\$40,000,000	(\$273,105)	\$0	\$39,726,895	\$2,256,000	5.68%

KENTUCKY UTILITIES COMPANY

Form 3d

Cost of Short Term Debt 13-Month Average for 2003

1	2	3	4	5	6
	Principal Amount	Interest Expense	Amortized Loss	Total Cost <small>(Col 3 + Col 4)</small>	Embedded Cost <small>(Col 5 / Col 2)</small>
SHORT TERM DEBT					
Dec-02	\$119,489,650	\$1,553,365	\$0	\$1,553,365	1.300%
Jan-03	\$137,689,650	\$1,776,196	\$0	\$1,776,196	1.290%
Feb-03	\$131,789,650	\$1,673,729	\$0	\$1,673,729	1.270%
Mar-03	\$174,530,542	\$2,181,632	\$0	\$2,181,632	1.250%
Apr-03	\$74,630,542	\$880,640	\$0	\$880,640	1.180%
May-03	\$88,230,542	\$1,049,943	\$0	\$1,049,943	1.190%
Jun-03	\$146,430,542	\$1,771,810	\$0	\$1,771,810	1.210%
Jul-03	\$167,830,542	\$1,678,305	\$0	\$1,678,305	1.000%
Aug-03	\$88,630,542	\$930,621	\$0	\$930,621	1.050%
Sep-03	\$98,730,542	\$1,046,544	\$0	\$1,046,544	1.060%
Oct-03	\$92,430,542	\$979,764	\$0	\$979,764	1.060%
Nov-03	\$107,730,542	\$1,131,171	\$0	\$1,131,171	1.050%
Dec-03	\$43,230,542	\$432,305	\$0	\$432,305	1.000%
13-Month Average	\$113,182,644	\$1,314,310	\$0	\$1,314,310	1.161%

Cost of Accounts Receivable Securitization 13-Month Average for 2003

1	2	3	4	5	6
	Principal Amount	Interest Expense	Fees	Total Cost <small>(Col 3 + Col 4)</small>	Embedded Cost <small>(Col 5 / Col 2)</small>
A/R SECURITIZATION					
Dec-02	\$49,300,000	\$683,649	\$149,125	\$832,774	1.689%
Jan-03	\$49,300,000	\$669,730	\$149,125	\$818,855	1.661%
Feb-03	\$49,300,000	\$650,798	\$149,125	\$799,923	1.623%
Mar-03	\$49,300,000	\$638,670	\$149,125	\$787,795	1.598%
Apr-03	\$49,300,000	\$635,070	\$149,125	\$784,195	1.591%
May-03	\$49,300,000	\$634,977	\$149,125	\$784,102	1.590%
Jun-03	\$49,300,000	\$591,745	\$149,125	\$740,870	1.503%
Jul-03	\$49,300,000	\$539,545	\$149,125	\$688,670	1.397%
Aug-03	\$49,300,000	\$532,621	\$149,125	\$681,746	1.383%
Sep-03	\$49,300,000	\$537,597	\$149,125	\$686,722	1.393%
Oct-03	\$49,300,000	\$537,383	\$149,125	\$686,508	1.393%
Nov-03	\$47,600,000	\$518,053	\$147,000	\$665,053	1.397%
Dec-03	\$50,000,000	\$549,693	\$150,000	\$699,693	1.399%
13-Month Average	\$49,223,077	\$593,810	\$149,029	\$742,839	1.509%

KENTUCKY UTILITIES COMPANY

Form 3c

Kentucky Jurisdictional Rate Base
Current Reporting Period - Calendar Year 2003

	1	2	3	4
	Title of Account	Kentucky Jurisdictional Rate Base at 12/31/2003	Other Jurisdictional Rate Base at 12/31/2003	Total Company Rate Base at 12/31/2003
1	Total Utility Plant In Service	\$3,123,627,924	\$473,062,739	\$3,596,690,663
	Add:			
2	Materials & Supplies - 13-Month Average	\$58,596,777	\$9,212,629	\$67,809,406
3	Prepayments - 13-Month Average	\$3,124,806	\$463,553	\$3,588,359
4	Emission Allowances	\$7,091,112	\$1,153,149	\$8,244,261
5	Cash Working Capital Allowance	\$51,501,931	\$5,750,605	\$57,252,536
6	Subtotal	<u>\$120,314,626</u>	<u>\$16,579,936</u>	<u>\$136,894,562</u>
	Deduct:			
7	Accum. Depreciation	\$1,393,268,398	\$223,728,507	\$1,616,996,905
8	Customer Advances	\$1,524,741	\$39,646	\$1,564,387
9	Accum. Defer. Taxes	\$246,388,876	\$42,361,854	\$288,750,730
10	Investment Tax Credit	\$4,894,847	\$964,052	\$5,858,899
11	Subtotal	<u>\$1,646,076,862</u>	<u>\$267,094,059</u>	<u>\$1,913,170,921</u>
12	NET ORIGINAL COST RATE BASE	<u>\$1,597,865,688</u>	<u>\$222,548,616</u>	<u>\$1,820,414,304</u>
13	Percentage of KY Jurisdictional Rate Base to Total Company Rate Base			87.77%

KENTUCKY UTILITIES COMPANY

Form 3f

Environmental Surcharge Components - Rate Base and Operating Statement
Current Reporting Period - Calendar Year 2003

	2	3	4	5	6	7
1	Total Company 13-Month Average (1994 Plan)	Total Company 13-Month Average (2001 Plan)	Allocation Title	Allocation Factor	Kentucky Jurisdictional 13-Month Average (1994 Plan)	Kentucky Jurisdictional 13-Month Average (2001 Plan)
Rate Base Items:						
1 Pollution Control Utility Plant	\$123,206,878	\$6,767,682	DEMPROD	86.013%	\$105,973,932	\$5,821,087
Add:						
2 Pollution Control CWIP excluding AFUDC						
3 Spare Parts (13-Month Average)	\$68,114	\$115,938,764	PRODSYS	86.013%	\$58,587	\$99,722,409
4 Limestone (13-Month Average)	\$940,970	\$0	PRODPLT	84.922%	\$799,091	\$0
5 Emission Allowances	\$47,649	\$0	PRODPLT	84.922%	\$40,465	\$0
6 Subtotal	<u>\$1,084,811</u>	<u>\$115,938,764</u>	DEMPROD	86.013%	<u>\$24,151</u>	<u>\$0</u>
					<u>\$922,293</u>	<u>\$99,722,409</u>
Deduct:						
7 Accum. Depreciation on Pollution Control Utility Plant	\$48,411,394	\$255,632	STMSYS	86.013%	\$41,640,093	\$219,877
8 Accum. Defer. Taxes	\$11,532,507	\$281,701	PRODSYS	86.013%	\$9,919,455	\$242,300
9 Investment Tax Credit	(\$123,631)	\$0	PRODPLT	84.922%	(\$104,990)	\$0
10 Subtotal	<u>\$59,820,270</u>	<u>\$537,333</u>			<u>\$51,454,557</u>	<u>\$462,177</u>
11 NET ORIGINAL COST RATE BASE	<u>\$64,471,420</u>	<u>\$122,169,113</u>			<u>\$55,441,668</u>	<u>\$105,081,319</u>
	1994 and 2001 Plan				1994 and 2001 Plan	
Operating Statement Items:						
12 Surcharge Revenues	\$22,981,691		KY RETAIL	100.000%	\$22,981,691	
13 Proceeds from Allowance and By-Product Sales	\$763,567		DEMPROD	86.013%	\$656,767	
14 Total Revenues	<u>\$23,745,258</u>				<u>\$23,638,458</u>	
Expenses:						
15 Account No. 502006	\$1,349,528		STMPLT	84.683%	\$1,142,820	
16 Account No. 506001	\$617,414		STMPLT	84.683%	\$522,844	
17 Account Nos. 512005, 512011, and 512017	\$2,475,204		ENERGY	86.022%	\$2,129,220	
18 Depreciation Expense	\$5,069,763		STMSYS	86.013%	\$4,360,655	
19 Property Taxes	\$265,509		NETPLANT	87.540%	\$232,427	
20 Insurance Expense	\$49,784		PLANT	86.843%	\$43,234	
21 Emission Allowance Expense	\$30,403		STMPLT	84.683%	\$25,746	
22 Total Expenses	<u>\$9,857,604</u>				<u>\$8,456,946</u>	

Notes: Environmental Surcharge Rolled-In to Base Rates Pursuant to Commission's Order in Case No 2003-00068.

KENTUCKY UTILITIES COMPANY

Environmental Surcharge Components - Rate Base and Operating Statement
Current Reporting Period - Calendar Year 2003

SOURCE: FILED ES FORM 2.00 PER EXPENSE MONTH 13-MONTH AVERAGE RATE BASE	1994 PLAN																							
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)											
	Utility Plant	Pollution Control	CWIP	Spare Parts	Limestone Allowances	Working Capital	Accum. Depreciation	Accum. Defer Taxes	Investment Tax Credit	Rate Base per ECR Filing	Environmental Surcharge Adjustment to LTD (1)	Authorized Rate of Return (2)	Environmental Interest Expense (3)											
Dec-02 \$	177,048,560	\$	792,731	\$	1,296,219	\$	118,121	\$	74,853	\$	557,066	\$	60,966,695	\$	17,869,042	\$	101,051,813	\$	101,791,421	\$	6,382,322			
Jan-03 \$	177,048,560	\$	793,029	\$	1,332,238	\$	92,316	\$	66,651	\$	556,715	\$	61,651,997	\$	17,812,728	\$	100,424,784	\$	101,204,056	\$	6,345,494			
Feb-03 \$	177,048,560	\$	910,945	\$	1,351,594	\$	96,598	\$	62,327	\$	582,662	\$	62,327,653	\$	17,756,414	\$	99,949,164	\$	100,724,286	\$	6,315,413			
Mar-03 \$	177,048,560	\$	910,945	\$	1,331,594	\$	112,353	\$	60,473	\$	591,453	\$	63,003,309	\$	17,695,700	\$	99,323,165	\$	100,126,161	\$	6,277,910			
Apr-03 \$	177,048,560	\$	910,945	\$	1,317,182	\$	133,056	\$	60,412	\$	599,002	\$	63,688,611	\$	17,639,386	\$	98,741,160	\$	99,570,722	\$	6,243,084			
May-03 \$	177,048,560	\$	910,945	\$	1,366,348	\$	103,846	\$	56,734	\$	592,497	\$	64,354,621	\$	17,583,072	\$	98,141,237	\$	99,011,960	\$	6,208,050			
Jun-03 \$	177,645,273	\$	315,162	\$	1,351,451	\$	69,866	\$	53,280	\$	603,774	\$	65,030,277	\$	17,523,845	\$	97,484,484	\$	98,386,528	\$	6,168,635			
Jul-03 \$	177,645,273	\$	315,162	\$	1,346,661	\$	69,855	\$	83,423	\$	603,316	\$	65,705,933	\$	17,467,531	\$	96,890,226	\$	97,827,438	\$	6,133,780			
Aug-03 \$	177,645,273	\$	315,162	\$	1,343,655	\$	109,554	\$	75,629	\$	627,562	\$	66,381,589	\$	17,411,217	\$	96,324,490	\$	97,271,631	\$	6,098,931			
Sep-03 \$	257,531,425	\$	(1,243,596)	\$	(1,326,402)	\$	76,474	\$	69,415	\$	842,038	\$	95,542,799	\$	29,265,186	\$	135,037,769	\$	140,574,404	\$	6,638,579			
Case No. 2003-00068 Roll-In at May-02 (4)	\$	(176,531,889)	\$	(1,243,596)	\$	(1,261,319)	\$	(138,245)	\$	(117,310)	\$	(853,850)	\$	(56,196,133)	\$	(12,677,294)	\$	(105,329,666)	\$	(105,878,459)	\$	(6,638,579)		
Case No. 2003-00068 Roll-In at May-02 (Pre-1993)	\$	(79,462,882)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(26,493,999)	\$	(40,801)	\$	(39,889,788)	\$	(45,552,596)	\$	-		
Case No. 2003-00068 Roll-In at May-02 (4)	\$	(176,531,889)	\$	(1,243,596)	\$	(1,261,319)	\$	(158,245)	\$	(117,310)	\$	(853,850)	\$	(56,196,133)	\$	(12,640,410)	\$	(105,329,666)	\$	(105,878,459)	\$	(6,638,579)		
Case No. 2003-00068 Roll-In at May-02 (Pre-1993)	\$	(79,462,882)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(26,493,999)	\$	(40,801)	\$	(39,889,788)	\$	(45,552,596)	\$	-		
Case No. 2003-00068 Roll-In at May-02 (4)	\$	(176,531,889)	\$	(1,243,596)	\$	(1,261,319)	\$	(158,245)	\$	(117,310)	\$	(853,850)	\$	(56,196,133)	\$	(12,640,410)	\$	(105,329,666)	\$	(105,878,459)	\$	(6,638,579)		
Case No. 2003-00068 Roll-In at May-02 (Pre-1993)	\$	(79,462,882)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(26,493,999)	\$	(40,801)	\$	(39,889,788)	\$	(45,552,596)	\$	-		
Case No. 2003-00068 Roll-In at May-02 (4)	\$	(176,531,889)	\$	(1,243,596)	\$	(1,261,319)	\$	(158,245)	\$	(117,310)	\$	(853,850)	\$	(56,196,133)	\$	(12,640,410)	\$	(105,329,666)	\$	(105,878,459)	\$	(6,638,579)		
Case No. 2003-00068 Roll-In at May-02 (Pre-1993)	\$	(79,462,882)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	(26,493,999)	\$	(40,801)	\$	(39,889,788)	\$	(45,552,596)	\$	-		
Total	\$	1,601,689,418	\$	885,480	\$	12,232,615	\$	619,441	\$	365,012	\$	5,268,005	\$	629,348,125	\$	149,922,585	\$	(1,607,204)	\$	843,396,465	\$	848,329,725	\$	36,540,436
13-Month Average (Total/13)	\$	123,206,878	\$	68,114	\$	940,970	\$	47,649	\$	28,078	\$	405,231	\$	48,411,394	\$	11,532,507	\$	(123,631)	\$	64,876,651	\$	65,256,133	\$	2,810,803

SOURCE: FILED ES FORM 2.00 PER EXPENSE MONTH 13-MONTH AVERAGE RATE BASE	2001 PLAN													
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	
	Utility Plant	Pollution Control	CWIP	Spare Parts	Limestone Allowances	Working Capital	Accum. Depreciation	Accum. Defer Taxes	Investment Tax Credit	Rate Base per ECR Filing	Environmental Surcharge Adjustment to LTD (1)	Authorized Rate of Return (2)	Environmental Interest Expense (3)	
Dec-02 \$	9,775,541	\$	59,920,721	\$	178,412	\$	208,560	\$	69,309,290	\$	59,794,388	\$	61,416,157	
Jan-03 \$	9,775,541	\$	61,822,416	\$	194,615	\$	224,927	\$	71,178,415	\$	61,416,157	\$	63,455,908	
Feb-03 \$	9,775,541	\$	83,112,479	\$	210,818	\$	241,294	\$	92,435,908	\$	79,714,442	\$	81,364,900	
Mar-03 \$	9,775,541	\$	85,047,529	\$	227,021	\$	257,661	\$	94,338,388	\$	81,364,900	\$	84,938,545	
Apr-03 \$	9,775,541	\$	97,649,203	\$	243,224	\$	274,028	\$	106,907,492	\$	92,190,041	\$	94,938,545	
May-03 \$	9,775,541	\$	100,860,858	\$	259,427	\$	290,395	\$	110,086,577	\$	107,472,538	\$	110,086,577	
Jun-03 \$	9,775,541	\$	115,449,269	\$	275,630	\$	323,129	\$	124,642,418	\$	122,731,469	\$	124,642,418	
Jul-03 \$	9,775,541	\$	133,205,733	\$	291,833	\$	339,496	\$	142,366,312	\$	131,313,013	\$	142,366,312	
Aug-03 \$	9,775,541	\$	143,198,967	\$	308,036	\$	339,496	\$	152,326,976	\$	137,304,066	\$	152,326,976	
Sep-03 \$	9,775,541	\$	150,180,458	\$	324,239	\$	355,863	\$	159,275,897	\$	147,116,246	\$	159,275,897	
Case No. 2003-00068 Roll-In at May-02 (4)	\$	(9,775,541)	\$	(8,787,082)	\$	(81,447)	\$	(81,447)	\$	(15,910,366)	\$	(15,910,366)	\$	(15,910,366)
Case No. 2003-00068 Roll-In at May-02 (4)	\$	(9,775,541)	\$	(8,787,082)	\$	(81,447)	\$	(81,447)	\$	(15,910,366)	\$	(15,910,366)	\$	(15,910,366)
Case No. 2003-00068 Roll-In at May-02 (4)	\$	(9,775,541)	\$	(8,787,082)	\$	(81,447)	\$	(81,447)	\$	(15,910,366)	\$	(15,910,366)	\$	(15,910,366)
Case No. 2003-00068 Roll-In at May-02 (4)	\$	(9,775,541)	\$	(8,787,082)	\$	(81,447)	\$	(81,447)	\$	(15,910,366)	\$	(15,910,366)	\$	(15,910,366)
Case No. 2003-00068 Roll-In at May-02 (4)	\$	(9,775,541)	\$	(8,787,082)	\$	(81,447)	\$	(81,447)	\$	(15,910,366)	\$	(15,910,366)	\$	(15,910,366)
Total	\$	87,979,869	\$	1,507,203,931	\$	11,532,507	\$	3,662,117	\$	1,588,198,466	\$	1,369,207,043	\$	1,369,207,043
13-Month Average (Total/13)	\$	6,767,682	\$	115,938,764	\$	255,632	\$	281,701	\$	122,169,113	\$	105,323,619	\$	105,323,619

NOTES: (1) The Environmental Surcharge Capitalization Adjustment represents the sum of Pollution Control Utility Plant and Pollution Control CWIP plus Spare Parts, Limestone, and Emission Allowances, less Accum. Depreciation pursuant to the PSC Orders in Case No. 98-474 times a jurisdictional factor from Form 3f, page 1, col. 6 / Form 3f, page 1, col. 2 (1994 Plan) or Form 3f, page 1, col. 7 / Form 3f, page 1, col. 3 (2001 Plan).
 (2) The Authorized Rate of Return represents the rate of return approved for the expense month and roll-in period.
 (3) The Environmental Interest Expense represents the product of the Environmental Surcharge Capitalization Adjustment and Authorized Rate of Return for Interest Expense pursuant to the PSC Orders in Case No. 98-474.
 (4) Pursuant to Exhibit CAF-3 in Case No. 2003-00068.

KENTUCKY UTILITIES COMPANY

Environmental Surcharge Components - Rate Base and Operating Statement
Current Reporting Period - Calendar Year 2003

POLLUTION CONTROL OPERATING EXPENSES

I. MONTHLY ECR FILINGS (ES FORM 2.00 AND 2.50) (1)													
	Total 2003	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03
502006 Scrubber Operation	\$1,981,320	\$168,930	\$172,815	\$155,972	\$152,634	\$125,902	\$164,624	\$136,997	\$245,702	\$167,802	\$174,480	\$154,782	\$160,679
506001 CEMS & Precipitators Operation	\$851,400	\$60,991	\$63,377	\$22,688	\$22,282	\$79,111	\$100,190	\$91,757	\$93,767	\$82,592	\$88,740	\$57,848	\$88,057
512005 Scrubber Maintenance	\$562,575	\$54,990	\$29,365	\$58,489	\$44,137	\$132,720	\$71,771	\$63,041	\$37,899	\$21,456	\$19,062	\$12,219	\$17,426
512011 CEMS & Precipitators Maintenance	\$916,447	\$59,848	\$134,384	\$123,543	\$40,169	\$160,390	\$61,403	\$55,468	\$43,321	\$49,039	\$57,160	\$44,804	\$86,918
512017 Ash Handling - Maintenance	\$2,407,337	\$188,093	\$206,534	\$357,177	\$390,480	\$158,268	\$138,123	\$86,380	\$175,368	\$121,132	\$109,631	\$232,559	\$232,559
Depreciation & Amortization Expense for the Month	\$8,250,644	\$620,998	\$620,998	\$620,998	\$620,998	\$620,998	\$620,998	\$620,998	\$620,998	\$620,998	\$620,998	\$620,998	\$620,998
Taxes Other Than Income Taxes for the Month	\$336,158	\$27,289	\$35,979	\$27,289	\$27,289	\$27,289	\$27,289	\$27,289	\$27,289	\$27,289	\$27,289	\$27,289	\$27,289
Insurance Expense on the Month	\$74,676	\$6,223	\$6,223	\$6,223	\$6,223	\$6,223	\$6,223	\$6,223	\$6,223	\$6,223	\$6,223	\$6,223	\$6,223
Insurance Allowance Expense	\$67,319	\$8,202	\$3,779	\$2,399	\$3,541	\$3,678	\$3,455	\$8,247	\$7,794	\$6,214	\$5,493	\$6,739	\$7,780
Surcharge Consultant Fee for the Month	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL EXPENSES	\$15,447,876	\$1,195,564	\$1,273,453	\$1,374,778	\$1,307,753	\$1,314,578	\$1,194,076	\$1,096,400	\$1,258,361	\$1,302,412	\$1,442,704	\$1,240,200	\$1,447,596
Proceeds from Allowance Sales	\$286,166	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$286,166	\$0	\$0	\$0
Proceeds from By-Product Sales	\$607,735	\$35,255	\$55,512	\$39,150	\$58,592	\$63,072	\$52,876	\$0	\$107,031	\$49,946	\$46,606	\$51,128	\$48,566
TOTAL PROCEEDS FROM SALES	\$893,900	\$35,255	\$55,512	\$39,150	\$58,592	\$63,072	\$52,876	\$0	\$107,031	\$336,112	\$46,606	\$51,128	\$48,566

II. BASE RATE ROLL-IN (Exhibit CAF-3) (2)													
	Total Roll-In	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03
502006 Scrubber Operation	(\$631,792)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$157,948)	(\$157,948)	(\$157,948)	(\$157,948)
506001 CEMS & Precipitators Operation	(\$233,986)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$58,497)	(\$58,497)	(\$58,497)	(\$58,497)
512005 Scrubber Maintenance	(\$331,933)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$82,983)	(\$82,983)	(\$82,983)	(\$82,983)
512011 CEMS & Precipitators Maintenance	(\$549,039)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$137,260)	(\$137,260)	(\$137,260)	(\$137,260)
512017 Ash Handling - Maintenance	(\$530,183)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$132,546)	(\$132,546)	(\$132,546)	(\$132,546)
Depreciation & Amortization Expense for the Month (Includes Pre-1993)	(\$3,180,881)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$795,220)	(\$795,220)	(\$795,220)	(\$795,220)
Taxes Other Than Income Taxes for the Month	(\$70,649)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$17,662)	(\$17,662)	(\$17,662)	(\$17,662)
Insurance Expense on the Month	(\$24,892)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$6,223)	(\$6,223)	(\$6,223)	(\$6,223)
Insurance Allowance Expense	(\$36,916)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$9,229)	(\$9,229)	(\$9,229)	(\$9,229)
Surcharge Consultant Fee for the Month	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL EXPENSES	(\$5,590,272)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$1,397,568)	(\$1,397,568)	(\$1,397,568)	(\$1,397,568)
Proceeds from Allowance Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Proceeds from By-Product Sales	(\$130,334)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$32,583)	(\$32,583)	(\$32,583)	(\$32,583)
TOTAL PROCEEDS FROM SALES	(\$130,334)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$32,583)	(\$32,583)	(\$32,583)	(\$32,583)

III. NET OF BASE RATE ROLL-IN (I + II)													
	Total 2003	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03
502006 Scrubber Operation	\$1,349,528	\$168,930	\$172,815	\$155,972	\$152,634	\$125,902	\$164,624	\$136,997	\$245,702	\$9,854	\$16,532	(\$3,166)	\$2,731
506001 CEMS & Precipitators Operation	\$617,414	\$60,991	\$63,377	\$22,688	\$22,282	\$79,111	\$100,190	\$91,757	\$93,767	\$24,095	\$30,243	(\$6,499)	\$29,560
512005 Scrubber Maintenance	\$230,642	\$54,990	\$29,365	\$58,489	\$44,137	\$132,720	\$71,771	\$63,041	\$37,899	(\$61,527)	\$63,921	(\$70,764)	(\$65,579)
512011 CEMS & Precipitators Maintenance	\$367,408	\$59,848	\$134,384	\$123,543	\$40,169	\$160,390	\$61,403	\$55,468	\$43,321	(\$88,221)	(\$80,100)	(\$92,456)	(\$100,342)
512017 Ash Handling - Maintenance	\$1,877,154	\$188,093	\$206,534	\$357,177	\$390,480	\$158,268	\$138,123	\$86,380	\$175,368	(\$11,414)	\$111,046	(\$22,915)	\$100,013
Depreciation & Amortization Expense for the Month	\$5,069,763	\$620,998	\$620,998	\$620,998	\$620,998	\$620,998	\$620,998	\$620,998	\$620,998	\$25,445	\$25,445	\$25,445	\$25,445
Taxes Other Than Income Taxes for the Month	\$265,509	\$27,289	\$35,979	\$27,289	\$27,289	\$27,289	\$27,289	\$27,289	\$27,289	\$9,627	\$9,627	\$9,627	\$9,627
Insurance Expense on the Month	\$49,784	\$6,223	\$6,223	\$6,223	\$6,223	\$6,223	\$6,223	\$6,223	\$6,223	\$6,223	\$6,223	\$6,223	\$6,223
Insurance Allowance Expense	\$30,403	\$8,202	\$3,779	\$2,399	\$3,541	\$3,678	\$3,455	\$8,247	\$7,794	(\$3,015)	(\$3,736)	(\$2,490)	(\$1,449)
Surcharge Consultant Fee for the Month	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL EXPENSES	\$9,857,604	\$1,195,564	\$1,273,453	\$1,374,778	\$1,307,753	\$1,314,578	\$1,194,076	\$1,096,400	\$1,258,361	(\$95,156)	\$45,136	(\$157,368)	\$50,028
Proceeds from Allowance Sales	\$286,166	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$286,166	\$0	\$0	\$0
Proceeds from By-Product Sales	\$477,401	\$35,255	\$55,512	\$39,150	\$58,592	\$63,072	\$52,876	\$0	\$107,031	\$17,362	\$14,022	\$18,545	\$15,983
TOTAL PROCEEDS FROM SALES	\$763,567	\$35,255	\$55,512	\$39,150	\$58,592	\$63,072	\$52,876	\$0	\$107,031	\$303,528	\$14,022	\$18,545	\$15,983

NOTES:
(1) Pollution Control Operating Expense items reflect amounts submitted on the appropriate monthly expense filings.
(2) Pursuant to Exhibit CAF-3 In Case No. 2003-00068.

ENVIRONMENTAL SURCHARGE REVENUES

MONTHLY ECR FILINGS (ES FORM 3.00)													
	Total 2003	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03
Environmental Surcharge Revenues	\$22,981,691	\$2,183,055	\$2,311,836	\$1,905,993	\$1,877,008	\$1,814,947	\$2,085,716	\$2,581,906	\$2,416,293	\$2,803,674	\$2,452,551	(\$105,264)	\$653,976

KENTUCKY UTILITIES COMPANY

Balance Sheet
At December 31, 2003
Assets and Other Debits

Title of Account Column A	No. Col. B	Total Kentucky Utilities Column C	KU Retail Jurisdictional Column D	Other Jurisdictional Column E
Utility Plant				
Utility Plant	101-106	\$ 3,193,144,941	\$ 2,773,022,695	\$ 420,122,246
Plus: Construction Work in Progress	107	403,511,569	350,575,197	52,936,372
Total Utility Plant		\$ 3,596,656,511	\$ 3,123,597,892	\$ 473,058,618
Less: Accumulated Provision for Depreciation	108,111	1,616,996,905	1,393,268,398	223,728,507
Net Utility Plant		\$ 1,979,659,605	\$ 1,730,329,494	\$ 249,330,111
Other Property and Investments				
Non-Utility Property	121	\$ 1,027,089	\$ -	\$ 1,027,089
Less: Accum Prov for Depr and Amortization	122	130,512	-	130,512
Investment in Subsidiary Companies	123.1	14,072,259	-	14,072,259
Non-Current Portion of Allowances	158.1	-	-	-
Other Investments	124	543,562	-	543,562
Special Funds	125-128	5,349,942	-	5,349,942
Total Other Property and Investments		\$ 20,862,341	\$ -	\$ 20,862,341
Current and Accrued Assets				
Cash	131	\$ 4,727,538	\$ 4,149,076	\$ 578,462
Special Deposits	132-134	141,888	124,527	17,361
Working Funds	135	94,873	83,264	11,609
Temporary Cash Investments	136	-	-	-
Customer Accounts Receivable	142	18,335,422	35,463,671	\$ (17,128,249)
Other Accounts Receivable	143	2,607,782	2,288,694	319,088
Less: Accum Prov for Uncollectable Accts-Credit	144	152,616	132,002	20,614
Notes Receivable from Associated Companies	145	21,298,453	-	21,298,453
Accounts Receivable from Associated Companies	146	-	-	-
Fuel	151	45,538,385	39,173,029	6,365,356
Plant Materials and Operating Supplies	154	22,127,209	19,328,905	2,798,304
Allowances	158.1	8,244,262	7,091,112	1,153,150
Less: Non-Current Portion of Allowances	158.1	-	-	-
Stores Expense Undistributed	163	4,966,338	4,338,273	628,065
Prepayments	165	4,208,391	3,748,572	459,819
Interest and Dividends Receivable	171	15,000	13,165	1,835
Accrued Utility Revenues	173	4,074,000	(8,451,000)	12,525,000
Miscellaneous Current Assets -- Mark to Market	174	646,963	567,801	79,162
Total Current and Accrued Assets		\$ 136,873,887	\$ 107,787,087	\$ 29,086,800
Deferred Debits				
Unamortized Debt Expense	181	\$ 4,481,390	\$ 3,933,047	\$ 548,343
Unrecovered Plant and Regulatory Costs	182	-	-	-
Other Regulatory Assets	182.3	64,318,374	51,614,232	12,704,142
Preliminary Survey and Inventory	183	459,943	403,664	56,279
Clearing Accounts	184	-	-	-
Miscellaneous Deferred Debits	186	54,652,502	44,192,862	10,459,640
Unamortized Loss on Re-Acquired Debt	189	10,510,908	9,224,793	1,286,115
Accumulated Deferred Income Taxes	190	66,596,286	56,825,945	9,770,341
Total Deferred Debits		\$ 201,019,403	\$ 166,194,543	\$ 34,824,860
Total Assets and Other Debits		\$ 2,338,415,236	\$ 2,004,311,124	\$ 334,104,112

KENTUCKY UTILITIES COMPANY

Balance Sheet

At December 31, 2003

Liabilities and Other Credits

Title of Account Column A	No. Col. B	Total Kentucky Utilities Column C	KU Retail Jurisdictional Column D	Other JurMsdMctMonal Column E
Proprietary Capital				
Common Stock Issued	201	\$ 308,139,978	\$ 270,010,737	\$ 38,129,241
Preferred Stock Issued	204	40,000,000	35,050,204	4,949,796
Premium on Capital Stock	207	-	-	-
Paid in Capital	208-211	15,000,000	13,143,900	1,856,100
Derivative Cumulative Effect	214200	(6,030,986)	(5,284,712)	(746,274)
Capital Stock Expense	214	(594,394)	(520,844)	(73,550)
Retained Earnings	215-216	581,633,930	509,662,547	71,971,383
Unappropriated Undistributed Subsidiary Earnings	216.1	9,526,459	-	9,526,459
Total Proprietary Capital		\$ 947,674,986	\$ 822,061,832	\$ 125,613,154
Long Term Debt				
Bonds	221	\$ 389,830,000	\$ 341,592,436	\$ 48,237,564
Long Term Debt Marked to Market	221200	14,745,889	12,921,233	1,824,656
Long Term Debt To Associated Companies	233006	283,000,000	247,981,580	35,018,420
Other Long Term Debt	224	-	-	-
Unamortized Premium on Long Term Debt	225	-	-	-
Total Long Term		\$ 687,575,889	\$ 602,495,249	\$ 85,080,640
Other Non-Current Liabilities				
Accumulated Provision for Property Insurance	228.1	-	-	-
Accumulated Provision for Injuries and Damages	228.2	-	-	-
Accumulated Provision for Pensions and Benefits	228.3	112,277,902	98,730,450	13,547,452
Accumulated Miscellaneous Operating Provision	228.4	-	-	-
Total Other Non-Current Liabilities		\$ 112,277,902	\$ 98,730,450	\$ 13,547,452
Current and Accrued Liabilities				
Notes Payable	231	-	-	-
Accounts Payable	232	66,727,169.91	58,675,870	8,051,300
Notes Payable to Associated Companies	233	43,230,542	37,881,195	5,349,347
Accounts Payable to Associated Companies	234	26,426,650	-	26,426,650
Customer Deposits	235	13,453,033	12,855,633	597,400
Taxes Accrued	236	8,802,145	7,265,851	1,536,295
Interest Accrued	237	4,477,984	3,923,879	554,105
Dividends Declared	238	188,000	164,737	23,263
Matured Long Term Bonds/LTD Due in 1 Year	239	-	-	-
Tax Collections Payable	241	3,219,670	2,697,786	521,884
Miscellaneous Current and Accrued Liabilities	242	6,988,146	6,144,957	843,189
Total Current and Accrued Liabilities		\$ 173,513,341	\$ 129,609,907	\$ 43,903,434
Deferred Credits				
Customer Advances for Construction	252	\$ 1,564,387	\$ 1,524,741	\$ 39,646
Accumulated Deferred Investment Tax Credits	255	5,858,899	4,894,847	964,052
Other Deferred Credits	253	12,130,056	11,894,112	235,944
Other Regulatory Liabilities	254	50,267,252	44,202,006	6,065,246
Asset Retirement Obligation	230	19,697,912	17,106,256	2,591,655
Miscellaneous Long Term Liability Due to Associated Companies	234	-	-	-
Accumulated Deferred Income Taxes	281-283	327,854,612	279,755,062	48,099,550
Total Deferred Credits		\$ 417,373,118	\$ 359,377,024	\$ 57,996,094
Total Liabilities and Other Credits		\$ 2,338,415,236	\$ 2,012,274,462	\$ 326,140,774

KENTUCKY UTILITIES COMPANY

Statement of Income

Twelve Months Ended December 31, 2003

Title of Account Column A	No. Col. B	Total Kentucky Utilities Column C	KU Retail Jurisdictional Column D	Other Jurisdictional Column E		
Utility Operating Income						
Operating Revenues:						
Residential Sales	440	\$ 278,461,569	\$ 257,600,508	\$ 20,861,061		
Commercial and Industrial Sales:	442					
Small (or Comm) - Rural Comm & Comm L&P		189,112,835	178,839,511	10,273,324		
Large (or Ind) - Industrial & Mine Power		205,184,838	194,553,098	10,631,740		
Public Street and Highway Lighting	444	7,275,432	7,061,722	213,710		
Other Sales to Public Authorities	445	59,176,911	55,786,646	3,390,265		
Total Sales to Ultimate Consumers		<u>\$ 739,211,587</u>	<u>\$ 693,841,485</u>	<u>\$ 45,370,102</u>		
Sales for Resale	447	138,003,066	65,281,968	72,721,098		
Total Sales of Electricity		<u>\$ 877,214,653</u>	<u>\$ 759,123,453</u>	<u>\$ 118,091,200</u>		
Less: Provision for Refund	449.1	8,534,280	8,129,579	404,701		
Total Revenues Net of Provision for Refund		<u>\$ 868,680,373</u>	<u>\$ 750,993,874</u>	<u>\$ 117,686,499</u>		
Other Operating Revenues:						
Miscellaneous Service Revenues	451	925,651	901,270	24,381		
Rent from Electric Property	454	2,105,613	1,987,426	118,187		
Other Electric Revenues	456	20,066,713	16,006,127	4,060,586		
Total Other Operating Revenues		<u>\$ 23,097,978</u>	<u>\$ 18,894,823</u>	<u>\$ 4,203,155</u>		
Total Operating Revenue		<u>\$ 891,778,351</u>	<u>\$ 769,888,697</u>	<u>\$ 121,889,654</u>		
Operating Expenses:						
Operation Expenses	401	\$ 551,889,934	\$ 479,732,615	\$ 72,157,319		
Maintenance Expenses	402	60,270,511	52,763,931	7,506,580		
Depreciation Expense	403	97,239,877	84,760,773	12,479,104		
Amortization of Limited-Term Electric Plant	404	4,740,498	4,165,182	575,316		
Regulatory Credits	407	(11,322,695)	(9,738,956)	(1,583,739)		
Taxes Other than Income Taxes	408.1	15,888,440	14,144,401	1,744,039		
Income Taxes - Federal	409.1	31,082,440	} Total Income Taxes			
Income Taxes - State	409.1	11,457,238			47,731,000	10,935,838
Provision for Deferred Income Taxes	410.1	61,968,967				
Provision for Deferred Income Taxes - Credit	411.1	(45,841,806)				
Accretion Expense	411.1	1,221,312	1,050,483	170,829		
Investment Tax Credit Adjustment - Net	411.4	-	-	-		
Losses/(Gains) from Disposition of Allowances	411.8	(286,166)	(246,139)	(40,027)		
Total Utility Operating Expenses		<u>\$ 778,308,550</u>	<u>\$ 674,363,290</u>	<u>\$ 103,945,260</u>		
Net Utility Operating Income		<u>\$ 113,469,801</u>	<u>\$ 95,525,407</u>	<u>\$ 17,944,394</u>		

KENTUCKY UTILITIES COMPANY

Statement of Income

Twelve Months Ended December 31, 2003

Title of Account Column A	No. Col. B	Total Kentucky Utilities Column C	KU Retail Jurisdictional Column D	Other Jurisdictional Column E
Other Income and Deductions are not separated on a jurisdictional basis.				
<u>Other Income and Deductions</u>				
Total Other Income		<u>\$ 6,423,324</u>		
Total Other Income Deductions		<u>1,874,615</u>		
Total Taxes on Other income and Deductions		<u>(4,548,101)</u>		
Net Other Income and Deductions		<u>\$ 9,096,810</u>		
<u>Interest Charges</u>				
Interest on Long Term Debt	427	\$ 20,035,785		
Amortization of Debt Discount and Expense	428	286,430		
Amortization of Loss on Re-Acquired Debt	428.1	811,421		
Amortization of Premium on Debt - Credit	429	-		
Amortization of Gain on Re-Acquired Debt - Credit	429.1	-		
Interest on Debt to Associated Companies	430	1,210,161		
Other Interest Expense	431	3,344,090		
Allowance for Borrowed Funds Used During Construction	432	<u>(449,784)</u>		
Net Interest Charges		<u>\$ 25,238,104</u>	<u>\$ 22,599,553</u>	<u>\$ 2,638,551</u>
Net Income		<u>\$ 97,328,507</u>		

APPENDIX B

**KENTUCKY UTILITIES COMPANY
NUMBER AND COST FOR EMPLOYEES AND CONTRACTORS**

	Year 1 Level at 12/31/2001	Year 2 Level at 12/31/2002	Year 2 Change from 12/31/2001	Year 3 Level at 12/31/2003	Year 3 Change from 12/31/2001	Year 4 Level at 12/31/2004	Year 4 Change from 12/31/2001	Year 5 Level at 12/31/2005	Year 5 Change from 12/31/2001
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Pursuant to PSC Order dated December 3, 2001 in Case Nos. 2001-055, 2001-140, 2001-169

Employee Headcount for permanent full-time and part-time employees. Includes the number of KU Utility employees and LG&E Energy Services employees working on behalf of KU Utility.

1,281	1,280	(1)	1,283	2					
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Employee Labor Cost data includes burdened labor costs for KU Utility employees and LG&E Energy Services employees charged to KU Utility.

\$79,179,107	\$84,596,426	\$5,417,319	\$93,294,055	\$14,114,948					
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Contractor Cost data for amounts charged to KU Utility. KU engages contractors on a task basis, leaving it to the contractor to determine how many employees are needed on a daily basis to complete the assigned tasks. Therefore, the specific number of contractors utilized is not available.

\$42,096,562	\$55,065,901	\$12,969,339	\$57,322,911	\$15,226,349					
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