

KENTUCKY UTILITIES COMPANY

CASE NO. 2005-00351

Response to the Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 7

Responding Witness: Valerie L. Scott

- Q-7. Refer to page 8 of the Scott Testimony and Reference Schedule 1.43 of Blake Exhibit 1 concerning the adjustment to annualize the administrative expenses associated with the Midwest Independent System Operator's ("MISO") "Day 2" market.
- a. Provide the supporting workpapers for the proposed adjustment, including all calculations and assumptions. Identify the specific accounts in which the amounts were recorded.
 - b. The adjustment is based on annualizing the expenses incurred for the 5 months from April through August of 2005. Provide the expense incurred for the month of September 2005 and identify the specific accounts in which the amounts were recorded.
- A-7. a. Please see attached.
- b. The amount booked to account #557202 for Schedule 16 charges was \$37,512.79 for September 2005. Schedule 17 charges booked to accounts #557203 and #557201 amounted to \$218,840.34 for September 2005.

MISO Summary

	Apr-2005	May-2005	Jun-2005	Jul-2005	Aug-2005	April -June
Sch 16 - FTR Admin Fee						
LG&E	37,402	49,359	8,645	22,090	48,206	95,406
KU	61,549	72,460	8,740	18,718	43,449	142,750
Total	98,951	121,819	17,385	40,808	91,655	238,155
Sch 17- DA/RT Admin Fee						
LG&E	180,249	220,700	235,570	291,431	287,897	636,519
KU	271,821	289,298	315,245	415,387	398,360	876,365
Total	452,070	509,998	550,815	706,818	686,257	1,512,883
Total Sch 16 & 17						
LG&E	217,650	270,058	244,216	313,521	336,103	731,924
KU	333,371	361,759	323,985	434,104	441,809	1,019,114
Total	551,021	631,817	568,200	747,625	777,912	1,751,038

NOTE:

Amount represents charges per the most recent settlement statements, or estimated amounts for days with no settlement statement, as of each month end allocated based upon an allocation methodology.

Schedule 16 administrative costs for native load are allocated between companies based on the percent of FTR volume.

Schedule 16 administrative costs are not allocated to OSS.

Schedule 17 administrative costs for native load are allocated between companies based on the percent of load.

Schedule 17 administrative costs for OSS are allocated between companies based on the percent of generation contributed.

Acct #	Description	Jan-2005		Feb-2005		Mar-2005		Apr-2005		May-2005		Jun-2005		Jul-2005		Aug-2005		2005 YTD			
		MWH	Dollars	MWH	Dollars																
456001	Schedule 7, 8, 14, 18 - OSS	(672,468.72)	(705,566.21)	(654,287.58)	(642,666.90)	(301,723.18)	(359,897.02)	(32,768.64)	(435,035.87)	(435,035.87)	(32,768.64)	(435,035.87)	(32,768.64)	(435,035.87)	(32,768.64)	(435,035.87)	(32,768.64)	(435,035.87)	(32,768.64)	(435,035.87)	
456002	Schedule 1 - OSS	(23,338.50)	(18,125.41)	(14,876.83)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	
456003	Schedule 2 - OSS	(36,724.20)	(29,317.10)	(22,603.78)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	
565006	Transmission Etc OSS - MISO	14,129.28	(8,352.03)	444,788.03	320,355.35	1,945	267,544.24	2,409	347,282.73	2,793	383,850.76	3,114	437,687.88	3,002	412,821.63	13,234	3,031,784.30	13,234	3,031,784.30	13,234	3,031,784.30
566102	MISO Schedule 10 - OSS	5,068.00	3,658.00	14,137.73	10,106.63	68	5,498.84	68	5,498.84	68	5,498.84	68	5,498.84	68	5,498.84	68	5,498.84	68	5,498.84	68	5,498.84
566104	MISO FERC Fees - OSS	(9,332.14)	(152,824.17)	(152,824.17)	(414,847.94)	2	10,711.06	2	10,711.06	68	3,984.50	142	4,813.99	2,249	3,521.15	1,009	(146,416.66)	3,470	(1,603,489.91)	3,470	(1,603,489.91)
456002	Schedule 7, 8, 14, 18 - NL	(892,079.66)	(239,077.69)	(554,287.58)	(642,666.90)	(301,723.18)	(359,897.02)	(32,768.64)	(435,035.87)	(435,035.87)	(32,768.64)	(435,035.87)	(32,768.64)	(435,035.87)	(32,768.64)	(435,035.87)	(32,768.64)	(435,035.87)	(32,768.64)	(435,035.87)	
456002	Schedule 1 - NL	(14,632.61)	(11,912.50)	(14,876.83)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	(11,912.50)	
456002	Schedule 2 - NL	(34,838.54)	(32,507.53)	(22,603.78)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	(33,507.53)	
566101	MISO Schedule 10 - NL	429,229.69	326,174.81	444,788.03	320,355.35	1,945	267,544.24	2,409	347,282.73	2,793	383,850.76	3,114	437,687.88	3,002	412,821.63	13,234	3,031,784.30	13,234	3,031,784.30	13,234	3,031,784.30
566109	MISO Schedule 18 - NL	7,807.19	8,118.76	7,807.19	8,118.76	7,807.19	8,118.76	7,807.19	8,118.76	7,807.19	8,118.76	7,807.19	8,118.76	7,807.19	8,118.76	7,807.19	8,118.76	7,807.19	8,118.76	7,807.19	8,118.76
566103	MISO FERC Fees - NL	73,892.00	73,892.00	73,892.00	73,892.00	73,892.00	73,892.00	73,892.00	73,892.00	73,892.00	73,892.00	73,892.00	73,892.00	73,892.00	73,892.00	73,892.00	73,892.00	73,892.00	73,892.00	73,892.00	
	Subtotal Day 1 NL	(430,931.93)	(600,035.12)	(430,931.93)	(600,035.12)	(430,931.93)	(600,035.12)	(430,931.93)	(600,035.12)	(430,931.93)	(600,035.12)	(430,931.93)	(600,035.12)	(430,931.93)	(600,035.12)	(430,931.93)	(600,035.12)	(430,931.93)	(600,035.12)	(430,931.93)	
447016	Regular Sales-OSS																				
447109	Power Sales-OSS																				
447209	Renewable Sales-OSS																				
447309	Renewable Purch-OSS																				
557201	Sch 17: DART Admin Fee-OSS																				
557205	RSG Make Whole Payment-OSS																				
557205	RSG Distribution Amount - OSS																				
557205	Revenue Neutrality Uplift - OSS																				
557205	Other-OSS																				
	Day 2 OSS																				
	Generation fuel for MISO sales																				
	Internal replacement purch from LGE fuel																				
	Subtotal Day 2 OSS																				
555007	Purchases-NL																				
557202	Sch 16 - FTR Admin Fee-NL																				
557203	Sch 17: DART Admin Fee-NL																				
557204	RSG Make Whole Payment-NL																				
557204	RSG Distribution Amount - NL																				
557204	Revenue Neutrality Uplift - NL																				
557204	Other-NL																				
	Day 2 NL																				
	FAC (100% of NL purch)																				
	Subtotal Day 2 NL																				
456002	MISO Schedule 21 - NL	(543,702.07)	(181,233.77)	(543,702.07)	(181,233.77)	(543,702.07)	(181,233.77)	(543,702.07)	(181,233.77)	(543,702.07)	(181,233.77)	(543,702.07)	(181,233.77)	(543,702.07)	(181,233.77)	(543,702.07)	(181,233.77)	(543,702.07)	(181,233.77)	(543,702.07)	
566117	MISO Schedule 22 - NL	26,535.12	164,064.60	26,535.12	164,064.60	26,535.12	164,064.60	26,535.12	164,064.60	26,535.12	164,064.60	26,535.12	164,064.60	26,535.12	164,064.60	26,535.12	164,064.60	26,535.12	164,064.60	26,535.12	
	Subtotal Day 3 NL	(517,166.95)	(17,169.17)	(517,166.95)	(17,169.17)	(517,166.95)	(17,169.17)	(517,166.95)	(17,169.17)	(517,166.95)	(17,169.17)	(517,166.95)	(17,169.17)	(517,166.95)	(17,169.17)	(517,166.95)	(17,169.17)	(517,166.95)	(17,169.17)	(517,166.95)	
	KU Subtotal per General Ledger	(1,346,164.07)	(67,016.60)	(1,346,164.07)	(67,016.60)	(1,346,164.07)	(67,016.60)	(1,346,164.07)	(67,016.60)	(1,346,164.07)	(67,016.60)	(1,346,164.07)	(67,016.60)	(1,346,164.07)	(67,016.60)	(1,346,164.07)	(67,016.60)	(1,346,164.07)	(67,016.60)	(1,346,164.07)	
	Less Subtotal Day 2 OSS																				
	KU Total MISO less Day 2 OSS Profit	(1,346,164.07)	(67,016.60)	(1,346,164.07)	(67,016.60)	(1,346,164.07)	(67,016.60)	(1,346,164.07)	(67,016.60)	(1,346,164.07)	(67,016.60)	(1,346,164.07)	(67,016.60)	(1,346,164.07)	(67,016.60)	(1,346,164.07)	(67,016.60)	(1,346,164.07)	(67,016.60)	(1,346,164.07)	

NOTE: Positive values represent Expenses and Negative values represent Revenues.

KENTUCKY UTILITIES COMPANY

CASE NO. 2005-00351

Response to the Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 8

Responding Witnesses: Martyn Gallus / Valerie L. Scott

- Q-8. Refer to pages 8-9 of the Scott Testimony and Reference Schedule 1.44 of Blake Exhibit 1 concerning the adjustment to annualize the MISO revenue neutrality uplift charges associated with the operation of its "Day 2" market.
- a. Provide the supporting workpapers for the proposed adjustment, including all calculations and assumptions. Identify the specific accounts in which the amounts were recorded.
 - b. The adjustment is based on annualizing the expenses incurred for the 5 months from April through August of 2005. Provide the expense incurred for the month of September 2005 and identify the specific accounts in which the amounts were recorded.
- A-8. a. Please see the attached.
- b. The amount of the revenue neutrality uplift booked to accounts #557204 and #557205 for September 2005 was (\$ 2,638,231.22). Typically the revenue neutrality uplift is an expense. However, for the month of September it was a revenue. This was caused by MISO recalculating the Company's share of over-collected losses from the inception of Day 2 using a different methodology. This change in methodology resulted in a one-time reduction of revenue neutrality uplift charges in September for the cumulative effect of the change and was offset by corresponding changes to other line items on the MISO settlement statement which in turn impact the Company's cost of providing service.

MISO Summary

	Apr-2005	May-2005	Jun-2005	Jul-2005	Aug-2005	April -June
Revenue Neutrality Uplift						
LG&E	395,233	732,797	1,632,156	2,104,768	1,608,726	2,760,186
KU	661,848	1,125,841	2,344,019	3,052,319	2,324,457	4,131,708
Total	1,057,082	1,858,637	3,976,175	5,157,087	3,933,183	6,891,894

NOTE:

Amount represents charges per the most recent settlement statements, or estimated amounts for days with no settlement statement, as of each month end allocated based upon an allocation methodology.

Revenue neutrality uplift charges for native load are allocated between companies based on the percent of load.

Revenue neutrality uplift charges for OSS are allocated between companies based on the percent of generation contributed.

KU	Acct #	Jan-2005		Feb-2005		Mar-2005		Apr-2005		May-2005		Jun-2005		Jul-2005		Aug-2005		2005 YTD	
		MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars
		DAY 1	Schedule 7,8,14,18 - OSS	456051	(872,466.72)	(554,287.58)	(705,566.21)	(705,566.21)	26,834.84	(1,155.17)	(220.03)	(3,299.60)	(1,963.01)	(1,963.01)	(2,112,113.48)				
	Schedule 1 - OSS	456052	(23,338.50)	(14,876.83)	(19,125.41)	725.87	(37.59)	(6.72)	(157.73)	-	(78.28)	-	(56,895.19)						
	Schedule 2 - OSS	456053	(38,724.20)	(22,603.76)	(29,317.10)	1,119.81	(17.45)	(2.85)	(259.73)	-	(94.83)	-	(89,900.21)						
	Transmission Elec OSS - MISO	565006		444,768.03	320,155.35	2	(9,876.83)	68	115.16	142	55.34	2,249	3,446.26	1,009	(162,056.29)	3,470	596,607.02		
	MISO Schedule 10 - OSS	566102	14,129.28	(8,352.03)	14,137.73		(13,100.63)		11.55		20.35		323.00		(110.48)		7,058.77		
	MISO FERC Fees - OSS	566104	5,068.00	5,068.00	5,068.00		5,068.00		5,068.00		5,068.00		3,458.95		17,886.23		51,753.18		
	Subtotal Day 1 OSS		(915,332.14)	(150,284.17)	(414,647.64)	2	10,771.06	68	3,984.50	142	4,913.99	2,249	3,521.15	1,009	(146,416.66)	3,470	(1,603,489.91)		
	Schedule 7,8,14,18 - NL	456002	(892,079.66)	239,077.69	(642,668.90)	(301,723.18)	(341,080.14)	(359,997.02)	(435,635.87)	-	32,788.64	-	(2,701,316.44)						
	Schedule 1 - NL	456020	(14,632.61)	(14,110.41)	(14,915.88)	(11,782.58)	(12,957.63)	(11,913.36)	(13,272.89)	-	(14,495.29)	-	(108,080.45)						
	Schedule 2 - NL	456021	(34,838.54)	(32,507.53)	(34,296.23)	(33,507.10)	(40,016.70)	(35,686.78)	(41,648.14)	-	(43,702.40)	-	(296,203.42)						
	MISO Schedule 10 - NL	566101	429,229.69	326,174.61	427,304.36	1,945	267,544.24	2,409	347,282.73	2,763	383,959.06	3,114	437,667.98	3,002	412,621.63	13,234	3,031,784.30		
	MISO Schedule 18 - NL	566109	8,116.76	6,652.98	7,395.76	5,498.84	6,467.04	6,198.00	6,198.00	-	8,360.42	-	57,925.15						
	MISO FERC Fees - NL	566103	73,682.00	73,682.00	73,682.00		73,682.00		73,682.00		61,985.00		283,193.03				775,573.03		
	Subtotal Day 1 NL		(430,831.93)	600,435.12	(184,241.67)	1,945	1,609.14	2,409	32,409.10	2,763	44,813.94	3,114	16,720.44	3,002	678,766.03	13,234	759,680.17		
DAY 2	Regular Sales-OSS	447016	-	-	-	(7,081)	(317,003.10)	(9,732)	(471,544.65)	(32,469)	(1,594,507.32)	(77,005)	(3,384,860.69)	(75,540)	(4,273,698.15)	(201,827)	(10,041,613.91)		
	Brokered Sales-OSS	447109	-	-	-	(20,709)	(712,579.85)	(31,229)	(1,099,492.15)	(29,210)	(1,239,913.66)	(26,260)	(1,623,500.14)	(34,507)	(1,822,103.69)	(141,915)	(6,497,589.49)		
	Purchases-OSS	555006	-	-	-	153	8,871.49	253	12,164.40	(3)	(66.41)	69	6,509.09	8,710	1,203,120.75	9,182	1,230,599.32		
	Brokered Purch.-OSS	447209	-	-	-	18,863	575,797.89	29,398	879,988.99	24,404	878,579.94	21,049	1,298,814.20	28,261	1,473,013.29	121,975	5,106,194.31		
	Sch 17- DA/RT Admin Fee-OSS	557201	-	-	-	-	1,161.37	-	1,877.70	-	4,557.89	-	10,906.97	-	9,740.75	-	28,244.68		
	RSG Make Whole Payment-OSS	557205/456025	-	-	-	-	(35,910.65)	-	(77,928.86)	-	(2,910,304.76)	-	(2,596,514.96)	-	(1,482,254.71)	-	(7,102,913.94)		
	RSG Distribution Amount - OSS	557205	-	-	-	-	87.31	-	187.14	-	2,218.50	-	5,425.02	-	5,652.48	-	13,570.45		
	Revenue Neutrality Uplift - OSS	557205	-	-	-	-	108.68	-	320.29	-	3,070.12	-	10,914.46	-	7,581.42	-	21,994.97		
	Other-OSS	557205	-	-	-	-	26.14	-	(228.48)	-	(1,227.35)	-	(4,669.01)	-	(4,352.18)	-	(10,450.88)		
	Day 2 OSS		-	-	-	(8,774)	(479,440.72)	(11,310)	(754,655.62)	(37,278)	(4,857,593.05)	(82,147)	(6,276,975.06)	(73,076)	(4,883,300.04)	(212,585)	(17,251,964.49)		
	Generation fuel for MISO sales		-	-	-	6,918	183,983.46	9,335	344,323.98	32,298	1,549,009.04	75,628	1,952,159.26	74,479	2,453,268.71	198,658	6,482,744.45		
	Internal replacement purch from LGE-fuel		-	-	-	-	-	-	-	257	16,313.42	1,216	94,918.88	1,022	86,013.02	2,495	197,245.32		
	Subtotal Day 2 OSS		-	-	-	(1,856)	(295,457.26)	(1,975)	(410,331.64)	(4,723)	(3,292,270.59)	(5,303)	(4,229,896.92)	2,425	(2,344,018.31)	(11,432)	(10,571,974.72)		
	Purchases-NL	555007	-	-	-	53,416	2,725,057.10	22,631	914,871.90	48,761	3,856,706.79	102,415	8,854,999.07	127,569	12,303,731.02	354,792	28,655,365.88		
	Sch 16 - FTR Admin Fee-NL	557202	-	-	-	-	61,549.47	-	72,460.33	-	8,739.80	-	18,717.56	-	43,449.36	-	204,916.52		
	Sch 17- DA/RT Admin Fee-NL	557203	-	-	-	-	270,660.06	-	287,420.52	-	310,687.12	-	404,479.69	-	388,618.98	-	1,661,866.37		
	RSG Make Whole Payment-NL	557204	-	-	-	-	(436,590.82)	-	(281,401.50)	-	(882,606.40)	-	(17,335.77)	-	(24,093.77)	-	(28,627.92)		
	RSG Distribution Amount - NL	557204	-	-	-	-	531,795.43	-	633,529.38	-	1,564,536.35	-	1,572,799.76	-	2,198,570.60	-	6,501,231.52		
	Revenue Neutrality Uplift - NL	557204	-	-	-	-	661,739.67	-	1,125,520.24	-	2,340,949.26	-	3,041,404.17	-	2,316,875.74	-	9,486,489.08		
	Other-NL	557204	-	-	-	-	(134,603.78)	-	(734,961.59)	-	(451,200.11)	-	(1,153,085.58)	-	(1,318,863.83)	-	(3,792,714.89)		
	Day 2 NL		-	-	-	53,416	3,679,607.13	22,631	2,017,439.28	48,761	8,313,025.61	102,415	12,721,978.80	127,569	15,956,475.64	354,792	42,688,526.56		
	FAC Revenue (100% of NL purch)		-	-	-	(53,416)	(2,725,057.10)	(22,631)	(914,871.90)	(48,761)	(3,856,706.79)	(102,415)	(8,854,999.07)	(127,569)	(12,303,731.02)	(354,792)	(28,655,365.88)		
	Subtotal Day 2 NL		-	-	-	954,550.03	954,550.03	1,102,567.38	1,102,567.38	4,456,318.82	4,456,318.82	3,866,979.83	3,866,979.83	3,652,744.62	3,652,744.62	14,033,160.68			
DAY 3	MISO Schedule 21 - NL	456002		(543,702.67)	(181,233.77)	(95,922.69)	(80,974.53)	(49,912.67)	(88,340.43)	0	(88,944.88)		(1,129,031.64)						
	MISO Schedule 22 - NL	566117		25,535.12	164,064.60	43,735.07	43,264.62	71,606.20	98,405.18	0	(60,109.16)		387,501.63						
	Subtotal Day 3 NL			(517,167.55)	(17,169.17)	(52,187.62)	(37,709.91)	(18,306.47)	(16,935.25)	0	(27,035.72)		(741,530.01)						
	KU Subtotal per General Ledger		(1,346,164.07)	(67,016.60)	(616,058.48)	91.44	619,285.35	502.07	690,919.43	(1,818.36)	1,235,469.69	60.38	(332,610.75)	6,436.04	1,692,021.64	5,272	1,875,846.21		
	Less Subtotal Day 2 OSS		-	-	-	1,856	295,457.26	1,975	410,331.64	4,723	3,292,270.59	5,303	4,229,896.92	(2,425)	2,344,018.31	11,432	10,571,974.72		
	KU Total MISO less Day 2 OSS Profit		(1,346,164.07)	(67,016.60)	(616,058.48)	1,947	914,742.61	2,477	1,101,251.07	2,905	4,527,740.28	5,363	3,897,286.17	4,011	4,036,039.95	16,704	12,447,820.93		

NOTE: Positive values represent Expenses and Negative values represent Revenues.

KENTUCKY UTILITIES COMPANY

CASE NO. 2005-00351

Response to the Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 9

Responding Witness: Valerie L. Scott

- Q-9. Refer to pages 9-10 of the Scott Testimony and Reference Schedule 1.45 of Blake Exhibit 1 concerning the adjustment to annualize the Revenue Sufficiency Guarantee make-whole payments and incurred charges associated with MISO's "Day 2" operations.
- a. Provide the supporting workpapers for the proposed adjustment, including all calculations and assumptions. Identify the specific accounts in which the amounts were recorded.
 - b. The adjustment is based on annualizing the amounts recorded during the 5 months from April through August of 2005. Provide the amounts recorded during the month of September 2005 and identify the specific accounts in which the amounts were recorded.
- A-9. a. Please see the attached.
- b. The amount booked to account #456025 for Revenue Sufficiency Guarantee Make Whole Payment ("RSG") was (\$4,015,670.22). The amount booked to accounts #557204 and #557205 for Revenue Sufficiency Distribution Amount (incurred charges) was \$2,299,171.66. The amount of production cost for RSG payments is calculated as a ratio of RSG revenues to total revenues times the production expense for making off-system sales. For the month of September 2005 this amount is calculated as \$2,267,849. Production expense is charged to the following FERC accounts: 501, 547 and 555.

MISO Summary

	Apr-2005	May-2005	Jun-2005	Jul-2005	Aug-2005	April -June
RSG Make Whole Payment						
RSG Reclassification	1,061,595	1,357,464	4,308,900	262,689		
LG&E	183,445	1,359,466	4,274,369	2,787,935	954,529	5,817,281
KU	1,534,096	1,716,795	6,536,598	2,876,540	1,458,161	9,787,489
Total	1,717,542	3,076,261	10,810,967	5,664,475	2,412,690	15,604,770
RSG Distribution Amount						
LG&E	317,622	415,546	1,105,768	1,083,018	1,508,474	1,838,937
KU	531,883	633,717	1,566,755	1,578,225	2,204,223	2,732,354
Total	849,505	1,049,262	2,672,523	2,661,243	3,712,697	4,571,291

NOTE:

Amount represents charges per the most recent settlement statements, or estimated amounts for days with no settlement statement, as of each month end allocated based upon an allocation methodology.

Revenue Sufficiency Guarantee make-whole payment is not allocated to native load.

Revenue Sufficiency Guarantee make-whole payments for OSS are allocated between companies based on the percent of unit ownership.

RSG Distribution charges for native load are allocated between companies based on the percent of load.

RSG Distribution charges for OSS are allocated between companies based on the percent of generation contributed.

Determination of RSG Make Whole Payment production cost using simple ratio of OSS production expense

	Apr-2005	May-2005	Jun-2005	Jul-2005	Aug-2005	April -June
LG&E Sales						
OSS Revenues ¹	14,425,519	19,501,205	16,273,168	6,380,374	13,312,090	50,199,892
RSG Make Whole Payment (a)	183,445	1,359,466	4,274,369	2,787,935.16	954,529.38	5,817,281
Total (b)	14,608,964	20,860,672	20,547,537	9,168,310	14,266,620	56,017,173
RSG Percentage (a) / (b)	1.26%	6.52%	20.80%	30.41%	6.69%	
Cost of Total Sales ² (c)	11,776,239	18,804,666	15,869,688	5,818,491	10,898,916	46,450,593
Cost Attributable to RSG (a)/(b) * (c)	147,875	1,225,479	3,301,267	1,769,309	729,208	4,674,621
RSG Revenues (d)	183,445	1,359,466	4,274,369	2,787,935.16	954,529.38	5,817,280.90
RSG Expenses						
Distribution Amount (e)	317,622	415,546	1,105,768	1,083,018.34	1,508,473.78	1,838,937
Cost of Sales (f)	147,875	1,225,479	3,301,267	1,769,309.29	729,208.15	4,674,621
RSG Net (d) - (e) - (f)	(282,052)	(281,558)	(132,666)	(64,392)	(1,283,153)	(696,276)
KU Sales						
Revenue from Foreign Sales ¹	5,157,811	8,553,721	7,692,007	7,192,285	10,018,698	21,403,540
RSG Make Whole Payment (a)	1,534,096	1,716,795	6,536,598	2,876,540	1,458,161	9,787,489
Total (b)	6,691,907	10,270,516	14,228,605	10,068,825	11,476,859	31,191,029
RSG Percentage (a) / (b)	22.92%	16.72%	45.94%	28.57%	12.71%	
Cost of Total Sales ² (c)	4,182,007	6,913,024	6,795,836	4,430,050	7,749,109	17,890,867
Cost Attributable to RSG (a)/(b) * (c)	958,711	1,155,565	3,121,996	1,265,611	984,542	5,236,271
RSG Revenues (d)	1,534,096	1,716,795	6,536,598	2,876,539.91	1,458,160.94	9,787,488.96
RSG Expenses						
Distribution Amount (e)	531,883	633,717	1,566,755	1,578,224.78	2,204,223.08	2,732,354.11
Cost of Sales (f)	958,711	1,155,565	3,121,996	1,265,611.17	984,541.91	5,236,270.87
RSG Net (d) - (e) - (f)	43,503	(72,486)	1,847,847	32,704	(1,730,604)	1,818,864

¹ Equal to the summation of the External and Intercompany OSS Revenues from the OSS Margin Detail sheet.

² Cost of Total Sales is equal to the summation of the Purchase Power, Generation for I/C Sales, and OSS Generation Expense from the OSS Margin Detail sheet.

KU	Acct #	Jan-2005		Feb-2005		Mar-2005		Apr-2005		May-2005		Jun-2005		Jul-2005		Aug-2005		2005 YTD	
		MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars	MWH	Dollars
DAY 1	Schedule 7,8,14,18 - OSS	456051	(872,466.72)	(554,287.58)	(705,566.21)	26,834.84	(1,155.17)	(220.03)	(3,289.60)	(1,963.01)	(2,112,113.48)								
	Schedule 1 - OSS	456052	(23,338.50)	(14,876.83)	(19,125.41)	725.87	(37.59)	(6.72)	(157.73)	(78.28)	(56,895.19)								
	Schedule 2 - OSS	456053	(38,724.20)	(22,603.76)	(29,317.10)	1,119.81	(17.45)	(2.95)	(259.73)	(94.83)	(89,900.21)								
	Transmission Elec OSS - MISO	565006		444,768.03	320,155.35	2	(9,876.83)	68	115.16	142	55.34	2,249	3,446.26	1,009	(162,056.29)	3,470	586,607.02		
	MISO Schedule 10 - OSS	566102	14,129.28	(8,352.03)	14,137.73	(13,100.63)	11.55	20.35	(323.00)	(110.48)	7,058.77								
	MISO FERC Fees - OSS	566104	5,068.00	5,068.00	5,068.00	5,068.00	5,068.00	5,068.00	3,458.95	17,886.23	51,753.18								
	Subtotal Day 1 OSS		(915,332.14)	(150,284.17)	(414,647.64)	2	10,771.06	68	3,984.50	142	4,913.99	2,249	3,521.15	1,009	(146,416.66)	3,470	(1,603,489.91)		
	Schedule 7,8,14,18 - NL	456002	(692,079.66)	239,077.69	(642,668.90)	(301,723.18)	(341,080.14)	(359,997.02)	(435,635.87)	-	32,788.64								
	Schedule 1 - NL	456020	(14,632.61)	(14,110.41)	(14,915.88)	(11,782.58)	(12,957.63)	(11,913.36)	(13,272.69)	-	(14,495.29)								
	Schedule 2 - NL	456021	(34,839.54)	(32,507.53)	(34,296.23)	(33,507.10)	(40,016.70)	(35,686.78)	(41,648.14)	-	(43,702.40)								
	MISO Schedule 10 - NL	566101	429,229.69	326,174.61	427,304.36	1,945	267,544.24	2,409	347,282.73	2,763	383,959.06	3,114	437,667.98	3,002	412,621.63	13,234	3,031,784.30		
	MISO Schedule 18 - NL	566109	7,807.19	8,118.76	6,652.98	7,395.76	5,498.84	6,467.04	7,624.16	-	8,360.42								
	MISO FERC Fees - NL	566103	73,682.00	73,682.00	73,682.00	73,682.00	73,682.00	73,682.00	61,985.00	61,985.00	283,193.03								
	Subtotal Day 1 NL		(430,831.93)	600,435.12	(184,241.67)	1,945	1,609.14	2,409	32,409.10	2,763	44,813.94	3,114	16,720.44	3,002	678,766.03	13,234	759,680.17		
DAY 2	Regular Sales-OSS	447016	-	-	-	(7,081)	(317,003.10)	(9,732)	(471,544.65)	(32,469)	(1,594,507.32)	(77,005)	(3,384,860.69)	(75,540)	(4,273,698.15)	(201,827)	(10,041,613.91)		
	Brokered Sales-OSS	447109	-	-	-	(20,709)	(712,579.85)	(31,229)	(1,099,492.15)	(29,210)	(1,239,913.66)	(26,260)	(1,823,500.14)	(34,507)	(1,822,103.69)	(141,915)	(6,497,589.49)		
	Purchases-OSS	555006	-	-	-	153	8,871.49	253	12,164.40	(3)	(66.41)	69	6,509.09	8,710	1,203,120.75	9,182	1,230,599.32		
	Brokered Purch.-OSS	447209	-	-	-	18,863	575,797.89	29,398	879,988.99	24,404	878,579.94	21,049	1,298,814.20	28,261	1,473,013.29	121,975	5,106,194.31		
	Sch 17- DA/RT Admin Fee-OSS	557201	-	-	-	-	1,161.37	-	1,877.70	-	4,557.89	-	10,906.97	-	9,740.75	-	28,244.68		
	RSG Make Whole Payment-OSS	557205/456025	-	-	-	-	(35,910.65)	-	(77,928.86)	-	(2,910,304.76)	-	(2,596,514.96)	-	(1,482,254.71)	-	(7,102,913.94)		
	RSG Distribution Amount - OSS	557205	-	-	-	-	87.31	-	187.14	-	2,218.50	-	5,425.02	-	5,652.48	-	13,570.45		
	Revenue Neutrality Uplift - OSS	557205	-	-	-	-	108.68	-	320.29	-	3,070.12	-	10,914.46	-	7,581.42	-	21,994.97		
	Other-OSS	557205	-	-	-	-	26.14	-	(228.48)	-	(1,227.35)	-	(4,669.01)	-	(4,352.18)	-	(10,450.88)		
	Day 2 OSS		-	-	-	(8,774)	(479,440.72)	(11,310)	(754,655.62)	(37,278)	(4,897,593.05)	(82,147)	(6,276,975.06)	(73,076)	(4,863,300.04)	(212,585)	(17,251,964.49)		
	Generation fuel for MISO sales		-	-	-	6,918	183,983.46	9,335	344,323.98	32,298	1,549,009.04	75,628	1,952,159.26	74,479	2,453,266.71	198,658	6,482,744.45		
	Internal replacement purch from LGE-fuel		-	-	-	-	-	-	-	257	16,313.42	1,216	94,918.88	1,022	86,013.02	2,495	197,245.32		
	Subtotal Day 2 OSS		-	-	-	(1,856)	(295,457.26)	(1,975)	(410,331.64)	(4,723)	(3,292,270.59)	(5,303)	(4,229,896.92)	2,425	(2,344,018.31)	(11,432)	(10,571,974.72)		
	Purchases-NL	555007	-	-	-	53,416	2,725,057.10	22,631	914,871.90	48,761	3,856,706.79	102,415	8,854,999.07	127,569	12,303,731.02	354,792	28,655,365.88		
	Sch 16 - FTR Admin Fee-NL	557202	-	-	-	-	61,549.47	-	72,460.33	-	8,739.80	-	18,717.56	-	43,449.36	-	204,916.52		
	Sch 17- DA/RT Admin Fee-NL	557203	-	-	-	-	270,660.06	-	287,420.52	-	310,687.12	-	404,479.69	-	388,618.98	-	1,661,866.37		
	RSG Make Whole Payment-NL	557204	-	-	-	-	(436,590.82)	-	(281,401.50)	-	(682,606.40)	-	(17,335.77)	-	(24,093.77)	-	(28,627.92)		
	RSG Distribution Amount - NL	557204	-	-	-	-	531,795.43	-	633,529.38	-	1,564,536.35	-	1,572,799.76	-	2,198,570.60	-	6,501,231.52		
	Revenue Neutrality Uplift - NL	557204	-	-	-	-	661,739.67	-	1,125,520.24	-	2,340,949.26	-	3,041,404.17	-	2,316,875.74	-	9,486,489.08		
	Other-NL	557204	-	-	-	-	(134,603.78)	-	(734,961.59)	-	(451,200.11)	-	(1,153,085.58)	-	(1,318,863.83)	-	(3,792,714.89)		
	Day 2 NL		-	-	-	53,416	3,679,607.13	22,631	2,017,439.28	48,761	8,313,025.61	102,415	12,721,978.90	127,569	15,956,475.64	354,792	42,588,526.56		
	FAC Revenue (100% of NL purch)		-	-	-	(53,416)	(2,725,057.10)	(22,631)	(914,871.90)	(48,761)	(3,856,706.79)	(102,415)	(8,854,999.07)	(127,569)	(12,303,731.02)	(354,792)	(28,655,365.88)		
	Subtotal Day 2 NL		-	-	-	954,550.03	-	1,102,567.38	-	4,456,318.82	-	3,866,979.83	-	3,652,744.62	-	14,033,160.68			
DAY 3	MISO Schedule 21 - NL	456002		(543,702.67)	(181,233.77)	(95,922.69)	(80,974.53)	(49,912.67)	(88,340.43)	0	(88,944.88)								
	MISO Schedule 22 - NL	566117		26,535.12	164,064.60	43,735.07	43,264.62	71,606.20	96,405.18	0	(387,501.63)								
	Subtotal Day 3 NL			(517,167.55)	(17,169.17)	(52,187.62)	(37,709.91)	(21,693.53)	(10,064.75)		(149,054.04)								
	KU Subtotal per General Ledger		(1,346,164.07)	(67,016.60)	(616,058.48)	91.44	619,285.35	502.07	690,919.43	(1,818.36)	1,235,469.69	60.38	(332,610.75)	6,436.04	1,692,021.64	5,272	1,875,846.21		
	Less Subtotal Day 2 OSS		-	-	-	1,856	295,457.26	1,975	410,331.64	4,723	3,292,270.59	5,303	4,229,896.92	(2,425)	2,344,018.31	11,432	10,571,974.72		
	KU Total MISO less Day 2 OSS Profit		(1,346,164.07)	(67,016.60)	(616,058.48)	1,947	914,742.61	2,477	1,101,251.07	2,905	4,527,740.28	5,363	3,897,286.17	4,011	4,036,039.95	16,704	12,447,820.93		

NOTE: Positive values represent Expenses and Negative values represent Revenues.

OSS Margin Detail
July 2004 through June 2005
\$000s

	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Totals
LG&E						
External OSS Revenues	8,663	11,873	8,705	4,122	8,487	41,851
Intercompany OSS Revenues	5,762	7,628	7,568	2,259	4,825	28,041
Transmission Revenues	(5)	1	0	2	1	(1)
MISO Day 2 Revenues	1,213	2,550	8,929	3,037	995	16,724
Subtotal	15,633	22,052	25,203	9,419	14,308	86,615
<hr/>						
Purchased Power	5,099	8,383	5,752	2,449	4,521	26,203
Generation for I/C Sales	5,763	7,646	7,556	2,316	4,648	27,928
OSS Generation Expense	915	2,776	2,562	1,054	1,730	9,037
Transmission Expense	(213)	29	18	18	(597)	(746)
Subtotal	11,563	18,833	15,887	5,836	10,302	62,422
LG&E OSS Margin	4,070	3,219	9,315	3,583	4,006	
KU						
External OSS Revenues	330	654	1,794	4,340	5,265	12,383
Intercompany OSS Revenues	4,828	7,900	5,898	2,852	4,754	26,232
Transmission Revenues	(29)	1	0	4	2	(21)
MISO Day 2 Revenues	36	78	2,910	2,597	1,557	7,177
Subtotal	5,165	8,633	10,603	9,793	11,578	45,771
<hr/>						
Purchased Power	15	15	19	106	1,528	1,683
Generation for I/C Sales	3,929	6,383	6,349	2,119	3,367	22,146
OSS Generation Expense	238	516	428	2,205	2,854	6,241
Transmission Expense	(18)	(5)	15	7	(144)	(145)
Subtotal	4,164	6,908	6,811	4,437	7,605	29,925
KU OSS Margin	1,001	1,725	3,792	5,355	3,973	

KENTUCKY UTILITIES COMPANY

CASE NO. 2005-00351

Response to the Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 10

Responding Witnesses: S. Bradford Rives / Kent W. Blake

Q-10. Refer to page 6 of the Testimony of S. Bradford Rives ("Rives Testimony") concerning how rating agencies require that purchased power agreements be treated as fixed obligations equivalent to debt.

- a. The table on page 6 shows \$111,709,200 as the total amount of the imputed jurisdictional debt for KU's purchase power agreements with Owensboro Municipal Utility ("OMU"), Electric Energy Inc. ("EEI"), and Ohio Valley Electric Corporation. Provide, on a jurisdictional basis, the dollar amounts of each of the 3 individual agreements.
- b. Provide the current status of the OMU and EEI agreements and explain whether KU anticipates continuing to purchase power under these agreements for the foreseeable future.

A-10. a. The imputed jurisdictional debt for KU's purchased power agreements with EEI, OMU, and OVEC are allocated by the rating agency as follows:

EEI	42.9%	\$ 47,923,247
OMU	57.1%	\$ 63,785,953
OVEC	<u>0.0%</u>	<u>\$ 0</u>
Total	100%	\$111,709,200

- b. Although KU is in litigation with the City of Owensboro and the Owensboro City Utility Commission related to the OMU Purchase Power Agreement, that purchase power agreement remains in effect. The litigation is pending in the United States District Court for the Western District of Kentucky. On July 22, 2005, the Court issued an order in response to the summary judgment motions of the parties, holding that the City of Owensboro has the right to unilaterally terminate the Purchase Power Agreement on four years notice. Neither the City of Owensboro nor the Owensboro City Utility Commission have issued a termination notice to KU. The case continues to be in the early discovery stages. The trial date has not yet been set. KU anticipates continuing to purchase power under this agreement for the foreseeable future.

The current Power Supply Agreement (“PSA”) with EEI expires on December 31, 2005. KU is continuing negotiations with EEI to achieve favorable terms for a new PSA such that the PSA will remain a least cost option to serve native load. However, based on negotiations to date, KU cannot affirmatively state that it expects the agreement to be extended beyond December 31, 2005.

KENTUCKY UTILITIES COMPANY

CASE NO. 2005-00351

Response to the Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 11

Responding Witness: Kent W. Blake

- Q-11. The Value Delivery Surcredit Rider reflects the costs and savings related to the Workforce Separation Program ("WSP"). Are the actual savings and benefits from the WSP reflected in the current rates of KU? Explain the response.
- A-11. The Company believes that base rates are not set to recover specific costs or return specific savings. Rather, they are set at a level expected to produce a reasonable return on a prospective basis.

The Company did demonstrate in the rebuttal testimony of Mr. S. Bradford Rives filed April 26, 2004, in Case No. 2003-00434 that the estimated savings from this initiative had more than been achieved. The guaranteed savings have been and will continue to be shared for five years as agreed between the shareholder and customers with the shareholder receiving 60% via a pro-forma operating expense adjustment initially in its annual ESM filing and subsequently in Case No. 2003-00433 and the customers receiving their 40% share via the surcredit. To the extent actual savings have exceeded the guaranteed level, those additional savings were reflected in test year earnings.

Upon expiration of the Value Delivery Surcredit Rider on March 31, 2006, the Company's Plan as filed on September 30, 2005, includes the provision that 100% of the savings will be provided to customers in subsequent base rate cases. Blake Exhibits 1-5 demonstrate that after applying the required adjustments to the year ended June 30, 2005, to reflect expiration of the surcredit on March 31, 2006, a base rate case would not be appropriate. The resulting return for the Company remains reasonable. Achievement of the guaranteed savings from this initiative have served to offset other increases in the cost of providing utility service. Of course, upon the actual expiration of the Value Delivery Surcredit Rider, revenues and costs of the Company will likely be different than they are at this time.

KENTUCKY UTILITIES COMPANY

CASE NO. 2005-00351

Response to the Commission Staff's Initial Data Request Dated October 21, 2005

Question No. 12

Responding Witnesses: S. Bradford Rives / Kent W. Blake

- Q-12. Refer to Rives Testimony pages 8 and 9, concerning the need to adjust capitalization for the Asset Retirement Obligation ("ARO").
- a. Prepare a revised Blake Exhibit 2 to reflect an ARO adjustment to capitalization consistent with the approach used by the Commission in KU's last rate case. Include all supporting workpapers and calculations.
 - b. Using the results from subpart (a) above, prepare a revised Blake Exhibit 4 reflecting the results from the revised Blake Exhibit 2. Include all supporting workpapers and calculations.
- A-12. As indicated in Rives testimony, KU believes that an adjustment is not needed for capitalization because the accounting for the AROs, consistent with the Commission's December 23, 2003 Order in Case No. 2003-00427, effectively removes all impacts of ARO accounting from the income statement and net assets in the balance sheet, accordingly, there is no impact on common equity or other capitalization accounts. The recorded regulatory assets, liabilities and credits offset the effects of the ARO accounting. KU removed the AROs from rate base in Blake Exhibit 3, in accordance with the December 23, 2003 Order.
- a. Please see the attached.
 - b. Please see the attached.

KENTUCKY UTILITIES

Capitalization at June 30, 2005

	Per Books 6-30-05 (1)	Capital Structure (2)	Undistributed Subsidiary Earnings (3)	Investment in EEI (Col 2 x Col 4 Line 5) (4)	Investments in OVEC and Other (Col 2 x Col 5 Line 5) (5)	Adjustments to Total Co. Capitalization (6)	Adjusted Total Company Capitalization (7)	Jurisdictional Rate Base Percentage (Exhibit 3 Line 23) (8)	Kentucky Jurisdictional Capitalization (Col 7 x Col 8) (9)
1. Short Term Debt	\$ 93,130,000	5.17%	\$ -	\$ (749,117)	\$ (35,743)	\$ (784,860)	\$ 92,345,140	87.96%	\$ 81,226,785
2. Long Term Debt	671,522,700	37.29%	-	(5,403,202)	(257,806)	(5,661,008)	665,861,692	87.96%	585,691,944
3. Preferred Stock	39,726,895	2.21%	-	(320,222)	(15,279)	(335,501)	39,391,394	87.96%	34,648,670
4. Common Equity	996,344,174	55.33%	(13,193,882)	(8,017,141)	(382,527)	(21,593,550)	974,750,624	87.96%	857,390,649
5. Total Capitalization	<u>\$ 1,800,723,769</u>	<u>100.00%</u>	<u>\$ (13,193,882)</u>	<u>\$ (14,489,682)</u>	<u>\$ (691,355)</u>	<u>\$ (28,374,919)</u>	<u>\$ 1,772,348,850</u>		<u>\$1,558,958,048</u>

	Kentucky Jurisdictional Capitalization (10)	Capital Structure (11)	Environmental Surcharge Post '94 Plan (Col 11 x Col 12 Line 5) (12)	SFAS No. 143 ARO (Exhibit 3 Line 8) (Col 11 x Col 13 Line 5) (13)	Adjusted Kentucky Jurisdictional Capitalization (14)	Adjusted Capital Structure (15)	Annual Cost Rate (16)	Cost of Capital (Col 16 x Col 15) (17)
1. Short Term Debt	\$ 81,226,785	5.21%	\$ (9,946,521)	\$ (294,502)	\$ 70,985,762	5.21%	3.060%	0.16%
2. Long Term Debt	585,691,944	37.57%	(71,725,677)	(2,123,696)	511,842,571	37.57%	3.957%	1.49%
3. Preferred Stock	34,648,670	2.22%	(4,238,249)	(125,489)	30,284,932	2.22%	5.679%	0.13%
4. Common Equity	857,390,649	55.00%	(105,001,655)	(3,108,950)	749,280,044	55.00%	10.000% - 10.500% - 11.000%	5.50% - 5.78% - 6.05%
5. Total Capitalization	<u>\$ 1,558,958,048</u>	<u>100.00%</u>	<u>\$ (190,912,102)</u>	<u>\$ (5,652,637)</u>	<u>\$ 1,362,393,309</u>	<u>100.00%</u>		<u>7.28% - 7.56% - 7.83%</u>

KENTUCKY UTILITIES

Net Original Cost Kentucky Jurisdictional Rate Base
At June 30, 2005

Title of Account (1)	Kentucky Jurisdictional Rate Base at June 30, 2005 (2)	Other Jurisdictional Rate Base at June 30, 2005 (3)	Total Company Rate Base at June 30, 2005 (4)
1. Utility Plant at Original Cost	\$ 3,269,705,216	\$ 486,359,003	\$ 3,756,064,219
2. Deduct:			
3. Reserve for Depreciation	1,496,503,901	239,956,062	1,736,459,963
4. Net Utility Plant	1,773,201,315	246,402,941	2,019,604,256
5. Deduct:			
6. Customer Advances for Construction	1,536,470	15,105	1,551,575
7. Accumulated Deferred Income Taxes	265,911,069	40,161,335	306,072,404
8. Asset Retirement Obligation-Net Assets	5,652,637	914,078	6,566,715
9. Asset Retirement Obligation-Liabilities	(18,540,716)	(2,998,187)	(21,538,903)
10. Asset Retirement Obligation-Regulatory Assets	11,748,452	1,899,822	13,648,274
11. Asset Retirement Obligation-Regulatory Liabilities	(1,331,127)	(215,254)	(1,546,381)
12. Reclassification of Accumulated Depreciation associated with Cost of Removal for underlying ARO Assets	2,337,238	377,951	2,715,189
13. Investment Tax Credit	2,472,147	483,204	2,955,351
14. Total Deductions	269,786,171	40,638,053	310,424,224
15. Net Plant Deductions	1,503,415,144	205,764,888	1,709,180,032
16. Add:			
17. Materials and Supplies (a)	63,198,224	10,119,919	73,318,143
18. Prepayments (a)(b)	1,661,011	242,356	1,903,367
19. Emission Allowances	2,356,627	381,087	2,737,714
20. Cash Working Capital	59,630,561	6,597,745	66,228,306
21. Total Additions	126,846,423	17,341,107	144,187,530
22. Total Net Original Cost Rate Base	<u>\$ 1,630,261,567</u>	<u>\$ 223,105,995</u>	<u>\$ 1,853,367,562</u>
23. Percentage of KY Jurisdictional Rate Base to Total Company Rate Base			<u>87.96%</u>

(a) Average for 13 months.

(b) Includes prepayments for property insurance only.

KENTUCKY UTILITIES

**Calculation of Cash Working Capital
At June 30, 2005**

Title of Account (1)	Kentucky Jurisdictional Rate Base at June 30, 2005 (2)	Other Jurisdictional Rate Base at June 30, 2005 (3)	Total Company Rate Base at June 30, 2005 (4)
1. Operating and maintenance expense for the 12 months ended June 30, 2005	\$ 622,319,076	\$ 92,848,845	\$ 715,167,921
2. Deduct:			
3. Electric Power Purchased	145,274,584	23,305,571	168,580,155
4. Total Deductions	\$ 145,274,584	\$ 23,305,571	\$ 168,580,155
5. Remainder (Line 1 - Line 5)	<u>\$ 477,044,492</u>	<u>\$ 69,543,275</u>	<u>\$ 546,587,766</u>
6. Cash Working Capital	<u>\$ 59,630,561</u>	<u>\$ 6,597,745</u>	<u>\$ 66,228,306</u>
Kentucky Jurisdictional (12 1/2% of Line 5)			
Other Jurisdictional comprised of FERC, Tennessee, and Virginia Jurisdictional methodologies.			

KENTUCKY UTILITIES

Calculation of Overall Revenue Deficiency/(Sufficiency) at June 30, 2005

	(1)		
	10.00%	ROE RANGE 10.50%	11.00%
<u>SECTION I - VALUE DELIVERY SURCREDIT EFFECTIVE</u>			
1. Adjusted Kentucky Jurisdictional Capitalization (Exhibit 2, Col 14)	\$1,362,393,309	\$1,362,393,309	\$1,362,393,309
2. Total Cost of Capital (Exhibit 2, Col 17)	7.28%	7.56%	7.83%
3. Net Operating Income Found Reasonable (Line 1 x Line 2)	\$ 99,182,233	\$ 102,996,934	\$ 106,675,396
4. Pro-forma Net Operating Income prior to Value Delivery Surcredit expiration	88,185,975	88,185,975	88,185,975
5. Net Operating Income Deficiency/(Sufficiency) prior to Value Delivery Surcredit expiration	\$ 10,996,258	\$ 14,810,959	\$ 18,489,421
6. Gross Up Revenue Factor - Blake Exhibit 1, Reference Schedule 1.74	0.60252327	0.60252327	0.60252327
7. Overall Revenue Deficiency/(Sufficiency) prior to Value Delivery Surcredit expiration	<u>\$ 18,250,346</u>	<u>\$ 24,581,555</u>	<u>\$ 30,686,651</u>
<u>SECTION II - VALUE DELIVERY SURCREDIT EXPIRED</u>			
1. Adjusted Kentucky Jurisdictional Capitalization (Exhibit 2, Col 14)	\$1,362,393,309	\$1,362,393,309	\$1,362,393,309
2. Total Cost of Capital (Exhibit 2, Col 17)	7.28%	7.56%	7.83%
3. Net Operating Income Found Reasonable (Line 1 x Line 2)	\$ 99,182,233	\$ 102,996,934	\$ 106,675,396
4. Pro-forma Net Operating Income for expiration of Value Delivery Surcredit	100,070,823	100,070,823	100,070,823
5. Net Operating Income Deficiency/(Sufficiency) for expiration of Value Delivery Surcredit	\$ (888,590)	\$ 2,926,111	\$ 6,604,573
6. Gross Up Revenue Factor - Blake Exhibit 1, Reference Schedule 1.74	0.60252327	0.60252327	0.60252327
7. Overall Revenue Deficiency/(Sufficiency) for expiration of Value Delivery Surcredit	<u>\$ (1,474,781)</u>	<u>\$ 4,856,428</u>	<u>\$ 10,961,524</u>

KENTUCKY UTILITIES

**Adjustments to Operating Revenues, Operating Expenses and Net Operating Income
For the Twelve Months Ended June 30, 2005**

	Reference Schedule (1)	Operating Revenues (2)	Operating Expenses (3)	Net Operating Income (4)
1. Jurisdictional amount per books		933,078,332	802,331,440	\$ 130,746,892
2. Adjustments for known changes and to eliminate unrepresentative conditions:				
3. Adjustment to eliminate environmental surcharge revenues and expenses	1.11	(21,777,415)	(8,896,292)	(12,881,123)
4. Eliminate DSM revenue and expenses	1.12	(3,982,650)	(3,874,591)	(108,059)
5. To eliminate ECR and FAC accruals	1.13	(22,528,436)	-	(22,528,436)
6. Adjustment for merger savings	1.14	1,739,220	18,968,825	(17,229,605)
7. To adjust mismatch in fuel cost recovery	1.15	(43,439,216)	(61,956,490)	18,517,274
8. Off-system sales revenue adjustment for the ECR calculation	1.16	(857,672)	-	(857,672)
9. Adjustment to eliminate unbilled revenues	1.20	(6,460,000)	-	(6,460,000)
10. To eliminate electric brokered sales revenues and expenses	1.21	277,850	(91,492)	369,342
11. Adjustment to eliminate advertising expenses pursuant to Commission Rule 807 KAR 5:016	1.22	-	(169,974)	169,974
12. Adjustment to reflect normalized storm damage expense	1.30	-	(559,863)	559,863
13. Adjustment for injuries and damages FERC account 925	1.31	-	1,209,867	(1,209,867)
14. To reflect representative level of off-system sales margins	1.32	(10,335,215)	-	(10,335,215)
15. Adjustment to annualize year-end customers	1.40	2,524,868	1,385,900	1,138,968
16. Adjustment to reflect annualized depreciation expenses under current rates	1.41	-	(1,319,539)	1,319,539

KENTUCKY UTILITIES

**Adjustments to Operating Revenues, Operating Expenses and Net Operating Income
For the Twelve Months Ended June 30, 2005**

	Reference Schedule (1)	Operating Revenues (2)	Operating Expenses (3)	Net Operating Income (4)
17. Adjustment to reflect increases in labor and labor related costs	1.42	-	744,930	(744,930)
18. Adjustment to annualize MISO schedules 16 and 17	1.43	-	3,037,717	(3,037,717)
19. Adjustment to annualize MISO revenue neutrality uplift	1.44	-	16,087,195	(16,087,195)
20. Adjustment to annualize RSG revenues and expenses	1.45	20,750,244	22,066,018	(1,315,774)
21. Adjustment for reclassification of RSG	1.50	5,791,428	-	5,791,428
22. Adjustment to remove non-recurring EKPC transmission refund	1.51	708,301	-	708,301
23. Adjustment to reflect VDT net shareholder savings	1.60	-	4,680,000	(4,680,000)
24. Total of above adjustments prior to Value Delivery Surcredit expiration		<u>(77,588,693)</u>	<u>(8,687,789)</u>	<u>\$ (68,900,904)</u>
25. Federal and state income taxes corresponding to base revenue and expense adjustments and above adjustments -	39.5500 % 1.70		(27,250,308)	27,250,308
26. Federal and state income taxes corresponding to annualization and adjustment of year-end interest expense	1.71		48,294	(48,294)
27. Prior income tax true-ups and adjustments	1.72		1,202,473	(1,202,473)
28. Tax deduction for manufacturing activities (TDMA) adjustment	1.73		(340,446)	340,446
29. Total adjustments prior to Value Delivery Surcredit expiration		<u>(77,588,693)</u>	<u>(35,027,776)</u>	<u>\$ (42,560,917)</u>
30. Adjusted Net Operating Income prior to Value Delivery Surcredit expiration		<u>855,489,639</u>	<u>767,303,664</u>	<u>\$ 88,185,975</u>

KENTUCKY UTILITIES

Adjustments to Operating Revenues, Operating Expenses and Net Operating Income
For the Twelve Months Ended June 30, 2005

	Reference Schedule (1)	Operating Revenues (2)	Operating Expenses (3)	Net Operating Income (4)
31. Adjustments for expiration of Value Delivery Surcredit:				
32. Adjustment to remove VDT net shareholder savings	1.60	-	(4,680,000)	4,680,000
33. Adjustment to remove Value Delivery Surcredit and cost amortization	1.61	3,227,105	(11,753,520)	14,980,625
34. Total of above adjustments for expiration of Value Delivery Surcredit		<u>3,227,105</u>	<u>(16,433,520)</u>	<u>\$ 19,660,625</u>
35. Federal and state income taxes corresponding to base revenue and expense adjustments and above adjustments -	39.5500 % 1.70		7,775,777	(7,775,777)
36. Total adjustments for expiration of Value Delivery Surcredit		<u>3,227,105</u>	<u>(8,657,743)</u>	<u>\$ 11,884,848</u>
37. Adjusted Net Operating Income for expiration of Value Delivery Surcredit		<u>858,716,744</u>	<u>758,645,921</u>	<u>\$ 100,070,823</u>

KENTUCKY UTILITIES

**Calculation of Current Tax Adjustment Resulting
From "Interest Synchronization"**

1. Adjusted Jurisdictional Capitalization - Exhibit 2	\$ 1,362,393,309
2. Weighted Cost of Debt - Exhibit 2	<u>1.65%</u>
3. "Interest Synchronization"	22,479,490
4. Kentucky Jurisdictional Interest per books (excluding other interest)	<u>22,601,598</u>
5. "Interest Synchronization" adjustment	\$ 122,108
6. Composite Federal and State tax rate	<u>39.5500%</u>
7. Current tax adjustment from "Interest Synchronization"	<u><u>\$ 48,294</u></u>