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PUBLIC SERVICE  
COMMISSION

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

**Kentucky Utilities Company**  
State Regulation and Rates  
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PO Box 32010  
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Robert M. Conroy  
Director - Rates  
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March 28, 2008

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

Dear Ms. Stumbo:

Please find enclosed and accept for filing the original and seven (7) copies of the Response of Kentucky Utilities Company to the First Data Request of Commission Staff dated February 18, 2008, in the above-referenced matter.

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

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

Sincerely,

Robert M. Conroy

Enclosures

cc: Parties of Record

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

**RECEIVED**

MAR 28 2008

PUBLIC SERVICE  
COMMISSION

**In the Matter of:**

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

**RESPONSE OF  
KENTUCKY UTILITIES COMPANY  
TO THE  
FIRST DATA REQUEST OF COMMISSION STAFF  
DATED FEBRUARY 18, 2008**

**FILED: MARCH 28, 2008**





**KENTUCKY UTILITIES COMPANY**

**Response to the First Data Request of Commission Staff  
Dated February 18, 2008**

**Case No. 2007-00565**

**Question No. 1**

**Witness: Robert M. Conroy**

- Q-1. Refer to the Application, page 3, paragraph 7.
- a. In preparing this Application, did KU review pages 9 and 10 and 24 through 30 of the Commission's June 30, 2004 Order in Case No. 2003-00434?
  - b. Explain why the narrative in paragraph 7 implies the depreciation issue in the last general rate case was resolved by Article III, Section 3.3 of the "Partial Settlement Agreement, Stipulation and Recommendation."
- A-1. a. Yes.
- b. The Company did not intend to imply that the depreciation issue was resolved by the Partial Settlement and Stipulation. The Company acknowledges that the Partial Settlement and Stipulation was non-unanimous regarding depreciation rates and the Commission's June 30, 2004 Order rejected the depreciation studies submitted in Case No. 2003-00434 and accepted the Company's settlement agreement proposal to file a new depreciation study in its next general rate case or June 30, 2007, whichever occurred earlier. On July 27, 2006, the Commission issued an Order approving the Company's requested time extension to file the new depreciation study by December 31, 2007 in Case No. 2006-00283. As a result of the Commission rejecting the depreciation studies, the Company's depreciation rates remained the same as those established in Case No. 2001-00140.



**KENTUCKY UTILITIES COMPANY**

**Response to the First Data Request of Commission Staff  
Dated February 18, 2008**

**Case No. 2007-00565**

**Question No. 2**

**Witness: John J. Spanos**

- Q-2. KU's last depreciation study was prepared utilizing the Straight Line Method, the Broad Group Procedure, and the Average Remaining Life Technique. Compare and contrast this approach with the approach utilized in the depreciation study submitted in this proceeding.
- A-2. The approach utilized in this study is Straight Line Method, Equal Life Group and the Remaining Life Technique. Therefore, the depreciation procedure is the only difference in method and procedures of the overall manner in which the depreciation rates are calculated.



**KENTUCKY UTILITIES COMPANY**

**Response to the First Data Request of Commission Staff  
Dated February 18, 2008**

**Case No. 2007-00565**

**Question No. 3**

**Witness: John J. Spanos**

Q-3. In its June 30, 2004 Order in Case No. 2004-00434, the Commission rejected KU's depreciation study because of concerns over the inclusion of an inflation adjustment for the removal costs. Explain in detail how the new depreciation study addresses this issue.

A-3. The determination of the net salvage component of the depreciation rate is the same as almost all other utilities in the United States and Canada, including other utilities in Kentucky, Virginia, Tennessee and Indiana. The net salvage component is based on historical indications of the full service value of each asset class. The net salvage component is the last transaction cost of the asset when it is taken out of service, therefore, this cost occurs at a date later than when the asset was originally placed in service.

Consequently, this traditional depreciation study does not make any inflation adjustments for removal costs, just the assumptions that the past is a relatively good indicator of the future.



**KENTUCKY UTILITIES COMPANY**

**Response to the First Data Request of Commission Staff  
Dated February 18, 2008**

**Case No. 2007-00565**

**Question No. 4**

**Witness: Robert M. Conroy**

- Q-4. Refer to the Direct Testimony of Robert M. Conroy, page 3. Mr. Conroy states, "Therefore, KU respectfully requests the Commission to defer review of the depreciation rates recommended in the study and to approve revised depreciation rates for accounting and ratemaking purposes concurrent with KU's next change in base rates pursuant to a Commission Order in a base rate proceeding filed by KU."
- a. Explain why KU is requesting that the Commission defer the review of the depreciation rates recommended in the study.
  - b. When does KU propose the review of the depreciation rates recommended in the study be undertaken?
- A-4.
- a. The Company is requesting the Commission to defer the review of the proposed depreciation rates in order to match the change in depreciation rates with a change in base rates and to obtain administrative efficiencies with a single proceeding addressing all impacts of a change in depreciation rates. The Company believes that depreciation rates along with other base rate items that are affected by depreciation rates should be addressed in a single and comprehensive proceeding.
  - b. KU proposes to review the depreciation rates recommended in the study during the Company's next general rate case proceeding which the Company indicated it anticipates filing during 2008.



**KENTUCKY UTILITIES COMPANY**

**Response to the First Data Request of Commission Staff  
Dated February 18, 2008**

**Case No. 2007-00565**

**Question No. 5**

**Witness: Robert M. Conroy**

- Q-5. Concerning the depreciation study and proposed depreciation rates:
- a. Explain whether the study and proposed rates apply only to KU's Kentucky jurisdictional operations or to KU's total operations.
  - b. If the study and proposed rates apply to total operations, has KU sought approval of the proposed rates in the other applicable jurisdictions? Explain the response.
- A-5.
- a. The depreciation study is related to KU total electric plant as of December 31, 2006.
  - b. On December 28, 2007, KU filed the depreciation study with the Virginia State Corporation Commission Division of Public Accounting and Division of Energy Regulation. The filing consisted of the attached transmittal and attachment in addition to the KU depreciation study (Exhibit JJS-KU from the December 28, 2007, Kentucky Commission filing).



an **eon** company

Mr. Ronald A. Gibson, Director  
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December 28, 2007

**RE: Depreciation Study**

Dear Mr. Gibson:

Kentucky Utilities Company (KU) recently completed a Depreciation Study of its property as of December 31, 2006. Enclosed for filing are five copies of the November 2007 report prepared by Gannett Fleming, Inc. which is being filed concurrently in Kentucky.

The prior depreciation study was performed for KU property as of December 31, 1999. Attached is a comparison of the annual depreciation accruals for Virginia property reflecting the current rates from the December 1999 study and the recommended rates from the December 2006 study.

The implementation of the depreciation rates is contingent upon review and acceptance from the Kentucky and Virginia Commissions.

Please contact me if you have any questions or need additional information.

Sincerely,

A handwritten signature in cursive script that reads "Lonnie E. Bellar".

Lonnie E. Bellar

cc: Mr. William F. Stephens  
Mr. Richard D. Gary

Kentucky Utilities Company - Virginia  
Comparison of Current to Recommended Depreciation Rates  
Plant in Service as of December 31, 2008

Page 1 of 1

Account No. (a)	Description (b)	Original	Current Rates		Proposed Rates		Increase or (Decrease) (h)
		Cost 12/31/2008 (c)	Rate (d)	Annual Accrual (e)	Rate (f)	Annual Accrual (g)	
<b>TRANSMISSION PLANT</b>							
350.10	Land Rights	1,782,031	1.34%	23,879	1.12%	19,859	(3,920)
352.10	Struct. and Impr. Non Sys Control	1,050,162	2.65%	27,829	1.75%	18,378	(9,451)
353.10	Station Equipment	14,387,238	2.21%	317,958	2.46%	353,928	35,968
354.00	Towers & Fixtures	8,739,098	2.84%	191,390	1.30%	87,608	(103,782)
355.00	Poles & Fixtures	8,271,798	4.03%	252,753	2.91%	182,509	(70,244)
356.00	Overhead Conductors & Devices	12,435,219	3.25%	404,145	2.05%	254,922	(149,223)
	Total Transmission Plant	<u>42,665,542</u>		<u>1,217,955</u>		<u>917,302</u>	<u>(300,653)</u>
<b>DISTRIBUTION PLANT</b>							
360.10	Land Rights	82,822	1.14%	942	0.70%	578	(364)
361.00	Structures and Improvements	375,228	1.89%	7,092	2.00%	7,505	413
362.00	Station Equipment	6,384,100	2.24%	143,004	2.82%	180,032	37,028
364.00	Poles Towers & Fixtures	14,540,258	3.52%	511,817	3.25%	472,558	(39,259)
365.00	Overhead Conductors and Devices	13,060,826	3.02%	394,440	4.23%	552,477	158,037
367.00	Underground Conductors & Devices	689,002	3.29%	22,010	2.88%	19,133	(2,877)
368.00	Line Transformers	12,490,821	2.41%	301,024	3.83%	478,391	177,367
369.00	Services	5,091,007	3.75%	190,913	2.57%	130,839	(60,074)
370.00	Meters	3,816,919	2.79%	100,912	2.79%	100,912	-
371.00	Installations on Customer Premises	887,589	8.27%	54,397	3.05%	26,481	(27,936)
373.00	Street Lighting & Signal Systems	1,315,609	3.85%	50,651	3.18%	41,673	(9,078)
	Total Distribution Plant	<u>58,493,882</u>		<u>1,777,201</u>		<u>2,010,459</u>	<u>233,258</u>
<b>GENERAL PLANT</b>							
390.10	Structures & Improvements	643,849	1.76%	11,332	2.30%	14,809	3,477
390.20	Improvements to Leased Property	40,884	1.76%	720	2.04%	834	114
391.10	Office Furniture & Equipment	13,043	5.82%	759	4.19%	548	(213)
393.00	Stores Equipment	8,103	2.87%	233	5.25%	425	193
394.00	Tool, Shop & Garage Equipment	282,594	2.74%	7,743	4.75%	13,423	5,680
395.00	Laboratory Equipment	35,772	3.18%	1,130	27.42%	9,809	8,678
397.10	Communication Equipment - Carrier	118,974	3.55%	4,153	7.13%	8,340	4,188
397.20	Communication Equip. - Remote Control	160,273	3.55%	5,690	7.95%	12,742	7,052
397.30	Communication Equipment - Mobile	277,433	3.55%	9,849	7.30%	20,253	10,404
398.00	Misc Equipment	9,129	5.19%	474	20.54%	1,875	1,401
	Total General Plant	<u>1,588,053</u>		<u>42,081</u>		<u>83,056</u>	<u>40,975</u>
	Total Plant in Service	<u>102,747,457</u>		<u>3,037,237</u>		<u>3,010,818</u>	<u>(26,420)</u>
<b>NONDEPRECIABLE PLANT</b>							
301.00	Organization	5,339					
350.10	Land	88,188					
360.10	Land	96,439					
389.10	Land	91,571					
	Total Nondepreciable Plant	<u>281,517</u>					
<b>ACCOUNTS NOT STUDIED</b>							
392.00	Transportation Equipment	1,315,837					
	Total Electric Plant	<u>104,324,812</u>					



**KENTUCKY UTILITIES COMPANY**

**Response to the First Data Request of Commission Staff  
Dated February 18, 2008**

**Case No. 2007-00565**

**Question No. 6**

**Witness: John J. Spanos**

- Q-6. Refer to the Direct Testimony of John J. Spanos (“Spanos Testimony”), page 12.
- a. Describe the basic differences between the average service life procedure and the equal life group procedure.
  - b. Provide the basis for the conclusion that the equal life group procedure reflects a more appropriate matching of capital recovery to asset utilization.
- A-6.
- a. The basic differences between the average service life procedure and the equal life group procedure are the matching principle of recovery to useful life and the advanced calculations for ELG to achieve a more appropriate depreciation rate.
  - b. I will use a simple two-unit basis for my conclusion as to why the equal life group (“ELG”) procedure reflects a more appropriate matching of capital recovery to asset utilization. The example excludes net salvage. Each unit costs \$1,000, Unit A is in service for 5 years and Unit B is in service for 15 years. Therefore, using the average service life procedure, the service life is 10 years  $((5+15)/2)$ , and the accrual rate is 10%. With two units of \$1,000 each, the annual expense is \$200  $(\$2,000 \times 10\%)$ . At the end of the 5th year, the accumulated annual provision is \$1,000  $(\$200 \times 5)$  minus \$1,000 (Unit A retired value) for a total accumulated depreciation of 0. Thus, Unit B is the only plant surviving after the fifth year and has one-third of its life expectancy gone, but the net book value is still \$1,000 (plant minus accumulated depreciation). This does not properly match recovery to asset utilization.

I will use the same two-unit example to set forth the equal life group recovery procedure. Unit A has a 5-year service life; therefore, annual expense is \$200  $(\$1,000/5)$ . Unit B has a 15-year service life; therefore, annual expense is \$66.67  $(\$1,000/15)$ . At the end of the fifth year, the cumulative annual provision of the two units is \$1,334  $(\$1,000 \text{ Unit A and } \$334 \text{ Unit B})$ . The retirement of Unit A is \$1,000 so accumulated depreciation is \$334  $(\$1,334 - \$1,000)$ . Thus, after 5 years, Unit B has experienced one-third of its life

expectancy and recovery of the \$1,000 asset is one-third accumulated. Consequently, the Equal Life Group procedure does a better job of matching recovery to asset utilization for both Unit A and Unit B.



**KENTUCKY UTILITIES COMPANY**

**Response to the First Data Request of Commission Staff  
Dated February 18, 2008**

**Case No. 2007-00565**

**Question No. 7**

**Witness: John J. Spanos**

Q-7. Refer to the Spanos Testimony, Exhibit JJS-KU, page II-37. Explain how the amortization periods shown on this page were determined. Include any analyses that were based upon KU's historic experience for any of the listed accounts.

A-7. The determination of the amortization periods for the accounts shown on page II-37 of Exhibit JJS-KU were not specifically based on the historic data of KU. The use of amortization accounting is different than past depreciation methods of dispersion, as amortization is designed to eliminate the need to track all the small units in each account. The difficulty in tracking these small units skews the historical life results.

Therefore, amortization periods are determined based on the most reasonable estimate of useful life for each asset class. For example, the most reasonable useful life for a computer is 5 years. The amortization periods for KU are ultimately based on a combination of comparable amortization periods of other utilities and the Company's expectation or plans for the useful life of the asset class. This methodology is utilized by almost all utilities across the United States and Canada.



**KENTUCKY UTILITIES COMPANY**

**Response to the First Data Request of Commission Staff  
Dated February 18, 2008**

**Case No. 2007-00565**

**Question No. 8**

**Witness: John J. Spanos**

- Q-8. Refer to the Spanos Testimony, Exhibit JJS-KU, pages III-4 through III-10. Prepare an analysis of the depreciation information as outlined below. The analysis should be at the same level of detail as shown on pages III-4 through III-10. The depreciation information should be organized in the following manner:
- a. Column 1 – Account.
  - b. Column 2 – Book Depreciation Reserve.
  - c. Column 3 – Future Accruals.
  - d. Column 4 – Total Book Depreciation Reserve and Future Accruals, Column 2 plus Column 3.
  - e. Column 5 – Original Cost.
  - f. Column 6 – Difference Depreciation vs. Original Cost, Column 4 minus Column 5.
  - g. Column 7 – Percentage Difference, Column 6 divided by Column 5, carry to two decimal places.

For each account where the Percentage Difference calculated in Column 7 is greater than 10 percent, explain in detail why the results are reasonable and why depreciation rates should be established to generate the proposed levels of Future Accruals.

- A-8. The attached schedule sets forth the requested information. With the exception of one amount in Account 316, which is explained in response to Staff-14, and a few amounts that have rounding differences, the percentage differences in Column 7 is the net salvage percent. The definition of future accruals is the summation of the Original Cost times one minus the net salvage percent minus the book reserve. As an example, the net salvage percent for Account 311 is negative 5 percent.

Because depreciation is recovery of service value, which includes cost of removal and gross salvage, not original cost, then the full service value is Original Cost times  $(1 - (-.05))$  or 1.05. If one were to multiply the original cost in Account 311 of Ghent Unit 3 by the appropriate factor (1.05), then one would get the appropriate amount of recovery through depreciation of \$45,427,268 ( $\$43,264,065 \times 1.05$ ). Consequently, the appropriate future accrual for Account 311, Ghent Unit 3 is \$45,427,268 minus \$30,879,487 (book reserve) or \$14,597,781. There is a slight rounding difference from the future accruals shown on page III-4 of Exhibit JJS-KU.

In summary, the presentation of the attached schedule does not properly reflect Column 4 due to net salvage, so the explanation of the difference for all accounts is the net salvage component.

KENTUCKY UTILITIES  
COMPARISON OF FUTURE ACCRUAL PERCENTAGE AS DETERMINED BY KENTUCKY COMMISSION STAFF

DEPRECIABLE PLANT	ACCOUNT (1)	BOOK DEPRECIATION RESERVE (2)	FUTURE ACCRUALS (3)	TOTAL BOOK RESERVE AND FUTURE ACCRUALS (4)=(2)+(3)	ORIGINAL COST (5)	DIFFERENCE DEPRECIATION VS. ORIGINAL COST (6)=(4)-(5)	PERCENT DIFFERENCE (7)
<b>STEAM PRODUCTION PLANT</b>							
311.00	STRUCTURES AND IMPROVEMENTS						
	TYRONE UNIT 3	5,719,715	0	5,719,715	5,447,348.04	272,366.96	5.00
	TYRONE UNITS 1 & 2	623,794	0	623,794	594,089.12	29,704.88	5.00
	GREEN RIVER UNIT 3	2,959,685	0	2,959,685	2,818,747.44	140,937.56	5.00
	GREEN RIVER UNIT 4	4,699,153	0	4,699,153	4,475,383.64	223,769.36	5.00
	GREEN RIVER UNITS 1 & 2	2,726,419	0	2,726,419	2,596,589.06	129,829.94	5.00
	E W BROWN STEAM UNIT 1	4,019,371	489,841	4,509,212	4,294,488.60	214,723.40	5.00
	E W BROWN STEAM UNIT 2	1,601,064	18,776	1,619,840	1,542,703.85	77,136.15	5.00
	E W BROWN STEAM UNIT 3	11,772,688	1,317,416	13,090,114	12,466,774.95	623,339.05	5.00
	GHEENT UNIT 1 SCRUBBER	12,908,242	12,605,452	25,513,694	24,298,756.00	1,214,938.00	5.00
	GHEENT UNIT 1	16,693,763	1,324,798	18,018,561	17,160,534.10	858,026.90	5.00
	GHEENT UNIT 2	15,322,267	1,662,345	16,984,612	16,175,819.55	808,792.45	5.00
	GHEENT UNIT 3	30,879,487	45,427,270	76,306,757	43,264,065.36	2,163,204.64	5.00
	GHEENT UNIT 4	14,696,973	9,111,535	23,808,508	22,674,768.92	1,133,739.08	5.00
	SYSTEM LABORATORY	489,488	356,515	846,003	805,717.00	40,286.00	5.00
	<b>TOTAL ACCOUNT 311 - STRUCTURES AND IMPROVEMENTS</b>	<b>125,112,119</b>	<b>41,434,461</b>	<b>166,546,580</b>	<b>158,615,785.63</b>	<b>7,930,794.37</b>	
312.00	BOILER PLANT EQUIPMENT						
	TYRONE UNIT 3	8,722,987	5,770,617	14,493,604	12,078,002.67	2,415,601.33	20.00
	TYRONE UNITS 1 & 2	4,237,948	0	4,237,948	3,531,623.26	706,324.74	20.00
	GREEN RIVER UNIT 3	9,229,286	4,205,028	13,434,314	11,195,261.77	2,239,052.23	20.00
	GREEN RIVER UNIT 4	16,557,439	11,826,097	28,383,536	23,652,944.82	4,730,591.18	20.00
	GREEN RIVER UNITS 1 & 2	368,045	111,274	479,319	399,431.39	79,887.61	20.00
	E W BROWN STEAM UNIT 1	22,619,327	20,036,098	42,655,425	35,546,187.28	7,109,237.72	20.00
	E W BROWN STEAM UNIT 2	16,369,045	16,611,295	32,980,340	29,161,949.77	3,818,390.23	20.00
	E W BROWN STEAM UNIT 3	53,468,196	42,118,379	95,586,575	79,655,480.64	15,931,094.36	20.00
	PINEVILLE UNIT 3	335,702	0	335,702	279,751.37	55,950.63	20.00
	GHEENT UNIT 1 SCRUBBER	39,966,835	63,857,475	103,824,310	86,520,258.20	17,304,051.80	20.00
	GHEENT UNIT 1	76,622,234	116,529,880	193,152,114	162,626,761.08	32,525,352.92	20.00
	GHEENT UNIT 2	66,731,446	40,959,059	107,690,505	89,742,087.02	17,948,417.98	20.00
	GHEENT UNIT 3	120,644,237	173,052,678	293,696,915	244,747,430.08	48,949,484.92	20.00
	GHEENT UNIT 4	109,503,263	187,996,162	297,499,425	247,916,189.17	49,583,235.83	20.00
	GHEENT LOCOMOTIVES - RAIL CARS	4,122,523	1,995,263	6,117,786	7,647,232.00	(1,529,446.00)	(20.00)
	<b>TOTAL ACCOUNT 312 - BOILER PLANT EQUIPMENT</b>	<b>551,512,513</b>	<b>687,069,305</b>	<b>1,238,581,818</b>	<b>1,034,700,590.52</b>	<b>203,881,227.48</b>	

KENTUCKY UTILITIES  
COMPARISON OF FUTURE ACCRUAL PERCENTAGE AS DETERMINED BY KENTUCKY COMMISSION STAFF

ACCOUNT (1)	BOOK DEPRECIATION RESERVE (2)	FUTURE ACCRUALS (3)	TOTAL BOOK RESERVE AND FUTURE ACCRUALS (4)=(2)+(3)	ORIGINAL COST (5)	DIFFERENCE VS. ORIGINAL COST (6)=(4)-(5)	PERCENT DIFFERENCE (7)
314.00	TURBOGENERATOR UNITS					
	TYRONE UNIT 3	3,064,045	4,777,591	4,154,426.75	623,164.25	15.00
	TYRONE UNITS 1 & 2	1,830,833	1,830,833	1,592,029.00	238,804.00	15.00
	GREEN RIVER UNIT 3	3,360,699	4,847,028	4,214,807.78	632,220.22	15.00
	GREEN RIVER UNIT 4	6,952,620	11,506,229	10,005,416.72	1,500,812.28	15.00
	E W BROWN STEAM UNIT 1	4,772,139	5,747,506	4,997,832.45	749,673.55	15.00
	E W BROWN STEAM UNIT 2	6,579,565	12,505,208	10,874,093.96	1,631,114.04	15.00
	E W BROWN STEAM UNIT 3	15,279,800	16,520,436	27,652,379.12	4,147,856.88	15.00
	PINEVILLE UNIT 3	7	7	6.00	1.00	16.67
	GHEENT UNIT 1	18,903,112	29,413,885	25,577,292.00	3,836,593.00	15.00
	GHEENT UNIT 2	22,189,830	33,978,660	29,546,660.86	4,431,999.14	15.00
	GHEENT UNIT 3	25,475,619	45,338,667	39,424,927.73	5,913,739.27	15.00
	GHEENT UNIT 4	30,273,930	59,496,647	51,736,214.11	7,760,432.89	15.00
	TOTAL ACCOUNT 314 - TURBOGENERATOR UNITS	138,682,019	241,242,497	209,776,086.48	31,466,410.52	
315.00	ACCESSORY ELECTRIC EQUIPMENT					
	TYRONE UNIT 3	599,274	599,274	570,737.00	28,537.00	5.00
	TYRONE UNITS 1 & 2	869,418	869,418	828,017.00	41,401.00	5.00
	GREEN RIVER UNIT 3	778,320	1,202,476	741,256.89	37,063.11	5.00
	GREEN RIVER UNIT 4	1,008,938	3,496,104	1,145,214.38	57,261.62	5.00
	E W BROWN STEAM UNIT 1	2,140,357	1,047,750	3,329,621.65	166,482.35	5.00
	E W BROWN STEAM UNIT 2	980,046	5,402,387	997,856.05	49,893.95	5.00
	E W BROWN STEAM UNIT 3	4,867,800	4,296	5,145,132.14	257,254.86	5.00
	PINEVILLE UNIT 3	4,296	4,296	4,091.00	205.00	5.01
	GHEENT UNIT 1 SCRUBBER	1,564,330	3,167,623	3,016,784.00	150,839.00	5.00
	GHEENT UNIT 1	7,191,574	8,023,056	7,641,004.90	382,051.10	5.00
	GHEENT UNIT 2	9,980,211	11,325,257	10,785,959.00	539,298.00	5.00
	GHEENT UNIT 3	19,868,126	27,259,283	25,961,222.00	1,298,061.00	5.00
	GHEENT UNIT 4	15,459,339	23,007,530	21,911,934.44	1,095,595.56	5.00
	TOTAL ACCOUNT 315 - ACCESSORY ELECTRIC EQUIPMENT	65,292,029	86,182,774	82,078,830.45	4,103,943.55	
316.00	MISCELLANEOUS PLANT EQUIPMENT					
	TYRONE UNIT 3	315,228	508,751	508,751.25	(0.25)	0.00
	TYRONE UNITS 1 & 2	59,096	59,096	59,095.15	(0.15)	0.00
	GREEN RIVER UNIT 3	81,176	153,390	153,389.71	0.29	0.00
	GREEN RIVER UNIT 4	1,391,491	2,096,051	2,096,051.79	(0.79)	0.00
	GREEN RIVER UNITS 1 & 2	84,748	84,748	84,747.53	0.37	0.00
	E W BROWN STEAM UNIT 1	240,971	424,041	424,040.93	0.07	0.00
	E W BROWN STEAM UNIT 2	73,141	85,648	85,648.00	0.00	0.00
	E W BROWN STEAM UNIT 3	2,355,622	4,233,635	4,233,635.79	(0.79)	0.00
	PINEVILLE UNIT 3	55,938	56,611	56,611.00	0.00	0.00
	GHEENT UNIT 1 SCRUBBER	450,352	985,410	985,410.00	0.00	0.00
	GHEENT UNIT 1	1,283,365	1,756,977	1,756,976.98	0.02	0.00
	GHEENT UNIT 2	1,168,299	1,493,093	1,493,093.78	0.22	0.00
	GHEENT UNIT 3	2,004,428	2,118,292	3,118,291.77	(999,899.77)	(32.07)
	GHEENT UNIT 4	2,775,136	6,052,104	6,052,103.27	0.73	0.00
	SYSTEM LABORATORY	555,212	2,198,255	2,198,264.59	(9.61)	0.00
	TOTAL ACCOUNT 316 - MISCELLANEOUS PLANT EQUIPMENT	12,894,203	22,306,112	23,306,111.44	(999,999.44)	
	TOTAL STEAM PRODUCTION PLANT	893,492,883	1,754,859,781	1,508,477,404.52	246,382,376.48	

KENTUCKY UTILITIES  
COMPARISON OF FUTURE ACCRUAL PERCENTAGE AS DETERMINED BY KENTUCKY COMMISSION STAFF

	ACCOUNT (1)	BOOK DEPRECIATION RESERVE (2)	FUTURE ACCRUALS (3)	TOTAL BOOK RESERVE AND FUTURE ACCRUALS (4)=(2)+(3)	ORIGINAL COST (5)	DIFFERENCE DEPRECIATION VS. ORIGINAL COST (6)=(4)-(5)	PERCENT DIFFERENCE (7)
	<b>HYDROELECTRIC PRODUCTION PLANT</b>						
330.10	LAND AND LAND RIGHTS DIX DAM	905,781	(26,470)	879,311	879,311.47	(0.47)	0.00
	TOTAL ACCOUNT 330.1 - LAND RIGHTS	905,781	(26,470)	879,311	879,311.47	(0.47)	
331.00	STRUCTURES AND IMPROVEMENTS DIX DAM	316,800	159,057	475,857	453,195.00	22,662.00	5.00
	TOTAL ACCOUNT 331 - STRUCTURES AND IMPROVEMENTS	316,800	159,057	475,857	453,195.00	22,662.00	
332.00	RESERVOIRS, DAMS & WATERWAY DIX DAM	6,384,461	1,569,991	7,954,452	7,954,452.04	(0.04)	0.00
	TOTAL ACCOUNT 332 - RESERVOIRS, DAMS & WATERWAYS	6,384,461	1,569,991	7,954,452	7,954,452.04	(0.04)	
333.00	WATER WHEELS, TURBINES & GENERATORS DIX DAM	394,072	68,518	462,590	420,536.56	42,053.44	10.00
	TOTAL ACCOUNT 333 - WATER WHEELS, TURBINES & GENERA:	394,072	68,518	462,590	420,536.56	42,053.44	
334.00	ACCESSORY ELECTRIC EQUIPMENT DIX DAM	76,888	8,495	85,383	85,383.14	(0.14)	0.00
	TOTAL ACCOUNT 334 - ACCESSORY ELECTRIC EQUIPMENT	76,888	8,495	85,383	85,383.14	(0.14)	
335.00	MISCELLANEOUS POWER PLANT EQUIPMENT DIX DAM	39,455	62,058	101,513	101,512.96	0.04	0.00
	TOTAL ACCOUNT 335 - MISCELLANEOUS POWER PLANT EQUIP	39,455	62,058	101,513	101,512.96	0.04	
336.00	ROADS, RAILROADS & BRIDGES DIX DAM	48,390	(1,414)	46,976	46,976.13	(0.13)	0.00
	TOTAL ACCOUNT 336 - ROADS, RAILROADS & BRIDGES	48,390	(1,414)	46,976	46,976.13	(0.13)	
	TOTAL HYDROELECTRIC PRODUCTION PLANT	8,165,847	1,840,235	10,006,082	9,941,367.30	64,714.70	
	<b>OTHER PRODUCTION PLANT</b>						
340.10	LAND AND LAND RIGHTS E W BROWN CT UNIT 9 GAS PIPE	71,698	104,711	176,409	176,409.31	(0.31)	0.00
	TOTAL ACCOUNT 340.1 - LAND AND LAND RIGHTS	71,698	104,711	176,409	176,409.31	(0.31)	

KENTUCKY UTILITIES  
COMPARISON OF FUTURE ACCRUAL PERCENTAGE AS DETERMINED BY KENTUCKY COMMISSION STAFF

	ACCOUNT (1)	BOOK DEPRECIATION RESERVE (2)	FUTURE ACCRUALS (3)	TOTAL BOOK RESERVE AND FUTURE ACCRUALS (4)=(2)+(3)	ORIGINAL COST (5)	DIFFERENCE VS. ORIGINAL COST (6)=(4)-(5)	PERCENT DIFFERENCE (7)
341.00	STRUCTURES AND IMPROVEMENTS						
	PADDY'S RUN GENERATOR 13	375,728	1,534,600	1,910,328	1,910,328.00	0.00	0.00
	E W BROWN CT UNIT 5	150,496	624,586	775,082	775,082.20	(0.20)	0.00
	E W BROWN CT UNIT 6	36,979	155,835	192,814	192,813.69	0.31	0.00
	E W BROWN CT UNIT 7	127,359	417,608	544,967	544,966.20	0.80	0.00
	E W BROWN CT UNIT 8	717,185	1,295,470	2,012,655	2,012,654.53	0.47	0.00
	E W BROWN CT UNIT 9	1,653,708	2,987,347	4,641,055	4,641,054.53	0.47	0.00
	E W BROWN CT UNIT 10	662,136	1,203,583	1,865,719	1,865,718.54	0.46	0.00
	E W BROWN CT UNIT 11	579,363	1,279,391	1,858,754	1,858,754.33	(0.33)	0.00
	TRIMBLE COUNTY CT UNIT 5	596,982	3,143,249	3,740,231	3,740,231.26	(0.26)	0.00
	TRIMBLE COUNTY CT UNIT 6	593,132	2,995,552	3,588,684	3,588,684.33	(0.33)	0.00
	TRIMBLE COUNTY CT UNIT 7	349,559	3,209,596	3,559,155	3,559,154.97	0.03	0.00
	TRIMBLE COUNTY CT UNIT 8	348,547	3,200,305	3,548,852	3,548,851.71	0.29	0.00
	TRIMBLE COUNTY CT UNIT 9	359,069	3,296,907	3,655,976	3,655,976.41	(0.41)	0.00
	TRIMBLE COUNTY CT UNIT 10	358,779	3,294,251	3,653,030	3,653,029.99	0.01	0.00
	HAEFLING UNITS 1, 2 & 3	300,252	134,601	434,853	434,853.00	0.00	0.00
	TOTAL ACCOUNT 341 - STRUCTURES AND IMPROVEMENTS	7,209,274	28,772,881	35,982,155	35,982,153.69	1.31	
342.00	FUEL HOLDERS, PRODUCERS AND ACCESSORIES						
	PADDY'S RUN GENERATOR 13	404,157	1,690,700	2,094,857	1,995,102.07	99,754.93	5.00
	E W BROWN CT UNIT 5	148,463	615,863	764,326	727,929.00	36,397.00	5.00
	E W BROWN CT UNIT 6	38,638	115,203	153,841	146,515.00	7,326.00	5.00
	E W BROWN CT UNIT 7	38,436	114,596	153,032	145,745.00	7,287.00	5.00
	E W BROWN CT UNIT 8	7,143	13,450	20,593	19,613.00	980.00	5.00
	E W BROWN CT UNIT 9	695,345	1,333,450	2,028,795	1,932,186.25	96,608.75	5.00
	E W BROWN CT UNIT 10	11,625	21,699	33,324	31,737.00	1,587.00	5.00
	E W BROWN CT UNIT 11	17,146	37,906	55,052	52,430.00	2,622.00	5.00
	E W BROWN CT UNIT 9 GAS PIPE	3,123,195	5,388,243	8,511,438	8,106,131.85	405,306.15	5.00
	TRIMBLE COUNTY CT UNIT 5	41,085	210,478	251,563	239,584.64	11,978.36	5.00
	TRIMBLE COUNTY CT UNIT 6	41,042	210,166	251,208	239,245.94	11,962.06	5.00
	TRIMBLE COUNTY CT PIPELINE	793,544	4,299,077	5,092,621	4,850,114.45	242,506.55	5.00
	TRIMBLE COUNTY CT UNIT 7	59,057	547,905	606,962	578,059.38	28,902.62	5.00
	TRIMBLE COUNTY CT UNIT 8	58,886	546,319	605,205	576,385.74	28,819.26	5.00
	TRIMBLE COUNTY CT UNIT 9	60,664	562,811	623,475	593,786.01	29,688.99	5.00
	TRIMBLE COUNTY CT UNIT 10	60,615	562,358	622,973	593,307.31	29,665.69	5.00
	HAEFLING UNITS 1, 2 & 3	187,221	2,967	190,188	181,132.00	9,056.00	5.00
	TOTAL ACCOUNT 342 - FULE HOLDERS, PRODUCERS AND ACC	5,786,262	16,273,191	22,059,453	21,009,004.64	1,050,448.36	
343.00	PRIME MOVERS						
	PADDY'S RUN GENERATOR 13	3,256,031	15,035,125	18,291,156	17,420,148.57	871,007.43	5.00
	E W BROWN CT UNIT 5	2,344,303	11,478,087	13,822,390	13,164,181.28	658,208.72	5.00
	E W BROWN CT UNIT 6	6,340,154	25,579,050	31,919,204	30,399,242.38	1,519,961.62	5.00
	E W BROWN CT UNIT 7	6,014,949	25,486,310	31,501,259	30,001,197.85	1,500,061.15	5.00
	E W BROWN CT UNIT 8	5,723,980	15,354,627	21,078,607	20,074,864.20	1,003,742.80	5.00
	E W BROWN CT UNIT 9	6,583,994	15,993,785	22,577,779	21,502,645.45	1,075,133.55	5.00
	E W BROWN CT UNIT 10	5,861,311	14,792,869	20,654,180	19,670,647.49	983,532.51	5.00
	E W BROWN CT UNIT 11	8,550,689	27,401,157	35,951,846	34,239,853.35	1,711,992.65	5.00
	TRIMBLE COUNTY CT UNIT 5	4,851,540	27,205,600	32,057,140	30,530,609.97	1,526,530.03	5.00
	TRIMBLE COUNTY CT UNIT 6	4,852,084	27,112,299	31,964,383	30,442,270.01	1,522,112.99	5.00
	TRIMBLE COUNTY CT UNIT 7	2,261,673	21,650,852	23,912,525	22,773,863.23	1,138,661.77	5.00
	TRIMBLE COUNTY CT UNIT 8	2,249,154	21,447,547	23,696,701	22,568,286.07	1,128,414.93	5.00

KENTUCKY UTILITIES  
COMPARISON OF FUTURE ACCRUAL PERCENTAGE AS DETERMINED BY KENTUCKY COMMISSION STAFF

	ACCOUNT (1)	BOOK DEPRECIATION RESERVE (2)	FUTURE ACCRUALS (3)	TOTAL BOOK RESERVE AND FUTURE ACCRUALS (4)=(2)+(3)	ORIGINAL COST (5)	DIFFERENCE DEPRECIATION VS. ORIGINAL COST (6)=(4)-(5)	PERCENT DIFFERENCE (7)
343.00	PRIME MOVERS, cont. TRIMBLE COUNTY CT UNIT 9 TRIMBLE COUNTY CT UNIT 10	2,232,370 2,229,974	21,289,400 21,287,060	23,521,770 23,497,034	22,401,685.39 22,378,127.55	1,120,084.61 1,118,906.45	5.00 5.00
	TOTAL ACCOUNT 343 - PRIME MOVERS	63,352,206	291,093,768	354,445,974	337,567,592.79	16,878,381.21	
344.00	GENERATORS PADDY'S RUN GENERATOR 13 E W BROWN CT UNIT 5 E W BROWN CT UNIT 6 E W BROWN CT UNIT 7 E W BROWN CT UNIT 8 E W BROWN CT UNIT 9 E W BROWN CT UNIT 10 E W BROWN CT UNIT 11 TRIMBLE COUNTY CT UNIT 5 TRIMBLE COUNTY CT UNIT 6 TRIMBLE COUNTY CT UNIT 7 TRIMBLE COUNTY CT UNIT 8 TRIMBLE COUNTY CT UNIT 9 TRIMBLE COUNTY CT UNIT 10 HAEFLING UNITS 1, 2 & 3	1,000,671 546,464 930,025 930,935 1,744,701 2,147,930 1,741,437 1,697,580 608,829 608,189 281,361 280,183 282,052 281,730 4,224,153	4,444,247 2,426,640 2,967,941 2,977,992 3,456,958 3,576,713 3,450,491 3,748,812 3,342,609 3,337,655 2,816,435 2,804,644 2,823,344 2,820,126 0	5,444,918 2,973,104 3,897,966 3,908,927 5,201,659 5,724,643 5,191,928 5,446,392 3,951,438 3,945,844 3,097,796 3,084,827 3,105,396 3,101,856 4,224,153	5,185,636.00 2,831,528.00 3,712,349.00 3,722,786.00 4,953,961.00 5,452,041.03 4,944,693.00 5,187,040.00 3,763,274.68 3,757,946.86 2,950,282.37 2,937,930.22 2,957,520.12 2,954,148.53 4,023,003.00	259,282.00 141,576.00 185,617.00 186,139.00 247,698.00 272,601.97 247,235.00 259,352.00 188,163.32 187,897.14 147,513.63 146,896.78 147,875.88 147,707.47 201,150.00	5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00 5.00
	TOTAL ACCOUNT 344 - GENERATORS	17,306,240	44,994,607	62,300,847	59,334,141.81	2,966,705.19	
345.00	ACCESSORY ELECTRIC EQUIPMENT PADDY'S RUN GENERATOR 13 E W BROWN CT UNIT 5 E W BROWN CT UNIT 6 E W BROWN CT UNIT 7 E W BROWN CT UNIT 8 E W BROWN CT UNIT 9 E W BROWN CT UNIT 10 E W BROWN CT UNIT 11 TRIMBLE COUNTY CT UNIT 5 TRIMBLE COUNTY CT UNIT 6 TRIMBLE COUNTY CT UNIT 7 TRIMBLE COUNTY CT UNIT 8 TRIMBLE COUNTY CT UNIT 9 TRIMBLE COUNTY CT UNIT 10 HAEFLING UNITS 1, 2 & 3	489,484 265,460 350,766 348,924 656,655 1,235,538 642,291 311,168 279,612 279,319 308,688 307,794 317,085 316,830 621,207	1,966,836 1,066,707 1,004,051 998,776 1,140,399 1,990,648 1,162,128 605,158 1,397,480 1,395,400 2,837,547 3,137,127 2,914,742 2,912,393 0	2,456,320 1,332,167 1,354,817 1,347,700 1,797,054 3,226,186 1,804,419 916,326 1,677,092 1,674,719 3,146,235 3,137,127 3,231,827 3,229,223 621,207	2,456,320.00 1,332,167.00 1,354,817.00 1,347,700.00 1,797,054.00 3,226,186.73 1,804,419.00 916,326.00 1,677,092.15 1,674,719.12 3,146,235.12 3,137,127.45 3,231,827.28 3,229,222.72 621,207.00	0.00 0.00 0.00 0.00 0.00 0.27 0.00 0.00 (0.15) (0.12) (0.12) (0.45) (0.28) 0.28 0.00	0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00
	TOTAL ACCOUNT 345 - ACCESSORY ELECTRIC EQUIPMENT	6,730,821	24,221,598	30,952,419	30,952,419.57	(0.57)	

KENTUCKY UTILITIES  
COMPARISON OF FUTURE ACCRUAL PERCENTAGE AS DETERMINED BY KENTUCKY COMMISSION STAFF

	ACCOUNT (1)	BOOK DEPRECIATION RESERVE (2)	FUTURE ACCRUALS (3)	TOTAL BOOK RESERVE AND FUTURE ACCRUALS (4)=(2)+(3)	ORIGINAL COST (5)	DIFFERENCE DEPRECIATION VS. ORIGINAL COST (6)=(4)-(5)	PERCENT DIFFERENCE (7)
346.00	MISCELLANEOUS PLANT EQUIPMENT						
	PADDY'S RUN GENERATOR 13	227,012	862,537	1,089,549	1,089,549.00	0.00	0.00
	E W BROWN CT UNIT 5	437,065	1,671,845	2,108,910	2,108,910.25	(0.25)	0.00
	E W BROWN CT UNIT 6	8,009	40,950	48,959	48,958.88	0.12	0.00
	E W BROWN CT UNIT 7	7,076	28,572	35,648	35,647.85	0.15	0.00
	E W BROWN CT UNIT 8	85,995	144,074	230,069	230,069.23	(0.23)	0.00
	E W BROWN CT UNIT 9	284,968	475,286	760,256	760,256.23	(0.23)	0.00
	E W BROWN CT UNIT 10	94,026	180,365	274,391	274,390.79	0.21	0.00
	E W BROWN CT UNIT 11	112,820	435,768	548,588	548,588.10	(0.10)	0.00
	TRIMBLE COUNTY CT UNIT 5	375	14,899	15,274	15,274.16	(0.16)	0.00
	TRIMBLE COUNTY CT UNIT 7	937	7,952	8,889	8,889.93	0.07	0.00
	TRIMBLE COUNTY CT UNIT 8	934	7,927	8,861	8,861.01	(0.01)	0.00
	TRIMBLE COUNTY CT UNIT 9	961	8,153	9,114	9,113.52	0.48	0.01
	TRIMBLE COUNTY CT UNIT 10	960	8,146	9,106	9,105.52	0.48	0.01
	HAEFLING UNITS 1, 2 & 3	33,661	2,144	35,805	35,805.00	0.00	0.00
	TOTAL ACCOUNT 346 - MISCELLANEOUS PLANT EQUIPMENT	1,294,799	3,888,620	5,183,419	5,183,418.47	0.53	0.00
	TOTAL OTHER PRODUCTION PLANT	101,751,300	409,349,376	511,100,676	490,205,140.28	20,895,535.72	0.00
	TRANSMISSION PLANT						
350.10	LAND AND LAND RIGHTS	15,050,587	8,290,867	23,341,454	23,341,455.00	(1.00)	0.00
352.00	STRUCTURES & IMPROVEMENTS-NON SYS CONTROL/COM	3,813,782	4,910,791	8,724,573	6,979,653.25	1,744,919.75	25.00
353.00	STRUCTURES & IMPROVEMENTS - SYS CONTROL/COM	813,907	645,823	1,459,730	1,167,783.17	291,946.83	25.00
353.20	STATION EQUIPMENT - NON SYS CONTROL/COM	59,471,929	148,298,883	207,770,812	173,142,340.90	34,628,471.10	20.00
354.00	TOWERS AND FIXTURES	16,016,356	17,682,783	33,699,139	14,749,280.69	2,949,858.31	20.00
355.00	POLES AND FIXTURES	42,955,413	36,179,691	79,135,104	63,308,079.23	15,827,024.77	25.00
356.00	OVERHEAD CONDUCTORS AND DEVICES	64,388,897	81,715,632	146,084,529	91,302,830.77	54,781,698.23	60.00
357.00	UNDERGROUND CONDUIT	100,060,047	94,573,434	194,633,481	129,755,652.44	64,877,828.56	50.00
358.00	UNDERGROUND CONDUCTORS AND DEVICES	134,595	314,165	448,760	448,760.26	(0.26)	0.00
	TOTAL TRANSMISSION PLANT	303,488,243	376,924,101	680,412,344	505,310,597.61	175,101,746.39	0.00
	DISTRIBUTION PLANT						
360.10	LAND AND LAND RIGHTS	1,022,041	474,132	1,496,173	1,496,173.36	(0.36)	0.00
361.00	STRUCTURES AND IMPROVEMENTS	1,509,377	3,394,311	4,903,688	4,457,893.55	445,794.45	10.00
362.00	STATION EQUIPMENT	30,916,216	64,995,316	95,911,532	100,792,637.54	15,118,694.46	15.00
364.00	POLES, TOWERS, AND FIXTURES	108,962,347	172,036,488	280,998,835	193,793,678.56	87,207,156.44	45.00
365.00	OVERHEAD CONDUCTORS AND DEVICES	105,672,071	210,836,003	316,508,074	180,861,758.25	135,646,315.75	75.00
366.00	UNDERGROUND CONDUIT	702,456	1,026,041	1,728,497	1,728,495.59	1.41	0.00
367.00	UNDERGROUND CONDUCTORS AND DEVICES	18,432,179	55,385,190	73,817,369	70,302,254.23	3,515,114.77	5.00
368.00	LINE TRANSFORMERS	85,924,430	200,615,470	286,539,960	238,783,304.20	47,756,655.80	20.00
369.00	SERVICES	53,033,588	55,011,631	108,045,219	83,111,706.05	24,933,512.95	30.00
370.00	METERS	26,989,792	37,886,282	64,856,074	64,856,075.30	(1.30)	0.00
371.00	INSTALLATIONS ON CUSTOMER PREMISES	14,013,191	6,090,914	20,104,105	18,276,458.22	1,827,646.78	10.00
373.00	STREET LIGHTING AND SIGNAL SYSTEMS	23,870,883	32,451,424	56,322,307	53,640,293.35	2,682,013.65	5.00
	TOTAL DISTRIBUTION PLANT	471,028,631	860,205,202	1,331,233,833	1,012,100,728.20	319,133,104.80	0.00

KENTUCKY UTILITIES  
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ACCOUNT (1)	BOOK DEPRECIATION RESERVE (2)	FUTURE ACCRUALS (3)	TOTAL BOOK RESERVE AND FUTURE ACCRUALS (4)=(2)+(3)	ORIGINAL COST (5)	DIFFERENCE DEPRECIATION VS. ORIGINAL COST (6)=(4)-(5)	PERCENT DIFFERENCE (7)
<b>GENERAL PLANT</b>						
390.10	8,632,707	25,177,023	33,809,730	32,199,743.43	1,609,986.57	5.00
390.20	372,366	186,206	558,572	531,973.44	26,598.56	5.00
391.10	2,868,652	3,778,161	6,646,813	6,646,812.13	0.87	0.00
391.20	7,567,325	3,724,660	11,291,985	11,291,984.97	0.03	0.00
391.30	532,363	265,212	817,575	817,574.88	0.12	0.00
391.40	779,327	1,153,012	1,932,339	1,932,338.56	0.42	0.00
393.00	289,571	449,105	738,676	738,677.31	(1.31)	0.00
394.00	1,597,795	3,735,722	5,333,517	5,333,517.39	(0.39)	0.00
395.00	1,586,334	1,615,868	3,202,202	3,202,201.94	0.06	0.00
396.00	99,450	171,492	270,942	270,941.73	0.27	0.00
397.10	1,666,583	5,912,323	7,578,906	7,578,905.59	0.41	0.00
397.20	1,567,195	2,345,866	3,913,061	3,913,059.76	1.24	0.00
397.30	1,806,815	2,852,958	4,659,773	4,659,773.21	(0.21)	0.00
398.00	252,657	142,152	394,809	394,808.70	0.30	0.00
<b>TOTAL GENERAL PLANT</b>	<b>29,619,140</b>	<b>51,529,760</b>	<b>81,148,900</b>	<b>79,512,313.06</b>	<b>1,636,586.94</b>	
<b>TOTAL DEPRECIABLE PLANT</b>	<b>1,807,546,044</b>	<b>2,561,215,572</b>	<b>4,368,761,616</b>	<b>3,605,547,550.97</b>	<b>763,214,065.03</b>	



**KENTUCKY UTILITIES COMPANY**

**Response to the First Data Request of Commission Staff  
Dated February 18, 2008**

**Case No. 2007-00565**

**Question No. 9**

**Witness: John J. Spanos**

- Q-9. Refer to the Spanos Testimony, Exhibit JJS-KU, page III-4. Explain the meaning of the “\*\*” by the Accrual Rate for Account No. 312.00 – Boiler Plant Equipment – Ghent Unit 3.
- A-9. The explanation of the “\*\*” by the Accrual rate for Account 312.00 – Boiler Plant Equipment – Ghent Unit 3, is for the future accrual rate of 3.54% for the Ghent Unit 3 Scrubber when completed. This footnote should be shown on the bottom of page III-10; however, it was inadvertently cropped during report reproduction.



**KENTUCKY UTILITIES COMPANY**

**Response to the First Data Request of Commission Staff  
Dated February 18, 2008**

**Case No. 2007-00565**

**Question No. 10**

**Witness: John J. Spanos**

- Q-10. Refer to the Spanos Testimony, Exhibit JJS-KU, pages III-7 through III-9. KU jointly owns 10 combustion turbines (“CTs”) with Louisville Gas and Electric Company (“LG&E”). The CTs are Paddy’s Run – Generator 13, E. W. Brown CTs 5 through 7, and Trimble County CTs 5 through 10.
- a. A comparison of the depreciation information on pages III-7 through III-9 with the corresponding pages in the LG&E depreciation study reveals that the survivor curves, accrual rates, and composite remaining lives are not the same for the jointly owned assets. Explain in detail why it is reasonable for KU and LG&E to have different depreciation rates for the same jointly owned assets.
  - b. Provide the “Summary of Book Salvage” data for Account Nos. 341 through 346.
- A-10. a. There are alternate ways to determine an appropriate interim survivor curve for an asset class; however, it is critical to determine which assets are most homogenous, both as a result of the past and the future. Until recently, the production units for KU were managed and operated differently than the LG&E units. Therefore, in Mr. Spanos’ experience, the most homogeneous historical asset classes were used to determine life characteristics based at the individual predecessor company level, not the cumulative company level. This is important because there were some operational differences between the two predecessor companies with regard to maintenance and capitalization. Therefore, the past life characteristics of all the KU units were different than the past life characteristics of all the LG&E units, and the total units for each company were different. The other issue that came into play which prevented the studying of life characteristics of the common units among KU and LG&E was the lack of unit identification of all transactions since the original year of installation. In summary, it was determined the most appropriate and most homogeneous comparison by account would be of the units by predecessor company. The probable retirement date or lifespan is identical for common units between the two components.

The net salvage percents are basically the same for all units among the two Companies. However, it is critical to point out that the depreciation rate and composite remaining life are based on four parameters. First is the interim survivor curve and probable retirement date. Second is the net salvage component. Third is the depreciation procedure and reserve to plant ratio. Fourth is the age of the surviving age distribution at the time of calculation. If any one of these four factors is different, then the depreciation rate and composite remaining life will not be equal. Since history is clear that these two Companies did not have the identical recovery patterns since the initial year of installation, then the reserve to plant ratio will only be the same at retirement when everything is fully recovered.

A remaining life rate is based on recovering the future accruals (original cost times net salvage minus book reserve) over the remaining life of the asset class. The actual overall remaining life is the date of the study minus the probable retirement date. The unit remaining life on the summary schedule is the numerical computation of the vintage future accruals divided by the summation of the vintage annual accruals with all the parameters included.

- b. The attached pages set forth the available net salvage data for Accounts 341 through 346. This analyses is not representative of future expectations of a net salvage component, therefore, was not relied upon when establishing the net salvage component for these accounts.

## KENTUCKY UTILITIES

## ACCOUNT 341 STRUCTURES AND IMPROVEMENTS

## SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL AMOUNT PCT	GROSS SALVAGE AMOUNT PCT	NET SALVAGE AMOUNT PCT
1998	1,899-	0	1,899-100	1,899-100
1999	857,080	0	780,306 91	780,306 91
2000				
2001				
2002				
2003				
2004				
2005				
2006				
TOTAL	855,181	0	778,407 91	778,407 91

## THREE-YEAR MOVING AVERAGES

98-00	285,060	0	259,469 91	259,469 91
99-01	285,693	0	260,102 91	260,102 91
00-02				
01-03				
02-04				
03-05				
04-06				

## FIVE-YEAR AVERAGE

02-06

KENTUCKY UTILITIES

ACCOUNT 342 FUEL HOLDERS, PRODUCERS AND ACCESSORIES

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1998	2,644--		0	2,644--	100	2,644--	100
1999	1,450,751		0	1,320,799	91	1,320,799	91
2000							
2001							
2002							
2003							
2004	81,569	2,060	3		0	2,060--	3--
2005							
2006	11,267	715	6		0	715--	6--
TOTAL	1,540,943	2,775	0	1,318,155	86	1,315,380	85

THREE-YEAR MOVING AVERAGES

98-00	482,702		0	439,385	91	439,385	91
99-01	483,584		0	440,266	91	440,266	91
00-02							
01-03							
02-04	27,190	687	3		0	687--	3--
03-05	27,190	687	3		0	687--	3--
04-06	30,945	925	3		0	925--	3--

FIVE-YEAR AVERAGE

02-06	18,567	555	3		0	555--	3--
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KENTUCKY UTILITIES

ACCOUNT 343 PRIME MOVERS

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1997	2,330,051	31,638	1	2,330,051	100	2,298,413	99
1998	5,305,522		0	5,305,522	100	5,305,522	100
1999	2,366,536		0	2,154,552	91	2,154,552	91
2000							
2001							
2002							
2003	1,776,054		0		0		0
2004	222,656	1,751,509	787-		0	1,751,509	787
2005							
2006	7,517,883	458,920	6		0	458,920	6-
TOTAL	19,518,702	1,260,951	6-	9,790,125	50	11,051,076	57

THREE-YEAR MOVING AVERAGES

97-99	3,334,036	10,546	0	3,263,375	98	3,252,829	98
98-00	2,557,353		0	2,486,691	97	2,486,691	97
99-01	788,845		0	718,184	91	718,184	91
00-02							
01-03	592,018		0		0		0
02-04	666,237	583,836	88-		0	583,836	88
03-05	666,237	583,836	88-		0	583,836	88
04-06	2,580,180	430,863	17-		0	430,863	17

FIVE-YEAR AVERAGE

02-06	1,903,319	258,518	14-		0	258,518	14
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KENTUCKY UTILITIES  
 ACCOUNT 344 GENERATORS  
 SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1998	15,381		0	15,381	100	15,381	100
1999							
2000	128,839		0		0		0
2001	44,894		0		0		0
2002							
2003							
2004							
2005							
2006							
TOTAL	189,114		0	15,381	8	15,381	8

THREE-YEAR MOVING AVERAGES

98-00	48,073		0	5,127	11	5,127	11
99-01	57,911		0		0		0
00-02	57,911		0		0		0
01-03	14,965		0		0		0
02-04							
03-05							
04-06							

FIVE-YEAR AVERAGE

02-06

KENTUCKY UTILITIES

ACCOUNT 345 ACCESSORY ELECTRIC EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL AMOUNT PCT	GROSS SALVAGE AMOUNT PCT	NET SALVAGE AMOUNT PCT
1998	10,814-	0	10,814-100	10,814-100
1999	154,075	0	140,274 91	140,274 91
2000				
2001				
2002				
2003				
2004				
2005				
2006				
TOTAL	143,261	0	129,460 90	129,460 90

THREE-YEAR MOVING AVERAGES

98-00	47,754	0	43,153 90	43,153 90
99-01	51,358	0	46,758 91	46,758 91
00-02				
01-03				
02-04				
03-05				
04-06				

FIVE-YEAR AVERAGE

02-06

KENTUCKY UTILITIES

ACCOUNT 346 MISCELLANEOUS POWER PLANT EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
1998	11,600-		0	11,600-	100	11,600-	100
1999	182,339		0	166,006	91	166,006	91
2000							
2001							
2002							
2003							
2004							
2005							
2006							
TOTAL	170,739		0	154,406	90	154,406	90

THREE-YEAR MOVING AVERAGES

98-00	56,913		0	51,469	90	51,469	90
99-01	60,780		0	55,335	91	55,335	91
00-02							
01-03							
02-04							
03-05							
04-06							

FIVE-YEAR AVERAGE

02-06

□



**KENTUCKY UTILITIES COMPANY**

**Response to the First Data Request of Commission Staff  
Dated February 18, 2008**

**Case No. 2007-00565**

**Question No. 11**

**Witness: John J. Spanos**

- Q-11. Refer to the Spanos Testimony, Exhibit JJS-KU, page III-9. Explain in detail why the Future Accrual is larger than the Original Cost for Account No. 365.00 – Overhead Conductors and Devices. In addition, explain why the result is reasonable and why the proposed level of Future Accrual should be reflected in the approved depreciation rate.
- A-11. As discussed in response to Staff-8, the future accruals are not only determined by Original Cost minus book reserve. The appropriate calculation for future accruals is the summation of the original cost multiplied by one minus the net salvage percent minus the book reserve. Therefore, for Account 365, the full recovery of all assets currently in service based on the negative 75% net salvage is \$316,508,076. Considering the appropriate recovery level, the resulting \$210,836,003 future accruals is reasonable for this Account.



**KENTUCKY UTILITIES COMPANY**

**Response to the First Data Request of Commission Staff  
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**Case No. 2007-00565**

**Question No. 12**

**Witness: John J. Spanos**

- Q-12. Refer to the Spanos Testimony, Exhibit JJS-KU. For each of the “Original and Smooth Survivor Curves” listed below, explain why the selected Iowa Curve is the best fit given the information plotted. Also indicate whether there were other Iowa Curves that reflected a fit similar to the plotted information.
- a. Page III-55, Account No. 336 - Roads, Railroads, and Bridges.
  - b. Page III-76, Account No. 352.1 – Structures and Improvements – Non-System Control.
  - c. Page III-84, Account No. 353.1 – Station Equipment – Non-System Control.
- A-12. The statistical analyses for the accounts listed above were not fit statistically due to limited data to analyze. Therefore, other Iowa curves were considered but not fit or plotted. The curve fitting analysis was included in response to AG-1.
- a. The life analysis performed by Gannett Fleming is not solely a statistical analysis, so the selected Iowa Curve is a combination of historical data, informed judgment, estimates of other utilities and expectations of management. As set forth on pages II-24 through II-28 of Exhibit JJS-KU, the statistical indications for Account 336 were inconclusive with only one retirement. Based on the nature of the assets in this account and the relationship these assets have with the other hydro accounts, it was determined that a 55-R4 interim survivor curve with a life span of 95 years was most appropriate.
  - b. Once again this was not an account that the historical data had a major impact on the life determination. The curve plotted on page II-76 is the most reasonable estimate based on the nature of the assets within the account and informed judgment as described in part a) of this response. The 65-S2.5 curve has an average service life of 65 years and a maximum life expectancy of 115 years. This is a reasonable estimate for substation buildings.

- c. This was not an account that the statistical data was the only or primary indicator of life determination. The first 40 age intervals are quite close statistically to the 60-R2 smooth curve. However, judgment, as described above, was utilized to propose this most reasonable estimate. The 60-R2 survivor curve for substation equipment is on the long side of the industry range. The 60-year average and 108-year maximum life is actually long for such assets as electronic controls, transformers, breakers, reactors, etc., however, KU's past practice has been to maintain instead of replace whenever feasible, so average life is long.



**KENTUCKY UTILITIES COMPANY**

**Response to the First Data Request of Commission Staff  
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**Case No. 2007-00565**

**Question No. 13**

**Witness: John J. Spanos**

- Q-13. Refer to the Spanos Testimony, Exhibit JJS-KU. For each of the accounts listed below, explain how the net salvage percentage shown for the account on pages III-4 through III-10 is supported by the information presented on the referenced pages from the "Summary of Book Salvage." If depreciation studies for other utilities were utilized, identify the utility, indicate when the study was prepared, and explain why it was reasonable to use information from that study.
- a. Account No. 311 – Structures and Improvements, page III-184.
  - b. Account No. 316 – Miscellaneous Power Plant Equipment, page III- 188.
  - c. Account No. 333 – Water Wheels, Turbines, and Generators, page III-191.
  - d. Account No. 352 – Structures and Improvements, page III-194.
  - e. Account No. 353 – Station Equipment, page III-195.
  - f. Account No. 355 – Poles and Fixtures, page III-197.
  - g. Account No. 356 – Overhead Conductors and Devices, page III- 198.
  - h. Account No. 362 – Station Equipment, page III-200.
  - i. Account No. 364 – Poles, Towers, and Fixtures, page III-201.
  - j. Account No. 365 – Overhead Conductors and Devices, page III- 202.
  - k. Account No. 367 – Underground Conductors and Devices, page III- 203.
  - l. Account No. 373 – Street Lighting and Signal Systems, page III- 208.
  - m. Account No. 390 – Structures and Improvements, page III-209

A-13. It is Mr. Spanos' opinion that estimates of others is critical in understanding reasonable life and salvage estimates to be used in every study. Studies cannot be based solely on statistics, especially when data is limited. Therefore, Mr. Spanos utilized his experience and informed judgment of conducting hundreds of depreciation studies over his career to determine industry information is reasonable to use when conducting a study. The industry statistics are set forth in response to AG-8.

- a. As stated on pages II-28 through II-30, the statistical data set forth on page III-184 was not a major indicator of the net salvage estimate for Account 311. The most important factors were informed judgment based on estimates of others and Company expectations in the future.
- b. As stated on page II-28 through II-30, the statistical data set forth on page III-188 was not a major indicator of the net salvage estimate for Account 316. The most important factors were informed judgment based on estimates of others and Company expectations in the future.
- c. As stated on page II-28 through II-30, the statistical data set forth on page III-191 was not a major indicator of the net salvage estimate for Account 333. The most important factors were informed judgment based on estimates of others and Company expectations in the future.
- d. As stated on page II-28 through II-30, the statistical data set forth on page III-194 was not a major indicator of the net salvage estimate for Account 352. The most important factors were informed judgment based on estimates of others and Company expectations in the future.
- e. The statistical data set forth on page III-195 and the estimates of others were the strong indicators of the net salvage percent for Account 353. The overall period, 1988-2006 net salvage estimate is positive 16%, however, the trend toward the most recent five years is negative 21%. It has been determined that the most recent five-year period is more indicative of future expectations of net salvage, therefore, emphasis was placed on that data.
- f & g. The estimates of net salvage for Accounts 355 and 356 were handled in the same manner as described for Account 353. However, the trend toward the most recent five-year period is strongly influenced by the cost of removal amount in 2006. It is not anticipated that the high ratio of cost of removal to plant retired will continue in the future, so industry averages were also a strong factor in reducing the very high negative net salvage percent to a more reasonable expectation of net salvage going forward.
- h,i & j. The net salvage analyses for Accounts 362, 364 and 365 were based on

informed judgment that utilized the historical data and industry averages for each account. The most recent five-year period was the strongest indicator of the net salvage percent that should be expected in the future for each account.

- k. The overall 1988-2006 statistical data set forth on page III-203 was considered an indicator of the future, however, emphasis was placed on the most recent five-year period. The historical data from 1988-2000 set forth extremely high levels of gross salvage which are not expected to reoccur in the future, therefore, using the data as future net salvage indicators would be inappropriate. Consequently, the most recent five year estimate of negative 2% and industry averages led to the negative 5% estimate.
- l. The overall 1988-2006 statistical data set forth on page III-208 was considered an indicator of the future, however, emphasis was placed on the most recent five-year period. The historical data from 1988-2000 set forth extremely high levels of gross salvage which are not expected to reoccur in the future, therefore, using the data as future net salvage indicators would be inappropriate. Consequently, the most recent five year estimate of negative 1% and industry averages led to the negative 5% estimate.
- m. The statistical analysis for Account 390 on page III-209 was not considered to be a strong indicator of future expectations. The gross salvage amounts during 1993-1999 and 2001 are not expected to reoccur, therefore, using the data as future net salvage indicators would be inappropriate. The estimates of others, as well as the fact that the cost of removal amounts were considered to reoccur, led to the negative 5% net salvage percent.



**KENTUCKY UTILITIES COMPANY**

**Response to the First Data Request of Commission Staff  
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**Question No. 14**

**Witness: John J. Spanos**

- Q-14. Refer to the Spanos Testimony, Exhibit JJS-KU, pages III-5 and III-254. Explain why the Composite Remaining Life shown for Account No. 316 – Miscellaneous Plant Equipment, does not agree with the Composite Remaining Life shown for that account.
- A-14. The Composite Remaining life for Account 316, Miscellaneous Plant Equipment, on pages III-5 and III-254 of Exhibit JJS-KU, should agree. There is an error on page III-5 for the future accruals of Ghent Unit 3. The correct amount, as shown on page III-252 is \$1,113,864, not the \$113,864. The actual rate shown on page III-5 for Ghent Unit 3 is correct, however, the Composite Remaining life should be 25.3 years.